Canadian Chamber of Commerce
Chambre de Commerce du Canada

2020

POLICY RESOLUTIONS

Finance & Taxation

1. Rebuilding the Economy - Reinvigorating Investment Attraction Policy in Canada

DESCRIPTION

The federal government has made efforts in the past to create a competitive investment and venture capital environment, however the current policy focus on sufficiently building the economy this way in recent years is seemingly lacking and not well understood. Although Invest in Canada's work is important and reports successful progress, more can and should be done (and in new ways) especially as the country re-builds from COVID-19.

BACKGROUND

"A core recommendation from CEOs of successful Canadian firms is that all players in Canada need to raise their game in investment attraction, learning lessons from best-practice jurisdictions …."

Invest in Canada is Canada's global investment attraction and promotion agency and the foreign investor's primary point of contact. Its customized services help global companies discover investment opportunities in Canada. Formally established in 2018, Invest in Canada works collaboratively with provincial, territorial and municipal governments to identify the gaps and barriers that exist to foreign direct investment to ensure its efforts and services are complimentary.

Key services are providing: A. Investment support; market intelligence, business case development and site visits. B. Introductions; connections in industry, academia, and government as well as to provincial, territorial, and local investment promotion agencies as well as to investment support professionals such as lenders, lawyers and accountants. C. Roadmaps; of industry regulatory environments and access tax and R&D credits as well as other incentives.

Ian McKay, Chief Executive Officer of Invest Canada reported to the Globe and Mail in 2019 that Canada's attraction of FDI increased by 60% in 2018, surpassing a 10 year over year average by 11 percent. This happened when global capital into developed countries dropped by 40 percent and outflows from China to Canada dropped by more than 20%. As well historically the US has been the dominant source of FDI into Canada however, in 2018 non-US FDI in Canada increased by more than 300 percent. McKay stated that we are, moreover, doing a better job of investment attraction across sectors. For new investment projects Canada's marginal effective tax rate is 13.8 percent, almost five full points below the US and lowest in the Group of Seven. Most importantly we also lead in talent attraction, retention and skilled labour pool that is also a currency attracting investors. In the past five years Vancouver and Toronto have recruited more technology workers than San Francisco and Seattle combined. There is also the federal government superclusters initiative of digital technology, protein industries, advanced manufacturing, AI and ocean sciences. Canadian and multinational companies are collaborating to create innovative products, services, and solutions for the global economy. However, McKay also emphasizes that we are not out of the woods and “to encourage global investment, we need to recognize and articulate Canada’s significant competitive advantages – including talent, corporate tax measures, natural resources while we address policies that impede capital flow.”

The Fraser Institute and its November 2018 report, The Flight of Capital from Canada however paints a different picture:

“The federal government’s introduction of higher taxes, mounting debt and increased regulation has left Canada a much less attractive place to invest.” The results have been ominous, to say the least. “Crucially, Canadians have increasingly looked to other countries to invest, with the amount Canadians invest abroad rising 74 percent from 2013 to 2017,” the report warned.

“At the same time…investment from other countries into Canada dropped a staggering 55.1 percent.” What this signifies is tens of billions of dollars in capital investments and tens of thousands of well-paying jobs – all of it now occurring in other countries. ” – Fraser Institute

It is also worth noting that the World Bank’s most recent “Ease of Doing Business” analysis Canada dropped from fourth place in 2006 to 22nd in 2019 (Morgan 2019). Moreover, according to a Business Council of Canada survey, listed Canada’s “uncertainty and lack of predictability in regulatory processes” as negatives for investors (Morgan 2019). Some argue that the current levels of government spending are being used to offset a dramatic loss of private-sector confidence (Morgan 2019).

The federal government has made efforts in the past to create a competitive investment and venture capital environment, however the current government’s policy focus on sufficiently building the economy this way in recent years is seemingly lacking and not well understood. Although Invest in Canada’s work is important and reports successful progress, more can and should be done (and in new ways) especially as the country re-builds from COVID-19.

This is particularly important given Canada has been taking on large sums of debt otherwise, left to repay through other means such as increasing taxes on families and the middle class.
The current market debt is 1 trillion dollars and our debt to GDP over 48% a near record high.

During the late 60s and through the 70s, federal spending rose from 30 percent to 53 percent of GDP and by 1981, Canada’s prime lending rate reached an incredible 22 percent (Morgan 2019). The inability to meet skyrocketing interest costs induced widespread corporate and personal bankruptcies and mortgage rates caused many Canadians to lose their homes as well accessing business risk capital was virtually impossible (Morgan 2019).

When observing the current landscape of Canadian investment attraction initiatives a considerable amount of funding is focused on government marketing administration such as through Invest Canada and subsidy and program funding-based approaches. These approaches can be viewed upon as stimulus strategies (debatable during a non-recession period) however, the exact return on investment and spillover effects on the economy is evasive and the cost to our national debt for such spending must be considered.

For example, the government's superclusters initiative is investing nearly $2B into the economy over the next 10 years. Furthermore, the government's Strategic Innovation Fund (SIF) has committed 1.26 billion over 5 years.

The government would benefit from finding new and innovative ways to implement tax breaks and related financial policy incentives as a more efficient method to mitigate national debt accumulation. For example, more advantages such as the Accelerated Investment Incentive which provides an enhanced capital cost allowance (CCA) on equipment purchases.
Full expensing in the first year for manufacturing and processing (M&P) and clean energy equipment purchases.

Venture Capital
Relatedly, enabling venture capital to help attract and grow investments is an area that government has traditionally played a role in, particularly in the past 30 years. Government has become to be involved for a few reasons including: investors tend to judge venture capital as too risky, government see private-sector led venture capital funds as to small to support fully certain company and portfolio requirements and the general perception that left to its own, the market has not provided sufficient venture capital (Remillard, 2017: 2).

In Canada, venture capital has generally experienced challenges that have constrained its ability to channel appropriate levels of capital and management support to potentially high growth Canadian companies. Policy experimentation and a patchwork of approaches and initiatives are reasons behind the challenges and stem from uncertainty about what is the most effective way to channel more capital to high growth SMEs and build an autonomous venture capital industry (Remillard, 2017: 2). However, there are several programs and initiatives at both provincial and federal levels, using a broad mix of tax preferences and program measures to grow venture capital investing volumes in Canada (Remillard, 2017: 3). The US is a significant source of Canadian FDI, with roughly 40 percent of all venture capital investment dollars in Canada (Remillard, 2017: 2). Government involvement sends out signals to venture capital funds and investors that are key and important signs of involvement. "To most Canadian venture capital funds today, securing funding from government or a government backed entity has increasingly become imperative (Remillard, 2017: 8)." Although, government funding does not guarantee success, it is a potential red flag if there is a lack of government funding (Remillard, 2017).

RECOMMENDATIONS

That the Government of Canada:

1. Re-evaluate Canada's investment attraction framework to better align strategies across all orders of government and improve investor confidence. This should include:
    - Improve existing and institute new investment incentives for both domestic and foreign investors
    - Expand capital cost allowances and classes
    - A dedicated venture capital framework
    - Enhance performance measurement to inform policy and regulation

NOTES

[1], [2], [3], [4], [5], [6], [7], [8], [9], [10], [11], [12], [13]

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[1] Remillard, Richard. January 2017. C.D. Howe Institute. "Government Intervention in Venture Capital in Canada: Toward Greater Transparency and Accountability"
[2] https://www.investcanada.ca/programs-incentives/accelerated-investment-incentive
[3] https://www.investcanada.ca/programs-incentives/strategic-innovation-fund
[4] https://www.investcanada.ca/programs-incentives/innovation-superclusters-initiative
[5] https://www.investcanada.ca/programs-incentives
[6] Scoffield, Heather. The Star. May 5, 2020. "The federal deficit is hundreds of billions of dollars and about to get bigger — and that's OK" https://www.thestar.com/politics/political-opinion/2020/05/05/the-federal-deficit-is-hundreds-of-billions-of-dollars-and-about-to-get-bigger-and-thats-ok.html
[7] Global News. March 26, 2020. "Federal Government's Market Debt Tops 1 trillion" https://globalnews.ca/video/4107095/federal-governments-market-debt-tops-1-trillion
[8] Morgan, Gwen. C2C Journal. November 2, 2019. "Deficits and Debt How the Liberals created generation screwed" https://c2cjournal.ca/2019/11/deficits-and-debt-how-the-liberals-created-generation-screwed/
[9] Fraser Institute. November 19, 2018. https://www.fraserinstitute.org/studies/flight-of-capital-from-canada
[10] Mckay, Ian. 2019, May 22. "Why Canada saw a 60% increase in foreign direct investment last year." Globe and Mail (Opinion Editorial) https://www.theglobeandmail.com/business/commentary/article-why-canada-saw-a-60-increase-in-foreign-direct-investment-last-year/
[11] InvestinCanada-2019-2020-Departmental-Plan-ENG.pdf
[12] https://www.investcanada.ca/about
[13] https://www.ivey.uwo.ca/cmsmedia/2758461/investment-attraction-learning-from-best-practice-jurisdictions.pdf

2. Competitiveness for Canada's Gateway

DESCRIPTION

Canada's gateway sector is a key driving force for the nation's economy, facilitating the movement of Canadian goods across the country and to international markets. Improving the climate for infrastructure investment in Canada's gateway sector is imperative to address the growing pressures and demands on the sector, support the needs of our growing economy, ensure resilience to protect the nation from future economic shocks and to enhance our competitiveness in light of the recent U.S. tax reform.[14] [15] Further, enhancing the investment climate for gateway infrastructure will allow for private capacity enhancing investments that in turn support the whole national supply chain and economic recovery process.

BACKGROUND

International trade is the lifeblood of the Canadian economy. Throughout Canada's history, our open trade-based economy has successfully supported our rising standard of living. In 2018, the total value of trade in goods and services reached a record high of $1.5 trillion or 66 per cent of Canada's GDP.[16]

Canada's strong gateway sector underpins our competitiveness as a trading nation, ensuring the efficient and effective movement of vital goods through Canada and to the rest of the world.

A 2018 economic impact study by the World Trade Centre Vancouver found that BC's gateway sector alone supports nearly 310,000 jobs and contributes $34.3 billion to Canada's GDP.[17]

The onset of 2020 highlighted the national importance of railways and the gateway. Rail blockades resulted in hardships that were felt across the country as the movement of vital goods to and from communities across Canada were brought to an abrupt halt. Our current reality has increased the awareness and appreciation for a robust gateway sector and the importance of maintaining the fluidity of global supply chains. The health pandemic has drawn attention to the essential service that our trade corridors and broader gateway industries provide, as they facilitated continued access to essential goods such as food and personal protective equipment (PPE) throughout the pandemic.

Over the years, the Federal Government has meaningfully invested in critical capacity enhancing gateway infrastructure projects in a way that has incented the participation of private sector partners. Investment to date have resulted in increased capacity, fluidity and efficiency of the gateway.

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[14] In the United States, in 2017, the Tax Cuts and Jobs Act reduced the federal statutory corporate tax rate for U.S. companies from 35% to 21%, while the Base Erosion and Anti-Abuse Tax (BEAT) minimum tax increased costs for Canadian railways. This provision forces U.S. entities to pay the BEAT on payments made to foreign affiliates, without a corresponding offsetting credit or deduction for the equivalent amount of BEAT paid in the U.S.
[15] https://www.congress.gov/bill/115th-congress/house-bill/1/text
[16] https://www.international.gc.ca/gac-amc/assets/pdfs/publications/State-of-Trade-2019_eng.pdf
[17] https://www.boardoftrade.com/wtcref/

Through the $2.4 billion National Trade Corridors Fund (NTCF), a key element of Transportation 2030, the Government of Canada has focused investments in strategic infrastructure projects to address transportation bottlenecks, vulnerabilities and congestion along Canada's trade corridors.[18] As of February 2020, more than $1.7 billion had been committed to through the NTCF for 82 marine, air, rail and road projects.[19] These important initiatives help Canadian companies access and compete in key global markets and trade more efficiently with international partners.

However, the importance and relevance of trade is only expected to grow for Canada; the Federal Government's 2018 Fall Economic Statement set the target of increasing Canada's overseas exports by 50 per cent by 2025.[20] Implementing mechanisms that encourage investments in Canada's gateway sector will help expand the capacity and efficiency of our trade enabling infrastructure, which will be critical as our country prepares for economic recovery and beyond to prosperity.

The role of rail

The gateway sector is composed of the mix of industries whose main business activity is to facilitate trade activity. The railway industry is a key enabler for this sector as it connects our nation with our terminals and ports and the rest of the world.

Rail operators are an integral segment to Canada's gateway sector, as it transports approximately $328 billion of Canadian-originated goods each year, with freight rail moving 50 per cent of exported goods.[21] Each year, approximately 3,800 locomotives and 32,800 dedicated railroaders transport goods and people across 44,000 kilometers of rail track across Canada and several points in the United States.[22] These tracks require maintenance and upkeep to ensure efficient deliveries, but more importantly to ensure the safety of rail employees and the communities in which they operate.

The railway industry is uniquely positioned to reduce greenhouse gas (GHG) emissions while supporting the economy and enabling trade. Railways are among the lowest industrial emitters in Canada, accounting for just one per cent of GHG emissions. Despite rising ridership and increasing demand, railways continue to achieve emissions reductions. Since 1990, freight railways have reduced their GHG intensity by more than 40 per cent, while experiencing an 80 per cent increase in workload, and intercity passenger railway emissions have decreased by 55 per cent, while ridership has increased by two per cent.[23]

[18] https://www.tc.gc.ca/en/programs-policies/programs/national-trade-corridor-fund-backgrounder.html
[19] https://www.tc.gc.ca/en/programs-policies/programs/projects.html
[20] https://www.budget.gc.ca/fes-eea/2018/docs/statement-enonce/chap03-en.html
[21] CANSIM. Tables 23-10-0062-01, 23-10-0063-01, 23-10-0216-01, Rail Trends Database, CN, and CP.
[22] CANSIM. 2018. Rail Trends Database.
[23] https://www.railcan.ca/wp-content/uploads/2019/08/August_2_-_2020_Prebudget_Submission_-_RAC_FINAL.pdf

Rail plays an increasingly vital role in Canada's trade corridors, particularly as it pertains to moving Canadian agricultural products. Canada's two largest railways, CN and CP, moved a record 15.4 million tonnes of grain in the final three months of 2019: CP set a new quarterly record by moving 7.9 million tonnes of grain and grain products and CN transported 7.5 million tonnes, which included an all-time monthly record of 2.79 million tonnes in October 2019 and the second best December on record despite a work stoppage.[24]

Rail is one of Canada's most capital-intensive industries and grain is one example of how important railway companies' annual spend on continuous improvement and maintenance is to the economy. Canadian railways are vertically integrated and own the track, real estate, and locomotives and rolling stock, which illustrates the need for significant investments. On average, Canadian railways invest between 20 and 25 per cent of their own revenues back into their networks each year — close to $30 billion in Canada alone since 1999.[25] These significant annual investments into rail infrastructure, support the strong and growing demand for Canadian products and supports the fluidity of getting Canadian products to global markets.

The need for a more competitive playing field

Canada needs a competitive tax framework to further incents railway infrastructure investment to ensure that the sector continues to have the ability to facilitate future volume growth including future demands for a growing gateway sector.

The recent U.S. Tax Reform has allowed for an even faster tax write-off of investment dollars compared to Canada. This has resulted in the after-tax-cost of investing in infrastructure to be higher in Canada than the U.S. New U.S. tax measures increased the bonus depreciation available in the year of acquisition from 50 per cent to 100 per cent for most property/capital acquired after September 27, 2017 and before January 1, 2023. While the Canadian Government tried to address this issue broadly in its 2018 Fall Economic Statement, their efforts not only fell short of the US Tax Reform but did not even come close to the US pre-reform rate of 50 per cent write-off in the first year.

With a lower after-tax-cost in the U.S., Canadian railways and customers, who invest in their own rail infrastructure, are at a tax disadvantage to U.S. railways. If this tax imbalance persist important economic opportunities and investments in Canada may be forgone.

The following table highlights the differences between the Canadian and U.S. tax regimes as they relate to railway capital spending.

[24] https://www.cbc.ca/news/canada/calgary/grain-cp-cn-train-rail-shipping-fourth-quarter-1.5417334#:~:text=Canada's%20two%20largest%20railways%20moved%20a%20record%2015.4%20million%20tonnes,of%20grain%20and%20grain%20products.
[25] https://www.railcan.ca/101/investment/

Table 1: Canadian vs. U.S. Tax Depreciation Regimes for Rail*

Canadian Railways				U.S. Railways			
	Class Rates	CCA $ Claimed	% Claimed		Class Rates	CCA $ Claimed	% Claimed
Track Infrastructure							
Year 1	10%	$15	15%	Year 1	100%	$100	100%
Total by year 4		$38	38%	Total by year 4		$100	100%
Rail Yard Facility (Building)							
Year 1	4%	$6	6%	Year 1	100%	$100	100%
Total by year 4		$17	17%	Total by year 4		$100	100%
Railcars							
Year 1	15%	$23	22.5%	Year 1	100%	$100	100%
Total by year 4		$52	52%	Total by year 4		$100	100%
Locomotives							
Year 1	30%	$45	45%	Year 1	100%	$100	100%
Total by year 4		$81	81%	Total by year 4		$100	100%

*For $100 of capital spending

Source: Rail Association of Canada. Pre-budget submission 2020.

As recent U.S. tax reforms have altered the competitive landscape in North America, tax changes in Canada must ensure that the rail section and investment in rail infrastructure remains competitive. An important manner in which this could be achieved is through accelerated depreciation on capital investment. This significant measure would ensure that railways continue to make investments that improve safety, environmental performance, and enhance capacity meet the needs of customers and the Canadian economy.

RECOMMENDATIONS

That the Government of Canada:

1. Enhance the depreciation regime for rail infrastructure investment to promote greater investment in rail infrastructure, to support Canada's competitiveness as a trading nation, and to meet the needs of the growing national economy and trade volumes.
2. Continue working with gateway industries and stakeholders to explore a policy framework, including tax measures, to incent investment in necessary capacity enhancing gateway infrastructure.

3. Land Trust Initiative

DESCRIPTION

Community Land Trusts exist across Canada, are a proven vehicle to combat the affordable housing crisis in perpetuity, but they are crippled by current Federal tax law in their ability to acquire land donations.

This policy looks to mirror a proven, and robust mechanism for ecological land donations (2006), to include land donations to Community Land Trusts. This will provide a powerful incentive for individuals and corporations to donate land, enabling our Community Land Trusts across the nation to provide affordable housing solutions in perpetuity, unlike any other models currently in existence in Canada.

BACKGROUND

Land – The Key to Housing Affordability

Recent studies in Canada indicate that land prices now comprise anywhere from 30% to 75% of the total sale price of a dwelling and are a major contributing factor for housing supply and pricing (CMHC, 2018). As land becomes more valuable, there are increased incentives to build higher density and higher value buildings as well as to demolish older single-storey dwellings to replace them with more expensive homes.

This relationship is not new and is also not limited to Canada: many studies have been completed by economists around the world which find this same correlation. For example Knoll et al. (2017) find that land prices accounted for 80 per cent of the rise in global house prices since the Second World War.

Although housing affordability dynamics in Canada are complex, data shows that the key to finding a solution to the affordability housing crisis is intrinsically linked to availability and price of land.

Community Land Trusts

A Community Land Trust is a non-profit organization created to acquire and hold land for the benefit of the community. To do so, the trust acquires land and maintains ownership of it permanently. With prospective homeowners, it enters into a long-term (most frequently, 99 years), renewable lease instead of a traditional sale. When the homeowner sells, the family earns only a portion of the increased property value. The remainder is kept by the trust, preserving the affordability for future low- to moderate-income families. There are currently over a hundred Community Land Trusts across Canada.

By permanently limiting the land costs, Community Land Trusts help to ensure perpetual affordability so that the benefits accrue to each subsequent homeowner and hence guarantee that housing will remain affordable for future generations.

THE ISSUE:

Land Donations to Community Land Trusts

Most Community Land Trusts in Canada have not yet accumulated enough lease income to acquire additional parcels of land. As such, they are beholden to acts of philanthropy (land donations) from individuals, corporations or government bodies.

Many corporations and private landowners currently hold land titles for business operations, as passive income or for future growth. These individuals and corporations have a strong disincentive to donate land to a Community Land Trust because the tax credit or offset generated by the donation will not overcome the tax owing from the capital gain: They will lose the asset AND owe tax for doing so.

The result: parcels of land which are held in perpetuity (undeveloped) or sold. There is a strong tax disincentive to donate the land for affordable housing.

THE SOLUTION:

Ecological Land Reserves – A Precedent

In the 2006 Budget, the federal government proposed to eliminate the capital gains tax on certain gifts of publicly listed securities and ecologically sensitive land. The idea behind these measures was to provide the charitable sector with a "powerful set of tools" for raising funds and encouraging charitable giving.

The result was that donors would not be taxed on any of the capital gain accrued on the donated property AND would receive the full benefit of the donation tax credit on the donation.

Has this incentive proved successful? Since 2006, according to the 2015 Federal budget, close to $1 billion worth of ecological land has been donated for conservation efforts using this mechanism.

Much thought and revisions were required for the Income Tax Act resulting in robust anti-avoidance rules and a proven mechanism to incentivize land donation by individuals and corporations for ecological conservatories.

These changes would help communities through-out Canada, no matter their size, to provide affordable housing for lower income residents in the community, revitalize by driving new development, provide low and moderate-income people with the opportunity to build equity through homeownership and capture the value of public investment for long-term community benefit.

RECOMMENDATIONS

That the Government of Canada:

1. Make amendments and additions to the Income Tax Act to incentivize the donation of land to Land Trusts, for the purpose of developing affordable housing, by utilizing the same mechanisms as those already provided in the Act for individuals and corporations to make donations to ecological land reserves; and
2. Allow for donations of land to Community Land Trusts to be capital gains exempt IN ADDITION a tax credit or deduction can be provided in exchange for the land, based on the fair market value.

NOTES

[26], [27]

[26] Katharina Knoll, Moritz Schularick and Thomas Steger, 2017, "No Price Like Home Global House Prices, 1870-2012", American Economic Review, Vol. 107, No. 2, February, pp. 331-353.
[27] Canada Mortgage and Housing Corporation, 2018: "Examining Escalating House Prices in Large Canadian Metropolitan Centres". Ottawa: CMHC, 02-05-18

4. Simplifying and Modernizing the Scientific Research and Experimental Development (SR&ED) Program

DESCRIPTION

The Scientific Research and Experimental Development (SR&ED) Program uses tax incentives to encourage Canadian businesses of all sizes and in all sectors to conduct research and development (R&D) in Canada. These tax incentives come in three forms: an income tax deduction, an investment tax credit (ITC), and, in certain circumstances, a refund.

The program is administered by the Canada Revenue Agency (CRA). Corporations, individuals, trusts and members of a partnership can use these Government of Canada incentives.

While this has been a well utilized program, the rules and regulations under the program are outdated given new innovations, types of research and development and evolving sectors.

BACKGROUND

Current rules for the SR&ED program include the following. Canadian-controlled private corporations: Generally, a Canadian-controlled private corporation (CCPC) can earn a refundable ITC at the enhanced rate of 35% on qualified SR&ED expenditures of $3 million. You can also earn a non-refundable ITC at the basic rate of 15% on an amount over $3 million. However, if you are a CCPC that also meets the definition of a qualifying corporation, you also earn a refundable ITC at the basic rate of 15% on an amount over $3 million, and 40% of the ITC can be refunded.

Other corporations: You can earn a non-refundable ITC at the basic rate of 15% on qualified SR&ED expenditures. You can use the ITC to reduce tax payable.

Individuals and trusts: Individuals (proprietorships) and trusts can earn a refundable ITC at the basic rate of 15% on qualified SR&ED expenditures. You first must apply the ITC against tax payable before the CRA can refund 40% of the unclaimed balance of ITCs earned in the year.

Members of a partnership: Since a partnership is not a taxpayer, you cannot earn an ITC.
In general, the ITC is calculated at the partnership level then allocated to eligible members (individuals, corporations or trusts). If you are considering submitting a partnership claim for SR&ED, read the SR&ED Claims for Partnerships Policy.

The rules and interpretations by the Canada Revenue Agency of what expenditures qualify for the SR&ED program are too restrictive and often not claimed by companies. This creates a problem for the fair interpretation of investments in research and development particularly for life sciences, pharmaceutical and high technology sectors.

Today companies are investing in new, more collaborative models of R&D partnership with Canadian universities, hospitals, centres of excellence, early stage biopharmaceutical companies, and health charities. Innovative pharmaceutical companies are also investing millions of dollars into multinational clinical trials and new areas of science including real world evidence, epidemiology, pharmacoepidemiology, health economic research, outcomes research, and pharmacoeconomics – areas that are not captured by PMPRB's narrow and dated definition of R&D.

The program needs to better recognize investments in labour, specialized equipment and materials especially in laboratory settings as well as measuring equipment.

The life sciences and pharmaceutical sectors are particularly hamstrung by the investments that qualify for research and development in calculating the percentage of investment under patent protection rules.

RECOMMENDATIONS

That the Government of Canada:

1. Simplify and modernize the SR&ED program to promote greater innovation and investment into research by Canadian companies;
2. Change the program to ensure that labour, specialized equipment, materials in laboratory settings and measuring equipment costs qualify under the program;
3. Instruct the Canada Revenue Agency and Industry Canada to work closely with research and development industry sectors to seek input on modernizing the SR&ED program.

5. Child Care Credits For Small and Medium Size Businesses

DESCRIPTION

Owners of small and medium size businesses are unfairly treated when it comes to childcare expenses. Currently, childcare expenses can only be deducted against employment income of the lower income earner of the family. However, often owners of small and medium size businesses choose to pay themselves dividends, generally non-eligible,[28] rather than a salary and are often the lower income earner which then prohibits the owner from deducting child care expenses. The current rules,[29] don't help small and medium size business owners in their risky pursuit of creating business and wealth for the economy.

BACKGROUND

Childcare expenses are generally deducted from the lower income earner of a family, based on employment income with only the following exemptions presently in place[30] and with no proposal to change.

- Lower income earner is in the hospital or medically unfit
- Lower income earner is in school
- Lower income earner is in jail
- There has been a separation in the relationship

For a variety of reasons including managing cash flows, reducing the additional financial burden required of an employer in regards to the company portion of Canada Pension Plan contributions which would arise if the owner paid themselves a salary, adding an additional level of complexity in calculating the salary of the owner if they don’t have employees or as a general rule of compensations, often times an owner of a small and medium size business will decide to take non-eligible dividends as compensation. This is usually not a significant amount but is just enough not to go bankrupt or under capitalize the company but is enough to live personally. However, in doing so it generally prohibits the owner of the small and medium size businesses from deducting childcare expenses because they are often the lower income earner and none of their income is eligible for the deduction of child care expenses.

This is a pressing issue since we know the majority of businesses in this country are private businesses that have access to this financial model. Small and medium size businesses are the engine of this country, and the drivers of those engines are the entrepreneurs that take the risks, including cash flow risk. They should not be unfairly treated with the current deduction policy.

[28] http://www.taxtips.ca/dtc/smallbusdtc.htm
[29] http://www.cra-arc.gc.ca/tx/ndvdls/tpcs/ncm-tx/rtrn/cmpltng/rprtng-ncm/lns101-170/120/menu-eng.html
[30] http://www.cra-arc.gc.ca/tx/tchncl/ncmtx/fls/s1/f3/s1-f3-c1-eng.html

RECOMMENDATIONS

That the Government of Canada:

1. Permit the owners of Canadian Controlled Private Corporations (CCPCs) receiving non-eligible dividend income to claim childcare expenses against that income.
2. Permit CCPC owners receiving non-eligible dividend income to transfer childcare expenses to the higher income earner of a family.

6. Increase the Small Business Deduction

DESCRIPTION

Small business enterprises are vital to the Canadian economy. The current Small Business Deduction limit has become restrictive and requires an increase in the threshold in order to allow for business sustainability and economic growth.

BACKGROUND

Separate rates for corporate taxation were initially introduced in 1949 to create an opportunity for Canadian business to retain more of its after-tax income to assist with growth and expansion by “self-financing” organic growth. The early iteration of this dual-tax approach applied to all forms of income, regardless of nature or source.

With the issuance of the 1966 Royal Commission Report on Taxation (also referred to as the “Carter Commission”), a recommendation was presented to eliminate the dual-rate approach to corporate taxation with the objective being improving equity and neutrality in the corporate income tax system. In addition to other measures aimed at promoting and supporting the growth of small business in Canada, the 1972 Income Tax Reform measures included the introduction of a “small business deduction” (SBD) limit that provided for a reduced rate of taxation be applied to the first $50,000 of corporate active business income.

The legislation applied to a Canadian-controlled private corporation (CCPC) and was designed to be shared between members of an associated group of corporations on an elective basis. The current legislation remains today with certain additional measures that are designed to minimize perceived “mischief” aimed at efforts to “multiply” the SBD limit. The upper limit has increased from the $50,000 amount in 1972 to $400,000 and then finally increased to the current federal limit of $500,000. In addition, in an effort to ensure the SBD limit was accessible only to “small business” corporations, additional legislation was introduced to proportionately reduce the availability of the SBD limit to a corporation and the members of an associated group to the extent that it’s “taxable capital employed in Canada” exceeds $10 million up to a maximum of $15 million where it is completely eliminated.

The determination of the SBD limit appears to be rather arbitrary with very little literature supporting the selection of the various historical threshold amounts. It is largely believed that “the main argument for taxing small business more favourably is to compensate for their limited access to capital financing”. With the global developments in capital markets that have adversely impacted the accessibility of capital for private corporations in general, as well as current market challenges in the light of the global COVID-19 pandemic, never has this been more applicable. CCPC’s represent the largest employers and fundamentally the largest contributor’s to GDP in Canada’s economy. In 2018, private corporations employing fewer than 100 employees constituted 97.9% of all firms in Canada and accounted for over 40% of the gross domestic product of Canada. As the “backbone” of the Canadian economy, small business enterprises should be provided all available tools to secure their future, sustainability and opportunity for growth and transition to large firms.

To avoid the “threshold” effect that often serves to limit the growth of small business enterprises beyond the threshold of specific tax incentives (ie. The $500,000 SBD limit in this case) there is a distinct need to reconsider the current threshold and determine a more appropriate SBD limit in light of restrictive access to financing capital and the critical importance of small business enterprises to the Canadian economy.

RECOMMENDATIONS

That the Government of Canada:

1. Increase the current Small Business Deduction limit, as it is currently defined in the provisions of subsection 125(2) of the Income Tax Act, Canada, from $500,000 to $750,000.
2. Apply annual indexing to the Small Business Deduction threshold limit at a rate equal to the annual Consumer Price Index.

NOTES

[31], [32], [33], [34], [35]

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[31] Industry Canada (www.ic.gc.ca); Key Small Business Statistics – November 2019.
[32] Small Business Taxation: Revamping Incentives to Encourage Growth; Jack Mintz & Duanjie Chen; School of Public Policy; Calgary Alberta; SPP Research Papers; Volume 4, Issue 7, May 2011; p.3.
[33] ITA; subsection 181.2(1)
[34] Initially the legislation contained a number of other complexities and restrictions. Until 1984, a lifetime SBD cumulative limit existed starting at $400,000, increasing to $1 million before it was repealed and replaced with the “annual limit” approach that we are familiar with today.
[35] Canadian Income Tax Act, R.S.C. 1985, c.1, (5th Supplement) (ITA); section 125.

7. Time for a New Pension Paradigm

DESCRIPTION

Pension security is an important asset that employees require to be productive and loyal to employers. The current pension models used by Canada is dying and unable to account for the many employees due to the ineligibility for described benefit or described contribution. Additionally, the pensions are volatile and depend on market stability, which is not always the case. This leads to uncertain and unproductive employees.

There are still too many working Canadians that do not have an employer sponsored pension plan (Defined Benefit (DB), Defined Contribution (DC), or group Registered Retirement Plans (RRSP)) to supplement their retirement income, together with their CPP.

BACKGROUND

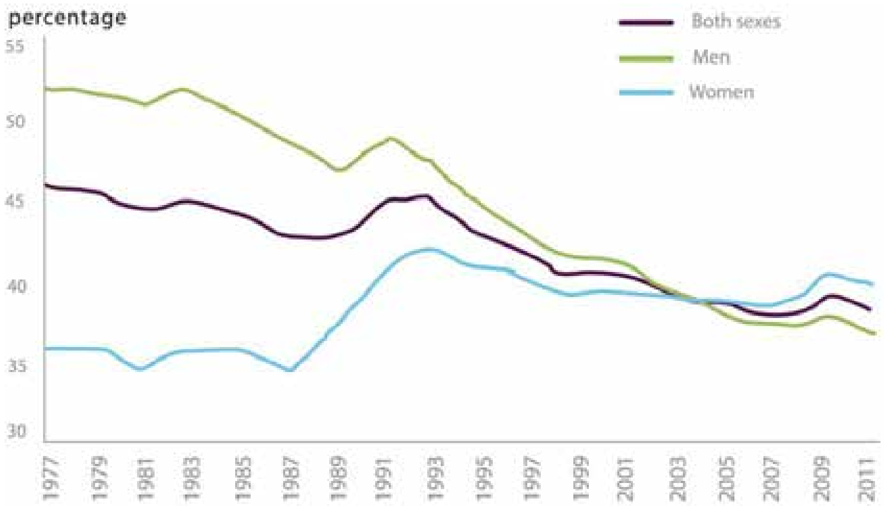
As a result, an increasing number of Canadian workers will likely require future financial support of the federal government's Guaranteed Income Support (GIS) program during their retirement years. Future Canadian taxpayers will therefore be subsidizing future GIS payments to today's workers who are not setting aside sufficient pension monies.

Over the long term, the funding risks to Canadian workers associated with DC Plans and RSPs has long been ignored by Federal and provincial stakeholders.

Constitutionally, the Provincial Governments have the responsibility for Pension Plans. In 1966, the Provinces, excluding Quebec, worked closely with the Federal Government to implement the Canada Pension Plan. Quebec brought in their own provincial Quebec Pension Plan at that time. Thirty years later, in 1996, important reforms were made to the CPP Plan, which raised contribution limits. That CPP implementation resulted in a dramatic decrease in 'poverty in Canadian seniors' over the following decades.

In 2017, further reforms were made to CPP. It has been written that these changes were principally motivated by the declining share of the workforce that was covered by an employer DP plan, which had fallen from 48 percent in 1971 to 25 percent by 2011. A further reason was the move by Ontario to launch its own Retirement Pension Plan. While the 2017 CPP change agreed by all provinces and the federal government to increase the level of 'replacement pension incomes from the level to 25% of 'earned income as defined' to a modest 33% is a very good start. Quebec followed the lead of the other provincials and made similar adjustments to its Plan. The number of people that have a registered pension plan has been declining in recent years (figure 1).

Figure 1



Percentage of employees with a registered pension plan through their job, by gender, 1977 to 2011[36]

In 2018, federal and provincial governments implemented important changes to the Canadian Pension Plan (CPP) to provide, when fully mature by 2063, retired workers a modest 33 percent of average worked earnings. This was up from the current level of providing 25% of average worked earnings.

A June 2019 paper issued by the C.D. Howe Institute – "The Great Pension Debate, Finding Common Ground" (#543) – Brown & Eadie should remind all of us in the business world that pension innovation is required in each of our Provinces with the full support of the Federal Government.

In February 2020, the National Institute on Ageing issued a discussion paper titled "Improving Canada's Retirement Income System", the authors, Ambachtsheer and Nicin, further supports the lack of political decision-making, regulation and retirement income research, and the fragmentation within Canada on pension – both limiting important pension innovation.

In Canada, there are currently approximately 20 million workers. Of the Canadian workers, 6.3 million participate in Registered Pension Plans and a similar number - 6.3 Million - participate in Registered Retirement Plans.[37]

As there will be some double participation in the above figures of individuals as they may be in more than one registered DB, DC and/or RSP plan, there are estimates that between 10 to 12 million Canadian workers, (50% to 60%), do not have Pension Plans other than CPP.

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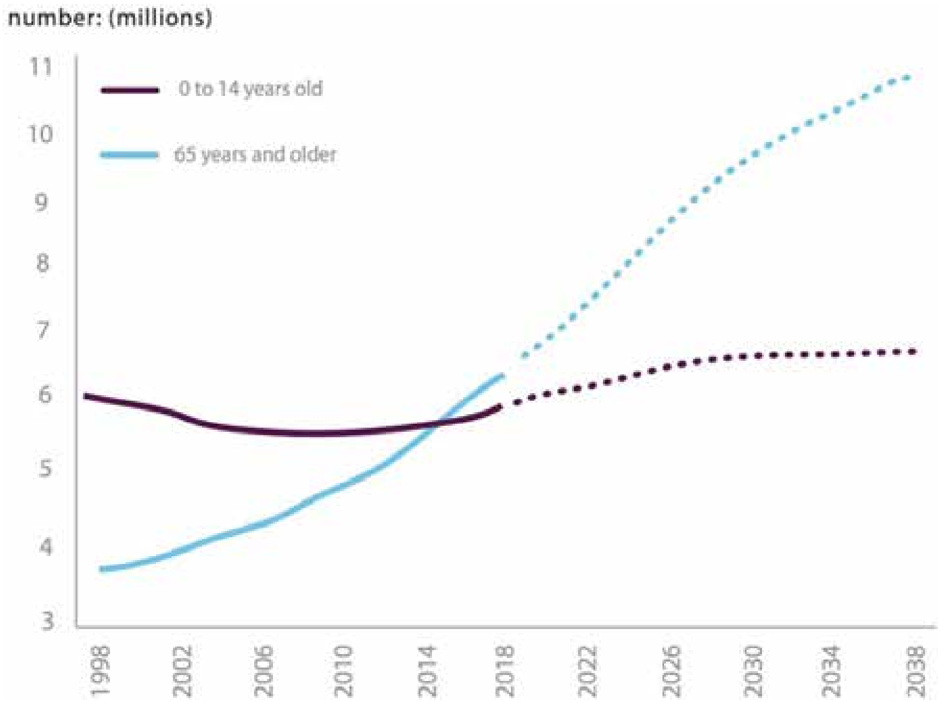
[36] Ambachtsheer, K., Nicin, M. (2020). Improving Canada's Retirement Income System: A Discussion Paper on Setting Priorities. National Institute on Ageing, Ryerson University
[37] https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110009401

Over the past decade, the private sector has moved away from offering Defined Benefit Plans and implemented Defined Contribution Plans. The dramatic increase of Canadians living longer (figure 2) combined with the significant reduction in the investment returns in the pension plans have resulted in many employers with DB Plans having to assume material pension liabilities as an outcome of how pension calculators work.

Figure 2



Population aged 0 to 14 years and 65 years and older, 1998 to 2018 (estimates) and 2019 to 2038 (projections), Canada[38]

While the private sector DC plans and RSP plans do not have the same level of financial risk as the employers with DB plans, the reduction in investment returns, and for many, the size of the plan's fund management costs (MERs) results in materially less pension monies available at the time of retirement.

When Canadian workers retire with their DC or RSP plans, there is currently little flexibility on how to manage their retirement monies And so they take on future investment return risk.

[38] Ambachtsheer, K., Nicin, M. (2020). Improving Canada's Retirement Income System: A Discussion Paper on Setting Priorities. National Institute on Ageing, Ryerson University

There are 10 million Canadian workers who are not members of a private sector pension plan. There is very clear evidence there is room for improvement in the pension plan governance model in Canada. We have a public policy vacuum. It would take a generation of workers to turn this matter around should important changes be made. For such an important matter, one suggests there should be a Federal Minister of Pensions and each province should have a Minister of Pensions. These ministers and offices would need to work collaboratively to navigate the regulatory hurdles and intra-provincial barriers to find a better solution to manage and grow private sector pensions.

According to Brown in the commentary paper titled "The Great Pension Debate: Finding Common Ground",[39] policies encouraging large, collective and pooled pension plans governed by independent management boards are the way forward. Concurrently, Ambachtsheer posits that due to the lack of protocol for updating federal tax policy and federal/provincial/ territorial regulatory fragmentation within and between the pension and insurance sectors, and between individual and group investment regulations, Canada has suffered from stagnated innovation in its retirement income system (RIS) [40]. It is vital that regulation and tax laws allow small and medium-sized employers to join in such collective systems to extend their benefits to the majority of working Canadians.

RECOMMENDATIONS

That the Government of Canada:

1. Modernize and innovate the federal pension program for Canadian businesses and citizens.

[39] Brown, Robert L., and Stephen A. Eadie. "The Great Pension Debate: Finding Common Ground." C.D. Howe Institute, Commentary, no. 543, 2019

[40] Ambachtsheer, K., Nicin, M. (2020). Improving Canada's Retirement Income System: A Discussion Paper on Setting Priorities. National Institute on Ageing, Ryerson University

8. Keeping Ports Connected

DESCRIPTION

To ensure that the Canadian economy can continue to grow, investment in infrastructure and technology related to imports, exports and advancements in shipping are necessary. Infrastructure projects and technological advancements improve efficiencies, commodity pricing and will ensure Canada remains competitive on the world stage.

For infrastructure and technology projects to materialize, all levels of government must work with Canada's largest port – the Port of Vancouver – and ports across the country, to:

- coordinate investments in digital technology to enhance block chain and supply chain visibility; and,
- prioritize the timely and efficient approvals of infrastructure projects designed to meet Canada's trade objectives related to the shipping industry.
- Canadian trade connections and capacity can deliver the competitive advantage for Canada in the years ahead, but only if Canadian port authorities are able to plan for and advance projects that will meet the country's trade objectives.

BACKGROUND

The Port of Vancouver is about the same size as the next five largest Canadian ports combined. Home to 27 major terminals, the port is able to handle the most diversified range of cargo in North America: bulk, containers, breakbulk, liquid bulk, automobiles and cruise. As Canada's gateway to over 170 trading economies around the world, the port handles $1 of every $3 of Canada's trade in goods outside of North America. Enabling the trade of approximately $240 billion in goods, port activities sustain 115,300 jobs, $7 billion in wages, and $11.9 billion in GDP across Canada.

However, even with these impressive stats, Canada's largest port is predicted to run out of space for containerized cargo by the mid to late 2020s. Container volumes through Canada's west coast have experienced significant growth over the last decade, a phenomenon that is expected to continue in the long-term. Various infrastructure projects have been completed or are currently underway in order to improve capacity on the west coast. But that is still not enough to meet the predicted demand. Canada's best solution is Roberts Bank Terminal 2 (RBT2) – a proposed new marine container terminal in Delta, BC that is needed to ensure Canada is able to meet its trade objectives. The project recently underwent a federal environmental assessment process, and a decision on the project from the Minister of Environment and Climate Change is expected in November 2020.

It is important to note that Canada Port Authority operations are not financed by tax dollars. They receive revenues from terminal and tenant leases as well as harbour dues and fees charged to shipping companies that call at the port. The RBT2 project does not require the use of public funds, as the project will be funded by the port authority and private investment.

The investment will be recuperated by the proceeds of the long-term lease of the terminal operator and terminal user fees.

Scheduled to be operational by 2029, Robert's Bank Terminal 2 will add a $1.3 billion increase to the GDP and $127 million in federal tax revenue. Robert's Bank Terminal 2 will increase container-handling capacity on Canada's west coast by 33%, equivalent to 2.4 million twenty-foot equivalent units (TEU) per year and will handle 234 container ship calls annually. This is needed to ensure Canada has the needed trading infrastructure to participate effectively and efficiently in the global economy.

The Port of Vancouver is expecting cargo to grow at the rate of 3.6% over the next 4 years with the majority of increases coming from foreign sources. This is a major boon to the economy but there are two issues that are causes for concern:

1. Without adequate space for the containers, this increase will be diverted to other ports in the United States, resulting in higher prices on consumer goods in Canada.
2. Many international shipping lines that utilize digital technologies that are years ahead of current technology used by the Port of Vancouver will choose to go to other ports that can communicate with the new technology.

Top international shipping lines like A.P. Moller-Maersk are increasing their investment in digital technologies to improve efficiencies and sharpen competitive edges in what is an extremely capital-cost-intensive industry. The connectivity and digital efficiency of major ports and their operations is therefore becoming a critical differentiator in attracting and maintaining business from major shipping lines.

The newly updated United Nations Conference on Trade and Development liner shipping connectivity index (LSCI) shows Canada moving in the wrong direction in its rankings.

The LSCI measures container port performance to determine where countries rank within global ocean liner shipping networks based on several data streams, including the number of ships deployed to and from each country's seaports.

Canada's 2019 ranking dropped to 37th from 32nd in 2018 and is well down from its ranking of 23rd in 2006 and below smaller economies such as Colombia (34th). The United States ranks fifth overall.

Canada's competitiveness is weak and in addition to a supportive regulatory framework for the approval of infrastructure projects in shipping, it also requires large investment in supply chain visibility and block chain technology. The Vancouver Fraser Port Authority's Supply Chain Visibility Program provides better insight into the performance of the supply chain by using real-time, multi-modal information and data. This allows the port authority to identify network bottlenecks and constraints, which in turn can inform improvements and infrastructure investment possibilities. The program will benefit Canadian exporters by optimizing the western Canadian supply chain, which will improve performance, capacity and resiliency.

In order for this program to succeed, the Federal government should require, or at the very least, incentivize, private industry to work more closely with the VFPA to facilitate development of performance metrics across supply chains, share data, develop and provide funding for technology solutions.

The activities of the Port of Vancouver terminals and tenants annually generate:

- $24.2 billion in economic output
- $11.9 billion in GDP
- $7 billion in wages
- 115,300 jobs in Canada
- $67,900 average wage for direct job versus $44,000 average wage in Canada
- $1.4 billion per year in tax revenues: federal: $860 million; provincial: $441 million; municipal: $129 million

Canada's west coast is the gateway to trade with Asia. Our ports are planning for and mobilizing on various projects to support continued growth, but without sufficient regulatory support, they will not be able to meet Canada's trade objectives and Canada will fall behind. The Port of Vancouver, as Canada's largest port, is leading the way in collaborating with gateway partners and is inherent to the entire country's economic success now and in the future.

RECOMMENDATIONS

That the Government of Canada:

1. Guarantee that the port infrastructure projects across the country receive support and timely investments; and,
2. Work with the supply chain industry, in particular marine terminal operators, drayage companies, railways and port authorities to invest in digital technologies that allow seamless communication with the technology used by large commercial shipping companies, and
3. Work with Provincial/Territorial Governments to ensure that industrial land is protected so that it may be used to enhance port activity.

9. Aging Canadian Icebreakers

DESCRIPTION

The aging of Canadian icebreakers could have significant economic consequences and must be addressed. In recent years, vessels have been trapped in ice for periods longer than the Canadian Coast Guard (CCG) standard of five hours, in some cases for more than a week, due to the unavailability of icebreakers.

BACKGROUND

Every winter, more than 1,500 merchant ships of all types travel the St. Lawrence or Saguenay rivers to connect aluminum smelters, mines, refineries and other types of plants to their sources of supply or to their customers.

Since 2013, several vessels have been trapped in ice for periods longer than the CCG five-hour standard. In some cases, vessels have been trapped for more than a week due to the unavailability of icebreakers.

This is detrimental to companies and communities that expect inputs essential to their operations and livelihoods or that have committed to delivering their production to customers within contractual deadlines. For example, in recent years, a Rio Tinto Alcan plant has been less than 24 hours away from running out of alumina. If the unavailability of icebreakers forced an aluminum smelter to interrupt production, it would cost tens of millions of dollars to restart it. Similarly, in 2015, the CTMA Vacancier, the vessel that operates between the Magdalen Islands and Prince Edward Island during the winter period, was trapped in ice for three days due to a lack of icebreaker availability.

In the winter of 2019, an ice jam in the vicinity of Sorel-Tracy and Lac Saint-Pierre interrupted navigation, holding back five ships at the Port of Montreal, which could have significantly affected trade from the St. Lawrence-Great Lakes corridor.

Events like this occur almost every winter. Since 2016, all industry stakeholders have repeatedly requested that the federal government modernize its icebreaker fleet. The Canadian Coast Guard (CCG) icebreaker fleet is aging. With an average age of 37 years, the Government of Canada has already stretched their life expectancy. At least one icebreaker must now be taken out of service each year during the winter for major work. Their aging jeopardizes service availability, leading to serious economic consequences.

In the long term, the risk of reduced port accessibility and ship mobility in the gulf of St Lawrence, in its river or on the Saguenay will damage the reputation and ability to attract major international industrial investments. The risk of icebreaker unavailability could indeed lead promoters to reconsider major investments.

The Government of Canada's management of icebreaker unavailability risks appears inadequate. Although the Government of Canada has expressed an intention to build new icebreakers, this intention will not generate new vessels for another decade. In the meantime, CCG still intends to extend the useful life of its fleet through a maintenance and refit program. According to the CCG Deputy Commissioner of Operations, "the fleet is in fact very reliable." But is it reliable enough? Given recent experience, there is reason for doubt.

The contract for building the new polar class icebreaker CCGS Diefenbaker is expected to be awarded shortly. It would be the largest icebreaker in the Coast Guard fleet and will be able to operate freely in the Arctic during the winter months. Its design and engineering have recently been completed and it is a shovel ready project as it were.

A fundamental mission of the government, with regard to economic development, is to make quality transport infrastructure available to businesses. The maritime icebreaking service is a good example of this mission, especially since it is a user-funded service.

RECOMMENDATIONS

That the Government of Canada:

1. Quickly address CCG's requirements pending the construction of new vessels by providing sufficient funding in its next budget to allow CCG to increase the availability of the all icebreaking fleets to bring the effective level of service up to standard.
2. Establish national preference criteria for awarding contracts to Canadian shipyards for the refit and construction of CCG icebreakers.

10. Expanded Infrastructure Development for National Economic Recovery

DESCRIPTION

Expediting major infrastructure projects presents significant opportunities for job creation, growth, and economic recovery across Canada.

BACKGROUND

State of the art, effective and reliable infrastructure is a key component of economic competitiveness. Unfortunately, Canada has not maintained appropriate investments into priority projects, resulting in a massive and expanding roster of urgent requirements.

Furthermore, as structures age their efficiency decreases and maintenance costs rise. Canadian governments have traditionally adopted an inconsistent approach to this portfolio and invested below the level needed to maintain critical physical assets. To address this deficiency, Canada requires a cooperative, national infrastructure investment strategy that includes funding models and increased private sector involvement considering the wide range of challenges and opportunities for business and communities across Canada.

On April 22, 2020 Canadian Chamber of Commerce President and CEO Perrin Beatty directed an open letter to Infrastructure and Communities Minister Catherine McKenna and Natural Resources Minister Seamus O'Regan related to infrastructure projects and economic recovery.

Support was expressed for pulling forward budgeted infrastructure funds from future years to generate economic activity and create jobs for Canadians. Investments this year and next year in the right projects will support immediate economic growth while increasing long-term productivity.

The best source for shovel-ready projects that support a competitive business environment for Canada is the National Trade Corridors Fund (NTCF) administered by Transport Canada. The NTCF was provided $2 billion over 11 years, 1.1 percent of the funding available under the $180 billion long-term plan. Due to the high demand and relatively low proportion of projects funded, dozens of shovel-worthy applications were unsuccessful in previous calls for proposals.

The Canadian Chamber of Commerce asked Ministers McKenna and O'Regan to work with Transport Canada and fund projects that have already applied through NTCF. In addition to these trade enabling projects, other shovel ready projects that will have both short and long-term economic benefits include those that improve Canada's digital infrastructure and strengthen energy and supply chain resiliency.

Collaboration with Canadian municipalities will also assist with the identification of urgent and deferred maintenance projects for commencement in the 2020 construction season.

The April 22, 2020 Canadian Chamber of Commerce correspondence also emphasized the avoidance of any extraneous regulations on approved projects. It is clear there is significant potential for the private sector to drive a rapid national recovery, however its ability to carry out this role is highly dependent on a supportive regulatory regime.

An April 29, 2020 article in the Financial Post by Kevin Carmichael noted that the NTCF was so popular that projects were rejected. Perhaps some were on merit but those that went unfunded simply because the cash ran out should, in theory, be ready to go with a larger allocation.

The Canadian Chamber of Commerce Roadmap to Recovery (June 2020) document also proposes bringing forward budgeted infrastructure funds from future years of the long-term infrastructure plan to recapitalize the National Trade Corridors Fund (NTCF). Trade-enabling transportation infrastructure is crucial for improving the flow of goods and people in Canada.

The Canadian Manufacturers and Exporters (CME) June 2020 document Manufacturing Our Future proposes a series of recommendations for economic recovery, including the prioritization of investment in trade and industrial infrastructure, notably transportation networks, industrial parks, and broadband internet. Investment in industrial parks, for example, support immediate plant construction and safeguard designated areas as employment lands.

On June 29, 2020, Alberta Premier Jason Kenney announced the province’s Recovery Plan which included the largest ever investment in the province’s infrastructure, allocating $10 billion translating into 50,000 jobs for roads, hospitals, schools, pipelines and water projects. The three main pillars of the plan are building infrastructure to spur economic growth, continuing to diversify the economy, and creating jobs.

RECOMMENDATIONS

That the Government of Canada:

1. Collaboratively work to bring forward budgeted infrastructure funds from future years of the long-term infrastructure plan to recapitalize the National Trade Corridors Fund (NTCF).

11. Port and Major Airport Share Capitalization

DESCRIPTION

The Ministry of Finance is investigating the "share capitalization" of Canada's ports and major airports, as suggested in recommendations 9.3b and 10.3a of the 2016 Canada Transportation Act Review. This would change the current ownership structure so they are owned by private shareholders and no longer operate as not-for-profit commercial airports or quasi-commercial port authorities. Such a decision would have significant adverse effects on the transportation sector, to the detriment of Canadian consumers, businesses, and local economies.

BACKGROUND

Our critical transportation infrastructure connects businesses with opportunities around the globe and across the country. It links visitors with tourism operators and helps students and professionals pursue educational and business opportunities. Our ports and airports create hundreds of thousands of jobs, facilitate the movement of people and capital, and ensure that Canadian products get to market. Therefore, their governance is of the utmost importance to Canada's business community.

As commercial entities, these pieces of critical infrastructure have already harnessed the efficiencies that come with a privatization model. Our current ownership model is a successful "made in Canada" story that has facilitated significant sustainable growth in our transportation industry.

However, a move towards a share capitalization ownership model, regardless of short-term capital inflows, would jeopardize Canada's long-term economic competitiveness and would significantly reduce management's responsiveness to the interests of the Canadian economy, public and business community. Such a move would drive up costs, and require greater government oversight to regulate these newly minted private-sector monopolies.

We strongly urge the Federal Government to consider the negative potential impacts of share capitalization of Canada's ports and major airports, including higher costs, lower service levels, less capital investment, decreased competitiveness, and the loss of control of a key economic driver and trade facilitator.

Major Airports

Currently, non-profit airport authorities operate Canada's major airports. Their major capital investments have already been paid for by passengers, airlines, and the airport authorities. If these airports are sold, it will essentially amount to re-financing previous investment at a much higher cost in order to finance shareholder return and cost of acquisition. Our airports are already privatized, and there are no further proven economic advantages to changing directions.

Through the process of commercialization in the 1990s, Canada's airports have already reaped the benefits of privatization including; transferring capital and operating expenses from taxpayers to private operators; access to capital markets at relatively low rates of borrowing;

market discipline and increased efficiency; customer service focus; and striving for innovation. Under the current governance system, Canadian passenger and freight services have thrived and recently globally ranked 16th out of 140 in terms of quality of infrastructure.[41]

Profits from airports would no longer be directly invested back into the entity and instead be used to pay dividends to shareholders, who would be incentivized to maximize profit margins and shareholder returns. These for-profit entities would also face changes to their ability to borrow money and make the necessary investments in long-term infrastructure.

The Federal Government continues to collect land and infrastructure lease payments and profit from the operation of passenger screening services. Due to fees, taxes, and charges, including after-tax fuel costs, Canadians face some of the highest air-travel costs in the world, negatively impacting our economic competitiveness. In 2013, Canada ranked 136th out of 140 in terms of competitive cost structure.[42] Share capitalization does not offer a solution to this situation and would only exacerbate these issues, and move future decision-making outside of the public interest.[43]

Australia has already gone through this process with its airports and it has been found that airports collect significantly more aeronautical revenue per passenger than before their airports were share capitalized, meaning that passengers and airlines are paying more to access the airports.[44] Despite these increases in revenues, ratings of service quality have not substantially changed. The Australian Competition and Consumer Commission (ACCC) suggests that airlines and passengers in Australia have paid up to $1.6 billion too much for airport access due to this model.[45] The chair of the ACCC, Rod Sims, recently claimed that while privatization often enhances efficiency and economic activity, the privatization of Australia's airports and ports was "severely damaging" to the economy.[46]

Canada Port Authorities

Established under the Canada Marine Act (1998), Canada Port Authorities facilitate Canada's trade objectives in a commercially viable way, ensuring goods and passengers are moved safely and efficiently, while protecting the environment and considering local communities. They also act as agents of the federal Crown to manage federal land, an important function of which is Aboriginal consultation and engagement as well as project and environmental reviews under Canadian Environmental Assessment Act, 2012.

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[41] World Economic Forum, Global Competitiveness Rankings 2015, http://reports.weforum.org/global-competitiveness-report-2015-2016/competitiveness-rankings/

[42] World Economic Forum Index of Cost of Access http://www3.weforum.org/docs/TTCR/2013/TTCR_DataTables10_2013.pdf

[43] http://www.theglobeandmail.com/report-on-business/rob-commentary/the-model-is-not-broken-only-dented-the-trouble-with-canadian-airport-privatization/article33359029/

[44] https://www.accc.gov.au/system/files/2015-16%20AMR%20revised%206%20March_0.pdf

[45] https://yow.ca/en/media-center/cta-review/accc-suggests-airport-regulation-says-flyers-pay-16b-extra-fees-due-privatisations

[46] https://www.theguardian.com/australia-news/2016/jul/27/acccs-rod-sims-says-privatisations-severely-damaging-economy

If ports were share capitalized, government would have to take on the regulatory and statutory functions currently under the responsibility of Canada Port Authorities. This would require a significant regulatory overhaul, and the overall process of privatizing such a monopoly would place a significant resource burden on the government.

Canada Port Authorities already operate in a quasi-commercial manner, and would have little to gain in terms of efficiency if they were to be privatized. Further, much of the revenue earned by port authorities is reinvested in infrastructure (in the case of Canada's largest port, the Port of Vancouver, an average of $80 million per year). If privatized, a material proportion of that capital investment cash flow would likely be redirected to service debt and ultimately provide a financial return to the private owner.

In 2016, as part of Transportation 2030, Transport Canada launched the Ports Modernization Review, a review of Canada Port Authorities to optimize their current and future role in the transportation system as innovative assets that support inclusive growth and trade.[47] The review includes a focus on governance structures.

As Canada continues to develop its critical gateway infrastructure and tap into new markets, it is vital that the Federal Government make no decision that would jeopardize the long-term competitiveness of our ports and airports.

RECOMMENDATIONS

That the Government of Canada:

1. Engage directly with stakeholders and industry experts before any further discussions regarding changes to the governance models of Canada's major transportation infrastructure;
2. Maintain a competitive and responsibly governed transportation industry by refraining from forced share capitalization of these assets; and
3. Focus government attention on improving the competitiveness of our airports and ports cost structure, including appropriate funding programs to ensure safe and secure operation of our nation's transportation infrastructure.

[47] https://www.tc.gc.ca/eng/ports-modernization-review-discussion-paper.html

12. Transport Canada Civil Aviation: Addressing the Need to Speed up STCS & TSOS

DESCRIPTION

Transport Canada Civil Aviation (TCCA) is the Civil Aviation Directorate[48], and promotes the safety of the national air transportation system through its regulatory framework and oversight activities. As part of the regulatory framework, TCCA develops policies, guidelines, regulations, standards and educational materials to advance civil aviation safety in Canada. The issue in this policy is the delay in approvals of STCs – Supplemental Type Certificates and TSOs - Technical Standard Orders. TCCA, through oversight activities, verify that the aviation industry complies with the regulatory framework through certifications, assessments, validations, inspections and enforcement.

The issue arising is that some regions are far busier than others. Requests for approval arriving from outside Canada are handled on a first-come, first-served basis, i.e., US. Requests from within Canada must be handled within the geographic region where the company is based which files the approval request.

This has a two-pronged negative effect on Canadian companies, especially in the Pacific Region and the Ontario Region where the back-ups are lengthy. Foreign companies have an edge in the market over Canadian companies; and Canadian companies are being driven to open satellite offices in the US from which to file paperwork in order to receive approvals in a timely manner. In one example the company states that "it has moved its certifications 100% to the US at a cost of several millions of dollars due to the delays and inactions of TCCA." Another west-coast company which asked to remain anonymous is mid-planning to move partial R&D operations to the U.S., and hire there, while at the same time laying off professional technical staff in BC due to the slowness of certification and resultant impact on business.

BACKGROUND

Supplemental Type Certificates - STC

TCCA issues Type Certificates for Canadian-designed aeronautical products to certify that the product complies with the appropriate airworthiness standards. Hundreds of aviation-related companies produce products under some of the strictest controls in manufacturing today, incurring research and development (R&D) costs, high-paid staff costs and the costs of testing.

Approval certificates are a critical final step in the process. Delays in the Pacific Region have been growing for the last decade, from a variety of reasons: chronic understaffing; change in directors; lack of resources; increase in requests for approvals.

Ten years ago, the wait for paperwork was 5-6 weeks. Now, it is 12 weeks and growing. New products are vital to improve a wide range of aircraft performance and maintenance factors.

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[48] https://www.tc.gc.ca/eng/civilaviation/menu.htm

Technical Standard Order – TSO

The TCCA requires that an applicant for a Canadian Technical Standard Order (CAN-TSO) design approval in respect of an appliance or a part has or shall have access to, the technical capability to conduct the design analyses and tests required to demonstrate the conformity of the appliance or part with its certification basis.[49] Our Canadian-based aviation companies – and there are thirty in the Okanagan, more than 100 in the lower mainland, and several others throughout the province – submit application to qualify new products on a year-round basis.

In Ontario and Quebec, the numbers are much greater: 52% of Canada's aerospace industry production takes place in Quebec ($14.4B annual sales); in Ontario there are 200+ aerospace companies, with $6B annual economic contribution). Slow-downs in TSO and STC approvals are a country-wide issue.

Many TSO agreements are in place between TCCA other international bodies, i.e., the EASA (European Union Aviation Safety Agency) and the FAA (US)[50].

This paperwork, both TSOs and STCs, is critical to the economic well-being of Canadian-based aerospace companies, and to the growth of professional level jobs in BC. At least one Okanagan-based company has already decamped altogether to the US (Washington State, in order to remain close to BC markets); rumours also continue of companies planning to open satellite offices as far south as Arizona and California, from which to file paperwork on products researched and designed in Canada.

This is a loss for Canadian business, and adds unnecessary layers of wasted time, increased costs, doubling of regulations and tax and audit reporting, for reasons which can be resolved through TCCA regional assignment flexibility, e.g., utilizing the less-busy Atlantic Region for Pacific, Ontario & Quebec Region requests.

RECOMMENDATIONS

That the Government of Canada:

1. Request that Technical Standard Orders and Supplemental Type Certificates be processed to the first regional office that has processing capability, rather than queuing by geographic region;
2. Encouraging Transport Canada Civil Aviation to bring its staffing to levels that meet regional demand to prevent the bleed-off of provincial businesses to the US and protect Canadian jobs.

[49] Canada, Aviation: Schedule V, Aeronautical Product Approvals, Canada: https://www.tc.gc.ca/eng/civilaviation/publications/tp14984-with-05-2710.htm
[50] Reciprocal Acceptance of TSOs; https://www.tc.gc.ca/en/services/aviation/aircraft-airworthiness/international-agreements-arrangements/reciprocal-acceptance-tso-easa-faa-tcca.html

13. Protecting Canada's Arctic Interests - Canada's Losing Battle

DESCRIPTION

Canada's Arctic is the future of Canada in several ways with many relying on Arctic Sovereignty and the Northwest Passage (NWP). Currently, the Panama Canal is the only viable route in North America to ship goods from east/west and vice versa. With the melting of the Arctic region, the attraction of the NWP has grown significantly as a shipping route as well as the potential for economic independence.

BACKGROUND

According to research published in the journal Nature Climate Change, the Arctic could be "functionally ice-free" by 2044. This also opens the concern of other militarized nations asserting their presence in the NWP. This concern of "the Canadian Arctic's security and safety" is highlighted in the recently released Report of the Special Senate Committee on the Arctic "Northern Lights: A Wake-Up Call for the Future of Canada" 2 and was even addressed by the US Embassy in a letter to Prime Minister Trudeau in Nov/2019 due to our lack of federal investment in our military which would include the financial support of Arctic Sovereignty

Two routes are connecting the Pacific Ocean and the Atlantic Ocean. That is, the Northeast Passage (hereinafter NEP) and the NWP (see in below). The NEP also called the Northern Sea Route (NSR), is made up of all the marginal seas of the Eurasian Arctic, such as the Chukchi, the East Siberian, the Laptev, the Kara, and the Barents Seas. The NSR makes up approximately 90% of the NEP.

The NWP runs between Greenland and Newfoundland in the Atlantic Ocean, and along the northern coast of Canada and Alaska, ending in the Bering Strait. The Bering Strait is an 85 km wide strait separating Russia and Alaska between the Arctic Ocean and the Bering Sea (part of the Pacific Ocean).

Since the year 2000, Russia has become the foremost military and shipping leader in its NSR in the circumpolar region. [51] Russia has aggressively pursued the development of enhanced Arctic gas pipelines, icebreaking freighters, and trans-shipment facilities for natural gas and LNG. These are of global economic and strategic significance. Russia is in a position of strategic military and commercial strength throughout the circumpolar area. Russia has 40 icebreakers – 4 double the size of Canada's – 6 military bases, 16 deep-water ports, and 13 airbases. [52] Additionally, Russia has built a new nuclear-powered icebreaker – the world's biggest and most powerful.

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[51] 1. https://www.cbc.ca/news/canada/north/ice-free-arctic-this-century-1.5370504
[52] 2. June 2019 Northern Lights: A Wake Up Call for the Future of Canada
C:\Users\Richard\Documents\Presentations\Northern Lights.pdf

Canada, on the other hand, has done little in enhancing its ability to navigate and protect the Arctic Archipelago. Canadian Prime Ministers and federal cabinet ministers have regularly visited Canada's North, Canada has held the G-7 finance ministers meeting in Nunavut in February 2010, investing in Arctic patrol ships under The Canada First Defence Strategy, and the expansion of the Canadian Rangers to provide a military presence in remote parts of Canada. [3] The only icebreaker that can compete with the Russian fleet of icebreakers is the CCGS John G. Diefenbaker, which is expected to become operational between 2021-2022. The Canadian Government announced the National Shipbuilding Strategy in 2015, which is scheduled to end in 2042. There are no icebreakers slated to be built under the National Shipbuilding Strategy. This will leave Canada vulnerable in the Arctic.

The symbolic gestures of visiting the Arctic archipelagos, investing meagerly into the military, and the sub-par icebreakers currently deployed and planned for deployment are inadequate investments into protecting Arctic sovereignty.

RECOMMENDATIONS

That the Government of Canada:

1. As recommended by the Special Senate Committee on the Arctic implement at the very least recommendations 23 through to 25 which state:
    23. That the Government of Canada ensure the Canadian Arctic's security and safety and assert and protect Canada's sovereignty in the Arctic.
    24. That the Government of Canada, on an immediate basis, establish a robust governance regime to regulate activities in Canada's Arctic waters, including shipping corridors, and bonding and insurance requirements. Such a regulatory regime must include the active involvement and participation of Arctic Indigenous governing bodies and communities.
    25. That the Government of Canada enhance maritime and aerial situational awareness of the Canadian Arctic, including improving the icebreaking capacity of the Canadian Coast Guard, and equipping the Canadian Rangers' with marine capabilities.

14. Create a National Strategy to Safeguard Canada's Pandemic-related Supply Chains

DESCRIPTION

Canada is primarily a trading nation, and it is not to our benefit to be economically insular. Nevertheless, the COVID-19 pandemic exposed Canada's vulnerabilities in its critical supply chains, particularly those related to crisis-response. The federal government should review its critical supply chains, and engage the provinces and territories to create a strategy to ensure that Canada is not left vulnerable to pandemic-related health care and economic shocks in the future.

BACKGROUND

The COVID-19 pandemic has been an unprecedented economic shock for which Canada was not prepared. The early days of the crisis saw the country struggle with procuring critical Personal Protective Equipment (PPE) supplies for not just average citizens, but frontline health care and essential service workers as well. The COVID-19 PPE procurement system in Canada has been described as the "wild west."[53] There were reported shortages in N95 masks, gloves, gowns, face shields and other equipment. These shortages contributed to the country's economic shutdown, the national unease during the early days of the pandemic, and have delayed Canada's safe reopening.

During normal times, Canada has relied on its trading partners to supply many materials necessary to power the national economy; but due to a variety of reasons, those relationships were not enough in the early days of the crisis and left Canada at a disadvantage. In early April 2020, Canada's N95 mask orders from American manufacturer 3M were disrupted due to the US President's invocation of the US Defense Production Act; a shipment of masks ordered by the Government of Ontario were held at the US border in April 2020, but later released; and in early May 2020, news reports indicated that N95 masks imported from China did not meet Canadian health standards and could not be used against COVID-19. These situations eroded national trust in Canada's trading partners, and should be seen as an indication that Canada, despite being a trading nation, should not rely on other countries to supply critical materials needed to combat a national health pandemic.

To the federal government's credit, it has already started to address this issue. On May 3, 2020, it announced the creation of a COVID-19 supply council to advise the government in its COVID-19 response[54] and on June 9, 2020, it launched a COVID-19 supply hub to connect businesses seeking PPE materials with suppliers.[55]

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[53] https://www.ctvnews.ca/health/coronavirus/suppliers-facing-wild-west-of-ppe-procurement-1.4922236
[54] https://www.canada.ca/en/public-services-procurement/news/2020/05/government-of-canada-creates-covid-19-supply-council-in-support-of-canadas-response-and-recovery.html
[55] https://www.canada.ca/en/public-services-procurement/services/buying-selling-personal-protective-equipment-covid-19-overview.html

But these actions came many weeks after the start of the pandemic, and the challenges of acting in an expeditious manner has in turn delayed Canadian businesses' ability to reopen safely. It is not unfeasible that if a vaccine is developed outside Canadian borders, there will be a significant delay in procuring enough supply for domestic use, due to many of the same reasons that Canada was unable to rely on its partners to supply PPE materials in the early days of the crisis. Such a situation would further erode the prospects of a robust economic recovery in Canada.

The provinces are also doing their part. In the early days of the pandemic, the Government of Alberta sent a large supply of needed medical materials to Ontario and Quebec;[56] the Ontario government has launched an Ontario Together portal to connect suppliers of medical equipment to businesses, and the Government of Manitoba has created a B2B Manitoba website that serves a similar purpose.

Business, too, are doing their part. Many businesses across the country showed organizational flexibility and modified their operations in response to COVID-19 to produce needed PPE equipment. But these were emergency responses to an unprecedented situation, and are unlikely to continue in the long-term after recovery, unless there is clear incentive to do so. These businesses need support from the federal government to continue such operations, as they have proven vital to Canada's COVID-19 response, and will remain vital to prepare for any future health pandemics.

It is important that the federal government develop a national strategy to support such businesses, and address the supply chain vulnerabilities exposed by COVID-19.

RECOMMENDATIONS

That the Government of Canada:

1. Engage the provinces, territories and the business community to create a national emergency strategy to build resilient and adaptable supply chains to ensure sufficient supplies, equipment and training during times of crisis.
2. Leverage Public Services and Procurement Canada's COVID-19 Supply Council to provide a forum for engaging the private sector on pandemic preparedness supply chain resiliency.

[56] https://www.cbc.ca/news/canada/edmonton/alberta-to-send-personal-protective-equipment-to-ontario-quebec-b-c-1.5529989

15. Building National Prosperity through a New Industrial and Advanced Manufacturing Strategy

DESCRIPTION

The emergence of the Covid-19 pandemic has brought to light the erosion of the industrial and advanced manufacturing capability of Canada. Over the past decades, the growing reliance on imports of goods and the decline of domestically produced goods has exposed the vulnerability of our economic underbelly. The absence of a long-term national strategy to advance our manufacturing capabilities and competitiveness has amplified Canada's decline in the ability to produce high skilled, high earning jobs and the economic benefits that come from a strong and growing manufacturing sector.

BACKGROUND

The decline in manufacturing has been a key contributor to the stagnation of wages in Canada and Canada's increasing reliance on the extraction and export of unprocessed natural resources. Canada needs to emphasize merits of generating wage gains through greater value-added roles and productivity improvements without loss to our competitiveness to reverse wage stagnation and deterioration.

In 1980, almost 20% of all jobs (8.5% of the population) in Canada were in the manufacturing sector – that dropped to 9% by 2019. Source: Stats Can, Turner Investments

Manufacturing was hard hit by the deep and prolonged recession that followed the global financial crisis of 2008-09. Manufacturing GDP declined by almost 11 percent over the period from 2000 to 2014, while the rest of the economy grew by 41 percent. Since 2000, manufacturing employment has declined by over 500,000 workers. Growth in total employment over the period was about 3 million.

The decline in manufacturing exports has led to an overall decrease in exports by Canada. Over the period 2000-2014, overall exports declined by 6.4 percent, while manufacturing exports declined by 26 percent.

One of the by-products of the COVID-19 pandemic is that all of a sudden people are paying attention to where things are actually manufactured. On Monday morning April 13, the lead headline on the CBC website was "Canada building its own PPE supply chain…in China." As the Toronto Star noted in its April 7 editorial – "Canada Needs a New Industrial Policy," when Canada is left scrambling for medical equipment, relying on goods that are manufactured halfway around the world "doesn't seem like such a good idea anymore."

While countries in the world, including Canada, shut down large parts of their economies to contain the COVID-19 virus, and while economic activity stopped, most manufacturers continued to operate. In some cases many manufacturers ramped up or shifted production in response to the crisis to make more food, personal protective equipment, and other health care products.

But because firms have also had to contend with implementing physical distancing measures and weaker than normal demand, the industry's overall production has still declined sharply. SSMCOC DATA POINTS: Manufacturing Sales – April 2020 (Source: Statistics Canada)

The lack of an industrial and advanced manufacturing strategy for Canada has further exacerbated policy formulation and decisions that support a strong and renewed recovery in this section. It is long past time that Canada should address this problem. By focusing on an industrial growth strategy, governments can help to ensure that the economic recovery that follows the pandemic will be more durable, will create better jobs and, if we do it right, will help us meet our climate change targets.

As the Canadian Government looks to stimulate economic recovery, that stimulus should come with conditions – immediate job creation, economic productivity and medium- and long-term investment. Canadian needs a long-term industrial strategy.

As part of that new industrial and advanced manufacturing strategy the Canadian Government needs to use the power of infrastructure spending and procurement to support Canadian industry and maximize job creation in Canada. It does not help that trade agreements, notably the CETA with the EU, restrict Canada's ability to insist on domestic procurement that creates jobs in Canada and you can be sure that in the U.S., aggressive "Buy America" programs will surely be the order of the day for the large U.S. procurement market, and under the recently concluded CUSMA, Canada has no preferential access to U.S. procurement.

Because we have neglected our manufacturing base for decades, Canada is more reliant than ever on resource extraction – and fossil fuel extraction makes up over two-thirds of our current resource sector. It is also the case that we have a lot of manufacturing jobs tied to the fossil fuel sector. But as we face low fossil fuel prices, it is clear that manufacturing is going to be critical if we are going to meet our climate change objectives. Mining and manufacturing supply chains are critical for the production of the goods we need for a low-carbon economy, whether that is transit, wind turbines or electric vehicles. But none of these goods will be made in Canada unless we have a strategy to make it happen.

More generally, for decades Canadian governments have relied on increasing global trade and free markets to create jobs in Canada. This has not only left us without the ability to manufacture critical medical supplies during this pandemic, and it has left us with a weakened domestic manufacturing base that has not received enough support from governments. We need to put a long-term industrial job creation strategy back on the domestic agenda.

Despite the declines, manufacturing continues to make a critical contribution to the Canadian economy, particularly to the Canadian trade balance, where it still has a disproportionate role relative to that of other industries. In 2014, they accounted for 61 percent of exports. In addition, in 2014, it represented 10.6 percent of total economic output and directly employed 9.6 percent of the Canadian labour force. Due to its rich linkages with other activities, such as R&D, logistics, engineering, sales and marketing, the manufacturing sector has a substantial multiplier effect on the national economy. Thus, if Canada is to prosper in the future, the decline of manufacturing will have to be reversed and vitality returned to this critical sector.

The current shift in political and public sentiment toward increasing domestic production, strengthening domestic supply chains, and making and buying local is welcome news for manufacturers and fits well with Canada's trade and industrial (and manufacturing) realities. But this shift should not mean that Canada attempts to isolate itself, shut down global supply chains, and reverse decades of trade-driven prosperity for Canada. Instead, Canada should attempt to capitalize on these shifting sentiments by refocusing attention on the need to boost export growth by supporting the production of value-added goods and by strengthening regional supply chains.

Manufacturing is a cornerstone of our modern Canadian economy. Accounting for approximately $174 billion of our GDP, manufacturing represents more than 10% of Canada's total GDP. What is more, manufacturers export more than $354 billion each year, representing 68% of all of Canada's merchandise exports.

All of this adds up to 1.7 million quality full-time, well-paying jobs—all across the country. As the sector has modernized, manufacturers have become innovative and high-tech, relying on a highly skilled and knowledgeable workforce that includes designers, researchers, programmers, engineers, technicians and tradespeople.

Canada's manufacturing industry has huge potential for Canada's economic future. The world is changing, and new technologies are not just opening new markets for Canadian goods, they are changing the ways these goods are produced. For manufacturing in Canada to remain a vibrant, innovative and competitive contributor to our economy, business and Government will need to work together. A vibrant manufacturing community encourages industrial clusters that develop skills, knowledge and technology. Success breeds success: when Canada's manufacturers grow and compete, they act as magnets for new investment and for new young people wanting to be part of this great industry, making the products of tomorrow.

RECOMMENDATIONS

That the Government of Canada:

1. In collaboration with stakeholders develop and implement a long term modern industrial and advanced manufacturing strategy, founded on the principles of continuous improvement, that focuses on increasing investment through reducing production costs, supports innovation and technology adoption with the goal of increasing value-added exports. Emphasize competitive strengths, particularly natural resources, energy, food and technology.
2. As part of the long-term strategy, ensure that in partnership with the provinces, stakeholders and academic institutions, both public and private, develop advance and industrial manufacturing curriculum to address the skills shortages.
3. Introduce a trade strategy that targets reshoring of manufacturing capacity to Canada and strengthens North American competitiveness. Include also efforts to modernize, strengthen, enhance capacity and financially support the trade remedy system and the verification of import data.
4. Build the "Canadian Made" brand by modernizing the legislated and voluntary expansion of government and public-private partnership procurement tools to evaluate and consider preferential selection of local suppliers after fairly evaluating:
    a. Global environmental impact and cost assessment versus the imported alternative; (i.e.: greenhouse gas (GHG) emissions during production and transportation),
    b. Presence of comparable health and safety regulations during production and manufacturing;
    c. Whether the exporting country allows for reciprocal access to their market for the same product.
5. Implement a rapid arbitration process for companies who were/are denied access to emergency relief programs.
6. Introduce programs to offset the costs associated with crisis response and training on protocols such as tax credits and training subsidies, such as those through existing job grant programs.
7. Prioritize investment in trade and industrial infrastructure, including transportation networks, industrial parks, and broadband internet.
8. Drive Canada's business investment and competitiveness by lowering the cost of doing business through tax and regulatory reform.

16. Tools to Assist SMEs Prepare For, Survive and Recover From Emergencies

DESCRIPTION

Emergencies, like pandemics, natural disasters and cyber-attacks, pose unique challenges for small- and medium-sized businesses (SMEs). Most will not recover at the same pace as larger businesses and many will not survive without tools to help them do so.

With SMEs contributing more than half of Canada's Gross Domestic Product (GDP)[57] it is critical to equip them to prepare for, survive and recover from emergencies as quickly and in the best shape possible. And, as more Canadian SMEs pursue international markets, many find that other jurisdictions are asking for their emergency contingency plans.

BACKGROUND

The COVID-19 crisis hit Canadian SMEs hard. In the April 2020 Canadian Survey on Business Conditions, 50% more SMEs said they didn't have enough cash to keep their doors open longer than 60 days without any revenue compared to the national average. Similarly, nearly double the percentage of SMEs (35%) said they had experienced a 20% decrease in revenue compared to all businesses (17.9%). This survey also indicated that higher percentage of SMEs also had to cut back hours (5.4% more) and lay off staff (4.4% more) compared to all businesses.

However, SMEs punched above their weight in testing working from home, with 55.5% saying they had done so compared to 45.5% of all businesses. SMEs also adopted new ways of doing business at a higher rate than other businesses including using e-commerce (.8% more), altering their product and service offerings (2.4% more) and investing in employee training (1.8% more). They were also more confident in their ability to resume normal business operations within one month of social distancing requirements being lifted (1.1% more than all businesses).

Surprisingly, 40.9% of SMEs said they could remain open amid social distancing more than 6 months compared to 32.1% of all businesses. [58]

These results demonstrate the agility of Canadian SMEs in responding to new business conditions and optimism in their ability to adapt and succeed.

Despite their optimism and resiliency, Canada's SMEs will need substantial tools and resources to help them maintain operations and adapt to a different post-COVID-19 economy.

[57] Key Small Business Statistics: Innovation, Science and Economic Development Canada, November 2019
[58] Canadian Survey on Business Conditions, Statistics Canada/Canadian Chamber of Commerce, May 2020

They will also require help to prepare to weather the next emergency whatever form it takes. We learned during the COVID-19 crisis that financial liquidity – next to the health and safety of employees and customers – was SMEs' biggest concern. The need for quick access to funds was particularly dire for businesses that were ordered to shut down by governments to stem the spread of the virus.

The federal government quickly introduced several support programs[59] aimed at helping businesses of all sizes maintain financial liquidity, keeping employees or hiring them back. Despite the government's good intentions and swiftness, many SMEs found themselves unable to qualify for any assistance. This was due to government programs having rigid definitions (e.g., regarding salary, employees, revenue) that don't reflect the way many smaller businesses have structured themselves. While rigour is critical when public funds are used to back support programs, they can miss their mark if they do not reflect the realities of the businesses they are intended to help. For example, the first incarnation of the Canada Emergency Business Account failed to recognize that many entrepreneurs pay themselves with dividends (rather than through payroll) and employ only contractors.

If the COVID-19 crisis taught us nothing else, it taught us how critical a robust telecommunications infrastructure is to our economy. The economic toll of the crisis would have been much more severe had many businesses not been able to move to working remotely.

SMEs will need tools to ensure they can prepare for the next emergency be it another health crisis, natural disaster or cyber security attack. Learning from the COVID-19 crisis - what worked well and what didn't - is key. Our economic well-being depends upon it.

RECOMMENDATIONS

That the Government of Canada:

1. Simplify the eligibility criteria for support programs and consult with the business community on how to do so to avoid confusion and the loss of precious time and resources in an emergency;
2. Encourage SMEs to maintain some savings for emergencies by introducing a Tax-Free Business Emergency Savings Account. All firms eligible for the Small Business Tax Rate would qualify and the annual limit would be the same as for individuals ($6K in 2020).

[59] https://www.canada.ca/en/department-finance/economic-response-plan.html#businesses

17. Create a Global Research Fund to Finance Innovative Technologies and Research For The Benefit Of Human Life and the Global Economy

DESCRIPTION

The Canadian life sciences sector is an important contributor to both the health and economic prosperity in Canada. Several challenges and opportunities have arisen with this sector with the emergence of the global COVID-19 pandemic.

BACKGROUND

Currently there are no drug therapies available for either the prevention or treatment of COVID-19. Health Canada and other international health organizations are working with researchers and manufacturers to help expedite the development and availability of vaccines, antibodies, and drugs to prevent and treat COVID-19 and other future viral threats. Once a vaccine has been successfully developed, they must be effective, affordable and accessible to everyone, quickly, to prevent ongoing transmission and to facilitate the return of the domestic and global economy.

Additionally, a lesson learned from this global pandemic is the degree to which the Canadian medical technology supply chain is highly dependent on the global supply chain. Steps taken by various countries during the crisis to restrict exports were highly disruptive and in most cases did not achieve the desired impact. We know the largest economic entities (E.g. China, US, EU) will be thinking and reassessing some form of domestic pandemic preparedness strategy that encourages/mandates greater local production. Canada has the opportunity now to ensure our own health systems remain resilient and have access to the necessary supplies and equipment should a second wave of the pandemic emerge.

COVID-19 has created extraordinary circumstances and responses worldwide resulting in the complete shutdown of the global economy and increased debt to unthinkable levels, creating high unemployment and poverty not seen since the Great Depression. Experts agree that given increasing global population, travel and interconnectedness of economies there is an increasing risk of ongoing pandemics. Numerous countries have already been previously impacted by other diseases such as SARS, MERS, Ebola, Spanish Flu, H1N1 and others, each affecting the global economy in immeasurable ways. Impacts from these past pathogens were mitigated by timely responses and containment measures; however, as with Covid-19, until vaccines, antibodies and drugs are developed, the global economy and human life is severely impacted.

The study of pathogens, and associated vaccine research, costs hundreds of millions of dollars with a very high failure rate (>94%). With immediate and ongoing financial support, labs and manufacturers can increase their efforts with greater scientific resources applied to each problem and the investigation of multiple potential solutions. Unfortunately, vaccines for emerging diseases are not generally an attractive investment for large pharmaceutical companies, given that by the time a vaccine is developed and licensed, an outbreak may have been contained.

For research on global pathogenic research to be timely, effective, and responsive, it needs to be sustained and properly funded, free from pure profit encumbrances. To this end, Canada should lead an international effort to create a global research fund to finance innovative technologies and research into the diagnosis and treatment of emerging pathogens and quick, equitable and universal deployment of effective treatments to benefit human life and the global economy. Allocation of the fund would be delegated to an international commission, whose job it would be to determine and show the health and economic benefits of different products in an open and transparent manner.

At the height of the pandemic, global demand for certain medical supplies and equipment was unprecedented and outpaced available inventory. The medtech industry was quick to respond to the needs of the system by pivoting and expanding their manufacturing operations where they could. Canada also saw an emergence of many non-traditional manufacturers retool their operations, enabling short-term domestic production of necessary medical supplies and equipment. While this was necessary to meet the immediate needs of Canadian health systems across the country; a sustainable, long-term strategy is required to ensure the resilience of our domestic pandemic preparedness.

The COVID-19 pandemic, according to most estimates, is cutting GDP by at least 25 percent, which translates into economic losses of $1.6 billion per day in Canada. Scaled up to include other OECD countries, on a GDP-weighted basis, such a fund would be approximately $150 billion, enough to motivate an enormous investment in medical innovation. Such a fund would mitigate risk in the development of disease-related technologies and attract investment to accelerate current and future development to benefit global and domestic economies and human life.

Canada should leverage its existing advantage in vaccine and medical technology development and manufacturing and begin expanding domestic capacity to ensure access for Canadians and the potential to contribute to the global supply through exports. Next steps include:

- Establishing the process for evaluating successful trials.
- Determine the Criteria for selecting vaccines for Canadian market approval.
- Immediate expansion of domestic vaccine and medical technology manufacturing capacity.

RECOMMENDATIONS

That the Government of Canada:

1. lead an international initiative to create a global research fund to finance innovative technologies and research for the diagnosis and treatment of emerging pathogens and quick, equitable, and universal deployment of effective treatments to benefit human life and global economy.
    a. Establish the process for evaluating successful trials;
    b. determine the Criteria for selecting vaccines for Canadian market approval; and,
    c. an immediate expansion of domestic vaccine and medical technology manufacturing capacity.

18. Adopting a Harmonized Approach to a Health Information Framework

DESCRIPTION

In recent months, the use of technology in the health sector has made it possible to provide remote care and follow-up to many Canadians during the pandemic. However, despite the democratization of virtual care and services and remote access to medical technologies and equipment, providers continue to face many challenges and barriers. In fact, in many Canadian provinces, service providers and technology developers must comply with provisions, norms and standards that vary greatly across the country.

BACKGROUND

The lack of a harmonized approach to the regulation of health-related information hinders interprovincial trade in medical and information technologies, not to mention the complexity and cumbersomeness experienced by companies in meeting the requirements under various legislations.

The health crisis caused by the COVID-19 pandemic is impacting health systems across all provinces as they must adapt to growing demand and organize to ensure the health and safety of patients and staff. The crisis has highlighted the relevance and effectiveness of telecare and telemonitoring, so that today, more than half of patient consultations with their health care professionals take place remotely[60], and the use of medical technologies and equipment allow multiple follow-ups to be carried out remotely as well.

This transformation of care means that more and more data must be managed digitally. However, there is no harmonized approach across the country in this regard. In fact, providers are currently required to comply with several pieces of legislation as well as a myriad of criteria and exceptions regarding the management and control of health information. In addition, remote access for providers of medical technology and equipment to, for example, correct certain technical problems or provide support is limited and varies from province to province.

More specifically, the Personal Information Protection and Electronic Documents Act (PIPEDA) applies to all provinces with the exception of Quebec[61], British Columbia[62] and Alberta[63] which have their own legislation.

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[60] https://www.infoway-inforoute.ca/en/solutions/rapid-response-to-covid-19
[61] http://www.legisquebec.gouv.qc.ca/en/showdoc/cs/P-39.1
[62] https://www.canlii.org/en/bc/laws/stat/sbc-2003-c-63/latest/sbc-2003-c-63.html
[63] https://www.canlii.org/en/ab/laws/stat/sa-2003-c-p-6.5/latest/sa-2003-c-p-6.5.html

In addition to these four Acts, the provinces and territories have enacted legislation specific to personal health information. These include the following:

- An Act respecting the sharing of certain health information (Quebec)
- The Health Information Act (Alberta)
- The Health Information Protection Act (Saskatchewan)
- The Personal Health Information Act (Manitoba)
- The Personal Health Information Protection Act (Ontario)
- The Personal Health Information Privacy and Access Act (New Brunswick)
- The Personal Health Information Act (Nova Scotia)
- The Personal Health Information Act (Newfoundland and Labrador)
- The Health Information Act (Prince Edward Island)
- The Health Information Privacy And Management Act (Yukon)
- The Health Information Act (Northwest Territories)

However, there are important differences between these laws, particularly in the areas of consent, storage, transactions and sharing, which add barriers to the deployment of virtual care and services across Canada.

By way of comparison, in 2016 the European Union adopted the General Data Protection Regulation (GDPR), with the purpose of harmonizing data protection laws for all companies operating in Europe.

RECOMMENDATIONS

That the Government of Canada:

1. Work cooperatively with the provinces and territories to establish a harmonized approach to health information frameworks and ensure the deployment of technologies in the health sector.
2. Work cooperatively with the provinces and territories to promote the interoperability of computer systems while ensuring data security. This would provide better access to health information and facilitate collaboration with providers.
3. Encourage the Federal Government to also engage with industry, as well as the P/Ts when defining harmonized frameworks for health information.

19. Driving Innovation in Canada

DESCRIPTION

The federal government is in the midst of rolling out its “Intellectual Property Strategy” to build a nation of innovators. There should be a focus on ensuring a two-pronged approach, through programs and tax-based mechanisms, to encourage business investment in intellectual property and innovation to improve productivity, economic growth, and incomes for Canadians.

BACKGROUND

The new “Intellectual Property Strategy” is an investment of $85.3 million over five years to help Canadian businesses, creators, entrepreneurs and innovators understand, protect and access intellectual property (IP) through a comprehensive IP Strategy. This strategy is part of the federal government’s Innovation Strategy announced in the 2017 budget with details released in the 2018 budget.

This policy resolution was updated and reapproved at the Canadian Chamber of Commerce’s national convention in 2017 and it continues to offer positive solutions to help Canadian businesses develop their innovations. Emerging from and throughout the COVID-19 pandemic, innovation is continuing, most likely at a faster pace than before the pandemic, these solutions will put Canada on a solid path for recovery. In fact, in its Roadmap to Recovery document, the Canadian Chamber makes the following recommendation as step at nurturing recovery: Adopting an “innovation box” regime that would reduce the corporate tax rate for income derived from patented inventions and other intellectual property connected to new or improved products, services and related innovative processes developed in Canada.

The Intellectual Property Strategy has goals and recommendations in three areas: IP Awareness, Education and Advice, Strategic IP Tools for Growth, and IP Legislation. While there are solid recommendations within these buckets there is limited discussion about the cost of the investment.

In 2019-2020 $30M was slated to establish a pilot program called the “Patent Collective”. The collective will work with Canadian entrepreneurs to pool patents, so that small and medium sized firms will have better access to critical IP they need to grow in early stages without fear of infringing on a patent. The budget refers to this program as providing these businesses with the "freedom to operate".

This strategy is still in its infancy and Canada remains 16th in innovation overall in the Global IP Rankings. The Index consists of five key sets of indicators to map the national intellectual property environment for the surveyed countries.
The major indicator categories are:

1. patents, related rights, and limitations;
2. copyrights, related rights, and limitations;
3. trademarks, related rights, and limitations;
4. enforcement;
5. membership and ratification of international treaties.

It is worth noting there are some significant differences between what Canada is offering business in this space and the offerings of other countries that are ranked above Canada on this list. One of those differences is a “patent box” tax approach. A number of countries (the U.K., Belgium, Luxembourg, France, Spain, Hungary, Ireland, Switzerland and China) have adopted this approach which sharply reduces the normal corporate tax rate on income derived from the exploitation of patents. The Netherlands widened the policy to an “innovation box” to encompass a broader class of intellectual property.

The various “patent box” programs have even caught the eye of several provinces, but the approach has not been instituted at the federal level. British Columbia has had such tax policy in place since 2006, Quebec included patent box policy in its 2016 budget, and Saskatchewan announced patent box tax policy in its 2017 budget.

The reference to “box” comes from having to tick a box on the tax form that indicates this type of revenue is being claimed. The types of profits that qualify for the lower tax rate, and how acquired intellectual property is treated, differ significantly among countries and provinces. Additionally, the “patent box” rate varies considerably among nations and provinces. Finally, some countries put caps on the total tax relief companies can receive from patent boxes. In the case of Saskatchewan, the provincial government has installed time limits on the number of years of tax relief that can be attached to a patent.

Given the tax advantage provided in some countries for holding intellectual property, the question arises whether Canada should adopt similar incentives and, if so, how should they be designed?

These types of tax approaches do support business investment in research and help bridge the commercialization gap.

The “innovation box” approach would encourage companies to locate intellectual property activity and the new high value jobs associated with the development, manufacture and exploitation of innovation inside Canada. This would drive new and sufficient economic activity and government tax revenue to more than offset the immediate revenue costs of the proposal. The government could also apply the savings that will be realized from streamlining the SR&ED tax incentive program to offset all the immediate revenue cost of this proposal.

Finally, an “innovation box” approach would complement the existing SR&ED Investment Tax Credit program— firms would have an incentive to base their R&D activities in Canada AND to commercialize them in Canada.

The federal “Innovation Strategy” also has a goal to double the number of high-growth firms in Canada from 14,000 to 28,000 by 2025. This is a target because high-growth firms are the most likely to innovate, sell globally and invest in people creating more and better paying jobs. A by-product of this goal is to achieve growth in intellectual property applications and have these companies base their R&D and commercialize their innovation in Canada.

A federal “My First Patent Program” could help achieve this. Quebec funds such a program with the following parameters: Quebec SMEs with 250 or fewer employees that are able to demonstrate research and development efforts completed or in part can apply for a non-repayable contribution of up to 50% of eligible expenses, to a maximum of $25,000 for patent application project, industrial design registration or integrated circuit topography.

RECOMMENDATIONS

That the Government of Canada:

1. Implement for an “innovation box” approach to encourage more business investment in innovation processes in Canada.
2. Consult with senior business leaders/technologists to define what intellectual property would qualify, e.g. patents, copyright, industrial design
3. Ensure that any such regime adopted in Canada delivers the clarity and simplicity that encourages participation in innovation from both SMEs and large companies.
4. Develop a federal program modelled after the “My First Patent Program” to encourage more investment by SMEs across the country.

NOTES

[64], [65], [66], [67], [68]

[64] https://www.ic.gc.ca/eic/site/062.nsf/eng/h_00083.html Retrieved June 22, 2020
[65] https://www.statista.com/statistics/257583/gipc-international-intellectual-property-index/ Retrieved on June 22, 2020
[66] https://www.newswire.ca/news-releases/budget-2018-commits-853m-over-five-years-to-national-ip-strategy-intellectual-property-institute-of-canada-applauds-goal-to-raise-ip-awareness-675347693.html Retrieved on June 22, 2020
[67] https://www.canadianbusinessresiliencenetwork.ca/resources/recovery/ Retrieved on June 19, 2020
[68] https://www.ic.gc.ca/eic/site/108.nsf/eng/home retrieved June 22, 2020

20. Digital Broadband the Key to Economic Prosperity (2020)

DESCRIPTION

“Whether you are self-employed, a small business owner or a large enterprise, you should not have to worry about losing your business, and your employees should not have to worry about losing their jobs” (CBRN, 2020). Broadband internet has long posed a challenge from some Canadians to effectively participate and compete in the economy. Certainly, COVID-19 has heightened the rural and urban digital divide, highlighting challenges faced by more than 2 million Canadians without reliable internet. It is essential for policymakers, regulators and all interested stakeholders to work together to deliver equitable broadband so that Canadians are well positioned for economic recovery.

BACKGROUND

A Brief History of Telecommunications in Canada

Prior to 1993, the telecommunications sector was governed under the 1906 Railway Act (Middleton, 2017). The 1993 Telecommunications Act recognized that telecommunications have an essential role in the maintenance of Canada’s identity and sovereignty and laid federal legislation to govern the telecommunications sector. Decisions in the 1980s and 1990s opened the market to further competition. In 2006, as a result of an extensive review of telecommunications policy in Canada (Telecommunications Policy Review Panel, 2006), the federal government issued a policy directive to the CRTC further entrenching the role of the market in delivering telecommunication services. This policy required the CRTC to:

- Rely on market forces to the maximum extent feasible as a means of achieving the telecommunications policy objectives, and
- When relying on regulation, use measures that are efficient and proportionate to their purpose and that interfere with the operation of competitive market forces to the minimum extent necessary to meet the policy objectives (Governor in Council, 2006)

The 1993 Telecommunication Act imposed strict Canadian ownership requirements for operating a telecommunications carrier in Canada. 80% of voting shares and board of director seats were to be held by Canadians (Canada, 1994). These restrictions were touted for being the most restrictive in the OECD (Organization for Economic Cooperation and Development, 2011).
In 2009, the Government of Canada announced that it intended to ‘regain its leadership position in the digital economy’ (Clement, 2009) and in 2010, the government held a consultation on the Digital Economy, receiving more than 250 submissions from organizations and individuals.

In recent years, the Government of Canada has introduced various programs and initiatives to improve broadband across Canada and meet targets set out by the CRTC.

- In 2016, the CRTC created a $750 million fund, made up of contributions from larger telecommunications service providers, to support projects in areas where established targets were not being met. However, Telecom Regulatory Policy CRTC 2018-377, issued on 27 September 2018, lowered the target to now require that projects eligible for the fund provide access to download speeds of 25 Mbps and upload speeds of 5 Mbps instead of the original targets of 50 and 10 Mbps. The CRTC said this would allow "projects covering underserved areas [to] deliver a broadband Internet access service that the majority of Canadians use today." In 2019, in Telecom Notice of Consultation CRTC 2019-191, it issued a call for applications for funding from this Fund.

- In 2016, the Government of Canada announced that it was investing up to $500 million over five years to bring broadband Internet service to 300 rural and remote communities through the Connect to Innovate program.

- In Budget 2018, $100 million over five years was announced under the Strategic Innovation Fund (SIF) to support projects focused on low-orbit satellites and next-generation rural broadband Internet service.

- In Budget 2019, the Government committed to ensuring that 95% of Canadians have access to the CRTC's speed targets (50/10 Mbps) by 2026 and 100% by 2030, and it proposed various initiatives to achieve this, including $1.7 billion over 13 years in funding under the new Universal Broadband Fund.

However, an implementation plan for reaching these targets is unlikely, especially when one considers that connectivity across Canada in unequal. It has been well documented that urban Canadians have access to a wide variety of Internet services, while those living in rural or remote areas have limited or no access to broadband (Theckedath and Thomas, 2019).

Under Canada's current regulatory regime, regions with lower population density, such as rural and remote communities, end up underserviced because less density means less customers, which may not fit with the business models of large incumbent providers.

Additionally, Canada's telecommunications industry landscape is not competitive enough to incentivize the market to increase speed and access. This is evidenced by the fact that investments in rural broadband by successive governments and incumbent providers over nearly two decades have not solved the problem.

Broadband: An Essential Economic Driver

Rural and remote communities are important contributors to Canada's economy, representing key industries – from agriculture and natural resources to manufacturing and tourism. "Together, they drive nearly one-third of Canada's economy" (CERIC, 2020) building better lives for millions of Canadians and contributing to the prosperity of our country.

Despite this, "right now, two million Canadian households still cannot access a reliable internet connection which is vital to our economy and quality of life (CERIC, 2020). In fact, rural and remote communities have overwhelmingly "identified challenges accessing affordable, high speed internet as the number one issue impeding their economic growth" in a recent Government of Canada report (ISED, 2019).

When businesses consider where to establish themselves in a community, connectivity is among their list of priorities. Thus, low-quality and high-cost internet can deter companies from establishing themselves, thereby hampering the economic growth of rural and remote regions.

For those businesses who are already situated in rural or remote communities,' access to broader markets is often limited. For example, when consulting Canadians ahead of presenting the federal government's connectivity strategy, Canadian officials heard from small businesses being forced to operate on a "cash-only" basis because their internet was not powerful enough to allow Interac or debit payment. They also heard about farm operations that tried to connect to global markets using fax machines (ISED, 2019).

This rationale demonstrates that expanding internet access for rural and remote communities is necessary for the growth of these regions but also for the Canadian economy to compete in today's global marketplace.

COVID-19

The COVID-19 pandemic has shown that digital connectivity is critical to resilience and business continuity in times of crisis. Despite this, new data released by the Canadian Internet Registration Authority (2020) shows significant differences in the internet speeds between urban and rural communities. In April, rural download speeds were nearly 12 times slower, as compared with urban Canadians. Since the COVID-19 pandemic, internet speeds have fallen for rural users, and increased for urban users because of their option to upgrade their service. This is problematic especially when one considers that most local businesses were forced to shift to online-only in response to COVID-19 and fast upload speeds are critical for video conferencing, cloud storage and other popular productivity applications.

As we move toward recovery, it makes economic sense to have policies in place that accelerate broadband development for all Canadians.

RECOMMENDATIONS

That the Government of Canada:

1. Work with municipal, provincial and territorial governments and agencies to deliver broadband funding that will help maximize capital for broader internet access.
2. Launch the new Universal Broadband Fund quickly to expand affordable broadband access to struggling communities so that they are well positioned for economic recovery.
3. Include remote and rural experts and stakeholders in national discussions and when evaluating federal programs and policies.

21. Accelerating Growth of the Health and Biotechnology Sector in Canada

DESCRIPTION

Currently, the market for the medical technology sector in Canada (hospitals and health care providers) is unable to access and adopt many of these innovations due to outdated procurement practices that focus on lowest cost over efficacy. As a result, Canadians do not receive timely access to technologies and solutions that can enable better outcomes at a lower cost, and the domestic medical technology industry is unable to thrive in Canada.

The federal government, through its Invest in Canada initiative, has set a goal to double the size all health and biosciences companies from 900 to 1800 by 2025. We believe the best way to do that is by adopting the principles of value-based health care (VBHC) within Canadian health care systems.

BACKGROUND

For many years under successive governments – both federally and in many provinces – there has been an acknowledgement of the untapped potential of a robust medical technology industry in Canada. The medical technology sector is already a significant driver of economic activity, as it employs approximately 35,000 Canadians across more than 1500 corporate facilities. Canada has several clusters of significance focused on medical technology, including Innovation Boulevard (BC), Health City Edmonton (AB), MaRS Health, Health Innovation Hub and Medical Innovation (ON), and the Eastern Health Innovation Ecosystem (NL) to name a few. The potential for this sector to grow and influence economies across the country is tremendous.

While Canada spends significantly more than the OECD average on health care overall, it spends well below the average (~3 percent) on medical technology relative to an even wider set of peer countries. In examining the proportion of health care expenditures specifically devoted to medical technology, the Canadian Health Policy Institute places Canada 60th out of 72 countries and 23rd out of 25 of its OECD peers, with Germany, Japan, the UK, and Israel ahead of us, among others.[69]

In July 2015, the federal government received a report, Unleashing Innovation Excellent Healthcare for Canada, that was delivered by a government-appointed panel of experts, the Advisory Panel on Health Innovation.

[69] https://gallery.mailchimp.com/ee57ed699fe269d23646e430e/files/7c63e00e-8602-4d3c-88d5-6734fdf94aa0/MEDEC_Optimus_Research_Paper_Final.pdf p. 13

Within that report, several recommendations were made that outlined how to unlock the full potential of the sector for the benefit of health systems and patients across Canada. These recommendations focused on the following enablers to VBHC:

- Patient engagement and empowerment
- Health systems integration with workforce modernization
- Technological transformation via digital health and precision medicine
- Better value from procurement, reimbursement, and regulation
- Industry as an economic driver and innovation catalyst

Subsequently, in September 2018, the government received a report from its Health & Biosciences Economic Strategy Table that echoed many of the same recommendations that would support the sector, but also seek to simultaneously ensure Canadians had access to a modern health care system.

To date, few of the recommendations of either panel have been fully embraced by the federal government.

Both reports highlight the underperformance of the Canadian health care sector when considering spending relative to peer countries. They both also contained references to a future state in which principles of value-based health care are enabled – which would transition health systems from their focus on lowest cost to delivering the best outcomes for Canadians. A system aligned around value would also unlock the potential in Canada’s already innovative health sector, leading to sector growth and improved quality of treatment and care across the country.

The emergence of the COVID-19 pandemic in Canada has also demonstrated that our country’s health systems and the medical technology sector is able to respond and adapt quickly to new ideas and technology to improve system efficiency, access and patient care. Canada must continue the momentum of deploying digital health and analytic tools that have been created out of necessity during this crisis (e.g. virtual physician care visits, remote monitoring of patients, etc.). Improving access to health care is central to not only a more efficient economy, it also contributes to inclusive economic growth.

Medical technology is now more connected than ever. The ability for devices to provide meaningful data and insights for patients and providers is unprecedented. Canada has a tremendous opportunity to lead in this sector by ensuring our health systems can capitalize on the innovations being developed locally and internationally. In the current operational nature of procurement processes, the vendor’s innovation is precluded from being considered during the decision process. By providing a framework that focuses on value as opposed to volume, Canada can be a global sector leader and enable the adoption of technologies that can address our most pressing health care needs. In turn, these technologies and solutions can be promoted and adopted around the world.

RECOMMENDATIONS

That the Government of Canada:

1. Take a leadership role by creating a vision for value-based health care in Canada that will aid the provincial and territorial governments in developing VBHC strategies within their own systems.
2. Commit funding to support provincial and territorial health systems as they transition to value-based systems. This funding should be directed in the following areas:
    a. Supporting the adoption of value-based procurement
    b. Trials in outcomes-based delivery models
    c. Translational research to disperse and scale new innovations in care delivery and payment models
3. Play a convening role to foster demand-side innovation. Specifically, the government should:
    a. Call for innovative solutions to help solve issues related to the social determinants of health (as it did during the COVID-19 pandemic), including those related to poverty and mental health and addictions.
    b. Encourage consumers and institutions to adopt the innovations that can help respond to societal issues
    c. Foster user-driven innovation that responds to market needs on both the production and consumption sides
    d. Engage with industry, as well as the provincial and territorial governments, when defining harmonized frameworks for health information.

22. Assisting Small Business with Minimizing the Risk and Recovery from Cybercrime

DESCRIPTION

The cost and maintenance of cyber security measures is prohibitive to small and medium-sized enterprises (SMEs) across all sectors of the Canadian economy. There are solutions available, but the challenge is encouraging businesses to incorporate those solutions to protect their data.

BACKGROUND

In the context of the COVID-19 pandemic, the issue of cybersecurity is even more relevant as more businesses are integrating e-commerce and web-based applications as a means of survival and to enhance their in-store experience.

The internet is the road on which the majority of business is conducted in the 21st century and while business is responsible for its own portion of that road help is needed to make sure it is maintained.

The Canadian economy is comprised primarily of SMEs (98%) and representing about 51% of Canada's GDP and that is reason for concern. By incentivizing the adoption of cyber security solutions, the federal government can ensure that small and medium-sized business is not only protected, but if attacked can recover quickly and effectively.

In 2017, the Canadian Chamber of Commerce (CCC) release a report called "Cyber Security in Canada". Within that report it was found that "the primary concern for SMEs is resources—most have no or limited financial or human resources (technical expertise) to address the challenges presented by cybercrime; therefore, there is little inclination to invest in protection".

The CCC report lays out the three main reasons criminals target smaller business:

1. Due to a lack of resources, small businesses are less equipped to handle an attack.
2. The information hackers want—credit card credentials, intellectual property, and personally identifiable information—is often less guarded on a small business's system.
3. Small businesses' partnerships—the value chain—with larger businesses provide back-channel access to a hacker's true target

28% or about 1/3 of all breaches happened to small business. 52% of the time the person committing the breach was looking for credentials, in most cases (86% of the time) to achieve financial gain. The bad guys were attacking and taking data from User devices, Mail servers and People (social attacks). A general scan of various sites and resources reveals that the COVID-19 pandemic is providing scammers with more opportunity as businesses focus on basic costs.

In Canada, the average cost of a data breach decreased slightly from $4.74 million in 2018 to $4.44 million in 2019 which is the 4th highest cost globally when compared to other regions. Globally, the average cost of a data breach has increased to $3.92 million.

Given the numbers and the three points above it is clear to see why helping SMEs protect themselves is important to the Canadian economy. In November 2018, the CRA implemented the Accelerated Investment Incentive proposals which under Chart 3 Purchase of Equipment a business could write down up to $4400 in the first two years after the purchase. While this was welcomed, under the current economic situation it is not enough.

Furthermore, as businesses recover from the effects of the COVID-19 pandemic, the Canada Business Resilience Network (www.cbrn.ca) Roadmap to Recovery document suggests government introduce programs, funding and incentives for technology adoption in businesses of all sizes and across all sectors to improve Canadian productivity.

We are starting to see this happen as both the federal and the provincial governments have come to the table with opportunities such as the Digital Main Street Program. When building these programs, the government should ensure that cyber security measures are included and listed in the program parameters.

Cybersecurity is also an important part of continuity and emergency planning. The COVID-19 pandemic has highlighted the need for small businesses to be aware of their online vulnerabilities, understand them and make adjustments. The following recommendations put a framework in place to do just that.

RECOMMENDATIONS

That the Government of Canada:

1. Allow SMEs to write off 100% of their business investments in cybersecurity-related software, equipment and other costs (support services and outsourcing costs) in the year those investments are made.
2. Include cyber-security measure parameters when building out programs that encourage SMEs to improve their virtual presence.
3. Introducing cybersecurity certification programs for SMEs and offering financial incentives for completing them.

NOTES

[70], [71], [72], [73]

[70] https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/sole-proprietorships-partnerships/report-business-income-expenses/claiming-capital-cost-allowance/accelerated-investment-incentive.html#Restriction
[71] https://www.bdo.ca/en-ca/insights/tax/tax-articles/taking-advantage-proposed-accelerated-depreciation-rules/
[72] 2019 Cost of a Data Breach Report. IBM and Ponemon Institute. https://databreachcalculator.mybluemix.net/executive-summary . Retrieved on June 18, 2020
[73] 2020 Data Breach Investigations Report. Verizon. https://enterprise.verizon.com/resources/reports/dbir/. Retrieved June 18, 2020

23. The Role of Governments towards a Robust Digital Infrastructure in the Post Pandemic World

DESCRIPTION

Digital and Data Infrastructure are an important pillar to create an engine of innovation and wealth creation. COVID19 has accelerated the transformation to Digitalization and highlighted the many benefits in a short period.

Unfortunately, COVID19 also represents a tremendous economic shock and burden. According to experts, recovery is what will be required over the next 18–24 months to get output back to its pre-crisis level.

BACKGROUND

To build a stronger position in the near term, we can build on the COVID lessons turning around the negative impacts from the pandemic to fast track the use of technology and communication networks. We have seen how fast people can adapt and how productive hundreds of millions of people ramped up the use of digital tools to remain connected, productive and healthy.

For the better part of a decade, Digital Transformation has been the core driver of organizational change. The transition from legacy IT to cloud computing; the expansion of retail and banking into the mobile space; the rise of machine learning, artificial intelligence, and smart automation; improving safety and reliability of public transit through predictive maintenance; and the growth of the Internet Of Things (IoT) were, among other massively transformative technologies, at the heart of a generational forward evolutionary leap. And it is therefore not surprising that these very technologies have enabled businesses, governments, healthcare systems, tech companies, students, and workers to adapt to the turmoil of disruption caused by the pandemic.

The ability for us to adapt so quickly under these unprecedented conditions only underscores the critical need for governments to continue to invest in digital technology, robust, high-speed communication networks, innovation, and a connected infrastructure.

As part of the plan for recovery, the Oakville Chamber believes that governments at all levels will need to enhance digital connections and e-services amongst business, employees, citizens and government to create an attractive climate for business investment and job creation for economic growth.

Digital infrastructure allows us to connect people and places, improve productivity, increase economic growth, create healthy and safer communities through valuable insights gained from data analytics and new technologies.

This will result in our ability to solve complex problems, improve the sustainability of our cities, build new businesses create new jobs and create a step-change for competitiveness for our region.

An increasingly digital economy will require major investments in sophisticated networks, cybersecurity and electronics. It will also force business to adopt new technologies and business models to interact with customers, clients and employees.

About 2.5 billion people are connected to the internet today, a third of the world's population; there are projected to be about 4 billion users by 2020, or more than half the global population. Continuous access to information, commerce and communication has become a daily fact of life for billions and will soon become a reality for billions more. As the internet makes its full weight felt in more high-impact areas such as healthcare, education and government services, access to digital services will only become more essential for everyone in the years to come.

The digital economy is growing at more than 10% a year, significantly faster than the economy as a whole. In emerging markets, the internet economy is growing at 12-25% per year, and it is having a far-reaching social and political, as well as economic, impact. Around the world, it is an increasingly important source of growth and, frequently, jobs.

Governments, businesses, and other stakeholders should commit to near, mid and long-term actions that promote growth of digital services and the digital economy.

All stakeholders can establish comprehensive, aspirational plans that lay out a path to broadband connectivity for all. Making expanded connectivity a reality requires a continuing commitment to investment and innovation by the private and public sectors. Governments in particular need to recognize the broader role that digital services can play in economic development and growth; the digital economy is much more than a potential source of tax revenues.

The COVID19 Pandemic has also accelerated businesses' digital transformation. It also showed us how quickly work itself can change. Adaptability, flexibility, and a commitment to lifelong learning will be vital, especially as companies and entire industries reposition themselves in a highly digital, data-driven world and search for the talent that will help them succeed.

For business and government, the way to remain competitive lies in upskilling to enable them building a future-ready workforce; for individuals, it is a way to keep their skills relevant and stay future-ready. Making deliberate, significant investments in learning will ensure organizations and employees alike have the knowledge, skills, and capabilities needed to work effectively in a digitized, automated world.

RECOMMENDATIONS

That the Government of Canada:

1. Introduce multijurisdictional programs and add "and continue" funding and incentives for digitization to improve Canada's productivity and economic recovery.
2. Commit to actions that promote the long-term growth of the digital economy and modernize policies to encourage investment and innovation throughout the internet ecosystem.
3. Create an obligation for stimulus funds to be applied with digitalization included in the scope of deliverables where appropriate.
4. Create funding mechanisms for primary, secondary, and post-secondary institutions to establish digital literacy programs to ensure workforce is future ready, as well as investing in research and digital skills training to meet the future labour demands.

24. Prioritize Targeted Investment from the F/P/T Governments in Infrastructure in a Time of Pandemic: A Support for a Sustainable and Growing Economy

DESCRIPTION

The COVID-19 pandemic has illustrated the core need and importance of a robust Public Health infrastructure, which include laboratory infrastructure and services not only to protect the health of Canadians but also to respond quickly to any existing or emerging pathogens or needs. There is no economy without health and recognizing this is critical.

This pandemic has also highlighted issues with Canada's National Emergency Stockpile System (NESS). It was last audited in 2010 and a problem with expired supplies was noted and persists to this day. Emergency supply stockpiles are expensive to maintain, and management of expired supplies generates substantial financial and material waste.

BACKGROUND

For a long time, laboratories have been considered the "silent champion" of healthcare, influencing over 80% of clinical decisions, while accounting for only about 2-4% of total healthcare spending. Relative to other disciplines, healthcare systems globally and in Canada have underinvested in laboratory infrastructure despite high "value for money". In this space, reasonable investments yield large returns for healthcare systems and for patients while helping shift the focus from cure to prevention. It is important to remind our government that healthcare infrastructure development and support does not necessarily have to be a public sector expense. P3 infrastructure projects in that sector can be structured and implemented as private sector "paid for" P3s, where new infrastructure can be designed, financed, built, operated and maintained by the private sector for the public's healthcare benefit, public policy objectives and subject to tight Government oversight.

The efforts should also go beyond direct COVID-19 related investments and towards enabling technologies or solutions that are allowing health systems and healthcare professionals to adapt to the necessity of finding new ways of working. To name a few, those areas range from increased "point-of-care" testing which allows for tests to be performed "closer to home", to digital pathology or cloud-based clinical decision support tools that allow clinicians to perform their work remotely and IT interoperability components so the data sets generated can be leveraged efficiently.

After the novel influenza A (H1N1) pandemic in 2009, an American analysis highlighted problems that arose with the PPE supply chain. Many organizations substantially increased orders to build their own stockpiles and, when orders were cancelled or partially filled, they placed orders with multiple vendors.

When the government tried to help coordinate a response, considerable challenges arose; supply and demand could not be predicted because no centralized ordering system existed to provide supply and demand data, and private vendors resisted sharing their data for fear of competition. These challenges led to recommendations to monitor PPE usage and centralize ordering information.

Like Canada, the US maintains its Strategic National Stockpile (SNS) to coordinate emergency responses. A review of the SNS also revealed high expenses owing to supplies expiring before they could be used. To reduce the impact of stock expiration, the US elected to extend expiration dates beyond manufacturer's posted dates. Although this approach may be effective in the short term, it has not solved the expiration problem.

An audit of the Australian National Medical Stockpile (ANMS) revealed that Australia's stockpile strategies are wasteful and expensive. In the 10 years preceding that audit, Australians invested $750 million into the ANMS. Of that, nearly $250 million of stock expired, generating disposal costs of $75 million. Australia's stockpile maintenance strategy involves stock rotation, returning expired stock and shelf-life extensions. [74]

It is past time for Canada to adopt a new, long-term stockpile strategy — one that utilizes supply and demand data, ensures supplies are used before they expire, and is financially responsible.

These deficiencies are affecting the success of the Canadian business community. There is clearly a national health issue to deal with so highlighting the consequences it has will act as a guide toward sound recommendations for the future.

Nearly three months since provincial governments ordered the closing of non-essential businesses in an attempt to slow the spread of COVID-19, many, particularly small businesses, are struggling with large drops in revenue. Decreased revenue has some companies gathering debt to stay afloat. Some business owners are calling for further or revised government relief. The Canadian Federation of Independent Business (CFIB) has been tracking the state of small businesses throughout the pandemic. The most recent survey, based on a sample of more than 4,000 businesses, found 40 per cent of respondents have seen revenues drop 70 per cent or more, while 70 per cent have seen revenues drop by at least 30 per cent. About 34 per cent of respondents stated that they were behind in major bill payments, such as rent, credit cards or critical suppliers. The number jumps to 47 per cent in the hospitality sector. And more than a quarter of all businesses responded that their biggest worry was having to close their business permanently.

The new realities of the COVID-19 pandemic are also creating major economic and financial distress for consumers across the country. Many jobs in the Canadian economy are already affected or at risk.

[74] Source: CMAJ 2020 July 13;192:E810-1. doi: 10.1503/cmaj.200946; early-released June 25, 2020

By making these investments, Canada would reap the benefits far beyond current pandemic response, as the value of Public Health through a robust laboratory infrastructure and a comprehensive NESS highlighted through the crisis should be leveraged at scale across health and disease states. Consequently, and aside from aiming for better health for Canadians, our economy would be less vulnerable to another pandemic and or to any health related crisis as we have seen in the past.

RECOMMENDATIONS

That the Government of Canada:

1. Prioritize and target incremental direct investments in federal in Public Health, laboratory infrastructure and Public Safety Canada to ensure increased readiness in anticipation of potential future COVID-19 waves and/or other pandemics and to mitigate risks as the economic restart is undertaken.
2. Conduct a review of the NESS and integrate with commercial supply to minimize oversupply, stock expiration and disposal costs, utilizing demand data and national inventory system through a crown corporation or not for profit model to ensure financial accountability and efficiency.

25. Supporting Measures to Foster the Growth of Canada's Health and Bioscience Sector

DESCRIPTION

At a time when the world is experiencing an unprecedented health crisis and economic change, Canada, which already has an excellent record of innovation in health and bioscience, has an opportunity to go even further. Canada currently ranks fourth among the world's health and bioscience centres. By taking bold steps, we can become an even more attractive destination for investment and talent, enabling us to grow health and bioscience companies to improve the sustainability of the health system and Canada's long-term prosperity.

BACKGROUND

In November 2017, sectoral economic strategy tables were launched to build on the full potential of its innovations and accelerate the pace of commercialization of health and bioscience products. More than eight meetings were held through March 2019.

Part of the vision for the economic strategy table for health and bio-sciences includes the goal of doubling the size of Canada's health and biosciences sector by 2025, while making Canada a top-three global hub by: leveraging and advancing innovative technologies; attracting and retaining capital, skills and talent; and ensuring a vibrant ecosystem that will unleash the sector's full potential and improve health outcomes.

In practical terms, to achieve this, Canada will need to double its exports in the sector to $26 billion. It will also have to double the number of firms in the health sector, which currently stands at 900, to 1,800. Finally, it will have to create or attract 40 new high-growth firms in the health and bioscience sector, which will also allow it to double the number of these types of firms within its territory.

However, to advance Canada's global competitiveness and achieve our growth targets, it is essential that we address the processes that stifle creativity and impede the adoption of promising innovations in the sector. Indeed, the economic strategy tables have identified a number of barriers that must be overcome if we are to do so: over-regulation, risk aversion in the procurement culture, skills shortages, limited access to capital, and current digital health systems that hinder data collection.

To achieve our ambitious objectives for the sector, the federal government will have to put some strong measures in place.

RECOMMENDATIONS

That the Government of Canada:

1. Adopt the five measures proposed by Canada's Economic Strategy Tables for Health and Biosciences:
    a. Accelerate innovation adoption by employing value-based procurement across Canada's health systems;
    b. Design agile regulations by adopting international best practices, eliminating duplication across jurisdictions and decreasing review times;
    c. Harness digital technology by creating a national digital health strategy featuring an interoperable digital health platform;
    d. Develop and attract world-class talent by equipping Canadians for highly skilled jobs, eliminating hiring barriers and streamlining government skills programs; and
    e. Create Anchor Firms by mobilizing late stage capital, scaling up high-potential firms, and broadening research and development tax incentives.

26. Supporting a Stronger, More Secure, and Sustainable Canadian Fruits and Vegetables Market

DESCRIPTION

The Canadian fruits and vegetables fresh produce market is highly dependent on imports from the USA, Mexico and other international markets. The problem is that because of this dependence Canadians are vulnerable in terms of access to and the cost of fresh produce. Price volatility and the impact of increased border restrictions have already proven to be an issue and due to the COVID-19 pandemic the situation has become more precarious. This policy proposal recommends options on how to strengthen the Canadian market and consumer environment.

BACKGROUND

Canada's fruit and vegetable market and pricing is largely dependent on its trading relationship with the United States and Mexico. Much of the produce sold in Canada is imported, in 2018 total retail sales of fresh fruits and vegetables produced domestically averaged about $125 million (CDN) per month, while imports averaged approximately seven times that amount. Canada imports approximately $2 billion in fruits and vegetables from Mexico and approximately 25% of all fresh fruits and vegetable imports into Canada come from Mexico. There is a strong integration between horticultural supply chains in Mexico, the United States and Canada, through the flow of Mexican food products from Mexico to Canada through the United States (Somogyi, Nixon and Thomas-Francois 2019). This makes the Canadian market susceptible to the impacts of related dynamics in each trading partner's markets.

Import Dependency

Price volatility of fruits and vegetables in Canada has been at risk in the past due to trade dependencies and factors such as the availability of temporary foreign workers which implicate supply and demand. Traditionally food production at its source, a strong logistics chain and demand have not been issues. The United States however, has over recent years been strengthening protectionist measures and moving to undermine trade deals with both Canada and Mexico, including inhibiting labour market mobility and immigration as well as cross border movements. The further tightening of the US-Mexico border would have a major impact on our fruit and vegetable prices. Some estimates from the US suggest for fruit and vegetables prices would increase by 20 to 40 percent in the US and the impact in Canada worse with less supply from US retailers absorbing American fruit production that would otherwise be bound for Canada (Somogyi et al. 2019). It may seem as if the family-controlled grocery and retail stores have the advantage but there is a looming threat in our food-retail sector related to US policy vulnerability (Somogy et al. 2019) and this includes the fruits and vegetables fresh produce sector.

Borders have remained open to commercial traffic well into the COVID-19 crisis however, further restrictions on cross-border movement (including truck crossing delays) will dramatically affect trade dependent firms, like those in the fruit and vegetable industries (Richards and Rickard 2020). Losing access to US imports will clearly limit Canadian retail sales, impact pricing and a reduction of the variety of fresh items that Canadian consumers have become accustomed to (Richards and Rickard 2020). Due to our import dependency, availability will be determined by conditions in the US fresh fruit and vegetable supply chain (Richards and Rickard 2020). Also, changes in consumption patterns will be felt by importers, wholesalers, distributors, and retailers (Richards and Rickard 2020).

Strained Retail Distribution Chain

Further implications for pricing have been brought on by COVID-19 for businesses in foodservice and retailers and ultimately for consumers of fresh produce. In the short-term, closing restaurants and schools has resulted in the near complete loss of an entire distribution channel (Richards and Rickard 2020). “By March 24 volumes of fresh produce in the retail channel were up 23.2% over the previous year. Unit prices in the food service sector tend to be higher than retail but expenditure in each channel is roughly the same, so this means a roughly 25% shift in volume across supply chains that differ in fundamental ways” (Richards and Rickard 2020:2). Wholesale distributors for the foodservice sector is not always the same as the set that services retail accounts, and many retail accounts are served directly by grower-shippers (Richards and Rickard 2020). Food service distributors will clearly see an almost complete loss of demand, retail distributors need to be more efficient in packing, have more trucks in place, and move greater volumes (Richards and Rickard 2020). For the short-term distribution infrastructure specific to retail will remain strained through the spread of the disease and will test supply-chain relationships for some time (Richards and Rickard 2020).

Non-perishable fruits and vegetables - Stock piling; potential retailer and consumer response impacts on pricing

Non-perishable fruits and vegetables (representing $7 billion in Canadian production) further undermines the fresh produce sector. There are many reasons why fresh produce shelves remain relatively well stocked while non-perishables (frozen and canned) disappear quickly reflecting differences in both supply and demand:

Although, most notably in recent months non-perishable fruits and vegetables have been stockpiled due to consumer behavior response to COVID-19. This has the potential to dampen current and future sales of fresh produce and impact demand and pricing (Richards and Rickard 2020).

Although there are no reports of retailer’s price gouging hoarded-item categories, it is conceivable that higher retail prices for these items could, in turn, generate higher demand for fresh produce as the spread of the virus worsens or if the situation deteriorates (Richards and Rickard 2020). An outcome not favouring the consumer.

Moreover, if households substitute between nonperishable products that were stockpiled and stored during late winter and the spring of 2020, this could have considerable effects in the fruit and vegetable markets and lead to a range of market responses in mid to late 2020 (Richards and Rickard 2020). For example, the consumption of stockpiled items could be to occur at the same time that harvest seasons begin for many Canadian-produced fruits and vegetables and this would place downward pressure on the prices of fresh produce markets (Richards and Rickard 2020). This scenario would be particularly difficult for small and medium sized fruit and vegetable producers who rely more heavily on local and regional markets for their products (Richards and Rickard 2020). An outcome not favouring the SME producers.

Increased online sales impact for local independent fresh produce retailers
The movement to online food sales has surged as the pandemic spread. Prior to the spread only 1.5% of groceries were sold online in Canada, that number had grown to over 9.0% by the third week of March. Grocery chains were reporting online orders of up to 300%. For fresh produce retailers this could be a transformational point that moves fresh food delivery beyond regular online purchasers that are tech savvy to the mass food buying public. Small independent neighborhood stores may not be able to compete in a world in which consumers demand online grocery options and compete with Grocery chains bought by large firms such as Amazon's purchase of Whole Foods (Richards and Rickard 2020). The growth of small business in the produce sector during the 2009-2020 recovery and boom period was fueled by debt so they were vulnerable to begin with (Richards and Rickard 2020). In periods of financial instability only large stable firms with the ability to service interest payments and sustain business relationships through cash shortages survive (Richards and Rickard 2020). It is undeniable that the potential for margin expansion by large retailers on the consumer side, powerful packers and distributors on the wholesale-buying side, and exporters selling into the Canadian market will be much greater in the absence of a strong, competitive fringe of small firms (Richards and Rickard 2020).

The case for intensifying domestic and local fresh produce market development
There is a strong case for Canada to invest in opportunities and supports to enable domestic and local production in fresh produce to meet consumer demand gaps and put downward pressure on potential pricing and access issues. For example, the development of related technology and R&D will address supply and pricing as well as serve the additional benefit of helping re-build the Canadian economy on the road to recover post pandemic. The impact of an unsecure food source chain on modest and middle class earning Canadians during a time of economic turmoil from a pandemic and the economic ripple effects cannot be forgotten.

Food policy experts are recommending the transformation of Canada's food production system into a more sustainable model. Food Secure Canada Executive Director Gisele Yasmeen said that governments should invest in local infrastructures to help Canada meet social and environmental goals while boosting the economy, post-coronavirus. "…The are things happening on the ground that are putting more control into the hands of people, small producers, processors," said Yasmeen. "That's what we need to build on for the kind of resilience that we need" (Emmanuel 2020). Simon Somogyi, Chair in the Business of Food at the Arrell Food Institute at the University of Guelph recommends that the Canadian government should encourage more people to grow fruits and vegetables at home by incentivizing greenhouse production.

He says that fruit and vegetable prices fluctuate the most each year and that the current downturn in cannabis production provides opportunity for empty greenhouses to be repurposed (Emmanuel 2020b).

RECOMMENDATIONS

That the Government of Canada:

1. Incentivize local SME and independent retailers of fresh produce through financial tax breaks for small businesses in the produce sector;
2. Support farmers markets and “food hubs” through working with industry stakeholders like Food Secure Canada to develop focused policy to support business growth, infrastructure and logistic chains needed
3. Explore a framework to support and enable capacity building for the food supply chain, including retail distribution chain
4. Invest in technology and research and development to make local production more efficient, competitive, and attractive to the workforce;
5. Support skills and training development for local food production employment;
6. Ensure trade agreements are supportive of our fresh produce sector; and
7. Work with the greenhouse and indoor farming sector to determine what further supports may be required to enhance local food production.

NOTES

[75], [76], [77], [78], [79], [80], [81]

[75] iPolitics. Emmanuel, Rachel. 2020b. "WTO’s agri-food commitment will help safeguard Canada’s food security, says expert." Retrieved June. 10, 2020 (https://ipolitics.ca/2020/04/24/wtos-agri-food-commitment-will-help-safeguard-canadas-food-security-says-expert/)

[76] iPolitics. Emmanuel, Rachel. 2020. "Opportunity to re-think food production in Canada amid COVID-19: report." Retrieved June. 10, 2020 (https://ipolitics.ca/2020/05/15/opportunity-to-re-think-food-production-in-canada-amid-covid-19-report).

[77] Richards, Timothy J., and Rickard, Bradley. COVID-19 impact on fruit and vegetable markets. Can J Agr Econ. 2020; 1-6. https://doi.org/10.1111/cjag.12231

[78] Richards, Timothy J., and Rickard, Bradley. COVID-19 impact on fruit and vegetable markets. Can J Agr Econ. 2020; 1-6. https://doi.org/10.1111/cjag.12231

[79] Richards, Timothy J., and Rickard, Bradley. COVID-19 impact on fruit and vegetable markets. Can J Agr Econ. 2020; 1-6. https://doi.org/10.1111/cjag.12231

[80] Globe and Mail Opinion Editorial. Somogi, Simon, Nixon, Andrew, and Thomas-Francois, Kimberly. 2019. "US-Mexico border dispute threatens Canadian food supply, grocery prices." Retrieved June. 10, 2020 (https://www.theglobeandmail.com/business/commentary/article-us-mexico-border-dispute-threatens-canadian-food-supply-grocery/).

[81] Richards, Timothy J., and Rickard, Bradley. COVID-19 impact on fruit and vegetable markets. Can J Agr Econ. 2020; 1-6. https://doi.org/10.1111/cjag.12231

27. Securing and Stabilizing Canada's Agriculture and Agri-food Industry for Long-term Prosperity after Covid-19

DESCRIPTION

The COVID-19 pandemic has had a detrimental effect on the Canadian agriculture and agri-food industry. From producers to processors and everywhere in between, businesses have been forced to either dramatically scale back or shut down operations entirely due to measures taken to prevent the spread of the disease. As Canada's economy moves toward the recovery phase, the industry will require further support to guarantee its long-term competitiveness and prosperity. Among other measures, the agriculture and agri-food industry will require a robust and transparent regulatory process to enhance its long-term environmental and economic sustainability.

BACKGROUND

Canada's agriculture and agri-food sector is a key player in the Canadian economy. It employees over 2.3 million people in all regions across Canada, accounts for 7.4% of the Canadian GDP, and provides 1-in-8 Canadian jobs. Throughout the COVID-19 pandemic, the industry deserves praise for its efforts to keep Canadians fed in safe, healthy, and secure ways. From farmers to retailers and all segments of the supply chain in between, the sector has demonstrated a seemingly infinite capacity for creativity, adaptability, and hard work. We are appreciative of government engagement and coordination through mechanisms such as regular supply chain roundtables and ongoing consultations.

Following on the Minister of Finance's Advisory Council on Economic Growth's recommendations, the 2018 Economic Strategy Table on Agri-Food identified the sector poised to be key driver of economic growth by 2025. It set ambitious targets of $85 billion in exports and $140 billion in domestic sales in the same timeframe [82]. From producers to processors and everywhere in between, the sector is poised to become a world leader in its productivity, but certain regulatory and non-regulatory barriers must be dismantled in the process.

The measures implemented during the COVID-19 pandemic, though necessary and appropriate given the widespread transmission of the disease, have significantly affected the ability of the industry to meet these objectives. Business supports announced by the federal government have been beneficial however there remain significant gaps which need to be addressed. As all orders of government in Canada look to reopening and recovery efforts, there must be a coordinated and balanced approach to doing so. The federal government can take the lead on this process by providing clear guidelines to provincial governments that benefit the entire supply chain, from farm to fork. With a vaccine likely at least a year away, these guidelines should be set against the backdrop of food security and safety without imposing extraneous regulations that inhibit economic prosperity and competitiveness.

[82] Agri-food Economy Strategy Table, The Innovation and Competitiveness Imperative: Seizing Opportunities for Growth, September 2018, https://www.ic.gc.ca/eic/site/098.nsf/vwapj/ISEDC_Agri-Food_E.pdf/$file/ISEDC_Agri-Food_E.pdf

Given the precarious nature of the industry due to COVID-19 and other externalities, it is vital that governments act quickly to provide further supports and take the following action to help guarantee its long-term success and stability after the pandemic is over. In addition to these supports, more government programming is needed to coordinate the supply chain response in the medium to long-term, while mitigating ongoing challenges. Governments will need to focus their attention on re-establishing food value chains on not only a domestic scale, but also globally, which includes addressing impediments to market access.

RECOMMENDATIONS

That the Government of Canada:

1. Expand credit access beyond Farm Credit Canada programs to include other lenders, which complements the expansion of the Canadian Emergency Bank Account.
2. Undertake a review of existing regulations that impose an administrative burden on business while ensuring the health and safety of the agriculture and agri-food supply chain.
3. Promote access to international markets by making better use of existing trade agreements by addressing non-tariff trade barriers. Encourage Canada to be a leader in rules-based international trade to encourage open movement of people, goods, and services. As Canada seeks new trade agreements, the government must ensure it keeps its commitments regarding further concessions to Canada's supply management sector.

28. Improving Risk Management for Agriculture Producers

DESCRIPTION

Current risk management programs are not meeting the changing needs and requirements within agriculture. Furthermore, the lack of education and awareness around risk management strategies is limiting the growth and success of agriculture producers.

BACKGROUND

Less than 1% of Canadians are farm operators, with the number of farms in Canada declining and the land base of each farm increasing. Add to this the increases to average inputs per acre, increased labour and fixed costs and a declining net income and the result is that the dollar value for risk is substantially more than it used to be[83]. As a result, producers require risk management solutions to create greater certainty and mitigate risk in order to improve farming options and opportunities. However, both government and producers groups have identified that improvements to agricultural risk management solutions and tools are needed. With federal priorities focused on agriculture and agri-food, there is a need to work directly with agriculture producers and industry stakeholder groups to help meet the outcomes and objectives desired and to hear first-hand about potential opportunities and areas for improvement.

Government's Role

A December 2019 news report from Food in Canada, stated that federal, provincial, and territorial Ministers of Agriculture met face-to-face to initiate action on a number of key proposals to improve support to Canadian producers, following what has been a difficult year for many producers due to a series of impacts including bad weather, the CN work stoppage, and market access issues. Further compounding the agriculture sector is the COVID-19 pandemic which has also added pressures on the agriculture industry with the need to modify work processes and address processing shortages and supply chain challenges.

Ministers recognized that the risks facing producers have changed, particularly with respect to climate and international trade, and that current programs may need to evolve to meet their needs. To start to address these changing risks, Ministers made targeted improvements to the AgriStability program and Ministers asked officials to change the treatment of private insurance for the 2020 program year.

In addition, understanding that administrative burden is an issue for many, in particular for smaller producers, Ministers agreed to launch a pilot in select jurisdictions to make applying for support easier, by using tax return information to simplify the application process.

[83] https://www.agric.gov.ab.ca/app21/farminputprices; https://www150.statcan.gc.ca/n1/ca-ra2006/articles/snapshot-portrait-eng.htm

Ministers' engagement on key business risk management programs signaled a direct response to the changing risks faced by producers. The business risk management programs aim to provide producers with tools to ensure the viability of their operations and to manage risks largely beyond their control. As a result, officials are to develop options to make the programs more effective, agile, timely, and equitable for producers. In particular, officials are to evaluate the impact of changes to the reference margin limit and changes to eligible expenses under AgriStability.

In the mandate letter of the Federal Minister of Agriculture and Agri-food[84], there was specific guidance to work in collaboration with the provinces and territories to undertake a review of risk management programs, with a special focus on AgriStability in order to help producers manage environmental and business risks by providing faster and better adapted support, drawing from lessons from recent trade disputes and evidence-based research.

Producer Concerns

Producers require risk management solutions to create greater certainty and mitigate risk in order to improve farming options and opportunities. However, there is much needed improvement required to agricultural risk management solutions and tools offered, as identified by both government and producer groups.

Current programs are limiting and don't allow for new opportunities such as the ability to expand intercropping. As there is a lack of insurance coverage for these opportunities, it prevents diversification through new cropping opportunities.

In addition, current programs often require specific fertility, seed treatment and irrigation levels, without taking into account the producers management practices. Modern farming practices and management systems often require lower inputs to produce a crop than more traditional practices. By having minimum input levels built into the program without consideration of the producers farming practices, it can mean higher costs, and restricts the producers' ability to follow best practice farming methodology.

Limiting of the reference margin under AgriStability has also left collateral damage because liabilities were going up and the Government's concerns over costs resulted in significant impacts to producers.

In addition, there have been significant changes to weather patterns, incidences of drought, amount of moisture and extreme weather events, requiring a need to adjust with them, taking into consideration seasonality and length of time drought happens, along with overall impacts of rain and whether there are benefits or negative implications as a result. While clients may choose one, two or three weather stations to best represent conditions on their farm, and within proximity of their land base, weather station information may be subject to change and weather systems are also changing.

[84] Ministers outline improvements for AgriStability program, December 18, 2019: https://www.foodincanada.com/food-in-canada/ministers-outline-improvements-to-agristability-program-143373/

Therefore, more emphasis should be placed on the use of various technology tools to assess crops and pastureland to increase accuracy in the assessment and assist producers in addressing weather events.

Since AgriStability is a margin-based program that provides whole farm protection, there are also limits to this. Under the Canadian Agriculture Program, there have been improvements to the Margin Limit with it being adjusted now to ensure a more equitable level of support for participants impacted by the limit. However, participants are subject to limiting of at least 70 per cent of their calculated Olympic Average Reference Margin, known as the Adjusted Reference Margin Limit. The reference margin limit impacts about one third of participants to varying degrees. The reference margin used to calculate benefits (the applied reference margin) is the lower of the Olympic and the average adjusted expenses for the same three picked years as the Olympic. Therefore, if a producer's average adjusted expense for those three years was $200,000, the applied reference margin (used for calculating benefits) would be $200,000, which may only actually end up being 40% of their Olympic average. This type of example may seem extreme, but we have seen situations where limiting has impacted producers by a substantial amount. Operations that have reference margin limiting applied require an extensive, if not devastating, drop in their program year revenue in order to trigger benefits. This significantly decreases the value of AgriStability to many producers, especially those with low cost structures such as cow-calf producers who typically produce their own feed and have minimal eligible labour expenses. The removal of the RML will make the program predictable, bankable and ultimately more equitable for Canada's cattle producers, especially the cow-calf sector.

Another limit is livestock price insurance. Currently, there are few truly effective risk management instruments that allow Western Canadian livestock producers to manage their risk. Cattle and hog producers in western Canada face volatile market prices and the Western Livestock Price Insurance Program is designed to be market driven to reflect the risks a producer in Western Canada faces when selling livestock. Livestock producers are typically 'price takers', with prices varying greatly year to year, due to many factors impacting the market. Having a tool available to help protect against the unknowns of the market and associated price volatility can assist a producer with being more profitable. While the current program helps with the risk at the time of selling, there is currently no program to help protect the producer against the unknowns of the market at the time of purchase. A reverse of the current program, allowing producers to lock in a ceiling price at the time of purchase, would go a long way to help alleviate the impacts of market volatility throughout the livestock ownership period.

There is also concern over claims processing, timelines for claims, adequate and educated staff resources for processing claims and the often long window of time from application to reimbursement, which often has an impact on financial yearend timelines for producers.

Another impact affecting availability of alternate risk management solutions is the application of a premium tax and fire prevention tax, which is applied by the provincial government on private agriculture risk management insurance products, exempting provincial agriculture insurance and AgriStability programs. This tax treatment is inequitable and creates an unfair playing field and disincentive for producers to obtain the best risk management solutions available to them.

With federal and provincial priorities focused on agriculture and agri-food, there is a need to work directly with agriculture producers and industry stakeholder groups to help meet the outcomes and objectives desired and to hear first-hand about potential opportunities and areas for improvement.

RECOMMENDATIONS

That the Government of Canada:

1. Consult with industry and stakeholder organizations to determine improvements and solutions for all agriculture risk management options;
2. Create greater simplicity in risk management programs and ensure equitable coverage across all producer types;
3. Work with Provinces and Territories to provide education tools for the creation of risk management strategies through toolkits, workshops, webinars and online sessions;
4. Work with Provinces and Territories to provide education on the cost of production per acre by providing a cost of production toolkit to producers;
5. Provide transparency in risk management solutions and budgets, disclosing how much is made available for claims;
6. Provide more flexibility and options in risk management solutions to allow for new cropping and diversification opportunities;
7. As producers adopt new technologies, treatment plans for various crops need to be flexible reflecting the Best Management Practices (BMP) common to the area and/or production method that ensure adequate fertility, weed, disease and pest control, etc;
8. Utilize various technology methods to assess crops and pastureland in a more localized method in order to create greater accuracy in assessments;
9. Remove the reference margin limit provision on the AgriStability program or increase the reference margin up to 85% for all crops and cattle and increase the payment cap;
10. Provide livestock producers with an insurance tool similar to the Western Livestock Price Insurance Program to lock in a ceiling price when purchasing livestock.
11. Re-evaluate pasture and perennial programs to create equity in the crop insurance programs available;
12. Provide better response time in assessments, claims and processing through service level agreements, ensuring adequate staffing levels and contracting third party adjusters and verifiers to assist where needed;
13. In order to minimize year end impacts resulting from payments at the end of a fiscal year, take into consideration financial requirements of producers and year end timelines when processing payments, providing the option to defer insurance claims and AgriStability payments to the next fiscal year;
14. Remove the premium tax on private insurance to create a level playing field in risk management options.

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[85], [86], [87], [88]

[85] Western Livestock Price Insurance Program Handbook: https://afsc.ca/wp-nfs/wp-content/uploads/2020/01/WLPIP-Handbook-2019.pdf
[86] AgriStability program: https://afsc.ca/income-stabilization/agristability/
[87] Agriculture Adaptation to Climate Change in Alberta Focus Group Results, 2005: https://www.canadianfga.ca/wp-content/uploads/2013/12/AAFRDAdaptationfinalreport.pdf
[88] Minister of Agriculture and Agri-Food Mandate Letter https://pm.gc.ca/en/mandate-letters/2019/12/13/minister-agriculture-and-agri-food-mandate-letter

29. Promoting Canada's Agriculture Industry

DESCRIPTION

With greater attention around food sustainability and the environmental foot print of agriculture, there is a need to raise awareness and provide fact-based education focused on where our food comes from, recognizing the sustainability of agribusiness and its vitally important role in our economy as a natural resource.

BACKGROUND

Greater awareness around food sustainability and the environmental footprint of agriculture has become progressively more important. As a result, there is an ever-increasing need to provide fact based education in order to bridge the information gap between agriculture producers and consumers. Educating Canadians about the agriculture industry ensures citizens of all ages are informed about where food comes from, the importance of agriculture to our economy and the future sustainability of our food.

The 2016 Census of Agriculture found less than 1% of Canadians are farm operators, yet all Canadians participate in the agri-food sector when they go grocery shopping and make food choices.[89] The disconnect between the producers who grow the food we eat and consumers is widening due to urbanization,[90] growing misperceptions and a lack of factual information around this vitally important industry.

Farmers and ranchers feel increasingly under attack because of the public scrutiny and misinformation around the industry. In a report from the Next Agriculture Policy Framework (NAPF), there is strong support from the agriculture industry to enhance public perceptions about the quality, safety, and sustainability of the agriculture sector.[91]

Even though the agriculture industry plays a critical role in our eco-system, there is no requirement to educate the public about the role the industry plays in our economy or give the facts and information around the sustainability of our agri-food sector. A Canada-wide public education campaign can ensure that Canadians not only understand the industry's practice of environmental stewardship resulting in reliable, sustainable and high-quality agri-food but also recognize the economic impact of the agriculture industry.

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[89] Canadian Agriculture at a Glance, Statistics Canada: https://www150.statcan.gc.ca/n1/pub/96-325-x/96-325-x2019001-eng.htm

[90] Demand for Convenience, Government of Alberta: https://open.alberta.ca/dataset/b5d936eb-2127-424e-b1b8-818c486d12aa/resource/5d7a504d-ab10-4f1c-843c-79801cf0d412/download/af-consumer-corner-54-demand-for-convenience-2019-11.pdf

[91] Next Agricultural Policy Framework: What We Heard Report – 2 https://cap.alberta.ca/CAP/download/AGUCMINT-4795873

‘Canada’s Economic Strategy Tables’ on Agri-food reports that Canada has the opportunity to be “recognized as the most trusted, competitive and reliable supplier of safe, sustainable, high-quality agri-food products and an innovator in value-added products to feed the dynamic global consumer” but requires a unified campaign focused on marketing the agri-food industry both domestically and internationally.[92] With the agri-food industry target set to increase by over 27% to $225 billion dollars in 2025,[93] all sectors must be given the opportunity to reach their full potential through a unified public education campaign.

The ‘Canada Brand’ program provides a good start for the agriculture industry to market their products and practices but is not yet widely used. A unified label, logo, image, and theme, will show Canadian consumers the depth of the role of the agriculture industry in the food we consume and the products we use. Additionally, it can educate the public through larger media networks such as television and radio with factual information from a distinct, recognizable and unified source.

Finally, it provides the opportunity to expand the domestic market, increase awareness among the public of the high standards in the agri-food industry, and signify products that are 100% Canadian.

However, a public education campaign would also be incomplete without informing the next generation of the importance of the agriculture industry and their role in our Canadian ecosystem. Many studies have highlighted the looming skills and labour crisis in Canada’s agriculture and food industry.[94] Therefore in order for Canada to remain competitive, and to lead the way globally, we need to ensure that the next generation’s best and brightest minds are knowledgeable about agri-food.

We recognize the Federal government does not have jurisdiction over education. But through grants and programming, the Federal government can influence the direction and opportunities of agriculture education for students. By educating the next generation with current fact based information, we can further educate the public by embedding this into our everyday conversations at school and at home.

In the world of misinformation, a factual public education campaign can help to dispel incorrect beliefs and inform Canadians about an industry that passes the highest ethical and sustainable standards. Now, more than ever, it is important that the education gap between producers and consumers is bridged so that the agriculture industry can continue to champion reliable, sustainable, and high-quality practices.

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[92] Canada’s Economic Strategy Table: Agri-food’: 2 https://www.ic.gc.ca/eic/site/098.nsf/vwapj/ISEDC_Agri-Food_E.pdf/$file/ISEDC_Agri-Food_E.pdf

[93] Canada’s Economic Strategy Table: Agri-food’: 3 https://www.ic.gc.ca/eic/site/098.nsf/vwapj/ISEDC_Agri-Food_E.pdf/$file/ISEDC_Agri-Food_E.pdf

[94] Canada's farm labour shortage is costing billions and expected to rise: report https://business.financialpost.com/commodities/agriculture/canadas-farm-labor-shortage-is-costing-billions-and-expected-to-rise-report

RECOMMENDATIONS

That the Government of Canada:

1. Develop a unified public education campaign showcasing the agriculture industry's practice of environmental stewardship resulting in reliable, sustainable and high-quality agri-food and value added products.
2. Expand on the "Canada Brand" program to create a single unified label, logo, image, and theme.
3. Ensure the next Agricultural Policy Framework works to develop branding skills, knowledge and awareness of opportunities within the agriculture industry.
4. Facilitate fact-based agriculture education learning opportunities, resources and connections through grant programming, such as the Canadian Agriculture Partnership.

NOTES

[95], [96], [97]

[95] A Meta-Analysis of Geographical Indication Food Valuation Studies - 214
[96] (Barham, 2003; Josling, 2006). In consumers preference
[97] Consumers' Preferences for Geographical Origin Labels: Evidence from the Canadian Olive Oil Market

30. Accelerating Immigration Programs in Canada

DESCRIPTION

Currently, Canada's immigration system has unintended barriers which hinder immigration efforts. These barriers can be addressed through making it standard practice in all Canadian immigration programs for work permit applicants to apply online with expedited processing for visa requiring individuals, or at a port of entry for visa exempt individuals.

BACKGROUND

The Atlantic Immigration Pilot Project (AIPP) was launched in 2017. Its goal is to stimulate the economy in Atlantic Canada by creating three employer-friendly streams that seek intermediate or high skilled workers and Atlantic Canadian university graduates to fill labour market gaps. This program is fast-tracked; Immigration, Refugees, and Citizenship Canada aims to process 80% of permanent residency applications received within six months of receipt.

In brief, the AIPP works as follows:

- Employers first apply to become designated under the program and, once designated, are Labour Market Impact Assessment exempt on a go-forward basis for the purposes of AIPP applications.
- The designated employer identifies a potential temporary foreign worker and the employer and temporary foreign worker apply to the Atlantic Province in which the employer is located, to endorse the foreign national under the AIPP.
- Foreign nationals can then apply for a work permit by submitting a paper-based application either inland, if they are extending a work permit and already living in Canada, or at a Canadian Embassy responsible for their home country if they have never worked or lived in Canada. Work permit applications cannot be applied for online or at a port of entry.
- Foreign nationals must then commit to making an application for Permanent Residency (PR) within 90 days of receiving their work permit.
- Employers are responsible for assisting the foreign nationals settle in their new community.

The AIPP is a welcomed program in Canada. However, the requirement for applicants to submit a paper-based application for a work permit prevents foreign nationals from quickly and easily filling labour shortages. Processing for an inland work permit extension application is currently taking approximately 100 days. Processing for an outside Canada work permit application can take anywhere from two weeks to six months, depending on the applicant's country of residency. By contrast, the permanent residency portion of the application is expedited, taking only 6 months to obtain PR. In many instances, it takes almost the same amount of time to get PR as it does to get the work permit. This is too long for many employers. Additionally, for those visa-exempt applicants eligible to apply at a port of entry, a work permit can be issued at the time they enter the country for every other type of work permit application.

Applicants under the AIPP, however, are discouraged from applying at the border and instructed to apply by paper. The reality of the delayed processing times for paper-based applications means employers can be left short-staffed for longer periods of time and, consequently, less able to service their markets.

Ensuring that work permit application processes are efficient will assist employers by providing an expeditious way of filling labour shortages with qualified foreign nationals. Online applications should be a standard process in all of Canada's immigration programs. With other new programs such as the Rural and Northern Immigration Pilot in effect and the Municipal Nominee Pilot announced, it is imperative that Canada moves away from paper-based applications for work permits and allow for visa exempt individuals to apply at a port of entry for all immigration programs that are applicable.

RECOMMENDATIONS

That the Government of Canada:

1. Allow immigration work permit applicants to apply online with expedited processing for individuals requiring a visa, or at a port of entry for individuals who are visa exempt. These options should be standard for Canada's immigration system and for pilot programs across the country.

31. Addressing Labour Market Disruptions through Basic Income Pilot Project

DESCRIPTION

The economy has and will continue to drastically change in the years ahead. With developing technologies and increased automation, government policy needs to adapt in order to respond to potential disruptions in the labour market. An ongoing basic income program is one means of managing market disruptions on a going forward basis, from automation to pandemics alike.

BACKGROUND

Government policy needs to adapt in order to respond to potential disruptions in the labour market.

In recent months, the COVID-19 impacted Canada, resulting in unforeseen economic disruption. Statistics Canada reported an unemployment rate of 13.7%, the highest in more than four decades of comparable data. Over this period of market disruption, three million jobs were lost across Canada, and about 2.5 million more Canadians had their work hours reduced.[98]

In response to this market disruption, the Government of Canada introduced the Canada Emergency Response Benefit (CERB), which gives financial support to Canadians affected by COVID-19. Canadians earning less than $1000 a month were among those eligible to access CERB funds, which offered eligible applicants $2,000/month. As of June 2020, four months into the program's existence, the Government of Canada received 15.4 million applications from 8.4 million unique applicants.[99]

Canada's CERB program was created mid-crisis. An ongoing basic income program is one means of managing market disruptions on a going forward basis, from automation to pandemics alike.

In 2017, the Government of Ontario selected three cities to take part in a three-year basic income pilot project. However, the program was cut short and evaluations were not completed as planned. To account for this potential loss of policy insight, the Hamilton Community Foundation funded a study by McMaster University and Hamilton Roundtable for Poverty Reduction to assess the effects of basic income on the lives of recipients in Hamilton, Brantford and Brant County. The results of this 2020 study showed that nearly 80% of respondents reported feeling more motivated to find better paying jobs while receiving basic income support, "dispel[ling] the view that giving individuals a basic income will lead to their withdrawal from the labour market" (pg 12).[100]

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[98] https://globalnews.ca/news/7029601/canada-may-unemployment-rate/
[99] https://www.canada.ca/en/services/benefits/ei/claims-report.html
[100] https://labourstudies.mcmaster.ca/documents/southern-ontarios-basic-income-experience.pdf

A fulsome, completed basic income pilot project would serve evidence-based policymakers, by helping governments understand and confirm whether basic income payments:

- Influence recipients' socio-economic outcomes, their participation in the labour market, and/or their uptake of education/training opportunities;
- Alter participants' use of existing social and/or income redistribution programs;
- Lead to an increase in entrepreneurial activity.

RECOMMENDATIONS

That the Government of Canada:

1. Support the creation of basic income pilot projects through existing funding within employment and social development Canada with an aim to develop a report and strategy that thoroughly assesses the results, along with a cost-benefit analysis, outcomes and program trade-offs of a nationwide basic income strategy.
2. Assess the costs, benefits and outcomes of all government assistance programs on an ongoing basis and publicly report the results.

32. A Focus on Refugees

DESCRIPTION

The concern is that Federal support for publicly sponsored refugees is only for one year. Given that it is unreasonable to expect refugees to find sustainable employment within a year of arrival due to waitlists for language and job skills training, and because the family health and emotional needs and the associated challenges of integrating to a very different society, service providers are now advocating for the provincial support services to be increased by a value that mitigates the impact of transitioning funding sources.

BACKGROUND

The United Nations Refugee Agency says Canada has admitted the largest number of resettled refugees in recent years to its country and has had the second highest rate of refugees who later gained full citizenship. Canada accepted 28,100 of the 92,400 refugees who were resettled across 25 countries in 2019. British Columbia became home to 3,850 of asylum claimants, who settled in Canada in 2019. Ontario had, in 2019, 225 Inland asylum seekers and 7,470 from all ports of entry (land, air, and marine), and Quebec had 195 inland and 19,825 at all ports of entry (land, air, and marine).

Government Assisted Refugees (GARs) are referred by the United Nations High Commissioner for Refugees (UNHCR) for resettlement to Canada and are selected based upon "need for protection." The Government of Canada fully supports their initial settlement for up to one year. When they arrive, GARs receive Resettlement Assistance Program (RAP) services, including temporary accommodations, assistance in finding permanent accommodations, orientation to life in Canada, and one year of financial support roughly equivalent to provincial Income Assistance rates. In a 2016 report evaluating the resettlement programs (GAR, PSR, BVOR and RAP); it was found that RAP is inadequate and recommended that:

"IRCC should development policy options to ensure that refugees supported by the Government of Canada are provided with an adequate level of support (including RAP income support) to meet their resettlement needs in support of their successful integration.

Many Government Assisted Refugees have limited English or French skills, have varying levels of trauma and medical needs and are learning how to adapt to Canadian society. Their day to day settlement needs - finding appropriate housing, furniture, appropriate clothing, food and living costs, enrolling children in school, figuring out the public transit system, finding their way to medical appointments, and finding social and emotional support networks- takes the majority of their time in the first year. In addition, the emotional trauma of having left loved ones behind has an understandable impact on their resettlement efforts. Service providers across Canada have done their best to accommodate these refugees, but wait lists for services, English language training, basic job skills training can take multiple weeks.

There is a need to ensure refugee families continue to be supported beyond the one year federally funded period at a level that provides sufficient economic security to continue with English and employment related training. Recognizing the challenge to federal resources, once employed, refugees will be able to contribute back to Canada through taxes as well as economic activity in their community.

A number of refugees have various education backgrounds such as engineering, or other professional credentials. Many have had their education interrupted and would like to continue; however, with lengthy waitlists for English instruction that will expedite employment opportunities, a provincial "top up" of the income assistance (IA) funding will assist refugee families transition until their English becomes relatively proficient. Currently the federal government provides all government assisted refugees with the ability while on federal income support to earn fifty percent (50%) of their monthly income support without claw back.

It should be noted that between 1979 and 1981, Canada accepted 60,000 "boat people" from Southeast Asia. Within a decade, 86% of those former refugees were working, healthy and spoke English with some proficiency, achieving the basic criteria for success set out by academic Morton Beiser in his landmark study of their integration into Canadian society (Strangers at the Gate: The Boat People). They were less likely to use social services and more likely to have jobs than the average Canadian. One in five was self-employed and did not become a drain on the taxpayer—they were taxpayers.

In December 2015, VanCity Credit Union released a report entitled: From Crisis to Community: Syrian Refugees and the B.C. Economy. The report outlined that Syrian refugees settling in British Columbia would generate at least $563 million in local economic activity over the next 20 years. This report can be extrapolated to be applicable to many regions across Canada.

Canada has a rapidly aging population. Over 6 million Canadians are aged 65 or older, representing 15.6 percent of Canada's population. By 2030—in less than two decades—seniors will number over 9.5 million and make up 23 percent of Canadians. Additionally, by 2036, the average life expectancy at birth for women will rise to 86.2 years from the current 84.2 and to 82.9 years from the current 80 for men. The demographic shift is expected to shrink work-force participation, erode labour productivity and drive up expenditures for things like elderly benefits. At the same time, the Advisory Council on Economic Growth advised the Government of Canada to increase immigration levels to 450,000 annually as one step to address the projected challenges to the Canadian economy. According to a Conference Board of Canada report, we will need to attract 350,000 immigrants annually by 2035, up from 260,404 in 2014.

What is needed is not just a discussion of how to facilitate immigration—of refugees and others—but how to ensure our new residents integrate swiftly into the economy. But all of this requires a shift in thinking. Done properly, bringing refugees into our country isn't about charity. It's about investing in the future of business —both theirs and ours.

Statistically, Privately Sponsored Refugees are more likely to be employed in their first year of arrival than GARs. While GARs may transition onto provincial social assistance, funding for settlement services is federally funded. The Province provides limited funding for temporary migrants (e.g. TFW, RC, international students) and naturalized Canadian Citizens.

GARs also need to pay back their transportation loans. These repayment requirements are often made before saving for a home, or other necessities. The loans, the difficulty in securing stable housing, and learning a new language all lead to the GARs inability to find adequate employment.

RECOMMENDATIONS

That the Government of Canada:

1. Support Government Assisted Refugees by:
    a. Working with employers to provide access to employment supports including English and French language training; and
    b. Ensuring that federal financial assistance is extended by one year, for a total of two years.
2. Provide wage incentives for employers who provide employment within the first two years of settlement of a GAR

NOTES

[101], [102], [103], [104], [105], [106], [107], [108]

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101 https://www.vancity.com/AboutVancity/News/MediaReleases/RefugeesBoostLocalEconomy-Dec2-15/
102 https://www.canada.ca/en/immigration-refugees-citizenship/corporate/reports-statistics/evaluations/resettlement-programs.html#toc7
103 https://www.amssa.org/wp-content/uploads/2017/02/AMSSA_RefugeeExperience-sm.pdf
104 https://www.canada.ca/en/immigration-refugees-citizenship/services/refugees/asylum-claims/asylum-claims-2019.html
105 https://www.canada.ca/en/immigration-refugees-citizenship/services/refugees/asylum-claims/asylum-claims-2019.html
106 https://www.unhcr.org/statistics/unhcrstats/5d08d7ee7/unhcr-global-trends-2018.html
107 http://ceris.ca/wp-content/uploads/2015/01/CERIS-Research-Synthesis-on-Refugees.pdf
108 https://canada.metropolis.net/publications/aec_citc_fall2010_e.pdf

33. Adopting the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) Into Federal Law

DESCRIPTION

In its December 2019 Speech from the Throne, the federal government announced its intention to introduce legislation to implement the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) within the first year of its mandate (i.e., before the end of 2020). This follows unsuccessful Private Member's Bills in the previous two parliaments seeking to harmonize Canadian laws with UNDRIP.

The Canadian Chamber supports, in principle, the adoption of UNDRIP into Canadian laws, policies and regulations.

BACKGROUND

To date, British Columbia is the only Canadian jurisdiction to legislate the implementation of UNDRIP, which it did in 2019.[109] While UNDRIP addresses many aspects of nations' relationships with Indigenous peoples, it is generally articles referencing the issue of Free, Prior and Informed Consent (FPIC) which are the subject of the most debate.

There is a lack of consensus and certainty on how the collective FPIC provisions in UNDRIP should be interpreted. Some assert that UNDRIP provides a right to veto projects or government decisions. Others understand FPIC as a set of principles to ensure the protection of the rights of Indigenous peoples through the process of meaningful engagement and consultation. In the latter case, the role of duly elected governments to make decisions which balance the interests of all aspects of society remains unchanged.

The prospect of a lack of consistency across Canadian jurisdictions significantly increases the potential for contradictory interpretations and/or expectations of businesses' role with respect to FPIC. It is also likely to increase legal challenges in the court system, burdening parties with added cost and delays and negatively affect Indigenous businesses and economies which depend on certainty in the business environment.

[109] https://www.leg.bc.ca/parliamentary-business/legislation-debates-proceedings/41st-parliament/4th-session/bills/first-reading/gov41-1

The absence of a clear and transparent federal strategy regarding the implementation of UNDRIP remains a significant obstacle to industry in engaging with Indigenous peoples. There have been hundreds of court cases to clarify the scope and content of the duty to consult. UNDRIP, particularly FPIC, and the principle of self-determination, has the potential to fundamentally change business and government/Crown obligations with respect to the consultation process, depending on how it is interpreted and implemented. It has also created the potential for future disputes given conflicting understandings and expectations relating to the implementation of UNDRIP. The lack of federal government direction on this matter serves to complicate the efforts of other Canadian jurisdictions in implementing UNDRIP, and contributes to the risk of introducing contradictory and incompatible approaches throughout the country.

The Impact Assessment Act, which replaced the Canadian Environmental Assessment Act, is premised on improving Indigenous engagement and partnership throughout the environmental assessment process. This legislation only references UNDRIP in the preamble and it is unclear whether the federal government believes that this legislation achieves the objectives of UNDRIP, including FPIC, or whether it will be introducing new legislative or policy requirements to further change the impact assessment process. The federal government's current lack of a comprehensive and transparent approach on how it will be interpreting and implementing the FPIC provisions of UNDRIP will undoubtedly lead to increasing disputes among business, government and Indigenous peoples which will ultimately be resolved in the courts rather than through considered legislative and policy development.

Compounding this problem is the potential for the provincial/territorial governments to revise their own environmental assessment processes to address and implement UNDRIP in potentially different ways, which contradicts the federal government's objective of "one project, one assessment".

The adoption of UNDRIP into federal law would provide the federal government with the opportunity to clarify, (as the BC legislature did in the case of Bill 41) that it will adopt and implement the declaration in accordance with the Constitution while not creating new rights beyond what is presently recognized in Section 35.[110]

This resolution replaces the 2019 resolution Pan-Canadian Framework to Clarify Businesses' Role in Supporting the Crown in Seeking Free, Prior and Informed Consent from Indigenous Peoples.

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110 Section 35 of the Constitution Act 1982 states:

> (1) The existing aboriginal and treaty rights of the aboriginal peoples of Canada are hereby recognized and affirmed.
>
> (2) In this Act, "aboriginal peoples of Canada" includes the Indian, Inuit and Métis peoples of Canada.
>
> (3) For greater certainty, in subsection (1) "treaty rights" includes rights that now exist by way of land claims agreements or may be so acquired.
>
> (4) Notwithstanding any other provision of this Act, the aboriginal and treaty rights referred to in subsection (1) are guaranteed equally to male and female persons. (Source: https://laws-lois.justice.gc.ca/eng/const/page-16.html#h-52

RECOMMENDATIONS

That the Government of Canada:

Prior to introducing any legislation adopting the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP):

1. Publicly discloses how it interprets all of the FPIC provisions of UNDRIP (including any specific situations where consent may be required), including whether – in the context of more than 30 years of Canadian jurisprudence - it interprets the FPIC provisions (including its expectations of the Crown, Indigenous peoples and business) in a way that is materially different from what is required for the duty to consult and, if so, how;
2. Clarifies that the role of federal and/or provincial/territorial governments as the final decision-making authority(ies) with respect to the approval of natural resource projects will remain unchanged by any legislation; and
3. Develops a comprehensive strategy and schedule to engage non-Indigenous and Indigenous business, Indigenous peoples and provincial/territorial governments to establish jurisdictionally-aligned frameworks to clarify and support the expectations and roles of industry in a process to seek Indigenous peoples' consent on the Crown's behalf,
4. Provide clarity around what constitutes an appropriate level of First Nations engagement; and
5. Provide clarity around who/how Capacity Funding is provided and how much funding is considered appropriate to enable First Nations to obtain the necessary expertise on subject matters.

34. Addressing Canada's Unresolved Land Claims

DESCRIPTION

The lack of clarity or progress regarding the federal government's approaches to many Indigenous issues – including the duty to consult and unresolved land claims – threatens the future socioeconomic well-being of communities across Canada while hindering meaningful discourse on the development of natural resource sector projects.

The lack of clarity or progress regarding the federal government's approach to unresolved Indigenous land claims threatens the future socioeconomic well-being of communities across Canada while hindering meaningful discourse on the development of natural resource sector projects.

BACKGROUND

Negotiations and legal cases involving land claims in Canada have continued to be of critical importance. Many of Canada's Indigenous peoples are currently engaged in talks over land and self-government with the regions that encompass them. Government resource revenue sharing should consider the economic impact of natural resource projects, the strength of claim of individual communities and the number of Indigenous communities asserting rights in the development zone, the population of the impacted Indigenous communities, the future development potential of the area and the degree of impact on specific communities.[111]

In need of immediate attention is the government's lack of progress in addressing unresolved land claims. The land claims process is a complex one, involving multiparty negotiations of complicated historical, property, legal, financial, and implementation issues,[112] which are often further complicated by other concerns such as bureaucratic issues and a lack of resources or capacity. As a result, the process is often lengthy: reaching a final agreement can take from 5 to 20 years. Indeed, since the federal government began negotiating modern treaties with Indigenous groups and provincial/territorial governments in 1973, 26 comprehensive land claims and three self-government agreements have been signed.[113] Numerous land claims negotiations are currently underway across Canada, with 80 comprehensive land claims under negotiation with the federal government.[114]

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[111] https://mining.ca/wp-content/uploads/2019/07/MAC-Position-Statement-on-GRRS-Final-ENG.pdf
[112] https://www.attorneygeneral.jus.gov.on.ca/inquiries/ipperwash/report/vol_2/pdf/E_Vol_2_CH04.pdf
[113] https://www.aadnc-aandc.gc.ca/eng/1100100030577/1100100030578
[114] Public Accounts of Canada 2015, Vol. 1 – Summary Report and Consolidated Financial Statements; Receiver General for Canada, December 4, 2015

This backlog of long-standing legal issues poses significant challenges for the natural resources sector and Indigenous communities alike, creating considerable investment and operational uncertainties that inhibit meaningful progress. Resolving these issues is of benefit to all, as they allow for paving the way for effective dialogue on resource development, while also benefiting the communities themselves: the unemployment rate in self-governing communities has historically been 28 percent lower than non-self-governing communities, and the average family income for beneficiaries of a treaty appears to be double that of non-beneficiaries.[115] Resolution and reconciliation with these communities are crucial, especially at a time where they represent Canada's youngest and fastest-growing population.[116]

The federal government has promised to develop a national strategy to address Indigenous land claims and duties to consult in a "reasonable timeframe," [117] and this commitment must be acted upon in order to provide both industry and the affected communities with the certainty required to derive appropriate economic and social benefits from resource-related projects. Given that the current liability for comprehensive land claims "that have progressed to a point where quantification is possible" is an estimated $4.8 billion, this process must also be undertaken with due financial prudence and in a way that respects Canada's fiscal constraints.[118]

RECOMMENDATIONS

That the Government of Canada:

1. Accelerate the process of resolving land claims in a manner that reflects due financial prudence.
2. Elevate active participation by Indigenous communities through increased and improved access to clear and accessible information.

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[115] https://www.aadnc-aandc.gc.ca/eng/1406824128903/1406824211834#key
[116] Kirkup, K. (2017, October 25). Canada's Indigenous population growing 4 times faster than rest of country. Retrieved from https://globalnews.ca/news/3823772/canadas-growing-indigenous-population/
[117] https://www.liberal.ca/policy-resolutions/61-priority-resolution-Indigenous-issues/
[118] Public Accounts of Canada 2019, Vol. 3 – Summary Report and Consolidated Financial Statements; Receiver General for Canada, 2019

Natural Resources, Energy & Environment

35. A Resource Sector Driven Recovery

DESCRIPTION

The resource sector can play a significant role in driving Canada's economy recovery and with the right policy commitments from the federal government is positioned to provide the leadership and innovation to help Canada and the world transition to a low carbon economy. This resolution provides several key recommendations to ensure Canadians prosper in the post-covid economy and that our natural assets are used to their full potential.

BACKGROUND

COVID-19 has shaken Canada’s economy to its core. Social distancing measures and lockdowns have put many Canadians out of work, have closed businesses, and have created significant demand destruction, including the resource sector, which is the cornerstone of the Canadian economy. The repercussions and cumulative effects of this market shock will define the decade ahead of us. Most concerning, the federal deficit could range between $256 billion and $1 trillion dollars, and heavily indebted Canadian households will struggle to drive growth.

Under these conditions, policymakers at all levels of government will face significant pressure to address public debt. Without a clear direction on how to stimulate the economy to grow revenue bases, there will be significant temptations to impose austerity measures or markedly increase personal and corporate tax rates. These potential measures pose a risk to the recovery speed and the economy’s competiveness. It is imperative that the federal governments works to stimulate economic growth. Success will require that Canada’s bountiful resource sector is positioned to lead our economic recovery.

However, positioning our resource sector to be a significant driver of prosperity is no small task. COVID-19 has impacted the resource sector particularly hard with nearly 30% of resource companies noting a decline of revenue greater than 50% in March of 2020. A global recession may create long-term pressure on raw materials, especially those related to the construction industry. These new pressures have compounded longstanding concerns related to regulatory uncertainty and political risk, which have deterred investment in major resource projects, added high cumulative costs stemming from inefficiencies in Canada’s climate policies, and persistent challenges in reaching global markets.

While these challenges are significant, they pale against the opportunities that would become accessible if public -policy was developed in service of a coherent strategy for the sector. As other nations dedicate funds to ‘a green recovery,’ Canadian mineral and metals producers have a chance to meet significant demand for precious metals essential to the energy transition and, through key mineral inputs, support global food security. A recent report by the World Bank noted that keeping warming below a 2 degree scenario would produce 1000% increase in demand for rare earth metals, and a significant increase in precious metals as well. This presents a significant opportunity for Canada’s mineral sector, to attract investment and create jobs.

Similarly, in the aftermath of COVID-19 related demand destruction, Canadian oil and gas producers have an opportunity to displace higher emitting fuels and meet the demands of consumers who are seeking socially and environmentally responsibly produced energy products. Domestically, a strong energy sector will ensure Canada's advanced manufacturing sector and other sectors that are critical to Canada's recovery remain supported. In addition, to becoming a supplier of superior oil and gas products and supporting Canadian industry, our energy sector has an opportunity to leverage its innovations here to gain share in global clean technology markets, forecasted to be worth $2.5 trillion in 2022.

With the right public-policy supports, we can realize these opportunities while creating the revenues that will be crucial to reduce the deficit without sacrificing the social services that Canadians expect of their governments.

RECOMMENDATIONS

That the Government of Canada:

1. Align Output-Based Pricing System (OBPS) and Clean Fuel Standard (CFS) for greater efficiencies lower costs, economic impact and ensure EITE (Emissions Intensive Trade Exposed) protection is appropriately implemented in both policies and covers all sectors of the economy.
2. Continued commitment from the federal government to work with industry to provide regulatory clarity and certainty to capital markets to restore investor confidence in Canada's resource sector.
3. Broaden the definition of clean technology to include energy systems that mitigate emissions, scrub emissions and displace higher emissions and include these in carbon pricing frameworks.
4. In consultation with the provinces develop a systems approach to energy that connects the dots between exports and enhanced rail and port infrastructure, support for energy intensive industries, and the modernization of Canadian power grids.
5. Government must seek to rebalance domestic policy provisions and signal how they intend to support Canada's role in providing key energy, technology, and mineral inputs to world markets that can reduce global emissions.
6. The federal government should seek ways to support and encourage Canada's energy sector as a key stakeholder in its net-zero target while ensuring feasibility and competitiveness to business and taxpayers.

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[119], [120], [121], [122]

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[119] Report from Canada's Economic Strategy Tables: Clean Technology, Government of Canada, 2018. https://www.ic.gc.ca/eic/site/098.nsf/eng/00023.html

[120] The Growing Role for Minerals and Metals for a Low-Carbon Future, World Bank, 2017; https://www.worldbank.org/en/news/press-release/2017/07/18/clean-energy-transition-will-increase-demand-for-minerals-says-new-world-bank-report

[121] Statistics Canada, Business Conditions Survey, Business revenue from January 1 to March 31, 2019, compared with January 1 to March 31, 2020, by business characteristics, https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3310023401

[122] Scenario Analysis Update: COVID-19 Pandemic and Oil Shocks, Parliamentary Budget Officer, April 24, 2020

36. Funding For Climate Change Adaptation – Severe Weather Disaster Mitigation through Flood Protection

DESCRIPTION

Flood protection works are deficient in many communities across Canada, which are - due to climate change - at an increasing risk of flooding due to long-term sea level rise and severe weather events such as wind and snowstorms, and more intense rainfalls, which will increase urban flood risks.

Current disaster mitigation funding programs provide limited funds to address long term disaster mitigation projects, with significant financial responsibility falling to local governments, which do not have the financial capacity to assume such significant costs. Senior levels of government should work with local governments and First Nations to fund and assist in implementing a streamlined approvals process for long term flood protection as a part of their disaster mitigation and adaptation programs and should develop and implement a national action plan on flooding as per the Prime Minister's *Mandate Letter to the Minister of Public Safety and Emergency Preparedness.*

BACKGROUND

Global warming poses a serious threat to several thousand kilometres of coastline communities due to sea level rise and waterfront communities across the country which are vulnerable to inland seasonal flooding due to seasonal climate change. Floods from rivers and oceans could destroy or affect residential, commercial, industrial and agricultural properties as well as affect transportation means (roads, highways, bridges) and cause widespread disruption to day-to-day living requiring significant expenditure to restore areas back to pre-flood conditions. Inland, the spring flooding that took place in late April and May 2019 across Ontario, Quebec and New Brunswick caused close to $208 million in insured damage, according to Catastrophe Indices and Quantification (CatIQ) Inc. The most common cause of damage was overflowing rivers, which led to road and basement flooding, submerged vehicles and shifted home foundations. Heavy rain also caused roof leaks and sewer backups.

The damage to the economy and businesses due to floods are significant, in the billions of dollars. The Federation of Canadian Municipalities (FCM) and Insurance Bureau of Canada (IBC) released a report in early 2020 entitled "Investing in Canada's Future: The Cost of Climate Adaptation at the Local Level" which included the fact that "floods accounted for the largest percentage of the projected annual losses of $2.43 billion."[123]

[123] Insurance Bureau of Canada: The Cost of Climate Adaptation Report (February 2020, pg 11, Table 2, Column 2) http://assets.ibc.ca/Documents/Disaster/The-Cost-of-Climate-Adaptation-Report-EN.pdf

The Insurance Bureau of Canada explains that "it is not only insurers that foot the bill for severe weather damage, but also taxpayers. That's why all stakeholders should come together to reduce the financial strain caused by flood events. For every dollar paid out in insurance claims for damaged homes and businesses, Canadian governments and their taxpayers pay out much more to repair public infrastructure damaged by severe weather."[124]

Flood protection structures; measures such as dikes and associated infrastructure (pump stations, flood boxes, rip rap and relief wells) throughout Canada's coastal and waterfront communities need to be upgraded to combat the threat of sea level rise of up to 1m by 2100. Significant timebound expenditure is needed to upgrade flood protection infrastructure across the country.[125]

In British Columbia, municipalities are facing an aging dike infrastructure. In 2015, BC's inspector of dikes hired Northwest Hydraulic Consultants to assess 500 kilometres across the highly populated Lower Mainland of B.C. and they concluded that none of the dikes fully met provincial standards. Even more concerningly, 71% were vulnerable to failure during flooding.[126] In 2012 in Truro, Nova Scotia, flood waters breached a dike, causing millions of dollars in damage. This type of climate change related coastal flooding poses a threat not only to valuable businesses, homes, and farmland, but it can also disrupt access to critical essential services like sewage treatment, clean drinking water, power, and access to safe transportation routes.[127]

Mitigating these risks will reduce vulnerability for the short term; however, long term adaption strategies are needed to cope with environmental change. Local governments, however, have limited economic resources and many do not have the financial capacity to fund large scale adaption projects. For many communities, these types of adaption projects will involve dike/seawall upgrades, improvements to foreshore protection, flood plains mapping and land use zoning controls. "A recent study commissioned by the Union of Quebec Municipalities found that the cost of adapting to climate change for Quebec municipalities could hit $4 billion over the next five years"[128] alone. The federal government's current Disaster Mitigation and Mitigation Fund (DMAF) is currently $2 billion in total for all municipalities and projects across Canada.

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[124] Insurance Bureau of Canada: Halloween Storm Across Eastern Canada Caused Over $250 Million in Insured Damage (December 9, 2019) http://www.ibc.ca/on/resources/media-centre/media-releases/halloween-storm-across-eastern-canada-caused-over-250-million-in-insured-damage

[125] 2019, Surrey Coastal Flood Adaptation Strategy – Presentation to the Surrey Board of Trade Environment Team by the City of Surrey Environment and Drainage Manager https://businessinsurrey.com/wp-content/uploads/2019/02/CFAS-Surrey-BOT-Feb-14-2019-compressed.pdf

[126] Globe & Mail: Will Sackville's dikes finally fall? Rising seas could ruin land Acadians turned from marshes to farms https://www.theglobeandmail.com/canada/article-will-sackvilles-dikes-finally-fall-how-rising-seas-could-ruin-land/

[127] Chronicle Herald: Province, Ottawa spending $114m to reinforce Bay of Fundy dikes against rising seas https://www.thechronicleherald.ca/news/local/province-ottawa-spending-114m-to-reinforce-bay-of-fundy-dykes-against-rising-seas-302999/

[128] FCM Policy Resolution: Federal Climate Change Adaptation Funding and Support for Regional Disaster Mitigation and Flood Planning
(adopted June 2019) https://data.fcm.ca/home/fcm-resolutions.htm?lang=en-CA&resolution=203b9e90-df86-e911-baa5-005056bc2614&srch=%flood%&iss=&filt=false

This amount is insufficient to meet current needs for disaster mitigation projects, much less for investment in future projects. As noted in the 2019 Canadian Chamber of Commerce 2019 policy ENABLE MUNICIPAL INFRASTRUCTURE TO WITHSTAND THE CHALLENGES OF CLIMATE CHANGE, there is a need for additional federal funding and resources to be devoted to "develop and retrofit municipal infrastructure to anticipate and mitigate the economic impacts of climate change."[129] Building on the recommendations of this policy, a defined national plan to address the specific issues of flood prevention and adaptation – the largest percentage of projected annual DFAA costs amongst severe weather disaster events in Canada – is necessary.

Collaboration between multiple stakeholders, including federal, provincial and municipal governments, private landowners, residents, First Nations, and businesses is necessary in order to develop a strategic plan for funding and approval of flood prevention infrastructure investments over time, which will both increase adaptive capacity and reduce vulnerability to climate change.

RECOMMENDATIONS

That the Government of Canada:

1. Develop and implement a national action plan on flooding as per the Prime Minister's *Mandate Letter to the Minister of Public Safety and Emergency Preparedness*; and
2. Partner with provincial and local governments to provide guaranteed, predictable, flexible federal funding and a stream-lined approval process, through a strategic plan over time, to ensure needed adaption strategies that will both increase adaptive capacity and reduce vulnerability to climate change.

[129] Canadian Chamber of Commerce Policy Book 2019: 54. ENABLE MUNICIPAL INFRASTRUCTURE TO WITHSTAND THE CHALLENGES OF CLIMATE CHANGE

37. Federal Backing For Small Modular Reactors

DESCRIPTION

Increased financial backing from the federal government for research and implementation of Small Modular Reactor (SMR) technology will contribute to decreased carbon emissions, more jobs in research, lowered costs for energy consumers along with the potential for international exportation.

BACKGROUND

SMRs are nuclear fission reactors that are built to be small in both physical size and power output and modular in that they are portable and scalable.[130]

Successful SMR deployment will likely require a 'fleet' based approach to operations in order to benefit from standardization and economies of scale, meaning that capital costs decrease as more units are produced. Due to the small size and modularity, SMRs can be completely built in a controlled factory setting by installing one module at a time, increasing the level of construction quality and efficiency.[131]

The driver behind the promotion of SMR technology is that the reactors could be used to provide affordable energy for homes, offices, businesses, and industrial processes, especially in remote communities, like those in Canada's far North. SMRs are a promising technology that will help not only residents of the far north but companies such as mining operations transition away from diesel.[132]

Coal is in finite resource and is deemed to be a less environmentally friendly energy generation option. The western provinces in particular are still reliant on coal, with approximately 40% of Saskatchewan's energy coming from coal.[133] Many of these provinces have either declared plans for the phasing out of this resource or in Saskatchewan's case, a retrofit of existing coal plants to include carbon capture and storage. In the goal of a transition to a low-carbon economy SMR technology could provide hybrid energy systems to provide load-following power to enable higher penetration of intermittent renewables.

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[130] World Nuclear Association. (2020, May). Small Nuclear Power Reactors. Retrieved from: https://www.world-nuclear.org/information-library/nuclear-fuel-cycle/nuclear-power-reactors/small-nuclear-power-reactors.aspx
[131] Canadian Small Modular Reactor Roadmap Steering Committee. (2018). A Call to Action: A Canadian Roadmap for Small Modular Reactors. Retrieved from: https://smrroadmap.ca/wp-content/uploads/2018/11/SMRroadmap_EN_nov6_Web-1.pdf
[132] Atomic Energy of Canada Limited . (2018). Small Modular Reactors . Retrieved from: https://www.aecl.ca/science-technology/small-modular-reactors/
[133] Government of Canada . (2020). Provincial and Territorial Energy Profiles - Saskatchewan. Retrieved from: https://www.cer-rec.gc.ca/nrg/ntgrtd/mrkt/nrgsstmprfls/sk-eng.html

Although chances of malfunction are minuet, SMR technology is designed for a high level of passive or inherent safety in the event of malfunction. In addition to fear of malfunction, many units are being designed to be placed below ground to avoid terrorist threats.[134] Large reactor safety zones cover a larger surface area which must include heat removal zones, which are not necessary for SMRs. Since small reactors are envisaged as replacing fossil fuel plants in many situations, the emergency planning zone required is designed to be no more than a 300-meter radius.[135]

RECOMMENDATIONS

That the Government of Canada:

1. Unlock tools such as the Canada Infrastructure Bank or Green Recovery Fund to allow to invest in existing infrastructure that will help allow for new technologies like SMRs.
2. Ensure the licensing process for unite is not duplicative so that approvals can be expedited through all levels of government agencies.
3. Create partnership with utilities and industry to support capacity building initiatives. This would include engagement with the public, business leaders and Indigenous stakeholders to develop a robust knowledge base.
4. Ensure that its policies, such as environmental regulations and construction red tape do not unintentionally interfere or create disincentives for SMR technology.

[134] World Nuclear Association. (2020, May). Small Nuclear Power Reactors. Retrieved from: https://www.world-nuclear.org/information-library/nuclear-fuel-cycle/nuclear-power-reactors/small-nuclear-power-reactors.aspx
[135] Ibid

38. Hydrogen & Hydrail: A Real Advancement in the Transportation Sector

DESCRIPTION

Across Canada, interest in hydrogen power, both for commuting and heavy industry is growing exponentially. Province after province is adopting zero emission standards, as is the federal government. In western Canada hydrogen-generating projects are moving beyond R&D to pilot and retail stage. In Ontario & Quebec, hydrogen R&D is proceeding rapidly, and consumer hydrogen sales for vehicles are underway.

BACKGROUND

This is a bold vision. To achieve such substantial changes to Canada's transportation sector, business and industry must be engaged in discussions so that challenges and opportunities for both are identified and addressed. This engagement could focus on ensuring the efficient movement of products to market as well as providing labour force mobility so that employees can live in an affordable location of their choosing and still easily access their place of employment no matter where they live within a region.

Zero- and low-emission vehicles do currently exist, but the technology is still developing. In the case of industrial vehicles – diesel engines on trains, earthmovers, heavy equipment – the “pulling” power is missing. Passenger vehicles have been quickly adopted by consumers and continue to evolve.

The significant costs related to various types of alternative-powered vehicles make it challenging for individual commuters to switch from petroleum-powered vehicles. This reality is magnified in remote and rural communities where fast-charging stations or access to electric vehicles is patchy. There is also the practical reality that the greenhouse gases released in the production of electric or fuel-celled zero emission vehicles can also be significant (life-cycle costs).

In light of these barriers, transit options remain the most efficient way to move people over larger distances, although these systems are challenged by volume. Critical mass, i.e., frequency of use, is needed to ensure an efficient and cost-effective transit system. As a result of market realities, this complex issue of reducing transportation related GHGs while not negatively impacting the economy will require significant attention. It also presents an opportunity for Canada to be a leader in research and development in the area of alternative fuels and alternatively powered mass transit systems.

Urban and Inter-urban transit: As an example in BC, respondents to a recent City of Kelowna Quality of Life survey rated public transit between ‘poor’ and ‘fair’ while opportunities to cycle and walk were rated slightly above ‘fair’.

While intra-city transit continues to be identified by users and local government leaders as poor, studies have also shown that there is increased demand for inter-city transit. In the North Okanagan for example, the annual number of trips taken on the Vernon Regional Transit system increased from approximately 488,000 in 2010 to approximately 566,000 in 2015. A key route between Vernon and the University of British Columbia’s Okanagan (UBCO) campus in Kelowna was introduced in July 2008 and it has proven to be a vital and valued service with buses often running at full capacity between the two cities.

In central Alberta, a large pilot has begun utilizing hydrogen technology and light rail to connect Calgary with Red Deer, and an eventual plan to connect to Edmonton in the north. Alberta's reliance on petroleum technology can be ameliorated with the successful introduction of such technologies.

Businesses are also concerned about mobility when it comes to the labour force. Having an efficient transportation system that allows employees to be able to get to and from their employment is essential for both the business community and the employees themselves. Greater mobility means greater housing options and increased affordability particularly for those who work in the service sector.

Increased urban density may make sense to a city that is looking to keep its infrastructure costs down, but it can create a challenge if employees, particularly those in the service sector, can’t afford to live in the core areas in which those businesses are located. An efficient passenger rail service like that developed in Vancouver (TransLink) and other major metropolitan regions around the world addresses wider mobility options for tomorrow’s labour force and addresses the need to move towards low emission transportation options. The latter is a fundamental focus of Bill 28 as introduced by the province of BC (CleanBc) earlier this year.

Recent research led by the School of Engineering at UBC Okanagan (UBCO), Dr. Gord Lovegrove has brought together a number of proponents of hydrogen powered fuel cells for three key businesses: (1) rail passenger service (Hydrail); (2) Retrofit kits for diesel locomotives (which would be used to power Hydrail) and heavy equipment; (3) urban and rural based hydrogen gas generating “gas stations” which would manufacture hydrogen gas onsite through the use of solar power and water for a 100% clean, zero GHG emission process for retail sales. The proponents include the University of British Columbia Okanagan and the Penticton Indian Band.

Hydrail presents a cost-effective mass transit opportunity for the Okanagan Valley with applications across Canada, North America and Europe - many of its innovations are based on existing hydrogen transit technology developed in Europe. Its advocates promote the new advances in the technology as a much more affordable option compared to an electrified system. Hydrail capital costs have been listed at $5 million/mile vs. $150 million/mile SkyTrain (part of TransLink, SkyTrain is the oldest and one of the longest automated driverless light rapid transit systems in the world). This estimate has been verified by the lead contractor for CN/CP in Western Canada, with headquarters in Kelowna, which is already supporting UBCO’s School of Engineering in related teaching and research activities.

The advocates envision a 250 passenger (Hydrail) electric train running at city speeds in cities, at highway speeds between cities, in the median or beside Highway 97 (embedded rails in cities for barrier-free crossings). With zero emissions and no engine noise to operate, it is believed such a commuter option would have a significant impact in achieving reduced regional greenhouse gas emissions and enhancing tourism access and thus the tourism economy of the Okanagan valley.

Compared to highway capital costs of over $50 million/mile to twin Highway 97, OVER-PR (Okanagan Valley Electric Regional Passenger Rail) is both safer and more cost effective for commuters. Compared to the proposed OVER-PR, the highway produces more noise, GHGs, air pollution, and crashes. In Kelowna alone, 4,200 crashes in five years cost BC over $1.5 Billion. Each train will take 250 cars off the road and provide access for youth, seniors and visitors to connect between Okanagan Valley cities.

Given the future legislative requirements for ZEV – in fact, 10% of all light duty vehicles must be ZEV by 2025; 50% by 2030 and 100% by 2040 - and in consideration of the current state of technology and the business case for reducing GHGs generated by transportation – a comprehensive strategy is required. The strategy should accelerate research and development around alternate fuels; fuel-cell technology; and fast-charging stations across the province. Such an acceleration would engender new start-up businesses, and expansion of existing businesses, boosting various sectors of the economy. There is also a promising business case for green hydrogen production in BC due to the province's extensive clean hydropower resources. Hydrogen can be produced from diverse, domestic resources including fossil fuels, biomass, and water electrolysis with electricity. The environmental impact and energy efficiency of hydrogen depends on how it is produced. BC's emphasis through CleanBC and Canada's growing country-wide initiatives around fossil fuel replacement bode well for the commercial growth in the hydrogen fuel industry.

In June of 2020, a BC company based in North Vancouver, BC, confirmed that their 2020/early 2021 initiatives include (1) building a hydrogen fuel storage facility and pump in Kelowna, BC (making five in BC); (2) working with the Penticton Indian Band on a pilot hydrogen fueling project with NRC funding, and a mirror project in California; (3) expanding work with Hydra Energy supplying diesel conversion to hydrogen vehicles for the lower mainland of BC; (4) participating in a pilot project in Alberta on a full fuel cell demonstration facility; (5) expanding their hydrogen station footprint in Quebec to 10 facilities. This expanded commercial activity proves out the interest in and commercial viability of, hydrogen as a green fuel in Canada.

Through deeper engagement with the government of Canada, the multiple research projects both at university level and in private industry across the country will help realize the key deliverables of the government's recently announced Hydrogen strategy. This strategy envisions building a $5-billion industry that would create 100,000 jobs and include a nationwide network of hydrogen-vehicle fueling stations by 2050 - once it has overcome the challenges of high costs and a lack of cohesive industry standards.

Hydrogen, according to the government's strategy, could be of major benefit as a source of heat for industry and buildings, in power generation, and fueling trucks, trains and ships where electric batteries are not feasible. Hydrogen development will allow Canada and other countries to reach their climate targets. The European Union and Australia both have aggressive hydrogen project funds launching.

The main challenge in Canada is cost: compared to conventional fuel options, hydrogen is not yet viable. And doing away with fossil fuel is not realistic; blue hydrogen is currently the most cost-effective hydrogen available.

Moving to large-scale use of hydrogen is decades away and is a long-term vision; but Canada must start now.

RECOMMENDATIONS

That the Government of Canada:

1. Provide additional research funding to Canada's post-secondary institutions to accelerate examination of emerging technology on hydrogen fuel cells to enable light rail or hydrail as has been introduced in Europe as a means to serve growing regions of the country.
2. Invest and create hydrogen funded pilots to help achieve the 2050 fueling goals using hydrogen.
3. Engage provincial elected officials, business, community and academic leaders in a discussion on the creation of a centre of transportation excellence focused on applied research in the area of hydrogen as an alternative fuel source to serve the transportation sector (road, rail & aerospace) in alignment with the various provinces' visions of mandating the requirement for zero emission vehicles (In BC, by 2040, Bill 28).

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[136], [137], [138], [139], [140], [141]

[136] OVER PR (Okanagan Valley Electric Regional Passenger Rail) https://engineering.ok.ubc.ca/about/contact/gordon-lovegrove/ Research Summary

[137] https://www.alstom.com/coradia-ilint-worlds-1st-hydrogen-powered-train

[138] The Penticton Indian Band's K'uL Group defines itself as being formed to foster the development of a sustainable economy for the Penticton Indian Band. It is the "for profit" business investment and development division of the PIB and is the umbrella organization that holds the corporate business investments.

[139] Principal Investigator Dr Gord Lovegrove, PEng, MBA, PhD, Fellow of the Institute of Transportation Engineers, UBCO Sustainable Transport Safety Research Lab Associate Professor, Faculty of Applied Science, School of Engineering Chair, Sustainable Development Committee, Cdn Society of Civil Engineering

[140] https://www.kelowna.ca/our-community/news-events/news/2018-citizen-survey-results

[141] https://www.leg.bc.ca/parliamentary-business/legislation-debates-proceedings/41st-parliament/4th-session/bills/first-reading/gov28-1

39. Reuse of Greywater to Help Address Unsustainable Water Resource Demand

DESCRIPTION

Of the overall available water resources on earth, approximately 97% is in the oceans with the remaining 3% available for direct use; however, out of this 3% the water available for use by humans is estimated at one one-hundredth. Survival remains one of the key factors of water use along with food production, industry, and domestic needs.

Global demand for water has or will soon reach or exceed natural capacity of watersheds. Much of the world is affected by acute water shortage and over-exploitation of water resources resulting in the destruction of these resources and high levels of freshwater pollution resulting from anthropogenic factors. Urbanization, industrialization, and population growth have resulted in unsustainable water demand which affects cost to business, ability to operate and quality of life. Canada is not immune to these problems.

As growth and demand continues where will the water come from to sustain industry, food production, ecological and human activities? The widespread reuse of grey water is a viable option that should be explored to meet some of this demand for water.

BACKGROUND

Greywater refers to wastewater drained from sinks, showers, machines, and other domestic, agricultural, commercial, and industrial sources. Greywater differs from black water in that it does not contain human waste. The average person in a developing country consumes approximately 20 to 30 litres of water per day; however, Canadians are one of the highest global users of water, generating >300 litres of wastewater each day. Canada has yet to realize the realities of a global water crisis to the degree that much of the world has already felt. In order to address the water crisis, UNESCO International Hydrological Programme promotes the collection and recycling of grey water to preserve global water supply.

With global warming, increasing domestic and global populations and concomitant increases in industrialization and urbanization, there is tremendous need for freshwater resources worldwide with sources becoming increasingly scarce. To achieve effective greywater treatment and reuse, extensive contributions from technical and non-technical experts is required.

Greywater treatment and reuse if embraced and enforced can lead to a substantial decline in over-reliance on freshwater resources for non-potable uses (e.g., industrial and commercial processes, agriculture, domestic use, etc.). Current research is endeavoring to address dwindling water resources by reducing demand, increasing efficiency, and developing alternative sources previously considered unusable. Of these, “greywater” is a viable potential source. The increased use of reclaimed water presents one of the greatest untapped opportunities to better use and manage existing water supplies. Greywater might also provide a supplementary source to existing water sources in areas where there is acute water crisis, regionally, nationally, and internationally. Recycled greywater can be used for different water-demanding commercial, industrial, agricultural and domestic activities, including potable and non-potable uses.

Reuse of greywater is an old practice but requires innovation and largescale application to assist in the reduction and over-reliance on freshwater, potable resources and to reduce the overall growing pollution caused by the discharge of untreated greywater into freshwater resources. The development of innovative technologies used to recycle greywater provides a world-leading opportunity to provide innovative technologies and solutions to address a national and international crisis. Although some technologies have been developed to treat or remove specific pollutants, quality criteria differ for each type and greywater composition and generation rates vary greatly from one system or region to another. To be universally effective, systems must be designed to be efficient and effective on a large scale and take into consideration regional variability and complexities such that effluent from treatment systems can meet water quality criteria.

With the spread of the novel coronavirus COVID-19, and related health and economic implications, concerns could arise with respect to the safe reuse of recycled water. The principal transmission route of COVID-19 is close contact with infected persons (e.g., respiratory droplets). Human coronaviruses are more fragile than other viruses and although research is still ongoing, scientific data suggest that coronaviruses die off rapidly in wastewater, with a 99.9% reduction in 2–4 days. The design and operation of processes used to disinfect water and wastewater are based on the most resistant and more transmissible viruses as such existing conventional disinfection methods would be expected to readily inactivate COVID-19. The WHO stated, there is “no current evidence that they are present in surface or groundwater sources or transmitted through contaminated drinking water”. Greywater usually undergoes a 3- to 4-stage treatment (multi-barrier system) including disinfection, before the recycled (grey)water is safely used for non-potable applications.

Business Case for this Policy
Industry, and business in general, is becoming subject to high water costs and being challenged to do more with less water. Businesses are often in conflict with local domestic uses, other industries, agriculture, tourism, and ecosystem needs and protection bylaws. This restriction on water use and resources has direct implications to business and the Canadian economy. Lack of water often means curtailment of production and certain activities, intermittent shutdowns and production limitations, limitations on land development, and unsustainable practices. Modern and developed jurisdictions must lead the development of water reuse management practices.

In Canada, BC is a leader in developing policy and legislation to safely manage the recovery and reuse of municipal wastewater. Recovery and reuse of municipal wastewater (reclaimed water) for non-contact commercial and institutional, household and landscape purposes could increase the amount of net water available without effecting current consumption patterns, volumes, or lifestyles. More than ever, building codes and reclaimed water standards need to be updated to reflect current economic and environmental requirements.

Currently, as per the Canadian Guidelines for Domestic Reclaimed Water for Use in Toilet and Urinal Flushing, Canada bases its plumbing requirements for non-potable water systems are addressed by CSA Standard B128.1-06/B128.2-06, Design and installation of non-potable water systems/ and Maintenance and field testing of non-potable water systems (CSA, 2006). These standards and guidelines are now outdated and need to be re-examined.

Reusing grey water for industrial use, irrigation and other non-potable water applications will help in reconnection of urban habitats to the natural water cycle, which will contribute significantly to sustainable urban development and the economy. Industrial facilities have an important role to play, and, therefore, should be consulted when developing new guidelines and regulations. Reuse of greywater can help in substituting precious drinking water in applications which do not need drinking water quality such as industrial, agricultural, and domestic applications. The major benefits of greywater recycling can be summarized as reduced freshwater extraction from rivers and aquifers, less impact from wastewater treatment plant infrastructure, nutrification of the topsoil, reduced energy use and chemical pollution from treatment, replenishment of groundwater aquifers, increased agricultural productivity, reclamation of nutrients and improved quality of surface and groundwater.

Protection of public health is of paramount importance while devising any greywater reuse program. As solutions are investigated, proper treatment, operation and maintenance of greywater recycling systems are essential to maintain public protection and confidence. Were Canada to become a global leader in greywater reuse, it would benefit both the environmental and public as well as industry, economy and place Canada on the leading edge of innovation and technological advancement on a topic of global importance and economic benefit.

RECOMMENDATIONS

That the Government of Canada:

1. Adopt national guidelines for reclaimed water standards that can be applied to both residential and non-residential applications in terms of use and requirements, and
2. Provide incentives in the form of infrastructure support to ensure Canadian business makes strides in the development and implementation of water reuse management practices.

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[142], [143]

[142] https://en.unesco.org/themes/water-security/hydrology

[143] http://www.ecosanres.org/pdf_files/ESR_Publications_2004/ESR4web.pdf

40. A Circular Economy from Plastics

DESCRIPTION

Plastics provide value through the use of thousands of products that add comfort, convenience and safety to our everyday lives. However, because of our linear economy behaviour of “make, use, dispose”, nearly 80% of all post-consumer plastics in Canada end up in our landfills. This poses a threat to our environment and a loss to an economic opportunity. The potential lies in replacing linear behaviours with a more sustainable, circular economy where plastics are recovered and re-purposed to capture the value-add potential for new, innovative products derived from a plastics “commodity”.

BACKGROUND

Currently, in Canada, over 3 million tonnes of plastic waste is generated every year with an estimated 9% being recycled while the remainder ends up in landfills, being incinerated, or simply dumped in the environment. This unsustainable practice has an adverse effect on the economy and threatens the health of the environment.

Environment and Climate Change Canada (ECCC) commissioned a study to better understand the current state of our plastics industry. Their findings show that our plastics manufacturing industry is a significant economic driver with sales being reported at $35 billion in 2017 and supporting over 90,000 jobs across more than 1,900 companies. In comparison, Canada’s recycling industry has less than a dozen companies employing about 500 people and generating $350 million.

Because our infrastructure does not keep pace with our plastics consumption, a significant amount of plastics end up being disposed of rather than being recycled and re-purposed into higher valued products for consumer use. The ECCC study finds that by diverting this “waste” product to recycling facilities requires an investment between $4 - $8 billion for new infrastructure plus government regulation to encourage responsible use and disposal of plastics. Revenues from the investment could increase to $3 billion and create over 40,000 new direct and indirect jobs nationally.

At the G7 Environment Ministers meeting in late 2018, Canada announced the Circular Economy Leadership Coalition that is “accelerating sustainable, profitable, zero-waste solutions to ensure Canadian leadership in the global Circular Economy”. Soon after the federal, provincial, and territorial governments agreed to a Canada-wide strategy on Zero Plastic Waste. Under this umbrella, and in support of the G7 Innovation Challenge to Address Marine Plastic Litter, Canada is “investing in innovative Canadian technologies to help small businesses across the country find new ways to reduce plastic waste and turn it into valuable resources that support a circular economy.”

In 2019, the federal government made a commitment to ban “unnecessary single use plastics” such as straws, plastics bags, cotton swabs, etc. In early 2020, to achieve this goal, the Federal government signaled its intent to list plastics as “toxic” under Schedule 1 of the Canadian Environmental Protection Act (CEPA).

There is significant concern in industry that the regulatory framework proposed would impair efforts to invest in recycling infrastructure and technology, limit investment in new resin facilities that may use recycled content as feedstock and set precedent for barriers to international trade.

In July 2020, Alberta, one of Canada's largest plastic manufacturing locations, announced the creation of The Plastics Alliance of Alberta, a special partnership between government, industry, and academia. The group will "collaborate on actions needed to encourage and support a plastics circular economy in Alberta", and will be chaired by the Industry Solutions area of the Northern Alberta Institute of Technology.

Today, we are seeing some industries re-thinking their systems and processes to align with a circular model to be more productive and create new market opportunities. However, addressing the plastic waste issue and changing the way we think about plastics requires a long-term commitment by all consumers, manufacturers, technology providers, government and society as a whole. Investments and clear regulations will be required by government to achieve a larger commitment to developing the infrastructure and encouraging the behaviours required for a sustainable, healthy future for our communities.

RECOMMENDATIONS

That the Government of Canada:

1. Establish a task force that includes government, industry, and research institutions to identify global best practices for plastics management and to advise on policies and programs to encourage a circular economy,
2. Implement policies and programs that support the investment in infrastructure and services that would further encourage value-add manufacturing investments thereby creating new employment and economic potential across Canada,
3. Not list plastics as toxic under Schedule 1 of CEPA,
4. Support and promote industries and attract investments that support a circular economy, adding value to our natural resources and continuing economic diversification,
5. Consider implementing a "green credit" for advanced recycling products to offset the significant costs of building out recycled content feedstock.

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[144] http://publications.gc.ca/collections/collection_2019/eccc/En4-366-1-2019-eng.pdf

41. A Path Forward for Canadian Energy

DESCRIPTION

The world has entered unprecedented economic challenges and Canada has not been spared. With May 2020 hitting record-high unemployment at 13.7%[145] and an expanding national debt, Canada must chart a viable recovery path, and energy holds a vital place on that path. Canada's oil and gas sector has seen deep struggles in the last two decades, and the recent impacts of COVID-19 and global oil price instability are causing deeper wounds than ever. In June 2020, the Federal Minister of Natural Resources stated; "the bottom line is the country is not going to recover unless the oil and gas sector recovers." [146] Oil and gas, and energy as a whole, is vital to Canada's economy, and we must chart a collaborative path forward.

BACKGROUND

Currently, Canada has divided views and important interests as well as concerns around resource development. While a large number of families in Canada rely on their energy sector work to put food on the table, there other Canadians with legitimate concerns around the inherent rights of Indigenous peoples and environmental risks.

Canadians recognize that the environment is important and we must do our part to lead in building a greener society. However, this must be properly balanced with the economic and technological realities we also live in. The demand for Canadian energy, including fossil fuels, remains high for the foreseeable future. The Canada Energy Regulator suggests that while coal and oil will decline in use while natural gas and renewable use rises, crude oil production still has the potential to see a 49% increase from 2018 levels to 2040.[147] On environmental concerns, it is important to keep the numbers in context and celebrate the hard work that is being done to reduce emissions. According to NRCAN, while the oil sands account for 11% of Canada's, they only make up 0.1% of global emissions. As well, "From 2000 to 2017 the emission intensity of oil sands operations dropped by approximately 28% as a result of technological and efficiency improvements, fewer venting emissions and reductions in the percentage of crude bitumen being upgraded to synthetic crude oil." [148]

Canada needs to focus on its values of collaboration, civic pride, and its leadership in human rights. One of the top countries that Canada imported oil from in 2019 was Saudi Arabia. [149] Canada currently produces enough oil to more than meet its own energy consumption needs. [150]

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[145] https://www150.statcan.gc.ca/n1/daily-quotidien/200605/dq200605a-eng.htm
[146] https://edmontonjournal.com/opinion/columnists/varcoe-oregan-says-the-country-is-not-going-to-recover-unless-the-oil-and-gas-sector-recovers/wcm/f8eb9b6d-3c67-4734-8f86-33f784f7c391/
[147] https://www.cer-rec.gc.ca/nrg/ntgrtd/ftr/2019/rslts/index-eng.html
[148] https://www.nrcan.gc.ca/science-data/data-analysis/energy-data-analysis/crude-oil-facts/20064
[149] https://www5.statcan.gc.ca/cimt-cicm/topNCountries-pays?lang=eng&getSectionId()=0&dataTransformation=0&refYr=2019&refMonth=12&freq=9&countryId=0&getUsaState()=0&provId=1&retrieve=Retrieve&country=null&tradeType=3&topNDefault=10&monthStr=null&chapterId=27&arrayId=0&sectionLabel=&scaleValue=0&scaleQuantity=0&commodityId=270900
[150] https://www.nrcan.gc.ca/our-natural-resources/energy-sources-distribution/clean-fossil-fuels/crude-oil/oil-supply-demand/18086

When viewing the human rights track record of Saudi Arabia, we believe that Canadians would prefer our own domestic supply to continue our leadership in promoting global human rights, as well as to secure our supply price shocks from OPEC+ nations.

We appreciate the Federal Government's continued commitment to the Trans Mountain Expansion, Enbridge Line 3, and Keystone XL. Pipelines are safer than transporting oil via rail and provide the opportunity for Indigenous partnership/ownership.

The Canadian Chamber of Commerce requests that the Federal Government develop and implement a cohesive energy strategy that recognizes regional and provincial differences, and charts a collaborative path forward with industry, stakeholders, and provincial governments, to work together to use our own energy to meet our own needs, by removing interprovincial trade barriers, and continue our global leadership in clean energy innovation. The Canadian Chamber of Commerce recognizes that the energy sector can be part of a net-zero strategy and can play a vital role in building the Canada of tomorrow.

RECOMMENDATIONS

That the Government of Canada:

Work with industry, stakeholders, and provincial governments to create and implement a cohesive energy strategy that:

1. Considers the resource-rich opportunities we have across the nation and how to work with each other, including Indigenous partners, from coast to coast to coast to ensure sustainable development and national security of resources, with a focus on using our own energy to meet our own needs,
2. Works with the provinces to remove interprovincial trade barriers to allow free flow access for energy and goods,
3. Recognizes the clean energy we already produce, recognizes that the energy sector can be a partner in a net-zero strategy, and sets goals to lead the world in the cleanest technologies, including in innovation around the continued use of fossil fuels, and;
4. Educates and builds knowledge to Canadians and international audiences on the investments and actions our energy industry has taken to be leaders in environmentally responsible developers of our national resources.

42. Reform Scope of Federal Environmental Assessments to Accelerate National Infrastructure Development

DESCRIPTION

Projects critical to the national economy face months or years of delay due to the over-sized scope of federal Environmental Assessment (EA) regimes. Instead of genuinely assessing environmental risk, today's federal Environmental Assessments are empty shells. They create hurdles for project development and provide a platform for opponents to object. Without an objective set of rules and standards, EAs often become politicized. The outcome seems mostly determined by the priorities of the government in power, while critical infrastructure projects languish in red tape.

BACKGROUND

Investment in Canada's economy is hampered due to the uncertainty that is created around the delays and increased costs of prolonged environmental assessments. Investment in natural resource, transportation and city-building infrastructure is increasingly inadequate. Cost overruns and schedule delays on infrastructure projects are a common occurrence. Balancing environmental protection with infrastructure development is an economic necessity. Project assessments should be rules-based as opposed to the current discretionary case-by-case reviews.

The economic prosperity resulting from Canadian natural resource development – estimated at nearly one-fifth of the nation's GDP and 1.7 million jobs -- is dependent on industry's ability to pursue new projects; for decades, these have been subject to environmental assessments (EAs) at the provincial/territorial level as well as at the federal level through the Impact Assessment Act (IAA). Coordination of assessments required at both levels has been problematic for most of this period, with the need for two separate and often duplicative processes resulting in considerable regulatory overlap, delays and uncertainty that have, in many cases, led to weakened project economics, fragmented consultations, and reduced business competitiveness.

IAA 2019 reforms

On June 21, 2019, the federal government of Canada (Canada) passed Bill C-69, new legislation that would materially reform the federal environmental assessment regime in Canada. The reforms will see the National Energy Board (NEB) replaced by the Canadian Energy Regulator (CER) and the Canadian Environmental Assessment Act, 2012 (CEAA 2012) replaced by a new Impact Assessment Act (IAA). This was an attempt to address these challenges aimed at attempting to harmonize the provincial-federal regulatory overlap and shorten the duration of the overall process through the introduction of specific timelines. However, some elements of these reforms have instead had the opposite effect: since its implementation, the mining industry has seen a duplication of provincial processes, federal intrusion into provincial jurisdiction, and a deterioration in federal and provincial coordination and among federal government departments and agencies. Combined, these have resulted in "inefficient and costly impacts to project economics."

The 2019 legislative amendments also exacerbated the growing delays associated with EAs.

While the process introduced specific timelines, it also added various means to stop and extend timelines within the process itself, which have further complicated the federal processes' ability to align with provincial processes; in practice, this – along with a significant decline in federal scientific support for EAs – has in fact lengthened the overall duration of federal EA processes.

Related federal reforms

It is also important to consider the impact of additional reviews the federal government is also conducting on other legislation directly tied to EA projects in Canada: the Fisheries Act, the Navigation Protection Act, and the National Energy Board. Each set of reforms is being handled as a separate process with disparate sets of recommendations. Given the considerable overlap in the mandates of these panels and the potential impact that each could have on the EA process, it is crucial that the federal government ensures that any efforts to introduce changes to any and all of these elements does not result in duplicative or contradictory regulation, and does not complicate industry's ability to navigate the federal EA process.

RECOMMENDATIONS

That the Government of Canada:

1. Develop a framework fully supporting a "one project, one assessment" approach, that recognizes equivalency when appropriate, for projects that trigger environmental assessment requirements at both the federal and provincial/territorial levels by;
    a. Moving from a discretionary case-by-case review system to a rules-based system;
    b. Publishing substantive EA requirements listing pre-determined criteria, with full transparency, before projects are proposed;
    c. Allowing regional EAs to avoid delays and duplication;
    d. Ensuring assessments prioritize the economic benefits of a project.
2. Respect provincial/territorial jurisdiction by maintaining the current scope of effects considered within federal environmental assessments, and preventing new federal environmental assessment requirements from being created for categories of projects already captured by provincial/territorial assessment requirements.
3. Improve timelines and reduce duplication for environmental assessments by:
    a. enhancing coordination with provincial/territorial governments,
    b. working with industry to identify potential efficiencies, and
    c. adequately resourcing federal scientific support for provincial/territorial governments and federal departments as required throughout the process.
4. Make all information generated during environmental assessments accessible to the public through an online library or registry, which should also provide information about post-assessment monitoring and enforcement.
5. Ensure Indigenous peoples have the capacity to participate in the environmental assessment project review process by enhancing funding for participation and by developing strategies to build longer-term capacity within communities.
6. Engage potentially impacted Indigenous communities as early in the process as possible and jointly determine desired outcomes for consultation and participation.
7. Retain the Canadian Environmental Assessment Act 2012 definition of “interested parties” of public hearing participants as being those directly affected by a given project or those with relevant information or expertise.

NOTES

[151], [152], [153], [154], [155]

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[151] Ibid.
[152] Ibid.
[153] https://www.osler.com/en/resources/regulations/2019/government-of-canada-enacts-changes-to-environmental-assessment-processes
[154] Mining Association of Canada, “Facts and Figures of the Canadian Mining Industry”, 2016
[155] Natural Resources Canada, “10 Key Facts on Canada’s Natural Resources”, October 2016

43. Ending Child Labour/Slavery in Canada's Supply Chain – A Government and Private Sector Solution

DESCRIPTION

Forced labour, including slavery and child labour, can be found in every country and just about every sector of the economy. The International Labour Organization (ILO) estimates that there are approximately 152 million child labourers globally, with 73 million children engaged in hazardous work and 4.3 million in forced labour. It also estimates that there are 25 million victims of forced labour worldwide with women and girls making up 71 percent of those victims. While some progress has been made in G7 and G20 countries, it is estimated by World Vision Canada that some 1200 companies in Canada imported goods at risk of being produced by child labour and forced labour as recently as 2015. That was a 31% increase since 2012.

BACKGROUND

According to the ILO, the definition of child labour refers to work that is mentally, physically, socially and/or morally dangerous and harmful to children and that interferes with their schooling. The ILO defines the worst form of child labour as all forms of slavery, such as trafficking of children and forced labour, child pornography and prostitution, the use of a child for illicit activities; or hazardous work, which is likely to harm the health, safety or morals of a child.

Forced labour is one of the worst forms of child labour as it is work or service that is demanded from any person under the threat of penalty and for which the person has not offered him or herself voluntarily.

Presently the Government of Canada has begun Phase 1 of a consultation process with all stakeholders on possible measures to address labour exploitation (a broader more inclusive definition encompassing all forms of child/slave labour issues). This in response to the 2018 report by the Subcommittee on International Human Rights of the Standing Committee on Foreign Affairs and International Development. The report highlights the importance of collaboration between the federal government and business along with provincial and territorial governments to eliminate child labour from global supply chains.

Still, other countries are accelerating their labour exploitation initiatives with ever increasing velocity.

- The California Transparency in Supply Chains Act (2010) require retailers here with worldwide gross receipts of over $US100 million to make a one-time disclosure regarding their efforts to eradicate slavery and human trafficking from their direct supply chain for tangible goods for sale. Disclosures must be posted on company websites and must address verification, audits, certification, internal accountability and training efforts. Failure to produce disclosures may result in an injunction by the State's Attorney General.
- Canada and other States have endorsed the UK's 2017 Call to Action to end forced labour, modern slavery and trafficking.
- Australia, Canada, New Zealand, the UK and the United States in September 2018, launched the Principles to Guide Government Action to Combat Human Trafficking in Global Supply Chains.
- Germany has signaled in its National Action Plan on Business and Human Rights that industry should achieve certain metrics by 2020 – if not, it will pass legislation to mandate supply chain due diligence.
- The Netherlands has advanced sectoral "covenants" in various sectors including garment, gold, pension plans, banking and agri-food and have proposed the Dutch Child Labour Bill.
- Australia has passed the Australian Modern Slavery Act of 2018.
- France has passed the Law 2017-399 related to Duty of Vigilance of Parent Companies and Commissioning Companies.
- New South Wales has passed the Modern Slavery Act 2018.
- Switzerland has proposed the Responsible Business Initiative.
- The United States passed (effective March 2015) the US Federal Acquisition Regulation: Ending Trafficking in Persons
- The European Union implemented in 2017 the Non-Financial Reporting Directive requiring EU Member States to enact legislation requiring large public interest entities to report annually on issues such as human rights.

The adoption of traceability compliance in the supply chain is not a new concept in Canada. Since the 1950s, Canadian companies involved in the defence sector, have had to demonstrate full transparency and traceability of all parts and components throughout their entire supply chain, demonstrating that not only should it be done, it can and is being done.

Further evidence of accelerating labour exploitation initiatives can be found in the private member's bill introduced into the House of Commons (in the 42nd Parliament) entitled "C-423 – An Act respecting the fight against certain forms of modern slavery through the imposition of certain measures and amending the Customs Tariff" (the Bill). The Bill aims to further Canada's international commitment to eliminate modern slavery, especially child labour. A similar bill will undoubtedly be introduced into the 43rd Parliament, and if passed would follow a global trend in legislation to eliminate forced labour, child labour, human trafficking, and other forms of exploitation, responding to the 2012 United Nations Guiding Principles on Business and Human Rights, considered the global standard for corporate human rights obligations.

Additional tri-partisan support for this type of legislation was evident in Canadian Federal politics with the establishment of the All Party Parliamentary Group to End Modern Slavery and Human Trafficking.

In addition the House of Commons Standing Committee on Foreign Affairs and International Development has issued an FAAE Committee Report entitled: A Call to Action: Ending the Use of All Forms of Child Labour in Supply Chains in which they point out the heavy prevalence of child labour and forced labour in sectors such as agriculture, be it for subsistence or commercial farming. According to the ILO 71% of all child labour occurs in the fishing, forestry, livestock herding and aquaculture industries.

In particular, the use of child labour has been widely documented in the harvesting of cocoa, coffee, tobacco and cotton picking for garment manufacturing.

In its Report: “In the Dark, Bringing Transparency to Canadian Supply Chain” the Peter A. Allard School of Law, at the University of British Columbia authors assert that major human rights abuses occur predominantly in the garment industry, e.g. the Rana Plaza building, which housed several factories that manufactured garments for numerous multinational companies. The building, which was illegally built on top of a former shopping center, collapsed on April 24th, 2013 in the Savar Upazila of Dhaka District, Bangladesh, killing 1,129 and injuring 2,500 people—the deadliest disaster in the history of the garment industry. To cut costs, many international corporations have outsourced their production to countries with lower labour costs and fewer labour regulations, such as Bangladesh.

The report also sheds light on other cases, such as exploited labour in Thailand’s shrimp exports, where consumer awareness has been instrumental in effecting change. In 2015, news reports traced shrimp peeled by enslaved child labourers back to Thai exporting companies, who then shipped those shrimp to major grocery stores and restaurants in the United States and Canada, including Walmart, Whole Foods and Costco. The report also highlights massive abuses in the cotton industry as well as tobacco, mining, oil and gas, minerals and the entire extractive sector along with the many failed attempts to remedy these abuses legislatively.

In the report: “Modern Slavery Promotes Overfishing”, the UBC Institute for the Oceans and Fisheries asserts that Labour abuses, including modern slavery, are ‘hidden subsidies’ that allow distant-water fishing fleets to remain profitable and promote overfishing. Researchers found that countries whose fleets rely heavily on government subsidies, fish far away from home ports, and fail to comprehensively report their actual catch, tend to fish beyond sustainable limits and are at higher risk of labour abuses.

“Crews on vessels from China, Taiwan, Thailand, South Korea and Russia are particularly at high risk because of a lack of regulatory oversight in those countries combined with the complexities of jurisdiction at sea. This makes it easier to force people to work excessively long hours, often under appalling conditions, to extract as much fish as possible in exchange for a low – or zero – pay.”

Given the overwhelming evidence, the Canadian Chamber of Commerce feels that the time is now for Canadian leadership, both public and private to promote real corporate social responsibility CSR and oversight of global corporate supply chains. These issues are too important and urgent to be left to individual initiatives, the haphazard process of multilateral negotiations, or to the soft law guidelines of the UN and the Organisation for Economic Cooperation and Development (OECD). It is Canada's international obligation to combat human trafficking and bring Canada into line with human rights leaders in this area.

We recommend legislation that establishes a level playing field for all Canadian businesses while promoting best practices, supporting democratic values and protecting the country's national identity and brand abroad.

RECOMMENDATIONS

That the Government of Canada:

1. Establish targeted legislation that is responsive to the needs of industry, the demands of Canadians and consumers, and the plight of victims and populations vulnerable to exploitation the world over no later than 2021 on the basis of Bill S-211 that is currently before Parliament. This legislation should draw on the lessons learned from the US and UK to produce supply chain disclosure legislation that requires all Canadian companies, tiered by organizational size over an initial annual revenue threshold of 35 million CAD to:
    a. Disclose certified information on corporate supply chains;
    b. include Director/Partner/Member sign-off on disclosures (rather than external auditors);
    c. Collect and maintain non-commercially sensitive information, available to the public, including: a central database or government repository of corporate disclosure statements, including reports, links, and audits, if provided.
    d. Incorporate provisions on equivalency with foreign supply chain transparency rules to reduce the administrative burden.
2. Consult with industry on a framework of rewards and penalties to ensure compliance with supply chain disclosure laws, which could recognize for companies that comply with transparency in supply chains disclosure and restrict federal procurement to companies that comply with disclosure requirements.
3. Continue the mandate of the Canada's Ombudsperson for Responsible Enterprise (CORE) to maintain critical elements so that it is capable of:
    a. Soliciting grievances from affected parties abroad;
    b. Investigating and monitoring complaints and industry practices;
    c. Publishing reports, advising government and recommending steps to achieve both
    d. reporting compliance and an abuse-free supply chain;
    e. recommending trade measures for companies that do not co-operate in good faith
    f. Instituting Ministerial intervention (in conjunction with Global Affairs Canada) where abuses/complaints persist
4. To ensure effectiveness of the aforementioned recommendations, mechanisms such as reporting anonymity should be implemented to offer protection to whistleblowers.

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[156], [157], [158], [159], [160], [161], [162], [163]

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[156] Forms of Child Labour in Supply Chains
[157] FAAE Committee Report entitled: A Call to Action: Ending the Use of All
[158] "C-423 – An Act respecting the fight against certain forms of modern slavery through the imposition of certain measures and amending the Customs Tariff" (the Bill).
[159] Principles to Guide Government Action to Combat Human Trafficking in Global Supply Chains.
[160] UK's 2017 Call to Action to end forced labour, modern slavery and trafficking.
[161] California Transparency in Supply Chains Act (2010
[162] (Vancouver: Allard School of Law, June 2017).
[163] In the Dark: Bringing Transparency to Canadian Supply Chains, Allard International Justice and Human Rights Clinic

44. Commercial Border Crossing Access

DESCRIPTION

The country relies heavily on accessible transportation corridors and border services to facilitate the ever-growing economy, particularly in expanding natural resource investments, development of supply chain manufacturing and applicable service sectors. Yet despite Canada's prosperous trading relationship with its neighbors in the U.S., there are still disparities that exist in adequate access to border facilities in order to facilitate efficient trade between Canada and the U.S.

BACKGROUND

Canada and the U.S. enjoy one of the most prosperous relationships in the world, with a staggering volume of bilateral trade totaling $1.2 trillion in 2019[164], as well as close to 400,000 people crossing our shared borders each day. In particular, Montana and Canada continue a profitable trading relationship with bilateral trade flows totaling $4.68 billion USD in 2018 .[165], Moreover, Canada continues to be Montana’s most important customer with total Montana exports to Canada at $680 million USD in 2018 while total Montana imports from Canada totaled $4 billion USD. From 2011-2015 Alberta’s exports to Montana have averaged $2.52 billion annually with exports to Montana in 2015 totaling $2.02 billion. These exports consist of primarily oil and natural gas, fertilizers, food wastes and cereals.[166]

While 75 percent of Alberta’s exports to the U.S. were carried by pipeline, 11 percent was carried by truck, representing a value of $8.67 billion. Almost 78 percent of all exports to the U.S. were destined for the central, northeast and southeast parts of the country. In the same year, 42 percent or $7.54 billion worth of imports from the U.S. were carried by truck. Almost 76 percent of this total originated from the central, northeast and southeast U.S.

With the fewest number of highway/land border crossings within Canada, Alberta is also currently the only province bordering the U.S. to have one 24-hour border crossing, situated in Coutts, Alberta.

	24-Hour Crossings	Total Crossings	Population (2019)
British Columbia	8	19	5,071,000
Alberta	1	6	4,371,000
Saskatchewan	2	12	1,178,000
Manitoba	3	16	1,373,100
Ontario	13	14	14,659,000
Quebec	21	30	8,522,000
New Brunswick	12	18	780,000

[164] https://www.international.gc.ca/economist-economiste/performance/monthly-mensuel.aspx?lang=eng
[165] https://www.tradecommissioner.gc.ca/tcs-sdc/united-states-of-america-etats-unis-amerique/business_fact_sheets-fiches_documentaires_affaires.aspx?lang=eng#montana
[166] http://open.alberta.ca/dataset/9269de23-6d7a-448e-867e-293b4b0568e1/resource/7bd5fe74-c023-4388-99e0-17bde9e5c6db/download/2016-Montana-Alberta-Relations-August-2016.pdf

It is critical that we encourage the government to remove any barriers or encumbrances on imports and exports of our key sectors between Canada and the U.S. and work to improve international trade by removing pressure and congestion on a single 24-hour commercial port and corridor. To achieve these goals, it is important for the Canadian and U.S. Governments to work together to mirror expansion efforts on both sides of the border. For example, at the Port of Wild Horse in Alberta, the U.S. Customs and Border Protection (CBP) agency and the Canadian Border Services Agency (CBSA) consistently extend their operating hours in the summer, but frequently have had disparity in when the extended hours begin and end for the season. Additionally, when the opportunity arose for CBP to expand the border facility at the Port of Wild Horse and move forward with an enhanced facility, CBSA had not mirrored the expansion or evaluated the opportunity for a shared port facility. CBP was able to celebrate the opening of a new facility on April 1, 2011 and the facility on the Canadian side is aging and does not mirror the same facility standards.

Inadequate border facilities and a lack of technology is an impediment to the efficient movement of goods. By ensuring that facility standards mirror adjacent port facilities in the United States and that port facilities have Electronic Data Interchange (EDI) systems to facilitate electronic transmission and interchange of cargo would ensure a more efficient process in the movement of goods.

Transportation access is fuel for economic development. Regions with flexible, efficient transportation networks can access product markets, suppliers, vendors, workers and customers more efficiently and more cost effectively than those that do not. We need to encourage the further development of north/south trade and remove delays, restrictions and limitations on crossing times and access. Investment leads to trade, as companies' activities increasingly become part of the global value chain, necessitating not only clear and open investment rules, but also ensuring that goods and services produced have easy access to markets in both countries and internationally.

Increased border access would enhance economic development, investment and security as well as address growing safety concerns. It would also assist truck traffic by providing an alternate route, easing lineups and delays and it would improve tourism travel by allowing increased travel service between Canada and the United States.

It is in the best interest of Canada to expand trade linkages with the United States through transportation crossings and corridors that link Canada to the United States to facilitate a growing trading market. A continued effort is needed to eliminate the obstacles that continue to prevent the expansion of 24 hours commercial port facilities and promote this as access to a north-south trade corridor.

RECOMMENDATIONS

That the Government of Canada:

1. Accelerate dialogue with U.S. counterparts to ensure that the hours of Canadian border crossings consistently match the U.S. border hours in both traveler and commercial service hours and that facility standards are equivalent on both sides of the border.
2. Work to accommodate shared port of entry facilities where the opportunity exists.
3. Ensure that provinces with high volumes of bilateral trade and corridor traffic have access to sufficient 24-hour commercial border services and provinces with high volumes of trade and traffic volumes have more than a single 24-hour full-service commercial port of entry.
4. Improve the structures, facilities and technology in port facilities to better serve present needs.

45. Canada Needs More Rigour in Regulatory Decision-making to Support National Competitiveness

DESCRIPTION

Government has a responsibility to Canadians to develop rules that protect public safety, but current processes that guide regulatory decision-making lack measures to ensure regulations imposed on business are necessary, proportionate and efficient. The nation's competitiveness requires a concerted effort to reduce regulatory red tape that inordinately burdens the productivity of Canada's smaller businesses and reduces our attractiveness as a place to invest.

BACKGROUND

Policy and regulation is a necessary function of providing good government. Canadians demand our politicians provide a framework of rules that guide personal and corporate behaviour to protect the rights and well-being for all citizens.

The reality of regulation and the parliamentary process of governing is inherently focussed on creating a code of required behaviours and the means of monitoring activity and enforcing compliance. New rules and regulations, unless thoughtfully directed, normally add to existing interpretation and compliance challenges, diverting significant time and human resources to non-revenue generating activity. The productivity and competitiveness of our businesses diminish and the attractiveness of Canada as a place to invest decreases every time a new regulation is introduced without a comprehensive assessment of the impact on business and the economy.

The concept of implementing comprehensive impact assessments of regulating social, environmental and economic influences have been requested repeatedly to improve regulation. However, the impact of complexity, redundancy, delays, and compliance burden have never been completely addressed to maximize clarity and regulatory efficiency. All levels of government have an obligation to demonstrate that regulatory decisions are based on a balanced consideration of social, environmental and economic impacts, including a clear recognition of the costs associated with project approvals and regulatory compliance.

The economic loss attributable to red tape and regulatory inefficiency is enormous, and well worth the effort of implementing guidance to regulatory decision-making. In some instances, like our highly complicated tax regime, a full overhaul of regulations may be needed. But in many cases, commitment to a statutory requirement to fully evaluate options and consider efficiencies will contribute to a reduction in regulatory complexity and improve competitiveness.

RECOMMENDATIONS

That the Government of Canada:

1. Establish a measurable objective for reducing the regulatory compliance burden (e.g., number of regulations, money saved) on businesses and report on progress annually.
2. Improve the cost-benefit analysis for new regulations by establishing an interdisciplinary, independent panel mandated to review the cost benefit analysis for all new regulatory proposals before they are submitted for Treasury Board approval.

46. Eliminate Unnecessary Exceptions to the Canadian Free Trade Agreement

DESCRIPTION

The Canadian Free Trade Agreement (CFTA) came into effect in 2017. While it has been generally well received as a replacement for the poorly constructed Agreement on Internal Trade (AIT), too many barriers to inter-provincial trade remain buried within the 120 pages of exceptions to the Agreement. Many of these exceptions concern dated economic matters. The sheer volume of exceptions serves to discourage trade across Canadian economies.

BACKGROUND

As explicit tariffs between the provinces are forbidden under section 121 of the Constitution Act of 1867, most interprovincial barriers are the result of differing rules, regulations, licensing requirements and regional programs. These barriers to internal trade are often enforced by provincial legislation in attempts to protect local interests, but ultimately amount to a convoluted set of contradictory rules and laws that expose Canadians and Canadian companies to flagrant costs and economic penalties.

The opportunities that exist for Canadians and Canadian business by the removal of internal trade barriers is considerable. In a recent post for Plant Advance Canadian Manufacturing, Sen. Jane Cordy from Nova Scotia noted that studies suggest that the constraints on internal trade between Canadian companies could be costing the Canadian economy up to $130 billion per year.

In addition to the economic benefits that are sacrificed, Statistics Canada reported that these barriers are placing the equivalent of a 6.9 per cent tariff on goods flowing between provinces, adding increased costs to forfeited revenue. This is more than twice the size of the average world tariff on goods which now sits at roughly 2.9 per cent.

In his October 22nd 2019 article for The Frontier Centre for Public Policy, economic consultant Fergus Hodgson cites trucking and transport as a perfect example: Ranging from the sizes and weights of vehicles allowed on highways to the types of tires, trucks crossing across provincial lines go from legal to illegal. This cripples the Canadian industry’s productivity as it adds unnecessary costs to transportation. There is no wonder why some companies prefer to import goods from the United States, where trucks only need one license.

The Canadian provinces have made a number of efforts to reduce these barriers. Most recently, the Agreement on Internal Trade (AIT) was established in 1995 and ended 2017. The AIT was poorly regarded for its numerous exclusions and lack of meaningful dispute resolution process. The Canadian Free Trade Agreement (CFTA) replaced the AIT July 1, 2017 and was generally well received for implementing a strong and well-defined dispute resolution process with enforceability measures.

In western Canada, The Trade, Investment, Labour Mobility Agreement (TILMA) is a trade agreement between Alberta and BC which was developed out of their dissatisfaction with the AIT. It remains in effect today because the AIT failed to address regulated marketing and supply management in Agriculture. While some have advocated that the TILMA be adopted by all – that idea has been largely rejected by the Provinces.

Strong case studies exist in Australia that clearly demonstrate how inter-provincial trade can be enhanced with some simple measures. In comparing Australia and Canada there are some distinct similarities including provincial and territorial requirements, indigenous treaties, diverse geography and land size, as well as a mix of urban and rural needs from coast to coast. Australia has seen barriers toward inter-provincial trade decrease due in part to a desire to make it a priority amongst federal and provincial policy makers, judicial activism in support of eliminating trade barriers, and the desire for a federalist stance in relation to inter-provincial trade. The case study provides a window into how the Federal Government can involve itself and become a facilitator to make inter-provincial trade a top priority amongst policy makers, judges, business and every Canadian who stands to benefit from such efforts.

As an example – producers in a number of provinces create some of the finest beer, wine and spirits in the world. So why should it be acceptable that vineyards in a particular province are able to sell to international markets but not to other Canadians in neighbouring provinces. Furthermore, many of the exceptions contained in the CFTA make explicit the requirement to maintain a commercial presence within their home province and seemingly ignore the long accepted economic realities of e-commerce and online sales.

Ontario Exception 2, for example, exists in order to comply with the Real Estate and Business Brokers Act from 2002 to protect that Real Estate services be supplied through a commercial presence in Ontario. This concept of requiring a “local office” and of allowing localized rules and regulations of industries which operate across provinces permeates across exceptions and places undue restrictions for industries such as travel agents, the trades, and a number of other sectors impacting goods and services within the CFTA.

The damage that interprovincial trade barriers are doing is clear. For best practices in removing these barriers, we might look to Australia which began eliminating its internal trade barriers in the early 1990s. The Mutual Recognitions Accord (1992) and the creation of a Productivity Commission (1997), facilitated by Australia’s court system eventually removed nearly all regulatory barriers to internal trade.

RECOMMENDATIONS

That the Government of Canada:

1. Commence a full review of the CFTA in consultation with Canadian businesses of all sizes across effected sectors as a continuation of the work from the 2018 Open Caucus.
2. Engage in negotiations with the Provinces in order to reduce and remove any irrelevant and dated exceptions to the CFTA, which are giving international businesses an advantage over Canadian competitors within our own borders.
3. Engage in negotiations with the Provinces in order to align the various localized Provincial rules, regulations and requirements which render Canadian businesses at a disadvantage due to the complex and differing regulatory regimes with which they must comply in each province in which they wish to operate while foreign competitors are often exempt, and specifically those associated with the transportation sector where our national productivity is severely impeded by this issue.

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[167] Smith, Andrew, and Jatinder Mann, Federalism and Sub-National Protectionism: a Comparison of the Internal Trade Regimes of Canada and Australia, Institute of Intergovernmental Relations School of Policy Studies, Queens University Working Paper: 2015-01, (14).

47. Regulatory Reconciliation after Covid-19

DESCRIPTION

Interprovincial non-tariff trade barriers are a costly setback to business productivity in Canada. As the economy recovers from COVID-19, facilitating internal trade will help strengthen competitiveness, accelerate re-employment, support small business growth, and encourage investment in Canada's relatively small market.

BACKGROUND

Regulatory differences between jurisdictions have long made it more expensive to do business within Canada. In 2017, Statistics Canada estimated that the amount of economic activity restricted by non-tariff trade barriers was tantamount to having a 7 percent tariff on interprovincial trade.[168] Moreover, this challenge is not an inevitable feature of federalism, since similar studies have found no evidence that state borders impede trade within the United States.[169]

The opportunity cost of internal trade barriers is especially high in the context of economic recovery post-COVID-19, when the focus needs to be on restoring business activity as efficiently as possible. For entrepreneurs, the current patchwork of financial regulations, procurement systems, health and safety standards, and other regulations make it difficult to raise capital and take advantage of economies of scale to growth their small businesses. Moreover, the pandemic – and trends that preceded it – have restricted global trade and reinforced protectionist behaviours. With more limited access to international markets, companies within Canada will need to make the most of internal trade opportunities to sell their goods and services.

Further, with unemployment at a record high, labour mobility will be more important than ever. Inconsistent licensing and certification requirements between provinces and territories will prevent Canadians from rapidly re-skilling and re-entering the workforce.

Canada took a step in the right direction by establishing the Regulatory Reconciliation and Cooperation Table (RCT) under the Canada Free Trade Agreement (CFTA). Since 2018, the RCT has made considerable progress identifying and harmonizing regulations in areas that are cumbersome for businesses, such as transportation and health and safety. This work should continue post-COVID-19.

Each non-tariff trade barrier exist for a reason. Some are simply a product of jurisdictions working in parallel. Others are designed to reflect the unique characteristics of a region or protect local industries and retain tax revenue for a regional government. Harmonization can be a difficult and lengthy process, particularly when there are financial implications for one or more parties.

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[168] Statistics Canada. 2017. "Study: Estimating the effect of provincial borders on trade." https://www150.statcan.gc.ca/n1/daily-quotidien/170914/dq170914d-eng.htm.
[169] Ibid.

One way to fast-track the process is through mutual recognition agreements, a method used by Australia and New Zealand. In the 1990s, governments in the two countries agreed to mutually recognize compliance with each other's laws for the sale of goods and the registration of occupations, subject to limited exceptions.[170] As a result, businesses that meets standards in one jurisdiction are able to sell goods and services in other without meeting additionally requirements and registered occupations are considered equivalent if the activities authorized are substantially the same. Mutual recognition agreements have proven to be an effective way to accelerate productivity growth and other economic objectives.[171] While such a broad approach may not be appropriate for Canada, it could be applied on a more limited basis in situations where regional governments agree on the objectives of their respective regulations.

RECOMMENDATIONS

That the Government of Canada:

1. Continue investing in the work of the Regulatory Reconciliation and Cooperation Table (RCT), with a renewed focus and commitment to addressing regulatory barriers that hinder economic recovery.
2. Assess opportunities to apply mutual recognition agreements more broadly to specific sectors or occupations.
3. Consider where funding can be offered as an incentive to provincial/territorial governments that agree to address interprovincial trade barriers, where the expectation of a loss in revenue is otherwise an obstacle.
4. Encourage the provinces/territories to join the New West Partnership Trade Agreement (NWPTA).

[170] Government of Australia. 2015. Mutual Recognition Schemes: Productivity Commission Research Report. https://www.pc.gov.au/inquiries/completed/mutual-recognition-schemes/report/mutual-recognition-schemes.pdf.
[171] Ibid.