



Canadian  
Chamber of  
Commerce

Chambre de  
Commerce  
du Canada

*The Voice of Canadian Business™*  
*Le porte-parole des entreprises canadiennes<sup>MD</sup>*

# RESOLUTIONS

## 2018 POLICY RESOLUTIONS



## **Positions on Selected 2018 National and International Issues**

This booklet contains the final approved versions of all the resolutions adopted by the voting members of the Canadian Chamber of Commerce on September 23-24 2018 at the Canadian Chamber's 89th Annual Meeting in Thunder Bay, Ontario. Each resolution, once approved by a convention, has an effective lifespan of three years.

The 2018 resolutions were discussed, amended and approved during debate, at which time accredited voting delegates from across the country considered a total of 64 proposals which had been drafted originally by local Chambers of Commerce, Boards of Trade and National Committees and Task Forces of the Canadian Chamber. In accordance with the by-laws, a majority of two-thirds of the votes cast was necessary to approve each resolution. Delegates approved 49 resolutions during the debates, while 11 more were deferred to the Board of Directors for consideration and later adopted as policies.

These resolutions will be brought to the attention of appropriate federal government officials and other bodies to whom the recommendations are directed. The method of presentation of each item will be determined by a number of factors, including subsequent events and legislation which may affect the subject matter, additional information that may become available, the timing of a presentation, etc.

Throughout the year, members will be updated and advised of the action(s) taken on each of these positions by way of summaries and reports in Canadian Chamber publications.

Questions pertaining to these policy positions should be directed to the Policy Division of the Canadian Chamber of Commerce at:

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# NATURAL RESOURCES AND ENVIRONMENT

## Clarifying the Impact Assessment Act

### DESCRIPTION

The newly introduced federal Impact Assessment Act fails to provide much-needed clarity regarding environmental assessments for resource-sector companies, potentially undermining investment in Canada's mining, energy and other sectors.

### BACKGROUND

On February 8, 2018, the federal government introduced Bill C-69, which would enact the Impact Assessment Act, overhauling the current environmental assessment process with the intention of creating a more streamlined and efficient regulatory system for mining and energy projects. This is also a highly desired outcome for the natural resource sector, as the legislation governing the current federal environmental assessment process – the Canadian Environmental Assessment Act, 2012 (CEA 2012) -- has resulted in regulatory overlap, delays and uncertainty that have in many cases led to weakened project economics, fragmented consultations, and reduced business competitiveness.

Although C-69 makes some positive changes – such as the government's commitment to a “one project-one assessment” principle and an increased priority on improving Indigenous capacity to be involved in the business process for projects – it risks undermining business confidence due to its unclear language.

Specifically, Bill C-69 fails to provide necessary clarity in the following areas:

- industry's duties to consult in an agency-led engagement process;
- whether projects already undergoing assessments will be able to continue under the current regime;
- substitution of equivalent assessments across jurisdictions;
- traditional Indigenous knowledge; and
- sex, gender, and other identity factors.

For instance, C-69 proposes a 180-day pre-planning period, which is in part meant to engage Indigenous communities in projects as early as possible. However, it does not clearly outline the duties of the project proponent with regards to Indigenous consultations: the language of the bill counts Indigenous consultation as an Agency obligation, but many proponents already undertake this effort prior to the early planning phase to ensure the project's business case. As such, there is too little information as to what the duties of industry will be in an Agency-led engagement process and whether proponents should expect legislated change to their behaviour in this regard.

There is also ambiguity with regards to whether all projects already in the assessment process under CEAA 2012 will be forced to start anew under the Impact Assessment Act. While former Natural Resources Minister James Carr had specifically clarified that energy projects currently under review will be able to complete their efforts under the existing regime, there have been no such assurances for other development projects. Given that non-energy development projects make up the vast majority of federal assessments (mining projects alone represent 60 percent of all federal project assessments) it is essential that the government

ensure that such projects already undergoing the assessment process are also able to continue under the current regime. This clarity is crucial, as investor confidence for any natural resource sector is predicated on the predictability and timeliness of the process.

The government has also touted its commitment to a “one project-one assessment” principle, but assessment substitution remains a matter of ministerial discretion rather than legislative requirement. While there is an important role for ministerial discretion in environmental assessments, a substitution of equivalent assessments across jurisdictions should be the default mandated by C-69. By treating assessment substitutions as a matter of discretion, the government risks leaving project proponents unsure if they will be subject to multiple assessments, and the circumstances under which they may reasonably expect substitution.

C-69 also states that the assessment criteria will be integrate “scientific information, traditional knowledge of the Indigenous peoples of Canada and community knowledge.” The Canadian Chamber recognizes the importance of traditional knowledge and agrees in principle with the government’s efforts to actively involve Indigenous communities in the assessment process, but C-69 leaves much uncertainty on how Indigenous knowledge will be evaluated in assessments. The legislation notes that “any traditional knowledge of the Indigenous peoples of Canada that is provided to the Minister, the Agency or a review panel under this Act in confidence is confidential and must not knowingly be, or be permitted to be, disclosed without written consent.” This creates a black box of assessment criteria which prevents proponents from being reasonably aware of the factors that may impact their project. It is essential, given the broad umbrella of practices that fall under “traditional knowledge of the Indigenous peoples of Canada,” that the government provide additional clarity regarding what traditional knowledge is, how it will be considered, and what weight it will be given in the assessment process.

C-69 also includes “the intersection of sex and gender with other identity factors” as Factors To Be Considered. The Canadian Chamber urges the government to recognize that an overly inclusive approach risks politicizing an assessment process that should be wholly scientific. The bill also fails to include necessary clarification on (1) what “the intersection of sex and gender with other identify factors” means with regards to assessing a project, (2) what these “other identity factors” are, and (3) how such factors will be weighed. Clarification regarding this matter, along with other ambiguous criteria, is essential to a well-functioning regulatory system that enables increased investment in Canada for the coming years.

Lastly, any confidence that industry would have in these and other evaluation criteria would be undermined by the arbitrary use of ministerial intervention. Presently, there is substantial risk that the evidence-based decisions may be overturned for the sake of political expediency. The federal government ought to mitigate that risk and restore confidence in assessment criteria by requiring all interventions to be accompanied by a clear evidence-based explanation of the decision.

## **RECOMMENDATIONS**

That the federal government:

1. Defeat or repeal Bill C-69 unless it is amended to clarify:
  - a. Industry’s role in consulting in an Agency-led engagement process;
  - b. What Indigenous knowledge is, how it will be considered, and what weight it will be given in the assessment process; and
  - c. The meaning of “the intersection of sex and gender with other identity factors”, providing a clear explanation of how these factors will be objectively and measurably evaluated alongside other criteria.

2. Ensure that mining, energy and other major projects currently in the assessment process can continue under the current assessment regime unless proponents indicate they would like to transition to the new regime.
3. Make assessment substitution the mandated default in the case of equivalent assessments across jurisdictions.
4. Require all ministerial interventions in environmental assessments be accompanied by a clear, evidence-based explanation of the reason for the intervention.

## A National Strategy to Address Mountain Pine Beetle

### DESCRIPTION

The effects of the mountain pine beetle (MPB) threaten the industry, economy, and safety of our country. Without a coordinated national effort, and significant federal involvement, the problem will continue moving eastward and northward, impacting the economic and environmental health of other communities and provinces.

### BACKGROUND

The MPB is the most destructive native pest of mature pine forests in North America, affecting Canadian industries such as forestry and tourism, as well as the safety and operation of related industries that utilize the landscape, such as oil, gas, and mining.

The federal government's position on MPB, including plans, funding, statements, and research, is available on the National Resources Canada section on the Government of Canada website<sup>1 2</sup>. It includes a model outlining how climate change and the number of unhealthy pines can impact MPB populations, allowing for spread eastward, potentially threatening the white pine forests of Ontario.

There is a current opportunity to act on strategic containment of MPB in Alberta, of which estimated costs to carry out are a fraction of those associated with the management of wide-scale infestations. According to a document entitled, *A Strategic Approach to Slow the Spread of Mountain Pine Beetle Across Canada* completed in November 2017 by the Canadian Council of Forest Ministers, "The negative impacts of continued eastward spread of MPB on the flow of goods and services from the boreal forest would be widespread, severe and long lasting." This study underlines the need to act quickly through strategic containment to mitigate the movement of the beetle.<sup>3</sup>

*From 1995 to 2015 British Columbia (BC) witnessed the largest mountain pine beetle (MPB) outbreak ever recorded. Over 18.3 million hectares were infested, resulting in a loss of 731 million cubic meters, or 54% of the province's merchantable pine volume, and significant losses to ecological forest values. A reduction of \$57 billion in the province's GDP and a \$90 billion decline in economic welfare are estimated between 2009 and 2054 (present value)...*

*Since 2004, the Government of Alberta has spent \$456 million managing the eastern spread of MPB, and has removed approximately 1.43 million infested trees. Saskatchewan has also contributed almost \$4.5 million since 2011....*

<sup>1</sup> <https://www.nrcan.gc.ca/simply-science/20625>

<sup>2</sup> <https://www.nrcan.gc.ca/forests/fire-insects-disturbances/top-insects/13397>

<sup>3</sup> <https://www.ccfm.org/pdf/2017-MPBStrategicContainmentApproach.pdf>



The strategy is intentionally non-prescriptive with the goal of being as adaptive as possible but includes several key principles underpinning the recommendations,

- Implement sustained and aggressive containment actions as early as possible including the removal of infected trees;
- Provide sufficient resources to keep ahead of population growth;
- Share information on population changes and communicate impacts of MPB management;
- Coordinate strategic actions between jurisdictions;
- Central Coordination may be required to standardize methodologies, pool resources, establish effective communication, and share information.

Mountain pine beetle mortality surveys conducted by the Government of Alberta in the spring of 2012 show marked increases in the existence and severity of beetle infestations farther north, east and south than ever before. The same surveys indicate that the probability of in-flights, carrying beetles eastward from adjacent infested areas, is moderate to high in most regions in the province.

Communities located in affected forest regions face additional safety risks due to the spread of MPB. As the surrounding forests decay, they become increasingly susceptible to greater frequency and intensity of forest fires. Programming such as Fire Smart should be focused and funding levels elevated to ensure it is able to support disaster preparedness commensurate with the increased risks created by the beetles.

Economic impacts of MPB have a pronounced effect through job losses in affected industries and communities. Diversification strategies are needed to replace lost jobs and transition economies which are negatively impacted by the pests.

Federal involvement is needed to support

- National MPB mitigation plans and funding for control activities, including action on strategic containment recommendations found in the Canadian Council of Forest Ministers document;
- Community safety initiatives to those areas at greater risk for wildfire due to the effects of the MPB;
- Continued research and education to understand and predict MPB spread to maximize control efforts;
- Regional economic and social resiliency through funding, policy or the development of shared resources.

## RECOMMENDATIONS

That the federal government:

1. Fully support the Canadian Council of Forest Ministers (CCFM) November 2017 document entitled "A Strategic Approach to Slow the Spread of Mountain Pine Beetle Across Canada" and all mitigation actions or recommendations outlined therein;
2. Reinstatement of the Federal Mountain Pine Beetle Program with funds equivalent in scale to the \$200M allocated during the 2007 – 2010 program period
  - o Funds from this program will
    - Support provinces that are already infested with Mountain Pine Beetle on community and regional safety programs, or initiatives, including additional funding for FireSmart program.
    - Provide resources for community and economic diversification and resiliency to communities affected by Mountain Pine Beetle.
    - Support mitigation efforts outlined in the CCFM document referenced in recommendation (1).

## Abandoned Vessels: Improving Oversight And Accountability

### DESCRIPTION

Transport Canada is the lead agency of the federal government responsible for vessel registry, boat licensing and the Navigable Waters Protection Act. Our chambers support recent efforts by Transport Canada to address the ongoing issue of abandoned vessels, however, the current jurisdictional gaps between Transport Canada for the removal of threats to navigation and the Department of Fisheries and Oceans for the removal of environmental hazards continues to cause delays and confusion in the process of reporting, assessing and removing abandoned vessels from Canada's coastlines and waterways. The negative impact and associated risks that abandoned vessels pose to maritime commerce, the environment and to tourism in our communities must be addressed with clear legislation, improved regulatory oversight by Transport Canada and vessel owner accountability.

### BACKGROUND

In response to more than a decade of calls from the Union of British Columbia Municipalities in May 2017 Transport Canada announced an Abandoned Boats Program (ABP) to assist in the assessment, removal and disposal of abandoned and/or wrecked small boats that pose a hazard in Canadian waters. The objectives of the ABP are to:

1. Reduce the number of abandoned and/or wrecked boats in Canadian waterways and the hazards they pose;
2. Contribute to the protection and preservation of the environment;
3. Reduce the impacts of these boats on Canadian coastal communities;
4. Enhance economic opportunities across Canada; and
5. Increase awareness of the boat owners' responsibilities.

The ABP has multiple components, such as helping educate small vessel owners about how to responsibly manage their vessels and supporting research on vessel recycling and environmentally friendly vessel design. The assessment and removals component of the program funds vessel removal assessments and the permanent removal and disposal of abandoned small wrecked vessels.<sup>4</sup>

Eligibility for funding include recipients such as:

- Provinces, territories, municipalities and local governments;
- Indigenous groups, communities and organizations;
- Private ports and/or marinas;
- Canadian port authorities; and
- For-profit and not-for-profit organizations.

The second call for proposals from the federal government for the assessment and removal of abandoned vessels closed March 15, 2018. Eligible activities for cost reimbursement include conducting vessel removal

<sup>4</sup> <http://www.tc.gc.ca/en/programs/abandoned-boats-programs.html>.

assessments and removal and disposition of abandoned vessels. Overall, the ABP has pledged that it will provide up to \$5.6M over 5 years to projects that must be completed by March 31, 2022.<sup>5</sup>

The federal government committed \$260K<sup>6</sup> and \$300K for assessments and removals under the ABP in 2017. In comparison, it cost \$1.2M to remove the Viki Lyne II from Ladysmith Harbour.

On March 12, 2018 Transport Minister Garneau announced \$240K for 21 vessel removals in Canada as part of the first round of ABP funding. Our Chambers of Commerce supports these measures and their continuation.

The third call for proposals for assessment and removals projects is open and applications will be accepted from April 3, 2018 until March 31, 2019.

### Explanation

Several bills have been introduced in parliament to further address the issue of abandoned vessels, however, there remains no comprehensive strategy and jurisdiction that requires the removal and/or recycling of abandoned vessels before they become serious environmental or navigational hazards. On October 30, 2017, the Transport Minister tabled C-64, An Act respecting wrecks, abandoned, dilapidated or hazardous vessels and salvage operations. The Bill amongst other things, brings the Nairobi International Convention on the Removal of Wrecks into Canadian Law for vessel over 300 gross tonnages, creates set of violations, penalties and offences, fines and penal sanctions for owners abandoning their vessels.

The proposed legislation includes, but is not limited to<sup>7</sup>:

- Prohibiting the leaving/disposal of a dilapidated vessel in the same place for more than 60 days without authorization; and
- Establishing an administration and enforcement scheme, including administrative monetary penalties.

Bill C-64 does not adequately address jurisdictional gaps and may continue to leave coastal communities and taxpayers with the burden of dealing with abandoned vessels. Recommendations to address these jurisdictional gaps include designating the Canadian Coast Guard as the agency responsible for directing the removal and recycling of abandoned vessels,<sup>8</sup> improving the vessel registration system and creating a fee to help cover the cost of vessel disposal, as was implemented in Washington State in 2003. These recommendations have been discussed at length by the Standing Committee on Transport, Infrastructure and Communities.<sup>9</sup> The Washington State model for fee collection to cover the cost of disposal is considered to be a successful example by the BC Islands Trust Council and many others.<sup>10</sup>

"Currently there are three different databases for Canadian-registered vessels, and they are by no means current or accurate<sup>11</sup>." Incomplete and inaccurate records coupled with a licensing process that is poorly understood, and inconsistent enforcement lead to a lack of accountability on the part of the boat owners.

<sup>5</sup> [Tc.gc.ca/eng/apply-abp-ar-r-funding.html](http://Tc.gc.ca/eng/apply-abp-ar-r-funding.html).

<sup>6</sup> \$260K in 2017 is for abandoned and/or wrecked vessels in federally-owned small craft harbours

<sup>7</sup> <http://www.parl.ca/DocumentViewer/en/42-1/bill/C-64/first-reading>.

<sup>8</sup> MP Sheila Malcolmson Briefing Notes Its Time for Federal Action to Clean Up Abandoned Vessels Oct 2017.

<sup>9</sup> [www.ourcommons.ca/documentviewer/en/42-1/TRAN/meeting-90/evidence#Int-9967391](http://www.ourcommons.ca/documentviewer/en/42-1/TRAN/meeting-90/evidence#Int-9967391).

<sup>10</sup> [www.ourcommons.ca/documentviewer/en/42-1/TRAN/meeting-90/evidence#Int-9967391](http://www.ourcommons.ca/documentviewer/en/42-1/TRAN/meeting-90/evidence#Int-9967391).

<sup>11</sup> [www.ourcommons.ca/DocumentViewer/en/42-1/TRAN/meeting-89/evidence#Int-9957166](http://www.ourcommons.ca/DocumentViewer/en/42-1/TRAN/meeting-89/evidence#Int-9957166).

In addition, the creation of a pilot “turn-in program” via a safe recycling facility will assist with preventing vessels from becoming hazards in the future and will support the creation of good green jobs by supporting local marine salvage businesses as Oregon and Washington State have done.<sup>12</sup> The probability of pollution and debris from any abandoned vessel in Canada’s waterways has the potential to negatively impact local fishing, tourism and industry in our communities and should not be underestimated. At the Standing Committee on Transport, Infrastructure and Communities, Chris Wellstood, the Director of Marine Operations and Security at the Vancouver Fraser Port Authority said that, “Abandoned vessels can pose a threat to the environment, which I think is a major point. If they go adrift, they can pose a navigational hazard to deep-sea vessels and can cause the port to be shut down to avoid a bigger accident<sup>13</sup>.” The economic impact of a Port closure has the potential to affect Canadian economic growth and development and therefore must be addressed. Every year Canada’s Port Authorities contribute<sup>14</sup>:

- 311.5 million tonnes of cargo (2016)
- More than \$22 million to their local communities (2010-2014)
- Over \$200 billion worth of goods
- 213,110 direct and indirect jobs
- \$14 billion in salaries
- \$25 billion added to Canada’s GDP
- More than 1.3 million cruise ship passengers
- \$53 billion in economic activity

The BC government earlier announced that they will show leadership to help clean up and protect our waterways and strike a working group comprised of First Nations, federal, provincial and local government representatives, along with other key stakeholders, with a mandate to develop and recommend a regulatory and funding framework by May of 2018.<sup>15</sup> To date, local governments, First Nations, marinas, port operators, taxpayers, and businesses are still calling for action.

## RECOMMENDATIONS

That the Federal government:

1. Designate Coast Guard as the agency responsible for directing the removal and recycling of abandoned vessels;
2. Improve vessel registration so that owners can be held accountable;
3. Fund a study of the Washington State model of fee collection for the costs of disposal of abandoned and wrecked vessels on the West, other coasts and waterways;
4. Create a pilot “turn-in” program for safe disposal and recycling of abandoned vessels; and
5. Work with the provincial governments in the development of a West, other coasts and waterwayswide strategy in cooperation with First Nations and local governments to build a comprehensive regulatory framework for addressing the financial and environmental risks of abandoned vessels.

<sup>12</sup> [www.dnr.wa.gov/programs-and-services/aquatics/derelict-vessels/legal-authorities-and-how-program-works](http://www.dnr.wa.gov/programs-and-services/aquatics/derelict-vessels/legal-authorities-and-how-program-works).

<sup>13</sup> <http://www.ourcommons.ca/Document Viewer/en/42/TRAN/meeting-91/evidence>

<sup>14</sup> <http://www.acpa-ports.net>

<sup>15</sup> <https://mailchi.mp/bcndp/bc-ndp-to-announce-strong-measures-to-clean-up-and-protect-our-waterways?e=%5bUNIQID%5d>

# Helping More Small Businesses Improve Their Energy Productivity and Efficiency

## DESCRIPTION

Enhancing our private sector energy productivity and efficiency can improve Canada's economic competitiveness while also addressing greenhouse gas emissions and other environmental and climate concerns. Encouraging investments in energy efficiency benefit the Canadian economy and business community in many ways, including through job creation<sup>16</sup>, reinvestment<sup>17</sup>, and business resiliency,<sup>18</sup> making this an area of valid business concern.

However, there is a fundamental barrier impeding further improvements to Canada's private sector energy productivity which the federal government could help address: the barriers to small businesses acting in this area. Engaging the over one million Canadian small businesses to improve their environmental efficiency should be a part of any government sustainability efforts. However, to do this the government needs to address the issues of scale, complexity, and up-front funding in their incentive and funding programs to allow more small businesses to avail themselves of these initiatives.

First, given that the efficiency projects undertaken by small businesses would tend to be on a smaller scale than is typically supported by government, funding initiatives would need to allow for more minor projects. For example, one of the federal government's recent keystone environmental initiatives was the Low Carbon Economy Fund which pledged \$2 billion in funding for projects that will, among other things, help businesses find innovations to increase their energy efficiency and productivity. However, only a small portion of the fund is accessible to the private sector, and that is limited to projects of \$4 million or more---with the government funding only 25%---cutting out a significant portion of the business community which would not have need or capacity for projects of that scale.

Second, as small business owners do not often have personal expertise in this area or dedicated staff available to assign to this, government programs should be easy to find, navigate, and apply for. Currently, funding and incentive programs stretch across various departments, agencies, and crown corporations, not to mention whole levels of government themselves. Once a program is found, the application and reporting process can be lengthy and cumbersome. Albeit warranted for large-scale investments, if the scale of these programs is to be smaller, the application and reporting process should be simpler as well.

Finally, government programs and incentives need to offer more up-front funding to allow small businesses without significant reserve capital or cash flow to participate. The costs borne by small businesses of improving energy efficiency can be substantial and can prevent businesses from taking such actions in the first place. Many small businesses do not have the fiscal capacity to finance up-front energy efficiency upgrades themselves, and thus many do not. Many other businesses may be reluctant to take on debt from financing or loans specifically for energy efficiency projects and therefore again opt-out.

<sup>16</sup> *Job Creation* – According to the “Less is More” report by Efficiency Canada and Clean Energy Canada released in May 2018, efficiency measures in the Pan-Canadian Framework on Clean Growth and Climate Change will create an average of 118,000 jobs annually in Canada between 2017 and 2030.

<sup>17</sup> *Spurring Reinvestment* – Reducing energy use can act like a tax cut, releasing funds for reinvestment into a business or allowing households to spend more in other areas. This reinvestment or redirection of funds can ultimately result in job growth and improved overall economic performance. An estimate from the “Less is More” report by Efficiency Canada and Clean Energy Canada pegs the economic boost of energy efficiency to Canada's GDP at \$356 billion between 2017 and 2030, largely due to the savings from lower energy bills being reinvested and spent in the economy.

<sup>18</sup> *Business Resiliency* – Increasing energy efficiency can help support the resiliency of Canadian business as we enter an era of potential energy and resource scarcity. Should climate change trends continue, there may be significant pressures, cost and otherwise, on raw resources, energy and other business inputs. In this scenario, those companies which have already maximized efficiencies in their processes and supply chains will be at an advantage while their competitors scramble to adjust to such changes.

While the federal government has made significant investments in environmental sustainability and energy efficiency as part of its overall environment and climate change agenda, more can be done to engage and support small businesses specifically. And while not exclusively a federal concern, ensuring more federal environmental programs and incentives meet the needs and capacities of small businesses would be a useful way for this level of government to better support the improvement of energy productivity and efficiency of Canada's small businesses.

## **RECOMMENDATIONS**

That the federal government:

1. Help small businesses overcome the barriers of increasing energy efficiency by ensuring that future federal sustainability programs and incentives better allow for small business participation, and encourage small business uptake by addressing the issues of scale, complexity and up-front funding.
2. Allow provinces, where such programs and action plans already exist, to opt-out with full financial compensation.

# ENERGY

## The Importance to the Economy of Expanded Oil Pipeline Infrastructure

### DESCRIPTION

Energy and energy-related products are a significant part of Canada's annual exports. Along with metals and mineral products, energy products represent the single largest positive annual contribution to Canada's balance of trade.

Across Canada, energy commodities generate direct and indirect wealth through the production and export of coal, oil, natural gas, and electricity. These commodities already support tens of thousands of direct, indirect, and induced jobs. There continues to be an unprecedented opportunity for Canada's energy products to play an even greater role in the economy, to the benefit of all Canadians.

### BACKGROUND

Through the development of new pipeline infrastructure, oil can create exceptional opportunities for our small and medium-sized enterprises and the communities they operate in. This infrastructure serves as an important source of near and long-term job creation, and also generates lasting benefits for the country, provinces and territories and municipalities.

Oil pipeline infrastructure has national economic significance. Canada's primary energy transmission pipeline systems total approximately 115,000 km in length. By comparison, there are 38,000 km of primary highway transportation linkages across the country.

Support for pipeline infrastructure is critical to both the Canadian and provincial/territorial economies, with the ability to transform Canadian oil producers from price takers with access to a single market - the U.S. - to one that has access to global prices in international markets. Thanks to our North American oil transportation bottlenecks - due to the lack of infrastructure - Canadian producers are still forced to sell their products at discounted prices, which costs our economy up to \$50 million a day. That is \$18 billion a year, in discounted prices selling into the U.S. market compared to the prices that western Canadian oil could achieve through improved access to markets in the Asia Pacific. This price differential, which takes away potential tax revenues that could be used to provide services for the people of Canada, should be a concern for everyone. Especially with the retirement a huge cohort of Baby Boomers, we cannot afford to forego new sources of tax revenue to fund essential services such as health care and other social programs.

The Chamber supports our resource development industries and the associated infrastructure, such as pipelines, that grow our economy and create jobs. One key piece of infrastructure to unlock the forfeited wealth of our landlocked oil resources by providing greater access to tidewater that allows our oil to be moved to new markets that pay world prices, is the Trans Mountain Expansion Pipeline (TMX) project.

While the TMX project moving forward in the national interest is encouraging, the recent events and the need for federal taxpayers to purchase this project have exposed fundamental flaws in the regulatory systems at all levels of government.

TMX is a commercially viable project that met the test of a rigorous, scientifically sound review process and received all of the necessary regulatory approvals. Despite this fact, the project was stalled. This is another sign that we urgently need to fix our broken regulatory regime and ensure that Canada remains an attractive place to invest and do business. The Canadian economy cannot afford anything less.

The public discussion about the Trans Mountain expansion, and other pipeline projects such as Energy East, still undervalues the essential role that oil pipeline infrastructure plays in the Canadian economy, not to mention the commitment of the National Energy Board to conduct a thorough and transparent review of the project. This review process helps assure the Canadian public and global investors that Canadian projects meet high standards for safety and environmental protection. We must ensure that any legislative changes, such as those proposed in Bill C-69, do not further undermine that confidence in our regulatory institutions.

Building much-needed pipeline infrastructure creates well-paying, family-supporting jobs. A project of the size and scope of the TMX will generate 800,000 person-years of employment across Canada during construction and operation of the pipeline. The TMX project alone will generate \$3.3 billion in labour income across Canada.

The project will also generate large demands for goods, services and workers, with an emphasis on local hiring, procurement, and sourcing. This creates opportunities for regional-based employment during construction as well as associated increases in labour income. Key factors to consider include development of an awareness program around pipeline jobs, working with business, industry, community, education, and training organizations.

Indigenous communities stand to benefit from consideration for hiring and procurement, supported by the initiation of an Indigenous employment and training program to increase access to Indigenous employment opportunities meeting the demands of projects such as Trans Mountain.

The development phase and the first 20 years of operations will boost Federal GDP by \$13.3 billion. An additional \$2.4 billion in operations spending will flow into the economy over the 20-year-life of the project. Tax payments through the construction and operational phases will total \$18.5 billion to Canada, including \$2.1 billion to British Columbia, \$9.6 billion to Alberta and \$6.8 billion to the other provinces/territories.

For these reasons, it is not acceptable for any province or territory to simply insert their provincial interests in place of the federally-regulated and approved decision for pipeline infrastructure to proceed. It is important these governments fully articulate what they deem necessary to satisfy these interests through the prescribe regulatory review process. Provincial/Territorial governments cannot substitute their desired outcome at the expense of federal jurisdiction. In respect of these interests, it should be recognized that project safety and integrity measures already receive extensive study by all pipeline proponents, including marking and protection of sensitive environmental areas during construction, pipeline spill prevention, emergency preparedness and response to land-base and marine environments in the event of a spill.

## **RECOMMENDATIONS**

That the Federal Government:

1. Articulates a clear plan to remove the remaining obstacles to construction of the TMX project;
2. Limit its investment in the TMX project to the time needed to ensure its successful completion and restore the project to the private sector as soon as is practicable;
3. Re-asserts it's constitutional authority over inter-provincial pipelines through a motion of legislation of Parliament;
4. Ensures any changes to our regulatory framework for resource development creates clear, certain and predictable process;
5. Ensure that the National Energy Board clearly understands the scope of work (assessment of mainland and marine impact) and carries out a thorough and transparent review of the project; and



6. Ensure that the project proponent engages Chambers and other organizations in project pipeline construction communities to maximize opportunities for local businesses during construction and operation of all major projects, including increased opportunities for further Indigenous participation.

## **Clean Technology & The Renewable, Sustainable Energy Sector In Canada**

### **DESCRIPTION**

Canada needs to move beyond the limited focus on traditional industries and make Canada a global leader in all aspects of the new emerging global green economy. As an example, the government needs to make clean technology, including renewable energy production and the manufacture of renewable energy producing products (like solar panels, wind turbines, etc.), a high priority in an effort to grow a diversified 21st century economy.

This strategy should be broad and to be successful would have to address the following challenges:

- build a stronger industrial structure, i.e. larger SMEs and more large firms entirely dedicated to the environment and green technology;
- develop and accelerate the marketing of homegrown technologies;
- capitalize on local markets to stimulate growth in the environmental and green technology industry;
- increase exports and acquire a strong position in buoyant niches in international markets; and
- achieve the convergence of the efforts of all players in the sector.

### **BACKGROUND**

The scope of the clean technology and renewable energy opportunities are poorly understood. While investments in renewable energy are well underway in many jurisdictions, the scope of change required will be well beyond electricity generation. Innovation in terms of new technologies and new practices will be required in a range of other areas.

Much of the recent energy dialogue has focused on the price of oil and the impact this is having on federal and provincial budgets. This misses the fact that a more fundamental shift is occurring in the global economy. For the first time in more than a century, multiple signs suggest that the dominance of fossil fuels is beginning to decline.

It should be recognized that some Canadian and international governments have already begun placing a direct focus on the green economy. "Technology and Green Economy" forms a part of the B.C. Jobs Plan. In addition, the British Columbia Provincial Government has also developed "B.C.'s Green Economy – Growing Green Jobs". Nova Scotia has created a rebate programs for a variety of solar and energy efficient green products for consumers through Efficiency Nova Scotia. "Sustainable Development Technology Canada" (SDTC) has established a role that fills the gap in government funding for Canadian renewable energy and cleantech projects. In addition, they provide consultation for small and medium-sized enterprises (SMEs) wishing to engage in clean technology and renewable energy projects. While the creation of SDTC is a welcome initiative, it is insufficient for the scale of the challenge facing Canada. While this program needs to be highlighted, expanded and encouraged, there are other successful programs in other jurisdiction that should be replicated here in Canada; perhaps the best examples can be found in Germany.

In conjunction with their National Action Plan on Energy Efficiency (NAPE), Germany has implemented a number of investment and incentive programs to foster the shift to renewable energy generation and clean technology. Some of these include, but are not limited to, premium funding to strengthen the establishment of the renewable technologies in the heat market, special promotions of offshore wind energy projects, low-interest loans, high volume loans for large-scale investment projects. The SME Energy Consulting programme in Germany which is run by KfW and the Federal Ministry for Economic Affairs and Energy helps unleash energy saving in SMEs. Consultations may qualify for subsidies of up to 80 per cent of the consultation costs. Around 17,000 companies received consultations under this program from 2008 to 2013. All told, the consultations led to EUR 0.7 to 1.4 billion of investment and 1.5 to 2.7 terawatt-hours of energy savings. Every publicly financed euro generated EUR 16 to 29 in private investment.

While market forces will be a key determinant of successful new technologies, governments have a critical role to play in setting the scene for this societal shift. We have seen a number of instances where government has been successful in initiating programs that have resulted in positive outcomes. As already referenced the carbon tax has been a resound success in reducing BC's greenhouse gas emissions while having no negative impact on the rate of growth in the BC economy. In addition, we have seen the Efficiency Nova Scotia programs result in a significant reduction in electricity consumption through a range of programs, including targeted incentive and rebate programs.

## **RECOMMENDATIONS**

To ensure that Canada is able to move quickly to establish ourselves as a global leader, we should look to best practices globally to identify programs that encourage the production, sale and purchase of renewable energy and green products. Canada has a unique opportunity. Canada has an undeniable advantage to be at the vanguard of addressing the challenges raised by today's industrial and environmental issues. This will require consultation and a focused effort by government to play a leadership role in partnership with the private sector.

These technologies are in demand worldwide and will be a catalyst in driving a diverse 21st century economy in Canada. Jurisdictions around the world are looking to lead. Without a coordinated plan we will quickly see Canada overtaken and left behind in the new global economy, missing huge economic opportunities.

We recommend that the federal government:

1. Develop and implement a plan to advance Canada's contribution to select aspects of a new global economy, the conservation and efficiency industry, clean energy and clean technology sector; and
2. Implement industrial, commercial and residential green programs, based on cost-effective market implementation to support, attract and retain clean technology and renewable, sustainable energy technologies in Canada; and
3. Continue to work with the business community, provinces/territories, and international institutions and governments to further develop emerging clean technologies and to work toward a common target for emissions reductions.

## **Supporting A Globally Competitive LNG Industry In Canada**

### **DESCRIPTION**

Fostering a new industry brings significant new investment, opportunity, jobs and employment training. When Canada is able to find new markets for our responsibly developed resources, it adds value to those resources and supports communities, businesses and provides new revenue for provincial and federal government services such as health care, transportation, infrastructure and public safety.

## **BACKGROUND**

Canada's potential participation in the LNG market is driven by a number of factors, most notably: the large resource base located near the country's West Coast; the proximity of Canada's West Coast to Asian markets; an infusion of foreign investment from countries that consume LNG; the need for Canadian producers to increase their market diversification; and the desire to access markets with higher netback potentials given the relatively low natural gas prices currently found in North America. On the East Coast of Canada the prospect for LNG exports is also emerging given its favourable location for serving European markets and the presence of a natural gas pipeline grid that provides access to growing North American production for feedstock for plants in this region.

At present, according to the National Energy Board, Canadian natural gas supply currently exceeds domestic consumption. Canada's natural gas markets are heavily integrated with those of the United States and Canada exports its surplus natural gas to the U.S. while importing smaller amounts from the U.S. into Central Canada in return.

In the last decade, the shale gas revolution in the United States has significantly reduced the need for the United States to rely on Canadian natural gas imports to meet domestic demand. As a result, the significant increase in natural gas supply has lowered prices across North America. Across North America, natural gas spot prices in 2016 averaged \$2.49 (USD) per million British thermal units (MMBtu) at the national benchmark Henry Hub, the lowest annual average price since 1999. Canadian prices were lower on average and natural gas exports to the U.S. declined about 25 per cent between 2007 and 2016.

Canada's natural gas industry needs to access new markets in countries where demand is growing in order to maximize the potential of natural gas to Canada's economies. According to the International Energy Agency (IEA) world demand for natural gas is expected to increase nearly 49 per cent by 2040, driven by large and rapidly expanding Asian economies.

According to a report by the Conference Board of Canada, an LNG industry of two large and one smaller facility would grow Canada's economy by an average of \$7.4 billion per year over the next 30 years. The increased economic activity would raise national employment by an annual average of 65,000 jobs.

The report also estimates that each dollar of investment will generate approximately \$0.76 in GDP for British Columbia and \$1.06 for Canada. These benefits will peak in the early stages as the LNG terminals and related pipelines are built, but will continue at significant levels through the operations phase, primarily due to ongoing natural gas drilling and production investments.

Without a Canadian LNG industry, Canadians risk losing these benefits to the United States as they will liquefy and export their domestically-produced natural gas and import cheaper raw Canadian gas for their domestic needs. As Canada also has regulations in place to limit the amount of emissions produced by its LNG industry, allowing other jurisdictions to develop LNG would not only result in jobs and benefits leakage, but carbon leakage as well. Canada has the opportunity to develop a new industry that leads the world in low-carbon LNG and helps the world reduce global greenhouse gas emissions.

Canada will also be developing and exporting the world's cleanest LNG, with the lowest emissions benchmark of any LNG-developing jurisdiction in the world. B.C. has put in place regulations that require LNG facilities to limit carbon emissions to 0.16 tonnes CO<sub>2</sub>e for each tonne of LNG produced or pay an

additional \$25/tonne carbon fee; and to reduce methane emissions from upstream natural-gas production by 45 per cent by 2025.

This means B.C.'s proposed LNG facilities will have about 50-per-cent fewer greenhouse-gas emissions than the average of all LNG facilities operating around the world today, making B.C.'s facilities the lowest-emitting in the world. As an example, a large LNG plant in Louisiana on the U.S. Gulf Coast that runs on highly efficient gas turbines still runs less efficiently than a similar plant in B.C. due to warmer Gulf Coast temperatures. Gulf Coast facilities also don't have access to renewable hydroelectric power. These relatively new facilities operate at a GHG intensity of 0.25 tonnes CO<sub>2</sub>/tonne LNG, roughly 60-per-cent higher than the LNG Canada and Woodfibre LNG facilities proposed for Kitimat and Squamish.

However, Canada will not realize its LNG industry if LNG produced in Canada is not globally competitive. Projects must not face additional costs, such as taxes or duties, that make the cost of developing LNG in B.C. more expensive than competing jurisdictions.

LNG projects will not be developed in B.C. if the dozens of complicated, prefabricated, large LNG modules are subject to anti-dumping duties on fabricated industrial steel components (FISC) that have been put in place by the Canadian Trade Tribunal. This is a significant challenge for the LNG industry as there are currently no steel manufacturing yards anywhere in Canada with the expertise and space to manufacture these massive modules. In fact, most of the complex modules that make up the large offshore projects built on the East Coast in the last 20 years (including Hebron, White Rose, Terra Nova, Sable Island and Hibernia) were imported.

In addition, there are no large complex module fabrication and assembly yards with proven LNG experience in Western Canada that have the heavy transport and direct access to water that is required to transport these modules from the yard to the LNG project sites. By necessity, a typical heavy lift vessel is longer and wider than the large complex LNG modules, and the dimensions alone disqualify the main module fabrication yards in BC. With projects ready to make final investment decisions and begin construction as early as the end of 2018, they cannot wait for industry to develop the expertise and real estate required to produce these modules in Canada.

When the Canadian LNG industry become competitive and moves forward, the Canadian steel industry would benefit from hundreds of millions of dollars of procurement opportunities and tens of thousands of new jobs over the course of an LNG facility's life and even more opportunity should an LNG industry- with multiple projects- be developed.

Each project would require hundreds of millions of dollars in steel for tanks and buildings for an LNG facility, including 13,000 metric tonnes of rebar and 15,000 metric tonnes of structural steel. Each natural gas pipeline would require 800-900 kilometres of 36" to 46" steel pipe as well as steel for compressor station construction and piping and mechanical instrumentation. The Canadian Association of Petroleum Producers estimates that the development of the natural gas wells alone for a B.C. LNG industry will require 10,000 tonnes of Canadian steel annually, equaling 100,805 tonnes of Canadian steel over ten years. An LNG industry in Canada will also mean thousands of jobs and contracting opportunities for Canada's steel industry and steelworkers on the LNG projects.

However, should the duties imposed by the Canadian International Trade Tribunal remain in place, it is safe to say that the benefits to the steel industry would be zero. More importantly, the lost opportunity to the entire Canadian economy would be in hundreds of billions of direct investment, lost wages and government revenues over the life of just one large LNG export project.

Global competitiveness also means that projects must be reviewed and approved in a timely manner. In the United States, the Sabine Pass Project in Louisiana by Cheniere Energy Partners was launched in the

summer of 2011. It has been up and running for two years. Their second project at Corpus Christi Texas first started in August 2012 with the filing of the FERC (Federal Energy Regulatory Commission) application. This was approved and an Implementation Plan was filed by December 2014. May 2015 Construction started. First deliveries are scheduled to start in 2019. By 2020, it is anticipated that these two projects along with others being developed will give the United States the third largest export capacity for LNG after Australia and Qatar.

As well, there is a discrepancy in Capital Cost Allowance (CCA) treatment between the US and Canada, giving US LNG projects a competitive advantage. Similarly, when comparing CCA treatment of other Canadian processing and manufacturing sectors, the Canadian LNG industry is also at a disadvantage.

The proposed CCA adjustments are also aligned with the Government of Canada's commitment to industries that contribute to the transition to a low carbon economy. The significant new revenue to the Canadian Treasury annually, each year for 30 years, as a result of the emergence of Canada's LNG sector, can support federal programs, which can accelerate decarbonization across Provinces and Territories.

By enhancing competitiveness, the Government of Canada can fully use its fiscal regime to support Canadian value added low carbon intensive manufacturing and processing sectors. It is also a signal the Government of Canada recognizes that the export of the world's cleanest LNG to countries seeking to reduce their dependence on coal and other more carbon intensive fuels, is among the most significant greenhouse gas abatement efforts that Canada can undertake to advance its global climate change commitments.

## **RECOMMENDATIONS**

That the Federal Government:

1. Ensures that proposed LNG projects can be reviewed and approved in a timeframe that competes with other jurisdictions; and
2. Examine Canada's fiscal structure for LNG projects in comparison to other LNG jurisdictions to ensure that Canadian LNG is competitive in the global market; and
3. Provide certainty that the large, complex pre-fabricated LNG modules required by projects and not manufactured anywhere in Canada will not be subject to anti-dumping tariffs; and
4. Realign the Canadian LNG CCA regime to ensure greater parity other Canadian manufacturing and processing industries and to be competitive with the U.S. CCA regime; and
5. Provide a context of certainty and stability of process including respect for past approval decisions, clarification of First Nations rights and appropriate enforcement to prevent obstructions by opposing parties.

# AGRICULTURE AND AGRI-FOOD

## Realizing The Potential Of Aquaculture In Canada

### DESCRIPTION

Aquaculture is the fastest growing agri-food industry in the world. The United Nations Fisheries and Agriculture Organization has estimated that global aquaculture production will outpace commercial fisheries by 2030.

Global demand for seafood is expected to double by 2050, and farmed seafood production has already surpassed 50% of global supply of consumed seafood. At the same time, wild seafood stocks are facing serious pressures, with the United Nations in 2016 saying that over 90% of the world's fish stocks are either over or fully exploited. There is a global need for aquaculture.

### BACKGROUND

Seafood farming takes place in all provinces in Canada and the Yukon, truly from coast to coast to coast. Canada can and must play a leading role in the further development and supply of sustainable farmed seafood products. The combination of the world's longest coastline, high biophysical farmed seafood potential, a skilled workforce, and dedication to science and innovation, positions Canada for future success. Currently, Canada stands 26<sup>th</sup> in the world in terms of total global farmed seafood production and fourth in the world for salmon production. We can do much more, and we can do it increasingly well. Salmon farming has grown to take its place as one of the country's largest agricultural export, generating \$1,561.9 million in economic output.<sup>19</sup>

Farmed seafood revenues rose to \$1.347 billion in 2016, driven by growth in output as well as strong prices, particularly for farm-raised salmon. Production also showed positive gains in 2016, increasing to an all-time high of 200,565 tonnes.

Global appetite for Canadian farmed seafood is also growing. In 2016, Canada's farmed seafood exports soared to over \$1 billion. Canada's farmed seafood sector is strongly dependent on exports: around 70% of Canada's farmed seafood production is exported, almost all of it to the U.S.

The aquaculture sector's farming and fish processing activities alone deliver significant economic benefits at a community level in Canada – mainly within rural and coastal communities where well-paying full time jobs are greatly in need. Farming and fish processing activities generate an estimated \$5.16 billion in economic activity, \$2 billion in GDP, and 25,000 full-time jobs for Canadians earning an estimated \$1.16 billion in wages in 2016. When the full value-chain of economic activity from the seafood farm to your plate is considered, Canadian farmed seafood generated a total of over \$7.3 billion in economic activity throughout the economy, \$3.75 billion in GDP, and \$2.18 billion dollars in wages for almost 54,000 Canadian workers in 2016.<sup>20</sup>

More than 40 Indigenous communities are directly or indirectly involved in farming seafood across Canada; this involvement occurs in nine of the ten Canadian provinces. In addition to those Indigenous communities already participating in farming seafood, there are many others whose traditional territories have the biophysical capacity to support farmed seafood development.

<sup>19</sup> MNP's 2017 Economic Impact Study

<sup>20</sup> Canadian Aquaculture Industry Alliance

Until 2010, aquaculture had been a shared jurisdiction between the provincial and federal governments and involved a number of government agencies. For example, DFO is the lead federal agency for aquaculture but there are a number of other federal departments and agencies involved in the regulatory process, including Health Canada, the Canadian Food Inspection Agency, Transport Canada, the Department of Foreign Affairs Trade and Development, Environment Canada, and Agriculture and Agri-Food Canada. This mix of government agencies has created, and continues to create, issues for the managed growth of the aquaculture sector. For example, applications for operational changes within approved tenure boundaries may find companies waiting years for regulatory approval. This results in the loss of use of farms and therefore an inability to plan hiring and training for new employees, inability to purchase new equipment and most importantly, the loss of future investment due to lack of investor confidence.<sup>21</sup>

As a result of the 2009 Hinkson Court decision, the regulatory authority for the aquaculture industry has shifted from the provincial to the federal government. The transfer of authority has revealed that there is a gap in legislation when it comes to aquaculture. A federal Aquaculture Act would establish national environmental standards, clarify industry responsibilities, and codify a proud legacy of environmental stewardship.

Appropriate legislation would recognize in law the long-standing reality of aquaculture as a legitimate caretaker of Canada's aquatic resources. It would support efforts to ensure a modern industry and build on an already impressive record of safety and sustainability. The introduction of this legislation could help facilitate the currently ad hoc regulatory changes coming forward from DFO and would enable Canada to realize its full potential, creating new jobs and expanding opportunity in an industry that can be socially, economically and environmentally sustainable.

The aquaculture industry has been the subject of strongly divergent research and opinions, not all of which is based on legitimate and responsible research. Incorrect and misleading information should not stop the further development and expansion of aquaculture farming in Canada.

Canadian seafood farmers need certainty that governments will take action and support the development of an Aquaculture Act. Canada is the only jurisdiction amongst major international competitors that does not have an Aquaculture Act.

## **RECOMMENDATIONS**

That the Federal government:

1. Through regional engagement, develop a federal aquaculture act, to establish national environmental standards and clarify industry responsibilities.
2. Ensure that Federal consultation with First Nations clarifies and is beneficial to resolving concerns and provides a framework that meets the needs of the industry for timely decisions;
3. Support efforts to build public confidence in aquaculture management and place a focus on science and solution; and
4. Create a truly modern federal management regime that is science based, agile, adaptable and focused on performance outcomes that ensure highest standards of sustainability and protection.

## **Support Biotech in Agriculture**

<sup>21</sup> BC Salmon Farmers Association

## DESCRIPTION

Advancements such as biotechnology and in particular Genetic Engineering have enabled farmers to provide a safe, reliable and economic source of food to Canadian consumers. This science has greatly increased crop yields, while dramatically decreasing the need for insecticide and pesticide. It has also facilitated the widespread adoption of reduced or zero-tillage thereby significantly increased soil and water quality while reducing carbon dioxide emissions. Despite strict regulatory oversight and innumerable studies verifying the safety of GMO foods, public perception is very poor and damaging the value of our world class agriculture products.

## BACKGROUND

Genetically Modified Organisms (GMOs) is the evolution and usage of modern science to combine desired traits in plants. For thousands of years ago farmers realized they could vastly increase their yields by combining and focusing on certain traits of organisms. Only the most productive livestock would be allowed to reproduce and only the seeds from the largest and most productive crops would be planted the following season. Thus, the food we eat today is the result of thousands of years of genetically engineering organisms through selective breeding. The recent evolution of the very useful Canola from the far less useful Rapeseed is a perfect example of the incredible benefit selective breeding can have on agriculture .

GMOs have resulted in a massive leap forward in modern agriculture by creating species of plants that increase yields, increase water efficiency, reduce the need for pesticides, reduced fertilizer, and even reduced tillage (a significant source of green house gas) . Not only will GMOs play a major role in feeding a growing population reliant on very few food exporters, but they will also play a major role in reducing the environmental impact of agriculture.

There have been innumerable studies done over the past 25 years documenting that biotechnology does not pose an unusual threat to human health and that GM foods are completely safe. The American Association for the Advancement of Science made their official statement on genetically modified foods:

"The science is quite clear: crop improvements by the modern molecular techniques of biotechnology is safe ... The World Health Organization, the American Medical Association, the U.S. National Academy of Sciences, the British Royal Society, and every other respected organization that has examined the evidence has come to the same conclusion: consuming foods containing ingredients derived from GM crops is no riskier than consuming the same foods containing ingredients from crop plants modified by conventional plant improvement techniques ."

Today's Canadian GMO crops include corn, soybeans, sugar beets and canola, are of tremendous importance to the Canadian economy. Canola alone is now sown on over 20 million acres and provides a \$19 Billion contribution to the Canadian economy . Since the introduction of GMO Canola in 1995 (comprising 90%+ of cdn canola), yields have climbed from 21 bushels per acre to over 41 . Soil erosion has decreased 66%, greenhouse gas emissions have decreased by 26%, and fuel usage has been reduced by 31% .Since the introduction of GMO corn in Ontario, yields have climbed 69% while herbicide and insecticide use has dramatically decreased.

Additionally, there are many Genetic Engineered traits that will greatly enhance food quality such as the Arctic Apple which is engineered to resist browning . The newly approved Innate Potato resists bruising, reducing waste, and has reduced levels of asprigine, a compound that increases levels of the likely carcinogenic acrylamide . Despite the plethora of benefits many businesses refuse to use GMO products because of the public's negative misconceptions. Canada has been a leader in the development and adoption of Genetic Engineering in agriculture resulting in her having a leadership role in the use of this



technology globally. This has enabled Canada be one of six countries in the world capable of exporting food.

Food producers are continually stressed to keep up with demand from a growing population with a quickly rising middle class desiring more input intensive food. 75 years ago 1 farmer only made enough to feed 19 people. In 2010 that number rose to 155 people and the reason is the massive leaps forward in technology. It's imperative for the ongoing economic viability of the agriculture sector and the food security of our nation that genetically modified foods to be properly recognized as the safe and stable source of food that they are.

The message largely being transmitted by activist groups to the populace regarding Genetically Modified Organisms (GMO) is of mistrust and fear and not at all backed by the scientific reality. This poses a significant threat to the agriculture industry and as a result, global food security. In fact, GMO technology is an invaluable tool for the agriculture industry with a myriad of associated benefits such as GMO Insulin and treatment for hemophilia.

Farmers, who represent less than 1% of Canadian population, have difficulty in making their voices heard in society. Urbanites and those removed from agriculture have difficulty gaining accurate information regarding how their food is grown and sufficient insight as to the vast complexities and technology advancements associated with modern agriculture. This has created a disconnect between the reality vs perception of modern agriculture, especially when it comes to GMO crops.

## **RECOMMENDATIONS**

That the federal government:

1. Encourage increased science and social-science-based communication and education of Genetic Engineering in agriculture
2. Support Health Canada's stance that has declared approved GMO foods are safe for consumption.
3. Support R&D funding for agriculture to maintain Canada's leadership in innovation, the competitiveness of our agri-food industry, and our ability to feed the world.

## **Ensuring Front-Of-Package Labelling Regulations for Food Products Do Not Affect Canadian Business Competitiveness**

### **DESCRIPTION**

Changes to front-of-package (FOP) labelling for processed food products being considered by Health Canada will directly affect some 6,500 food and beverage processing establishments in all regions of Canada providing employment for more than 240,000 Canadians<sup>22</sup>.

In an open market, these regulations could cause Canadian businesses to lose their competitive advantage over foreign providers.

### **BACKGROUND**

22 Agriculture and Agri-Food Canada: <http://www.agr.gc.ca/eng/industry-markets-and-trade/market-information-by-sector/processed-food-and-beverages/overview-of-the-food-and-beverage-processing-industry/?id=1174563085690>

In the name of fighting obesity and certain chronic diseases and their impact on the health of Canadians, Health Canada proposes to establish regulatory obligations requiring a front-of-package logo for processed foods. This logo would serve as warning about the sodium, sugar and saturated fat content. In February 2018, Health Canada launched public consultations with a request for submissions and comments to solicit the views of Canadians in this regard.

Despite its willingness to consult Canadians, it seems Health Canada is clearly campaigning for such a logo on the front labels of packaged food products.

While the intentions of the Canadian government are good, i.e. fighting obesity and certain chronic diseases, requiring such a logo could cause Canadian businesses to lose their competitive advantage in an open market, especially in the absence of regulatory reciprocity with its commercial partners.

There is a broad range of nutritional logos, but few countries have imposed them by regulation.

Canada has a vested interest in encouraging Canadians to choose local products processed here. Food represents the fourth expense item in Canada, after shelter, income tax and transportation<sup>23</sup>. It is also worth noting that, on average, more than 70 percent of Canadian household food expenditures are purchased from stores.

You only need to change the current distribution of local and foreign products by a few percentage points to the advantage of local products to generate important losses or gains. Health Canada's proposed regulations could make our products less appealing than those of foreign suppliers.

## **RECOMMENDATIONS**

If the federal government adopts a new front-of-package labelling regime:

1. Consider alternative labelling models based on a partnership with food industry providing assistance for the practicalities and expenses involved in re-labelling products.
2. Request reciprocal regulations for foreign suppliers, so they do not create a competitive advantage for imported products.
3. Extend the transition period to help firms adapt to the new regulations.

23 Statistics Canada. Table 11-10-0222-01 Household spending, Canada, regions and provinces: <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110022201>

## HUMAN RESOURCES AND SKILLS

### Improving Immigration, Refugees and Citizenship Canada's (IRCC) Regional Settlement Strategy

#### DESCRIPTION

In 2012, the federal government cut \$29.8 million from the budget of Citizenship and Immigration Canada (now Immigration, Refugees and Citizenship Canada) and closed nineteen offices across Canada. This has impacted the ability of rural and northern communities to attract, retain and service newcomers and international students, and to subsequently grow their economies.

#### BACKGROUND

Under Canada's Constitution, responsibility for immigration is shared among the federal, provincial, and territorial governments. Traditionally, provinces and territories have entered into comprehensive agreements with the federal government (Immigration, Refugees and Citizenship Canada or IRCC) that cover a wide range of immigration issues.

Additionally, various provinces and territories have secured agreements that cover more specific issues, in response to their respective needs. For example, British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Newfoundland and Labrador, the Northwest Territories and Yukon have signed Provincial/Territorial Nominee agreements, which allow them to invite immigrants to meet specific labour market needs.

In both cases, a central element necessary to implement these agreements were the local settlement offices that were supported and/or staffed by IRCC. These offices are crucial to performing the work necessary to carry out the agreements and ensure that the provincial and territorial immigration departments are aligned in encouraging and informing newcomers and international students of the possibilities and opportunities that exist in mid-size urban municipalities across the country outside of the larger metropolitan centres, and especially those in Canada's more northern regions. These offices also deal with complex immigration issues, including assisting new immigrants, refugees, international students and temporary workers in filling out applications and providing information on citizenship and immigration programs offered by the federal government. Additionally, the in-person services also help with citizenship testing, permanent resident card pickups and immigration interviews abroad. These offices also act as a resource for employers looking to recruit from abroad.

Budget 2012 outlined significant reductions in the funding necessary to operate these regional settlement offices and programs. The IRCC budget experienced a cut of \$29.8 million in 2012-13 and as a result, nineteen IRCC offices were closed or consolidated, and a number of services were relocated to central offices or moved online. The impact of these closures continues to be felt in local communities with the absence of localized, stand-alone service staff to assist newcomers. This has also resulted in newcomers, international students or local businesses having to travel to access settlement services at centrally managed locations that may be hundreds of kilometres from their city. Clients accessing services online or through the phone have also raised concerns about lengthy hold and wait times for newcomer inquiries.

Postsecondary institutions that traditionally referred international students to local IRCC offices for the ease of accessing services have also been impacted. Retaining international students is an effective way of addressing population challenges and building a skilled labour force in communities with post-secondary institutions, and increasing retention should be a key measure of growth plans of these communities. Such a

goal, however, requires IRCC offices to be easily accessible to provide guidance to those international students experiencing a transition in their legal status.

Despite assurances from the federal government that this consolidation has increased efficiency and assisted in the creation of common service standards, the new model continues to affect the ability of mid-sized urban municipalities in rural and northern Canada to attract and retain skilled immigrants. Instead, potential migrants continue to be drawn to larger cities that offer the immigrant and settlement services they need.

These cuts have been especially detrimental to northern and rural parts of Canada that are looking to immigration to grow their populations and fill vacant positions in their local economies. Population growth through immigration has been almost entirely centred on large urban communities, in no small part due to the availability of immigration services. Census 2016 revealed that Ontario's population as a whole grew 4.6 percent and Canada's by 5.0 percent. Even with such positive trends, northern Ontario, for one, continued to experience a population decline. Similar stories play out across the country: 60 percent of Manitoba's population gains since 2011 have been in Winnipeg; Halifax grew by over 13,000 people while the rest of Nova Scotia's population actually declined by 11,000. It is no coincidence that the only IRCC office in Manitoba is in Winnipeg and the only IRCC office in Nova Scotia is in Halifax.

There are some services that only the IRCC offices were able to provide that have now moved online or have become consolidated. Many newcomers do not receive the level of service they need through the call centre or the IRCC website and seek access to in-person immigration experts. Whereas they previously sought these services at IRCC offices, now they seek them from their MPs' constituency offices, which do not have the same level of expertise or dedicated resources that IRCC previously provided.

The IRCC operates temporary offices around the country, but they are open only for short periods of time, at a length of two or three days, and open sporadically with less than a month's notice. Most are limited to conducting ceremonies and very rarely are able to provide basic services such as landing interviews or tests. These offices, while useful for the services they do provide, do not specifically address strategies for rural and northern communities or the lack of access of these communities to in-person immigration services once newcomers/international students arrive to Canada that were lost with the local IRCC office closures. Effective offices would act as a hub of information and services for immigrants to allow them to transition into their new communities as seamlessly as possible.

Not only immigrants, but local employers have need of IRCC offices as well. The Express Entry system, which aims to match employers with candidates prior to their arrival in Canada, was introduced in January 2015 but has undergone regulatory and key rule changes as recently as the spring of 2017. While changing regulations is part of policy development and improvement, it does create confusion for stakeholders in the private sector. IRCC offices not only provide guidance and answer questions for immigrants, but also help employers navigate the changing regulatory landscape. This is crucial for rural and northern communities, the bulk of whose businesses are small and medium sized enterprises (SMEs). The challenge of navigating a changing regulatory landscape falls heavier on smaller employers than on large, multi-national corporations with dedicated human resources staff. Helping SMEs overcome this challenge through IRCC offices would allow easier transition for new immigrants/international students and grow local economies much more effectively.

The federal government maintains that IRCC has been moving diligently towards an increasingly integrated, modernized, and centralized working environment; they point to technology allowing IRCC to process applicants anywhere and in a more effective manner. Budget 2018 allotted \$86 million to the IRCC in the 2018-19 fiscal year, but projected significant declines in that funding for the next four years. Additionally, none of that funding was earmarked for expanding immigrant services in rural and northern

communities or opening new IRCC offices in such communities. These budgetary short-comings persist even as the federal government intends to increase annual immigration levels by 13 percent by 2020.

Current budget allocations mean that rural and northern communities are unlikely to see the benefits of increased immigration levels. As of 2016, 70 percent of Canada's 7.5 million immigrants lived in Toronto, Vancouver, Montreal, Calgary and Ottawa. These same cities account for 43 percent of Canada's population, meaning that the portion of immigrants going to rural and northern communities is far below their share. It is not clear the federal government has a clear strategy to correct this disproportion and ensure that rural and northern communities can attract immigrants.

## **RECOMMENDATIONS**

That the federal government:

1. Conduct a cost-benefit analysis of offering immigration services in rural and northern communities, and small and mid-sized communities that do not have access to IRCC services that faced IRCC closures. This analysis should include different options such as transferring in experienced staff to rural and northern communities, and small and mid-sized communities to be able to take on this role, hiring IRCC service staff at existing government buildings to assist newcomers and international students or re-opening select or targeted offices based on the results of the research.
2. Ensure that there is a regional strategy to apply fairly the resources required to meet settlement needs for newcomers in all regions of the country.
3. Build on existing programs such as the Atlantic Immigration Pilot and examine their potential for increasing migration to smaller communities.
4. Take action to include a national vision and strategy aimed at increasing immigration to rural and northern communities across the country by 2021.
5. Take action to develop a strategy to increase international student retention rates in rural and northern communities.

## **Attracting And Retaining International Students Through Canadian Work Experience**

### **DESCRIPTION**

Jurisdictions across Canada are searching for ways to attract and retain more international students. A significant impediment to these efforts are policies that make it more difficult for international students to obtain work experience while attending Canadian post-secondary institutions. These restrictions have both (a) legal ramifications: example: permanent residency / citizenship requirements; and (b) practical implications: example: connecting with the student's host community, making post-graduation career contacts, and gaining work experience - which employers are increasingly demanding from graduates.

### **BACKGROUND**

Canada needs to grow its population, lower its average age, and increase the number of skilled workers to fill key positions that enable business growth. Indeed, the latter has been a Canadian chamber priority for several years and is an issue in every province and territory. For example, citing the chamber's 2015 Top 10 Barriers to Competitiveness: "Currently Canada is not producing enough graduates with the skills needed

for its economy. Canada has shortages and high demand forecast in a wide range of occupations, from heavy equipment operators to information technology professionals, and its immigration policies are hindering employers' abilities to meet those needs in the short term."

Immigration has been long been identified as a key component to present and future growth. This was borne out in the latest census data: Canada added approximately 1.7 million people between 2011 and 2016, with two-thirds of this increase attributable to immigration.

The timing of a renewed Canadian effort to become a destination of choice for international students may never be better. With nationalist sentiments emerging and anti-globalist governments assuming control in some of Canada's top competitors for international students, we are in a position to capitalize on the increasingly attractive quality of Canadian post-secondary education. Post-secondary institutions have recognized this opportunity and are redoubling their efforts to attract more international students to their campuses. The Advisory Panel on Canada's International Education Strategy states "International students in Canada provide immediate and significant economic benefits to Canadians in every region of the country." The panel advocates for a doubling of the number of international students studying in Canada over the span of a decade, from just under 240,000 in 2011 to over 450,000 in 2022.

Bill C-6, An Act to amend the Citizenship Act and to make consequential amendments to another Act, which passed the Senate (with amendments) on 3 May 2017, will partially address some of the pertinent issues for international students, for example,

international students will be able to count each day spent during their studies as a half day towards their permanent residency or citizenship requirements (up to a maximum of one year).

Permanent residents will only have to be in Canada for 3 of the preceding 5 years to qualify for citizenship (reduced from 4 of 6).

Bill C-6 is a start, however, international students still face significant barriers to working while attending a post-secondary institution and getting on a clear path to permanent residency. Some of the employment-based barriers faced by international students in Canada include:

- Ineligible for the Canada Summer Jobs program
- Voluntary co-op terms and internships require a separate work permit for international students

Bill C-6 will count the time spent as an international student count towards citizenship eligibility at a rate of one half day for each full day of studies (previously this was zero).

Further progress has been made in the past year as well. This resolution was initially passed in 2017 and a number of the recommendations have been fully or partially initiated by the federal government. The current resolution focuses on the recommendations that remain outstanding.

International students are particularly desirable immigrants because of their age, skills and their economic impact (as students). Global Affairs Canada estimates that international students spent \$11.4 billion on tuition, accommodation and discretionary spending in 2014, creating almost 125,000 jobs across the country. At this time they represented about 9% of the college student population and 8.8% of the undergraduate student population in Canada - leaving room for significant growth.

That international students are allowed to work at all in the country is a relatively new development. Following a pilot program offering a work permit to international students at select institutions in Alberta, the Government of Canada formalized this work permit option in 2006. As a result, international students are allowed to work up to 20 hours per week while in-study and full-time during study breaks, such as winter or summer holidays. However, these rules only apply to full-time students; part-time international students are still ineligible to work in Canada.

The implications for business and the economy are clear. The country needs the next generation of consumers to sustain growth and the next generation of taxpayers to support our aging population. Businesses need skilled workers to innovate and grow. The 2015 Top 10 Barriers document reports that the persistent skills gap costs \$24 billion per year in Ontario alone. Increasing the number of international students at Canadian institutions represents an opportunity to address all of these concerns, but the employment restrictions detailed above are a barrier to fully realizing Canada's potential as a destination of choice.

## **RECOMMENDATIONS**

That the federal government:

1. Allow international students attending either a public institution, or private institution in any province or territory, that is registered on the Designated Institution list, to:
  - a. qualify for the Canada Summer Jobs program;
  - b. to participate in voluntary co-op terms and internships without obtaining a separate work permit; and
  - c. count all time spent in Canada as an international student towards citizenship eligibility (i.e. increase from half time to full time).

## **Maximizing Value For Taxpayer Dollars on Public Infrastructure Projects And Defending The Rights Of Canadian Companies And Workers**

### **DESCRIPTION**

Following the Federal Government's launch the Canada Infrastructure Bank to fund over \$180 billion in construction projects over the next 12 years, it is imperative that public infrastructure policy at all levels of government maximize the fairness and cost effectiveness of public funds. The significance of such fiscally responsible practices is compounded by the fact that the British Columbia government will be introducing restrictive tendering policies for public infrastructure projects, similar to those already in place in multiple jurisdictions in Ontario, to the detriment of Canada's taxpayers and skilled workforce. Restricted tendering reduces competition, increases costs, and unfairly restricts which companies and employees are allowed to work on these projects. In order to maximize value for taxpayer dollars on public infrastructure projects and ensure that all qualified Canadian companies and employees can work on and benefit from these projects, an open and fair tendering must be the process by which governments tender public projects.

### **BACKGROUND**

Public infrastructure projects can be restricted in a number of ways. In Ontario, language in the Labour Relations Act allows municipalities and school boards to become certified "construction employers," which ties all of the municipalities' construction work to a particular union (or small group of unions) and its bound contractors. As a result, up to 70 percent of the industry is unable to compete for work on publicly owned and publicly funded projects. In 2012, approximately \$942 million worth of municipal construction work in Ontario was subject to restricted tendering.

Up until recently, Manitoba Hydro projects were subject to 'restricted Project Labour Agreements' or PLAs. These agreements are usually between the owner (MB Hydro) and a select group of unions to guarantee labour supply and labour peace at the cost of guaranteed wage rates and other conditions. However, this arrangement meant that all workers must pay dues to those select unions if they wanted to work on those projects, even if – with their existing employer – they were currently part of a different union or no union at

all. Also, companies that wanted to work on those MB Hydro sites had to employ workers from those select unions.

BC is currently proposing a procurement process and labour model akin to the situation with MB Hydro, except the proposed PLA will likely apply to all of the nearly \$50 billion in planned future public infrastructure projects over the next three years.

There is significant evidence demonstrating that restrictive tendering, such as those PLAs and CBAs being considered by the NDP in BC or the existing policies in various municipalities in Ontario, have significant, negative economic and budgetary implications.

According to a comparative analysis from countries around the world on major infrastructure projects, the potential cost savings from an open tendering process indicates that construction costs fell by an average of 20 to 25 percent as the number of bidders increased from two to fifteen.

A recently released Canadian study by the think tank Cardus modeled the impact of a closed tendering environment in the City of Hamilton by projecting that:

- The gap between the winning bid and the next highest bid in Hamilton (restricted since 2005) was more than twice – 105% – as wide as that in neighbouring municipalities (like Halton or Brant) that had open tendering.
- Comparing the gap between the winning bid and the average (mean) bid in open and closed municipalities, the difference was 114% wider; the gap for the highest bid was also wider: 155%.
- The Participation of vendors in the newly restricted environment shrunk by over 83%.

In 2018, Cardus reviewed the tendering process in the Region of Waterloo, comparing the periods of 2009-2014 with 2014 to the present. The report found that the region's change in policy, from 'open' prior to 2014 to becoming 'certified' in 2014 – such that only Building Trades affiliated unions could bid on projects – greatly affected the number of contractors bidding on projects. Post 'certification', the Region received less than 50% of the number of bids, and only 16.5% of the previous bidders continued to bid on any projects at all. For example - between 2010 and 2014 - 27 companies were deemed qualified to bid on \$140M worth of water and waste water projects in the Region. Of those 27 companies, only 2 are bound to the carpenter's union and would be eligible to bid on water and waste water treatment plant work post certification.

Two recent public opinion polls also show strong public support for 'fair and open' tendering processes. The Progressive Contractors Association of Canada (PCA) poll in July of 2017 showed that 85% of Ontarians want a legal loop-hole that allows restricted tendering to be closed.

More recently, PCA commissioned a poll in British Columbia that showed that 77% of decided British Columbians don't support restricting who can work on projects through restrictive tendering policies.

From a business management standpoint, it is also important to understand why restrictive tendering increases costs, decreases efficiency and stifles innovation. In the traditional 'building trades' model each 'craft' (electrician, plumber, etc.) is a separate jurisdiction with exclusive right to perform various tasks; i.e. only pipefitters can carry pipe; further, employees are discouraged from multi-skilling, limiting opportunities for career development. These jurisdictional limitations create significant inefficiencies and barriers to worker advancement.

Conversely, where employers are not signatory to the building trades, the workforce may be organized along 'wall-to-wall' or 'all employee' bargaining arrangements and are not subject to such artificial boundaries or restrictions. Therefore, electricians in wall-to-wall companies don't have to wait for a labourer



to move that lumber on the floor before they can start work. This is one of many efficiencies non-'BTU' companies have been able to adopt that increase their productivity and competitiveness. By forcing these companies to work under BTU arrangements they are excluded from using their existing business model. To say that 'all companies can bid on these project, but they cannot bring their business model, including their employees' is to essentially restrict them from bidding in the first place.

Finally, national labour data indicates that less than 30% of Canada's construction labour force is part of the traditional 'building trades' unions. In some provinces, this number dwindles to roughly 15%. Indeed, between 70% and 85% of all construction workers are not in Building Trade Unions, choosing to either work in non-union or "progressive" union workplaces. To allow 13-30% of the workforce to dictate the labour relations arrangements for the other 70-85% of workers – especially on publicly funded infrastructure projects – is unfair and very possibly a violation of workers rights.

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## **RECOMMENDATIONS**

That the Federal Government:

1. Institute a policy that it will not commit federal dollars toward public infrastructure projects unless such projects allowed for an "open tender" process

## **Supporting Canadian Students' Transition to Employment Through Work Placements**

### **DESCRIPTION**

Across the country Canada needs to better align its education and training systems to labour market needs. Work placements provide the skills students need to rapidly integrate into today's changing labour market. Canada is in a global competition for skills, and work placements offer an effective pathway for improving outcomes for students and employers alike.

One practical way to improve that alignment is through supporting a full range of work-integrated learning opportunities, including but not limited to examples such as co-op programs, internships, practicums, apprenticeships, applied research projects, and field placements during post-secondary education, among others. HEQCO's "A Practical Guide for Work-integrated Learning" (2016) , describes the diversity of these experiences, and a range of pedagogical goals and outcomes.

## **BACKGROUND**

Since 2014's report *A Battle We Can't Afford to Lose: Getting Young Canadians from Education to Employment*, the Canadian Chamber has explored the role of work-integrated learning (WIL). The report summarized the findings from recent research as follows:

- WIL facilitates the recruitment process for employers and is associated with productivity gains
- Not enough employers, especially smaller firms and organizations, take advantage of WIL.

Challenges have been identified, however. The Ontario Highly Skilled Workforce Expert Panel report (2016) found that:

- Employer participation is also limited due to onerous time/resource requirements associated with programs and at times misalignment between the required skills and aptitude of potential hires with business needs.
- Intermediaries are often quite effective at easing the administrative and operational burdens – i.e., de-risking, particularly for small and medium sized business.
- Once relationships among intermediaries, educational institutions and employers were formed, employers were eager to participate and saw the value to their organizations.

The Chamber's 2018 report "Skills for an Automated Future" highlighted the need for WIL as a tool for supporting the kind of skills that can help adapt to the jobs of the future, and build resilient professional and personal skills. This report highlighted the need for ongoing partnerships between educators and businesses to support skills transfer.

Work-Integrated Learning is a priority of stakeholders in higher education, with Universities Canada , Polytechnics Canada , Colleges and Institutes Canada , and Co-operative Education and Work Integrated Learning Canada , participating in parliamentary studies on this topic. There is widespread agreement about the need for support to ensure access to high quality WIL experiences in relevant workplace environments, and a challenge in finding sufficient placements.

Financial supports are not the only strategy to encourage employer participation, but they are an important tool for government to recognize and encourage the valuable role of work placements during students' educational experience. Currently, Ontario, Quebec, and Manitoba offer refundable tax credits to employers who hire co-op students in paid placements. The federal government should act to ensure that placements are available not only nation-wide, but in a wide range of industries and subject matter areas.

Further, supports can also target the need in institutions for improved partnerships with businesses, whether that comes through sharing best practices, establishing advisory committees, creating supports to help businesses ease the administrative burden of placements, or other services.

## **RECOMMENDATIONS**

That the federal government:

1. create flexible financial incentives accessible through a single point of entry, to support employers offering high-quality work-integrated learning placements.
  - a. Government should give special consideration to small and medium-sized businesses and to those who have not previously offered work placements, and ensure support is accessible in formats that match the needs of employers, across a broad range of sectors.
  - b. Examples of more accessible funding include (but are not limited to) refundable tax credits, employment insurance premium reductions, and more flexible grant programs. Other formats that meet the standards of accessibility and appropriateness for small and medium sized businesses can also be considered.
2. That government support programs adopt an expansive definition for "Work-Integrated Learning" in all funding mechanisms, to ensure that a diversity of high quality, paid work-integrated learning opportunities are supported and available.
  - a. Support should acknowledge the role of apprenticeship, co-op placements, applied research programs, and all other forms of WIL, and be accessible to employers regardless of the format used.

## **GROWTH ENGINE Digital Media Industry**

### **DESCRIPTION**

Canada is home to a thriving digital media industry, recognized as a world leader in video game development, animation and visual effects. The breadth of Canada's expertise in the digital media sector also encompasses areas such as web design, social networking, education, healthcare, and advertising. The Canadian TV/Film industry has three main revenue generating sectors: Live Action; Video Effects (VFX); and Digital Animation.

There are three world-class digital media clusters in Montreal, Toronto and Vancouver, as well as other vibrant centres throughout the country. Centres encompass a comprehensive range of development studios and support services.

- 2016-2017 production volume: \$8.38 billion.<sup>24</sup>
- 83% of videogame companies are Canadian-owned and controlled. 17% of all companies are foreign-owned.<sup>25</sup>
- 86% of employment in the industry is in foreign-owned companies; 14% of employment is in Canadian-owned companies.
- 5% of the leading videogame companies in Canada provide 90% of the employment.

### **BACKGROUND**

#### Tax Credits – Competition

<sup>24</sup> CMPA (Canadian Media Producers Association).

<sup>25</sup> A 2017 report published by the Entertainment Software Association of Canada (ESAC) the national games industry contributes \$3.7 billion to Canada's GDP.

The main competitors for digital media production work are interprovincial and international.<sup>26</sup> Most foreign jurisdictions have some production tax incentives to compete for work that is internationally distributed. Markets and demand are growing due to streaming video on demand (SVOD) services like Netflix and Amazon. Most provinces compete against lower offshore labour costs with provincial and federal incentives.

In recent years provincial governments have placed a significant focus on retaining jobs and revenues in the industry as markets become more international and competitive. All three sectors that drive the digital media sector industries are experiencing similar impediments to expansion due to talent shortages and industry capacity issues. Not enough skilled workers are available to produce content in all segments.

This makes tax policy issues even more relevant, i.e., government participation in how the industry grows or stagnates based on its tax incentives.<sup>27</sup>

### Education – Immigration - Investment

Digital media is a \$22 billion industry in Canada that supports more than 120,000 creative jobs, making Canada one of the foremost investment destinations for global digital media companies.<sup>28</sup>

- Canada offers the lowest business costs in the G7 for digital entertainment. Studios in Canada benefit from the most competitive tax environment among G7 countries. Financial incentives available to digital media firms account for the cost advantage.<sup>29</sup>
- Canada's digital-games industry is the third-largest in the world, in terms of the size and quality of its talent pool and of its technical resources.<sup>30</sup>
- Canada's animation and digital-effects industry is a key part of the country's digital economy and is world-renowned for its innovation and creativity.<sup>31</sup>
- Canada has employment issues: skilled workforce retention, upskilling, reskilling and job entry.<sup>32</sup>
- Talent shortages create upward pressure on salaries for intermediate and senior staff. Entry level positions are available, but local digital media schools don't graduate enough Canadians, and many need additional training to be employable, leaving the industry continuously short of skilled labour.<sup>33</sup>
- 30-50% of students receiving training in Canada's private digital media school network are international students who cannot legally enter the workforce after graduating.<sup>34</sup>

Work produced with less experienced talent may not meet the benchmarks required by major studios and marquee clients. This shortfall has led to filling skills gaps with intermediate and senior talent recruited internationally or outsourcing parts of productions overseas.<sup>35</sup>

<sup>26</sup> Internationally Canada's most significant competitors are from the US, Malaysia, Singapore, China, France and India. In the US the jurisdictions that compete directly with BC by state are the 'Big 5': California, New York, Texas, Florida and Georgia. These states all have substantive tax incentive systems similar to BC's designed to compete against Canadian incentives from mostly BC and Ontario. On a per capita basis BC's industry rivals both California's and New York's which are the two largest US markets.

<sup>27</sup> Tax credits to the Film/TV and Videogame industry are not subsidies. Since 1992 Film/TV tax incentives have created \$6 billion in spending on domestic productions and have attracted and imported over \$20 billion in foreign capital to the provincial economy for production service work, creating an economic impact of over \$60 billion in BC.

<sup>28</sup> Canada Media Fund 2017

<sup>29</sup> KPMG, *Competitive Alternatives 2016*

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

<sup>33</sup> Ibid.

<sup>34</sup> Ibid.

<sup>35</sup> For example, up to 20%-30% of staffing at some major BC digital animation studios is recruited internationally to meet the needs of Most foreign staff must qualify via Express Entry due to the nature of production contracting in the Film/TV industry and Canadian work experience requirements.

### Cost Competitive

According to KPMG, video game development studios based in Canada typically enjoy a 23.8% cost advantage when compared to their US-based counterparts.<sup>36</sup>

### How to Grow the Industry in Canada

If Canada is to maintain its key position in the global Film/TV and videogame sectors and retain and create thousands of new jobs, an optimized tax credit program is required to incentivize new growth and investment. With such an enhanced program in place, the size of the industry, and the prospect of creating new jobs in the coming five years is a realistic goal.<sup>37</sup>

- In mid-size cities in Canada, the high-tech sector is growing at 30% biennially.
- Given the regional pattern of employment in Canadian cities, local mid-size cities would get approximately 510 of the 6,800 new NOC 5241 jobs forecasted for digital animation and video effects.
- If regional and location distant tax credits were optimized to double the 7.5% estimate, it would equate to 1,020 jobs for each region.
- If spread over the digital media sector's three main silos this would mean 300+ new jobs for each of digital animation, video effects and videogame production sectors.
- With average studio sizes for medium or large-sized studios this means 7-10 new studios, making mid-sized Canadian cities contend for a top 10 animation production cluster in North America.
- If the same math of 7.5 % and a target of 15% of the total 21,900 jobs is calculated, the local regions would see 1,640 and potential for 3,280 new and replacement jobs occur in each region. Many of the requirements for this kind of job growth are in place in many regions to support parts of this forecasted growth for the area.<sup>38</sup>

### A Healthy Industry in Canada

- A 2018 report by the Canadian Media Producers Association says production volume in the country reached an all-time high of \$8.38-billion in 2016-2017.
- BC has always been in the top three provinces for film and TV production. Last year its volume hit \$2.991-billion, just ahead of Ontario with \$2.977-billion. Quebec, with its thriving French-language industry, placed third with \$1.754-billion.

### Home Grown Digital Media Skills Training

Many local and trades colleges across Canada offer two year 'Classical Animation' programs that graduate 20 animators per year. Universities are offering a 4-year Bachelor of Media Studies that produces another 20-30 graduates per year. Senior secondary school districts are pairing up with leading animation

<sup>36</sup> Ibid., KPMG

<sup>37</sup> BC, and particularly Vancouver, houses the world's largest cluster of production services for digital media sectors for streaming video content development, VFX, digital animation and video game production. As in Ontario and Quebec, approximately 1 in 5 of the 150,000 high tech jobs in each province is attributed to the digital media sector (~15,000 jobs per province). Digital media is a major contributor to any regional jobs plan and if properly supported creates high paying long-term jobs.

<sup>38</sup> There are about 20 VFX and digital animation studios that employ the bulk of content production staff in BC. In digital animation, 80% of the animators in the province work at DHX, Sony, Bardel, Atomic Cartoons, Rainmaker-WOW Entertainment Unlimited, and Animal Logic Titmouse. In VFX, there are 5,000 VFX artists working in BC at Digital Domain, Industrial Light & Magic, MPC, Zoic, FuseFX, CineSite, Image Engine, Stargate, Hydrualx, UMedia, COSA and Sequence. All maintain larger studios in Vancouver.

schools to provide dual credit 'Foundations of Animation' curriculum. 3D and VFX curriculum is being rolled out across the country.

Finally, in-migration from the larger regions and cities and from international sources are bringing additional talent to every region in the country. This supports new studios which can be set up in smaller regions, making up for the lack of regional talent.

### Conclusion

The digital media industry is a significant economic driver in Canada with no signs of slowing down in future if incentivized. With this growth Canada can set up additional infrastructure necessary for this industry to lead globally across all its sectors, strengthening provincial economies.

- Tax credits for the Film/TV sector in Canada are administered provincially and greatly incent growth.
- Tax credits generally for basic labour are 35% for domestic productions, and 28% for foreign productions.
- The regional tax credits average 12.5% and 6% respectively.
- A distant location tax credit of 6% is applicable to both domestic and foreign production work when performed outside of the large municipal centres.
- These provincial Film/TV tax incentives can be stacked and include a 16% federal tax credit for qualifying provincial labour for the Videogame, mobile, online and VR/AR productions.
- An average 30% training tax credit is paid to a provincial-based individual registered in an approved training program. The tax credit is capped at 3% of the corporation's qualified labour expenditure and must be accessed in conjunction with the basic tax credit and is only currently available for domestic productions that provide training specifically to Canadians.
- For the videogame industry the tax incentive system is simpler. Interactive Digital Media Tax Credit (IDMTC) is 17.5% for qualifying labour for interactivity content: Videogames, Educational software, Edutainment products, Simulators, AR/VR applications.<sup>39</sup>

### **RECOMMENDATIONS**

That the federal government:

1. Continue tax credits to enable emerging digital-based companies to set up and expand;
2. Support, through increased funding formulas, local educational institutions, pre- and post-secondary to create industry-recognized accreditation for digital media skills;
3. Expand training tax credits to include foreign productions by Canadian based companies;
4. Support program delivery through broadening intake numbers and tuition funding, to align with provincial programs including LMP/CJCG/PBLMT funding;
5. Endorse post-secondary temporary working permits for graduates of provincial digital media programs.

### **Increasing Immigrant Workforce Participation through Employment-focused Language Training**

#### **DESCRIPTION**

<sup>39</sup> If 7.5% of these existing jobs could be attracted to Kelowna this would equate to 375 VFX jobs in the region. This would equate to approximately \$22 million in VFX salaries alone flowing through the region. If 7.5% of the 5,800 videogame jobs in BC could be moved to the region another 435 jobs would bring in \$33 million in game developer salaries to Kelowna.

According to labour market projections by Statistics Canada and Conference Board of Canada, immigration accounts for 25% of the current workforce and will be responsible for 100% of net growth in labour supply by 2020<sup>40</sup>. However, proficiency in English remains a central challenge in improving employment opportunities and economic integration of immigrants. For the highly skilled, language fluency allows immigrants to practice the profession for which they are trained, rather than down-grading to lesser skilled work. For those with low- to mid-level skills, language proficiency is the ticket to better paying jobs and upward mobility<sup>41</sup>.

## BACKGROUND

Current language programs funded by the Government of Canada are focused on providing English language training to immigrants, and concentrate on “survival skills” attempting to foster some degree of fluency to help the immigrants navigate the Canadian society.

Research suggests that these umbrella classes fail to give immigrants a tangible boost in the labour market<sup>42</sup>. Content of language classes is not relevant to the occupations in which immigrants work or aspire to work, failing to prepare immigrants for the type of interactions required on the job or to provide them with the appropriate vocabulary.

Research by Colleges Ontario found that occupation-specific language training improved employment outcomes for over 80% of the newcomers participating in the training program<sup>43</sup>.

Newcomers' ability to effectively communicate in English as required for the Canadian workplace emerged as one of the major challenges in recent research by Immigrant Employment Council of BC (IEC-BC) on employer needs and challenges in hiring refugees<sup>44</sup>.

There are many promising approaches to employment-focused language training that allow immigrants to learn while they are already employed and bring together language learning with other employment-focused programs such as job training and mentoring. The government of Canada needs to invest in language training for specific occupations that prepare immigrants for meaningful employment.

For occupations that require certification of technical skills, the challenge is on integrating language acquisition with the technical skills training rather than requiring language as a prerequisite for technical training programs. For example, in the US, Washington State's Integrated Basic Education and Skills Training program provides workforce training and English language instruction simultaneously to speed the progress of adult learning in acquiring marketable workforce and language skills<sup>45</sup>.

Employers need to invest in creating curriculum and delivering language specific to their workplaces to empower their workers and increase productivity. Given the many demands on the time and resources of adult immigrant learners, workplace-based English instruction programs that eliminate travel time to classes and are aligned with employer needs are of great value.

<sup>40</sup> Kareem El-Assam and Daniel Fields, “450,000 Immigrants Annually? Integration is Imperative to Growth”, Conference Board of Canada, Oct. 2017

<sup>41</sup> Monica Boyd and Xingshan Cao, “Immigrant Language Proficiency, Earnings and Language Policies”, Canadian Studies in Population 36, no.1-2 (2009): pp 63-86

<sup>42</sup> Jens Clausen, Hans Hummelgaard, Leif Husted, Kraen Jensen Blume and Michale Rosholm, The Impact of the Introduction Programme on the Labour Market Integration (Copenhagen, Institute for Local Studies, 2006)

<sup>43</sup> “Building Capacity: Occupation-specific Language Training at Ontario Colleges”. [http://co-oslt.org/en/wp-content/uploads/OSLT\\_Final-Report.pdf](http://co-oslt.org/en/wp-content/uploads/OSLT_Final-Report.pdf)

<sup>44</sup> “Mapping Refugee Skills and Employer Needs in Surrey and Abbotsford, 2017”. <https://iecbc.ca/wp-content/uploads/2017/10/IEC-BC-Mapping-Refugee-Profiles-and-Employer-Needs-Summary-Findings-FINAL.pdf>

<sup>45</sup> Integrated Basic Education Skills and Training (I-BEST), Washington State Board for Community and Technical Colleges. <https://www.sbctc.edu/colleges-staff/programs-services/i-best/>

An interesting example of this is the McDonald's Corporation's "English Under the Arches Program" which employs an innovative model using web conferencing technology so workers can participate simultaneously from their own restaurants. Since the program began in 2007, over 95% of participants who complete an English Under the Arches course have received a pay raise due to the increased responsibilities they are able to take on. Significantly, in a high turnover industry, 90% of participants were working for McDonald's three years after completing the program<sup>46</sup>.

## **RECOMMENDATIONS**

That the Federal Government:

1. Support the use of employment-focused language training in both official languages to better enable immigrant workers to access the labour market as early as possible.
2. Work with industry and business organizations to increase the use of language training, including new and innovative ways to deliver language training in the workplace.

## **Addressing Labour Needs Through Immigration Policy**

### **DESCRIPTION**

Communities outside of major metropolitan cities across Canada are having difficulty finding labour to fill positions in both high-skilled and low-skilled work. These communities often face different labour challenges than Canada's largest cities, especially with filling occupations in labour and trades. This shortage is compounded by the fact that immigrants who work in NOC C or D skill level positions do not qualify for the Express Entry system even though significant shortages are present in many of these positions.

### **BACKGROUND**

Many communities outside of major metropolitan cities are experiencing stagnant and aging populations, which pose a significant challenge to economic growth as existing businesses have a more difficult time recruiting labour talent. While Canada is successful at attracting immigration, smaller communities face difficulty attracting newcomers, with the majority of new arrivals still settling in Canada's most populous cities. Canada had over 1.2 million new immigrants who permanently settled in Canada from 2011 to 2016 of which over 70% settled in cities with populations of one million or more.

The federal government, with support from the provinces and territories, has responded in recent years by attempting to develop a demand-driven entry system for newcomers. This has included the creation of the Express Entry program under which skilled workers seek permanent residency. Regretfully, the Express Entry program does not allow most "low skilled" positions to qualify. However, these positions in the lower NOC categories, such as meat processors, long-haul truck drivers, and personal support workers, often face significant labour shortages.

For Express Entry purposes, the job groups are:

NOC 0 – management jobs

NOC A – professional jobs that usually call for a degree from a university (ie: doctors, dentists, architects)

<sup>46</sup> "McDonald's Develops "English Under The Arches" Program", ProEnglish USA, <https://proenglish.org/2017/07/21/mcdonalds-develops-english-under-the-arches-program/>



NOC B – technical jobs and skilled trades that usually call for a college diploma or apprentice training (ie: chefs, plumbers, electricians)

NOC C – intermediate jobs that usually call for high school and/or job-specific training (ie: industrial butchers, long-haul truck drivers, food & beverage servers)

NOC D – labour jobs that give on-the-job training (ie: fruit pickers, cleaning staff)

Express Entry requires that work experience be classed as NOC 0, A or B. NOC C & D classed positions are not eligible.

These restrictions also serve as a disincentive to international students to pursue training that would result in employment in NOC C fields because it will not assist in their future application for permanent residency under the Express Entry program.

Source: Immigration and ethnocultural diversity: Key results from the 2016 Census, November 2017, <http://www.statcan.gc.ca/daily-quotidien/171025/dq171025b-eng.htm>

## **RECOMMENDATIONS**

That the federal government:

1. Introduce a 5-year pilot permanent residency category for low-skilled positions with labour shortages to permit international workers who reside outside of the 3 cities that receive the majority of immigrants to Canada, and have at least two year (3,120 hours) of related work experience to qualify for permanent residency.

## **Creating Private, Public and Indigenous Partnerships to Address the Skills Gap**

### **DESCRIPTION**

Private and public sector employers across Canada are having difficulty finding the necessary labour to fill positions in both high-skilled and low-skilled work. Significant efforts are being made to focus on immigration as the primary solution to these shortages. Canada must pursue a complementary strategy that focuses on building economic capacity, academic participation, practical trade skills development and infrastructure on a regional basis that supports small and medium-sized enterprises (SMEs) to elevate workforce and economic participation by Indigenous peoples.

### **BACKGROUND**

In 2018, the CD Howe Institute published *DEMOGRAPHICS AND IMMIGRATION: Inflated Expectations: More Immigrants Can't Solve Canada's Aging Problem on Their Own*, by William B.P. Robson and Parisa Mahboubi. This publication brought attention to some facts and misunderstandings about immigration as a solution to population decline, which are relevant to the skill gap issues facing Canada.

- Canada's aging population puts pressure on living standards, dampens growth of government revenue, and presents fiscal challenges – notably to public pension and healthcare systems.
- While higher immigration can mitigate the impacts of demographic change on the workforce and Canada's age structure, a closer look at actual and potential numbers reveals the limits of this approach.

- Building from the federal government's recent announcements, and inspired by the Advisory Council on Economic Growth's recommendation for an increase of immigration levels to 450,000 annually over five years (Advisory Council on Economic Growth 2016), we project growth in the working-age population, old-age dependency, and other key measures over the next 50 years.
- The key message from these simulations is that changes in immigration levels have impacts on the margin only: no increase within the realm of practicality can prevent population aging. Other policies to ease the demographic transition, notably encouraging people to work longer, are at least as powerful and would complement changes to immigration policy by improving Canada's attractiveness to people willing and able to contribute to the Canadian economy.

The more we do to mitigate the impacts of inevitable aging on the economy and government finances, the more attractive Canada will be to everyone, current residents and potential immigrants alike. And the more attractive Canada is to everyone, the better the chances that immigrants with high potential will come, and do their part to brighten Canada's demographic and economic future.

While the study has concluded that Canada must pursue complementary strategies it does fail to recognize that Indigenous peoples are the fastest growing and youngest demographic. Canada must build a strategic program for the Indigenous workforce of the future.

In The Aboriginal Economic Benchmarking Report 2012, The National Aboriginal Economic Development Board, Chief Clarence Louie points out that, "there is still much work to be done before Aboriginal Canadians are in the same position as other Canadians to contribute and benefit from one of the world's wealthiest economies"

- At 14.8 per cent in 2006, the unemployment rate for Aboriginal Canadians is more than double the rate of non-Aboriginal Canadians;
- Aboriginal Canadians' average income of \$23,888 was two-thirds that of non-Aboriginal Canadians';
- Measures of community well-being indicate that among the lowest ranked 100 communities in Canada, 96 were First Nations and one was Inuit. Only one First Nation Community ranked among the top 100 communities.
- Between 1996 and 2006, the Aboriginal labour force participation rate grew by nearly five percentage points from 58.3 to 63.1 per cent, while the labour force participation rate of non-Aboriginal Canadians rose by just over one point to 66.9 per cent.

It is important for Canada to engage and provide support to SMEs to ensure workforce participation, not only to reduce labour shortage risk but because poverty is expensive; expensive for individuals, their communities, and all governments. The most effective way to reduce the amount of money spent on social programs is to foster economic self-sufficiency.

Aboriginal individuals and communities that perform well on the "Underlying Indicators" (Aboriginal Economic Benchmarking Report 2012) are better able to contribute to the economic growth and performance of the entire country. For example, if Aboriginal businesses had revenues proportional to the size of the Aboriginal population, their contribution to the GDP would be \$54 billion, over 50 times more than their current contribution.

The Government of Canada as represented by the Rt. Honourable Justin Trudeau, Prime Minister stated that, "No relationship is more important to me and to Canada than the one with First Nations, the Métis Nations and Inuit" that further recognizes the deep interests to work with Indigenous peoples and to build

upon the 94 calls-to-action of the Truth and Reconciliation Commission (TRC). Call-to-Action 92 clearly sets out the expectations for the business community which should be used by businesses as a framework for their relationships with Indigenous peoples.

#### Business and Reconciliation

92. "We call upon the corporate sector in Canada to adopt the United Nations Declaration on the Rights of Indigenous Peoples as a reconciliation framework and to apply its principles, norms, and standards to corporate policy and core operational activities involving Indigenous peoples and their lands and resources.

This would include, but not be limited to, the following:

- i. Commit to meaningful consultation, building respectful relationships, and obtaining the free, prior, and informed consent of Indigenous peoples before proceeding with economic development projects.
- ii. Ensure that Aboriginal peoples have equitable access to jobs, training, and education opportunities in the corporate sector, and that Aboriginal communities gain long-term sustainable benefits from economic development projects.
- iii. Provide education for management and staff on the history of Aboriginal peoples, including the history and legacy of residential schools, the United Nations Declaration on the Rights of Indigenous Peoples, Treaties and Aboriginal rights, Indigenous law, and Aboriginal–Crown relations. This will require skills based training in intercultural competency, conflict resolution, human rights, and anti-racism."

Corporate Canada can build the foundations for addressing this call-to-action and disseminate this working knowledge to SMEs throughout Canada, through their supply chain relationships, associations, chambers of commerce, boards of trade and economic development agencies in partnership with local and regional connectivity and partnerships with Indigenous communities.

#### RECOMMENDATIONS

That the federal government:

1. Launch a Special (Regional) Pilot Project with Indigenous peoples with a focus to:
  - o Facilitate a consultative process that will be co-created with private and public sector employers, representative business associations and Indigenous peoples in understanding the barriers to employment, and scope out viable solutions to skills shortage gap that aligns itself to Canada's fastest growing population (i.e., Indigenous peoples);
  - o Identify the skills gap and skills shortage respecting Indigenous peoples while highlighting training needs emerging from new technology, experiential learning and understanding cultural practices;
  - o Conduct a needs assessment and develop required solutions to ensure cultural sensitivity training is provided to and by SMEs
2. Identify, in collaboration with provincial/territorial and municipal governments, economic development agencies, private and public sector employers, regional infrastructure barriers that negate Indigenous workforce participation, such as lack of transportation from remote communities to places of work.
3. Develop a financial support mechanism that will allow for regional Private, Public (e.g. Municipal Government) and Indigenous Partnerships (PPIPs) to develop solutions to Indigenous workforce participation.

## Improving the Temporary Foreign Worker Program

### DESCRIPTION

Canada's future economic growth will be determined by our ability to access and retain workers with the necessary skills to strengthen our workforce. It will also be determined by establishing sound economic policy in conjunction with fuelling prosperity for all Canadian citizens. The Temporary Foreign Worker Program (TFWP) supports Canada's economic and labour market interests.

The Chamber network has watched, with growing concern, moves by the federal government to restrict businesses' ability to utilize the TFWP. Restrictions introduced under the previous government have been partially rolled back, such as the 4 in 4 out rule which restricted temporary foreign workers (TFW) to 4 years in Canada maximum before requiring 4 years out of the country, but other issues such as the lengthy Labour Market Impact Assessment (LMIA) process have been kept or expanded.

### BACKGROUND

#### Modernizing LMIA applications

In order to hire a Temporary Foreign Worker, the employer must first request a Labour Market Impact Assessment (LMIA), through Service Canada. The LMIA process is the government's way of ensuring that hiring a foreign worker is not taking away employment opportunities for Canadians and permanent residents.

This process remains based on paper application forms, submitted through mail or fax, despite the movement towards electronic processing in many parts of government. Furthermore, feedback on the status of an application and the reasons for the rejection of unsuccessful applications are rarely available. This could be resolved through the adoption of an electronic portal where applications could be submitted, and tracked through their processing. This would also facilitate compliance with maximum processing times for all applications.

When reviewing LMIA applications, it is necessary for the administrative decision-makers to utilize some level of discretion. Subject to numerous rulings under Canadian administrative body of law, discretionary decisions must be exercised via a standard of reasonableness and subject to procedural fairness. Discretionary decisions made by the administration should be relevant, reasonable, and consistent, with the process being free of any abuse.

Unfortunately, this has not been the case with past Labour Market Opinion (recently renamed LMIA) applications.

It is imperative that the administrative decision-makers of the TFWP be subject to the standards outlined under Canadian administrative law, and that decisions made be subject to review and appeal when necessary. Decisions subject to review are made with an increased level of consideration.

#### Implementing the September 2016 TFW Review Recommendations

In 2016, the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities completed their review on the status of the Temporary Foreign Worker program. This report contained a number of recommendations that would benefit business.

Among these reforms, the committee recommended a review of the LMIA process to increase speed and efficiency. The committee further recommended the implementation of a "Trusted Employer Program" which would grant an exemption to the LMIA requirement, if an employer has shown to be a trusted user of the program in the past.

Further, the committee recommended that employers and employees be allowed to change the responsibilities and scope of employment, if both parties consent and those do not negatively impact the employee. This change would permit increased flexibility, and job advancement for workers which would benefit both employees and employers alike. The committee recommended that high-wage employees should be exempt from the transition plan requirements of the TFW program, which would lighten the regulatory burden. Lastly, it recommended that IRCC and the federal government review pathways from the TFW program towards permanent residency. Temporary foreign workers are a valuable source of potential future Canadians, and facilitating their transition towards permanent residency and citizenship is a key step to growing Canada's economy and the nation as a whole.

#### Retaining flexibility for LMIA exemptions

In the near future, Canada will likely face a nation-wide demand for senior expertise due to increasing global competition for talent, retirement, as well as the need for foreign expertise in emerging Canadian industries. In order to ensure that TFW admissions meet the needs of local labour markets, the government should improve cooperation with provincial governments to ensure they are able to name segments of the labour market that are in demand, and which fit their regions' economic development.

Training local talent to replace retired workers will take years and in the meantime, rapidly growing industries desperately need to fill the empty gap between newly trained labour and locally available senior talent. Therefore, annex agreements should be renegotiated to include only a limited list of industries and occupations where qualified Canadians are not available, in order to address immediate labour needs on a temporary basis, as well as employing the Global Skills Strategy categories for occupations facing a shortage in Canada, based on reliable labour market information for each region.

We support the goal of promoting the hiring of local labor supply, particularly in the Employment Insurance program, as do thousands of member companies that offer countless job opportunities to those beneficiaries every day. But we believe that the strict limits on the use of temporary foreign workers now imposed under the TFWP are contrary to what is desirable for the Canadian labour force. Increasing the cost for the analysis of a file and impose substantial fines on offenders to limit abuse is one thing, but:

- making LMIAs burdensome and unwieldy;
- requiring employers to develop transition plans for trades and professions in chronic shortage while we know their commitment to developing the workforce;
- performing continuous checks to ensure that the number of workers does not exceed the allowed threshold;
- refusing to process applications from districts with full employment which are located in large economic regions where there is no public transport infrastructure that allows commuting;

are hindering rather than encouraging prosperity and employment.

#### Taking into consideration the evolution of the labour market

The labour market evolves quickly as a result of economic growth, an aging population and the digital transformation of the economy. The demand for new skills is soaring: more than a third of the top skills

sought are or will be new, according to the World Economic Forum<sup>47</sup>. Moreover, full employment has been achieved in several Canadian towns where the supply of labour no longer meets demand.

Program criteria, whose temporary provisions were developed before it was launched in 2014, no longer correspond to current economic reality. For example, vacant positions across Canada increased by 30 percent between the first quarter of 2016 and the fourth quarter of 2017, while the Bank of Canada's intensity of labour shortages index increased by 63 percentage points, going from 28% to +35%<sup>48</sup>. Yet, during the same period, caps on the use of temporary foreign workers (TFW) were applied to most employers.

Program criteria should evolve according to the labour needs of businesses, particularly the cap on TFW in a single facility. Also businesses, whether or not they used the Program before 2014, face the same labour market conditions and the same recruitment challenges.

The cap on the proportion of TFW should be maintained at 20 percent, prevailing level from July 2015 to July 2016, for all employers, and not exclusively for "employers who accessed the Program prior to June 20, 2014", as announced in April 2017 as part of Budget 2017<sup>49</sup>.

## RECOMMENDATIONS

That the federal government:

1. Ensure that any further changes to the TFWP reflect economy needs on a regional and sectoral basis.
2. Modernize LMIA applications and feedback by:
  - a. Increasing the use of online applications with streamlined forms;
  - b. Instituting an appeal process for denied LMIA applications;
  - c. Giving clearly detailed explanations to applicants when LMIA applications are denied;
  - d. Removing restrictions for full-time employment on the LMIA application;
  - e. Setting a maximum processing time for all LMIA applications; and
  - f. Notifying employers of any changes to processes or information utilized in the calculation and submission of their initial LMIA application.
3. Create a temporary foreign worker (TFW) labour pool where semi-skilled or skilled TFWs who have been terminated without cause can register with an open work permit, creating a 'pool' from which other qualified industry specific employers from across Canada can recruit.
4. Revise program standards according to business labour needs, particularly for the use of TFW in a single facility, which should be capped at 20 percent for all employers.
5. Implement Recommendations from the September 2016 HUMA TFW Report by:
  - a. Reviewing the LMIA process to increase speed and efficiency;
  - b. Implementing a "Trusted Employer Program" to reduce application processing times;
  - c. Permitting contract modifications for TFWs if both parties consent, to alter agreed-upon wages or change duties, still adhering to federal and provincial wage and labour standards;
  - d. Exempting high-wage TFWs from the Transition Plan requirement; and
  - e. Reviewing pathways to permanent residency for any TFW fulfilling a permanent labour market need.

<sup>47</sup> World Economic Forum: Future of Jobs Report, 2016

<sup>48</sup> Bank of Canada: Monetary Policy Report - April 2018

<sup>49</sup> Employment and Social Development Canada: Government of Canada strengthens Temporary Foreign Worker Program through Budget 2017 - Canada.ca

6. Adopt measures to meet chronic and local labour shortages by:
  - a. Exempting companies engaged in workforce development from the obligation to provide transition plans for trades and professions experiencing chronic shortages;
  - b. Expand the use of Global Skills Strategy categories for occupation-specific work permits for TFWs that are excluded from the requirement to apply for an LMIA;
  - c. Review National Occupation Classification (NOC) Code processes in all provinces, and establish flexible, responsive practices that incorporate rural, urban and regional labour market needs;
  - d. Amend the advertising criteria for LMIAs to allow companies from the same sector to jointly advertise rather than as individual organizations; and
  - e. Permit the application process for low wage temporary foreign worker positions in regions where there is full employment (i.e. less than 6% unemployment) located in large economic regions as defined by Statistics Canada and used in the Temporary Foreign Worker Program.
7. Include industry representatives in TFW Working Groups prescribed in the Annex Agreements.

## Lifelong Learning

### DESCRIPTION

Automation, the Internet of Things, the increasing digitization and globalization of the economy, as well as an ageing population, are transforming future employment. The focus will increasingly be on the quality of the workforce, its skills which will need to be developed and enhanced throughout the working life, according to business needs.

In short, to sustain its prosperity, Canada will need higher skills than those currently available in the labour market in order to be competitive in a knowledge-based global economy.

### BACKGROUND

#### Canada will need higher skills

Surveys of business leaders reveal that they are cautiously optimistic about the effects on the workforce, but think that this "transformation" of the economy will greatly increase the need for workforce capacity building. Everything points to a growing gap between the skills supply and expected business demand.

For the CCC, skills development in all professions through investment in training, according to business needs, is essential for productivity growth and higher standards of living in the long term.

#### Disappointing results for Canada in the area of basic skills

Important research on a national and international level is being done to measure some of those skills. For example, Canada joined the OECD Programme for the International Assessment of Adult Competencies (PIAAC), a vast survey of information processing skills among young people and adults between the ages of 16 and 65.

The program provides internationally comparable measures of literacy, numeracy, and problem solving in technology-rich environments (PS-TRE). It classifies test results according to five increasing levels of skills; the middle level, level 3, is often considered the minimal threshold to meet the demands of the economy and the knowledge-based society. The latest survey findings for Canada indicate:

- That Canada ranks at the OECD average in literacy. However, Canada shows a larger proportion of its population at both the highest and lowest levels of literacy.
- That Canada ranks below the OECD average in numeracy, and the proportion of Canadians at the lower level is greater than the OECD average.
- That Canada ranks above the OECD average in PS-TRE. Only Sweden exceeds Canada in the proportion of its population at the highest level of proficiency. But, an important proportion of persons did not participate in the survey because of their low level of literacy. [Statistics Canada (2013): Skills in Canada: First Results from the Programme for the International Assessment of Adult Competencies (PIAAC)]

### A skills gap to fill

Like the Advisory Council on Economic Growth [Advisory Council on Economic Growth: Learning Nation: Equipping Canada's Workforce with Skills for the Future], we notice that Canada's adult skills development rests on three pillars, i.e.:

1. initial education, under the direction of the provinces
2. training for the unemployed for the purpose of reskilling and for welfare recipients to support their occupational integration, 80 percent of which is funded through Employment Insurance and federal funds and
3. worker training for adult upskilling with several stakeholders, and which the Council estimates will require an additional \$15 billion annual investment.

"Individuals, employers, and governments have to share in this critically important investment. Failing to make the necessary investments in the third pillar will prevent Canadians from taking advantage of new opportunities, leading to severe consequences for their families' wellbeing and the overall growth prospects of the country's economy". [ibid. p. 12]

It is in the area of current workforce skills that Canada is most vulnerable to the impacts of digital transformation and this vulnerability varies greatly among Canada's regions, as shown by a recent study by the C.D. Howe Institute [C.D. Howe Institute : Risk and Readiness: The Impact of Automation on Provincial Labour Markets | C.D. Howe Institute]

Furthermore, in Canada, certain labour market segments and groups are far from using their full potential. To more efficiently harness those groups, young people, immigrants, Aboriginals and devitalized communities, we must break down some barriers to employment, including a basic skills gap.

### Full recognition of existing partnerships

The key measure for skills development in the last federal budget is the creation of the Skills Lab, announced last year, but to be created in 2018. Its mandate is to identify skills valued and needed by employers, to study new innovative approaches to skills development and to disseminate information to inform investment and program decisions. The organization would be administered in cooperation with provinces and territories, the private sector, educational institutions and non-profit organizations. The federal government is expected to contribute \$225 million over four years and \$75 million annually thereafter.

However, the creation of the Skills Lab cannot be the solution without improved cooperation. A study by the Mowat Center concludes:

"[T]he skills lab cannot be a solely federal initiative. For the skills lab to succeed, provinces and territories — the primary policy actors in the field of skills training and development — must not simply be consulted; they must actively participate in designing, mandating and overseeing it from the outset.



"In the absence of some quick and creative thinking about how Ottawa can co-design and co-govern institutions jointly with the provinces and territories, the skills lab will never live up to expectations. It will inevitably founder on the same jurisdictional rocks as previous well-intentioned but poorly conceived federal initiatives in the area of skills development — an area that is hardly an exclusively federal responsibility." [Andrew Parkin, Erich Hartmann et Michael Morden (2017): How to Build a Skills Lab - A new model of institutional governance in Canada, Mowat Center, p.3]

This collaboration must fully recognize the skills, experience and expertise of existing partnerships in the provinces in order to develop and implement workforce training programs such as the Commission des partenaires du marché du travail (CPMT) in Quebec.

#### Fiscal incentive to eliminate the deficit: Voluntary Continuing Education Savings Plan

To support lifelong learning and eliminate the skills gap, the FCCQ proposes the creation of a Voluntary Continuing Education Savings Plan (VCESP) with the following main features:

- The Plan would be based on an expansion of the Registered Education Savings Plan (RESP).
- The Plan would allow keeping the funds and grants accumulated in the RESP even if the participant does not pursue any post-secondary studies, so he can undertake training later in his career or go back to school.
- Participation in the Plan would be voluntary and supported by a fiscal incentive for the participant and his employer.
- Funds accumulated in the Plan could be used to support the participant financially during his training and to cover training costs. The amount used as replacement income by the participant is taxable.
- The employer can voluntarily contribute to an employee's Plan. This contribution, subject to a maximum, is not taxable for the employee and a refundable tax credit in an amount to be determined is offered to the company.
- In the case of employed persons, the leave of absence would have to be authorized by the employer, like any absence from work. Consequently, the training would be linked to the employer's needs, since he would authorize the leave of absence.
- Unemployed persons could use funds accumulated in their VCESP in study areas approved by appropriate authorities in the jurisdiction reflecting anticipated labour market demand.
- Employees could see it as an additional source of satisfaction at work.
- For employers, it would be a compensation component and a labour retention tool, particularly for younger generations of workers who value training opportunities and in situations of generalized or sectoral low economic growth.

Obviously, federal and provincial government participation would greatly increase the plan's ability to expand labour participation in work-related training.

#### **RECOMMENDATIONS**

That the federal government:

1. As part of the Future Skills initiative, fully recognize the skills, experience and expertise of existing partnerships in the provinces in order to develop and implement workforce training programs.
2. Implement a Voluntary Continuing Education Savings Plan (VCESP) in order to expand Canadian labour participation in work-related training.



# INFRASTRUCTURE

## Accelerate the twinning of Highway 185

### DESCRIPTION

There is a two-lane 41 kilometre stretch of Highway 85 (known as Highway 185) in Quebec between Saint-Antonin to Saint-Louis-du-Ha! Ha!, which effectively creates a bottleneck between New Brunswick and Quebec, and therefore, limits the ability to ship goods efficiently throughout Canada.

While there are currently plans for the twinning of Highway 185, the current timeline of completion by 2025 is too far into the future and the short-term potential economic impact too great to ignore. Not only is the loss of GDP significant, the ability of firms to compete and grow is diminished, the productivity of our ports is undermined and the investments made in twinning highways throughout Atlantic Canada, Ontario and Quebec has in effect been rendered a stranded infrastructure asset as a result.

### BACKGROUND

As the only remaining single lane section of highway between Halifax and Toronto, Highway 185 increases costs throughout the Eastern and Central Canadian economy for both carriers and consumers.

Currently, long combination vehicles (LCV's) are forced to stop, decouple and recouple after the 41km stretch in question, making goods from Eastern Canada more expensive to export to other parts of Canada. Some carriers use a much lower percentage of LCV's as a result.

In addition to economic and environmental issues, the use of LCV's would allow companies to address the labour issues that also impact industry in the form of significant driver shortages - despite many initiatives by industry and government to grow this part of the labour force. It is important to note that this section of highway is also a concern from a safety perspective. As with any single-lane highway that has a high level of traffic with passenger and tractor-trailer combined with no alternative routes – there is significant risk to public and driver safety.

Twinning the section of highway between Saint-Antonin and St. Louis-du-Ha-Ha would effectively lower transportation costs resulting in an expansion of trade from and throughout Eastern and Central Canada. Funding of the project totals \$942.9M of which \$389.7M is federal via the New Canada Building Fund.

Expanding the existing highway (route 185) to four lanes in this section will make Highway 85 safer and more efficient for those using it and facilitate the transport of goods in Eastern Canada.

The first two phases of the redevelopment project included converting a two-lane highway into a four-lane divided highway in an effort to improve safety. Phase 1 of the project, which was rolled out between 2002 and 2011, involved a number of specific sections of the road for a total of 21 kilometres. Phase 2, a distance of roughly 33 kilometres between Témiscouata-sur-le-Lac (Cabano section) and the New Brunswick border, is also complete. The highway was rolled out gradually beginning in 2013, and continuing in 2014. The last 7.5 kilometres of this phase in Témiscouata-sur-le-Lac, in the Notre-Dame-du-Lac section, will be rolled out in fall 2015. At the end of Phase 3, currently scheduled for 2025, the Highway 85 construction project will be complete.

Kent Fellows, a Calgary based economist who has experience modeling the GDP impacts of transportation infrastructure as a lead researcher with the Canadian Northern Corridor research program assessed the impact of this stretch of highway on the regional economy.

Dr Fellows concluded that if twinning Highway 185 reduced the delivered cost of a traded good by 1.5% to 2.5%, then there would be annual GDP gains of \$1 billion to \$1.78 billion for Canada; \$350 million to \$600 million for each of New Brunswick and Nova Scotia and \$100 million to \$160 million for Quebec. Ontario and Quebec would have a roughly equal share of another \$100 million in annual GDP gain.

As an example, if highway 185 is not twinned by 2028, then over the next decade, the cost to the New Brunswick economy alone from the single lane Highway 185 is a net present value (lump sum today) of nearly \$3 billion in lost GDP.

In summary, the current two-lane highway:

- 1.) cost increases of 20 - 30% [decreased competitiveness];
- 2.) increased carbon emissions;
- 3.) safety issues; and
- 4.) driver shortages.

The Canadian Trucking Association has identified this project as their top priority for Quebec and Atlantic Canada, writing:

"These stretches of roadway are in urgent need of upgrading. As Highway 85 is often cited as one of the most dangerous highways in Canada, upgrading this roadway to highway standards should markedly improve safety. From a trade perspective, this would also allow the commercial trucking industry to run Long combination vehicles (LCVs) from Halifax to Toronto, making the delivery of goods much more efficient. LCVs have also been shown to be a highly efficient means of transporting goods to contributing to a reduction in emissions."<sup>50</sup>

Instead of being targeted at firms or industries, this project improves the competitiveness of all firms and industries in the region. Perhaps most importantly, Twinning Highway 185 will finally generate the full return to the investments of the past 20 years in four lane highways in the region. The "last miles" of highway are the most critical for unlocking the full export potential of the region.

## RECOMMENDATIONS

That the federal government:

1. work with the Province of Quebec and to the extent necessary, the Atlantic provinces to accelerate the timeline for twinning Highway 185 from Saint-Antonin to Saint-Louis-du-Ha! Ha!

## ONE DIG: Increase Economic Activity by Mandating that Conduit be Automatically Included in All Transportation and Utility Infrastructure Activities

### DESCRIPTION

The cost to dig up existing infrastructure for the purpose of adding the necessary broadband/fibre infrastructure is prohibitive. The Government of Canada can address this inexpensively by mandating that

<sup>50</sup> [http://cantruck.ca/wp-content/uploads/2017/09/TTCI-Submission-2017\\_public.pdf](http://cantruck.ca/wp-content/uploads/2017/09/TTCI-Submission-2017_public.pdf)

future infrastructure projects include a conduit to potentially add broadband/fibre or other infrastructure at a later date.

## **BACKGROUND**

Municipalities across Canada are constantly upgrading and investing in new infrastructure. This presents an opportunity for the Government of Canada to mandate that new infrastructure being built or renewed, contain a conduit, to potentially allow broadband/fibre or other infrastructure to be installed at some time in the future. Placing a conduit when new infrastructure is being built or renewed would avoid the costliest portion of laying new infrastructure, the digging up and replacing of the existing infrastructure.

Research into the installation of broadband infrastructure shows that 90 percent of the cost of deploying broadband is when the work requires significant excavation of the roadway.<sup>51</sup> This expense is often a main element that inhibits the deployment of broadband infrastructure in more isolated areas, which contributes to a service gap between urban and rural residents.

Several jurisdictions in the United States, including Arizona, Minnesota and Utah, have adopted a Dig Once policy, which is aimed at cost cutting the installation of broadband infrastructure. Dig Once policies attempt to lower the cost of broadband deployment by providing internet companies access to state/city-owned rights of way. This is complemented by mandatory installation of conduit for fibre-optic cable during road construction, or by allowing qualified broadband deployment to be installed during road construction projects.<sup>52</sup>

The objective of Dig Once is to have all major infrastructure programs install an underground fibre link when building or renovating roads, railways, pipelines, utility infrastructure, and energy distribution channels. The policy strongly suggests laying fibre rather than empty conduit to prevent waste. Empty conduit often fills with dirt or is otherwise destroyed during utility and roadway construction projects<sup>53</sup>.

Implementing a policy like Dig Once in Canada would allow many provinces that already have commitments to develop and implement broadband connectivity to reach their commitment in a faster and more equitable way. This would allow communities and businesses the access to high-speed internet they need to connect with global markets.

## **RECOMMENDATIONS**

That the federal government:

1. Mandate that any partially or fully funded federal government infrastructure projects contain a conduit for the future use of broadband/fibre and that it is engineered and installed according to telecommunications fibre to the home standards.

## **Supporting Canada's International Airports**

### **DESCRIPTION**

Airports are recognized as economic catalysts for the communities they serve, delivering jobs and investments. Globally competitive cities and regions rely on their airports to connect them to the world.

<sup>51</sup> Dig Once: Using Public Rights-of-Way to Bridge the Digital Divide; [http://www.csg.org/pubs/capitolideas/enews/cs41\\_1.aspx](http://www.csg.org/pubs/capitolideas/enews/cs41_1.aspx)

<sup>52</sup> Ibid.

<sup>53</sup> Global Connect Stakeholders: Advancing Solutions. Dig Once: A How-To Guide. <https://share.america.gov/wp-content/uploads/2016/04/6.-GCI-Dig-Once.pdf>

The economic prosperity of a city and a city region is inextricably linked to their connectivity to the rest of the world. Governments at all levels need to be more supportive of the efforts of international airports to serve their clients, build necessary infrastructure and invest in the future.

## **BACKGROUND**

Large international hub airports provide this by expanding the reach of trade, foreign direct investment ("FDI") and tourism, and by facilitating deeper integration with international markets, greater connectivity provides city-regions with increased opportunity for economic growth. In the ever-competitive global market, Canada and Canadian cities must seize on opportunities that set our economies up for success.

Airports are also critical links in the supply chain of Canada. Canada is a trading nation and air transportation supports export activity both by allowing the rapid shipment of goods and by helping businesspeople connect with national and international markets. Indeed, excluding trade with the United States, 23.2 per cent of Canada's imports and exports are shipped by air. Further, airports are key links between the national ground network and global sources and markets. For instance, Canada's largest airport, Toronto Pearson, facilitates 15 per cent of the province of Ontario's exports and 6 per cent of all Canadian exports; in 2016 (the last year for which such Statistics Canada data is available) just under half of Canada's air cargo was handled at Toronto Pearson.

Around the world, multi-modal transit hubs are a common component of large international airports. The transit connectivity these hubs provide serve multiple purposes; they connect air travel passengers to and from the airport; they serve as major regional ground transportation hubs, providing key links between regional locations and transportation modes; and they connect employees to jobs at the airport and to those in the surrounding employment zone.

We know that investing in better transit connectivity makes business more competitive, allows business to attract and retain talent and more efficiently move goods, and strengthens our communities and leads to reductions in GHGs and emissions.

For instance, the Greater Toronto Hamilton Area currently ranks as the 4th most livable region in the world, however with the worst commuting times in Canada, it's a significant issue holding this region back. Road congestion, estimated to increase by 25-30 per cent, also has the potential to cause municipalities to become increasingly self-contained and isolated, stranding money and jobs on the table and employment. In the United States, 90 per cent of U.S. metropolitan areas with populations of 5M-7M have at least two major mobility hubs. For instance, Chicago has Union Station and LaSalle Street Station and New York City has Grand Central Station, WTC Transportation Hub and Penn Station. With a population of 9.2 million, the Greater Toronto Hamilton Area only has one major mobility hub.

As well, various studies suggest that in the Greater Toronto Area and the broader Greater Golden Horseshoe Area if nothing is done, transportation greenhouse gas emissions in the region could increase by as much as 40 per cent.

Understanding the value that transit connectivity to airports, cities and regions, governments and airports have begun making important commitments and investments that will support the economic prosperity and competitiveness of local and the national economy.

In British Columbia, the Vancouver International Airport (YVR) was the first airport in Canada to have an airport rail link of any kind in Canada. The airport has its own station on the SkyTrain network called YVR-Airport which connects the airport and its passengers to Vancouver's rapid transit system via the Canada line. It was estimated that in 2016, approximately 2.88 million passengers used the Canada Line to travel to and from YVR.

In Quebec, Montreal is planning a significant transit project called Réseau express métropolitain (REM). This planned rapid transit network would provide important transit connectivity for the 18.2 million travelers Montreal's Trudeau Airport saw in 2017 to Downtown Montréal, the North Shore, the South Shore and the West Island.

In Ontario, Toronto Pearson International Airport, which is situated in the heart of the Greater Toronto and Hamilton Region, currently has a direct rail link between the airport and downtown Toronto and has committed to constructing a Regional Transit and Passenger Centre that would connect jobs and innovation centres in the Region of Waterloo, Toronto and across the Greater Golden Horseshoe and facilitate more efficient movement of goods. The location also sits at the intersection of four major highways, several planned and existing rail links (GO RER, Eglinton Crosstown LRT, Finch LRT, Mississauga BRT and a potential High Speed Rail line).

As well, a group of the most commercially significant airports in Southern Ontario which includes Hamilton International Airport, Niagara Regional Airport, Windsor International Airport, Billy Bishop City Centre Airport, London International Airport, Region of Waterloo International Airport, Lake Simcoe Regional Airport, Oshawa Executive Airport, Peterborough Airport and Kingston Region Airport and Toronto Pearson International Airport are working together to develop a more integrated air and ground transportation network. For its part, the Region of Waterloo International Airport indicated in its 20 year plan the integration of its airport into the regional and intercity rail transit system.

As part of the City of Ottawa's light-rail transit network, a new Trillium Line was included in stage two that would connect the Ottawa International Airport to the transit network under development in the nation's capital.

Transit hubs are a common component of the world's airports. For Canada and its cities to compete in the global market providing travel options for the millions of people who travel to, from, and through our nation's airport, where volume demand, can no longer be considered a luxury.

## **RECOMMENDATIONS**

That the federal government, along with their provincial and municipal partners:

1. seize the opportunity to develop greater transit connectivity between Canada's cities and their international airports that enable local, regional and national economies to better compete in this globally competitive market. This should be done by supporting regional planning efforts, feasibility studies and continued dedicated funding for transit connectivity.

## **National Trade Corridors Fund**

### **DESCRIPTION**

Transport Canada's National Trade Corridors Fund is insufficiently funded to meet the demand for trade-enabling infrastructure across Canada.

### **BACKGROUND**

As an export dependent country, trade and transportation infrastructure play a critical role in Canada's economic prosperity by enabling the movement of products, services and people to key markets around the world. This category of infrastructure was largely absent from the federal government's initial long-term

infrastructure plan first funded through Budget 2016. Following Budget 2016, the Canadian Chamber of Commerce and other organizations strongly urged the government to include trade-enabling infrastructure as part of the long-term plan. This issue was the focus of a Canadian Chamber 2016 report, [The Infrastructure that Matters Most: The Need for Investment in Canada's Trade Infrastructure](#). In the 2016 Fall Economic Statement the federal government added new funding to its infrastructure plan, increasing the total value to \$180 billion over 12 years. Following that, Budget 2017 announced the creation of the National Trade Corridors Fund (NTCF) a \$2 billion, 11 year program to be managed by Transport Canada.

According to Transport Canada, the NTCF will provide funding to help infrastructure owners and users invest in strategic projects that:

- Support the flow of goods and passengers by reducing bottlenecks, and address capacity issues,
- Help the transportation system withstand the effects of climate change and make sure it is able to support new technologies and innovation,
- Address the unique transportation needs in Canada's territorial North to improve safety and foster economic and social development, and;
- Build on investments made by a variety of public and private sector partners

The NTCF launched its first call for proposals in the fall of 2017 and received 357 Expressions of Interest requesting \$16.9 billion in federal funds. Following a screening process, 177 comprehensive proposals were submitted seeking \$9.9 billion in federal funds. Of \$9.9 billion requested in the first call for proposals, Transport Canada has indicated that approximately \$700 million in funding will be allocated to projects.

The high number of proposals and funding requested indicates a tremendous appetite for trade and transportation projects in Canada. As currently funded the NTCF represents 1.1% of total federal infrastructure funding available in the 12-year, \$180 billion plan. At the same time, the Parliamentary Budget Officer (PBO) has indicated that other infrastructure programs are spending federal funds at a slower-than-planned rate. The PBO reported that as of March 2018 departments and agencies still had yet to attribute half of the \$14.2 billion budgeted for Phase 1 of the federal infrastructure plan to projects initiated in 2016-17 and 2017-18. Given the challenges spending existing infrastructure funding and the exceedingly high demand for trade-enabling projects, the federal government should allocate more federal infrastructure funding to the NTCF.

Meeting the demand for trade-enabling projects cannot be met by federal funding alone. An augmentation of the NTCF should be accompanied by the development of policies at all levels of government that can help drive greater productivity from our current infrastructure. This includes strategies to help improve the utilization and capacity of existing trade infrastructure, prioritizing projects which the greatest alignment of stakeholder interests, incenting innovation in trade and transportation infrastructure, and reducing regulatory barriers for public and private sector projects.<sup>54</sup>

## RECOMMENDATIONS

That the federal government:

<sup>54</sup> CPCS Transcom, [Re-thinking how Canada Invests in Transportation Infrastructure](#)



1. Allocate more non-transit funding from the long-term federal infrastructure plan to the National Trade Corridors Fund to help meet the demand for trade-enabling infrastructure projects in Canada.
2. Maximize the value of investments through the National Trade Corridors Fund by prioritizing projects that incent transportation infrastructure innovation, have high levels of stakeholder alignment and that can help improve the capacity of existing infrastructure.

## **Supporting Canada's Growth and Access to Markets by Developing a Northern Infrastructure Corridor**

### **DESCRIPTION**

Dedicated funding to advance the development of a feasibility study and proposed implementation plan for a Northern Transportation Utility Corridor (TUC) would support Canada's long-term economic development and strategic trade interests.

### **BACKGROUND**

Canada's birth, growth and development is interwoven with major infrastructure projects including trans-continental railways and highways. Going forward, establishing Transportation Utility Corridors (TUCs) will be critical to the effective long-term planning and infrastructure development to support continued prosperity for Canadians. TUCs reduce land-use conflicts, reduce environmental impacts, and provide development certainty to attract private sector investment and reduce infrastructure costs to the public.

Currently, the oil and gas industry is realizing lower prices because present infrastructure limits exports to destinations outside of the United States, which receives 99% of Canada's oil exports<sup>55</sup>. Scotiabank has reported delayed oil pipeline construction will cost the Canadian economy \$10.7 billion in 2018<sup>56</sup>. Transportation infrastructure significantly affects the viability of mining operations as well. For example, a very remote mining project faces average costs 2.8 times higher than non-remote projects<sup>57</sup>. The benefit of better access to markets and regulatory streamlining for major projects is clear, but Canada has struggled to overcome obstacles such as regulatory red tape and obstruction by local political interests.

In June 2017, The Senate Standing Committee on Banking, Trade and Commerce published a report "National Corridor: Enhancing and Facilitating Commerce and Internal Trade" after studying and consulting on the topic. The report highlights some significant challenges Canada faces in optimizing trade opportunities and long-term economic development: limited access to tidewater to export goods, a lack of ports and routes in Canada's North and regulatory approval processes that are a significant impediment to development, particularly for large projects that cross provincial/territorial boundaries.

One of the key recommendations of the Senate Committee was to fund research intended to provide public decision-makers with evidence-based analysis and proposals to overcome systemic barriers to growing Canada's internal and foreign trade. Specifically, the committee recommended that the federal government fund research being conducted by the University of Calgary School of Public Policy and the Centre for Interuniversity Research and Analysis of Organizations (CIRANO) which published a paper in May 2016 proposing the development of a Northern Corridor right-of-way in Canada's North and near-north reaching all three Canadian coasts.

<sup>55</sup> Natural Resources Canada. Crude oil facts. June 2018

<sup>56</sup> Bickis, Financial Post, Feb 2018

<sup>57</sup> Association of Consulting Engineering Companies et al., Levelling the Playing Field, April 2015

The proposed 7,000 km Transportation Utility Corridor right-of-way could accommodate road, rail, pipeline, electrical transmission and communication infrastructure, enhancing opportunities for geographically distributed economic development and access to new markets. The initial proposed route “would largely follow the boreal forest in the northern part of the west, with a spur along the Mackenzie Valley, and then southeast from the Churchill area to northern Ontario and the “Ring of Fire” area; the corridor would then traverse northern Quebec to Labrador, with augmented ports.”<sup>58</sup> In addition to improving the movement of goods and market access for Canadian products, a northern infrastructure corridor could significantly benefit Canada's North by lowering the cost of living, providing new business and employment opportunities, and possibly allow northern communities to access higher-efficiency and more cost-effective electricity grids in the south (Sulzenko and Fellows, 2016). Studies have shown that the cost of living in Yellowknife and Whitehorse is 33% higher than the average in Canada, with transportation costs contributing significantly.<sup>59</sup>

The Senate report noted that an initiative on this scale requires strong leadership and multiple in-depth studies to support what would likely be decades of investment. For this reason, the Committee recommended the federal government: provide a grant of \$5 million to the School of Public Policy and CIRANO for their research program, ensure that Indigenous groups are involved in the research program, receive an interim report on the research within 18 months of receiving funding, and establish a Task Force to conduct consultations following the submission of the final report.

Broadly shared economic growth and future development will be determined by our ability to recognize and undertake visionary plans which support the continual improvement of transportation, movement of goods, communications and energy infrastructure. The business community believes the federal government can provide strong leadership by acquiring all the right-of-ways needed for the kind of farsighted planning and infrastructure investment needed to enable Canadians' long-term prosperity.

## RECOMMENDATIONS

That the federal government, along with provincial, territorial, municipal and Indigenous governments:

1. Support further research into the proposed northern infrastructure corridor.
2. Establish an integrated, national Transportation/Utility Corridor network plan with the aim to enable efficient market access for goods and services from all provinces and territories to any Canadian coast.
3. Coordinate and secure the appropriate rights-of-way to enable an integrated, national TUC network, consistent with the principles and objectives outlined by the Northern Corridors Initiative.
4. Ensure that the process for moving forward requires thorough consultations in good faith with Indigenous communities, landowners, municipalities and businesses.

<sup>58</sup> Sulzenko and Fellows, Planning for Infrastructure to Realize Canada's Potential: The Corridor Concept, May 2016, p.2

<sup>59</sup>Preville, Library of Parliament, Sept 2008

# INNOVATION

## Reform Statistics Canada for Effective and Independent Data-Gathering

### DESCRIPTION

Now more than ever, effective policy and direction in both the public and private sectors depends on the availability of rich and accurate data. This data must be free of the possibility of political interference, and the data-gathering agency must be free to conduct research and publish data that is accurate and useful, regardless of whether it happens to be politically embarrassing, contradictory to policy directions, or otherwise undesirable. Further, the governance structure of the agency must reflect the users who depend on it, not the political needs of the ruling party. Statistics Canada's political dependence is and has been contrary to this concept.

### BACKGROUND

The Statistics Act (1985) which established and governs Statistics Canada places the agency under the control of a Minister, and grants that Minister the authority to direct the agency in methods, procedures, and operations, and to give directives on statistical programs. The potential for interference in the agency by elected officials poses a problem for effective data-gathering. Interference in data-gathering poses not just a problem for government agencies, who need accurate data to deliver programs and guide investment, but for businesses, who need accurate data to make strategic decisions and forecasts and to guide their investments, and for non-profits, who require data to inform their programming and to measure their success. A non-independent statistics-gathering agency poses a moral hazard for the government that controls it when the data it produces does not support their policy directions, indicates that policy is not having the desired effect, that reality does not match political rhetoric, or even when the governing party simply does not accept the value and importance of data.

An example of political interference compromising the quality of Canadian data is the 2011 National Household Survey that replaced the long-form census, and which was broadly judged by research institutions and academics to be an inferior data product which left many gaps in Canadian data between 2011 and 2016. The decision to make this change was a political decision made by the Minister of Industry, not a data-driven one made by Statistics Canada. The Chief Statistician at the time, Munir Sheikh, resigned in protest at this decision. Former Chief Statistician Ivan Fellegi, who headed the agency for 23 years, called the move "political interference" and now also calls for the agency to be made independent.

The Liberal Party of Canada had pledged to make Statistics Canada independent as part of its election platform. However, this has not yet been done. The agency should be free of political interference, as with Elections Canada, since it has such a vital role in Canadian politics, the Canadian economy, and Canadian business decisions.

Statistics Canada data is often criticized for:

- Lacking depth or scope, e.g. not gathering employment data on First Nations reserves (with the result that half of all First Nations citizens are not reflected anywhere in Statistics Canada employment data) or only being able to produce general labour force survey data with a 68 per cent confidence level
- Changing methodologies such that comparisons over time become impossible, e.g. changing the definition of an employer in 2015 to remove the requirement that the business have reported at least \$30,000 in revenue, such that data on the number of employers in Canada or any region

thereof after 2015 are not comparable with those from 2014 and before (with the caveat that Canadian Business Counts has never been rigorous enough for extensive time-series analysis due to other methodological flaws).

Reforms to Statistics Canada should also tackle the issues that arise from producing data that fails to meet the needs of data users. Rather than remain accountable only to a Ministry, the agency should be accountable to the users of the data. A governance structure for an independent agency should ensure that the needs of government, business, non-profits, academics and researchers are met in order to ensure that the data products the agency produces are rigorous, useful, and are meeting the needs of Canada's data-using sectors.

## RECOMMENDATIONS

That the federal government:

1. Make Statistics Canada an independent agency that is not subject to Ministerial direction.
2. Ensure that the governance of this independent agency includes representatives of the public sector, businesses, academia, non-profits, and other groups that depend upon or heavily utilize its products, to ensure that the agency conducts research that reflects their data needs.
3. Develop an advisory council to provide continuous feedback and/or guidance to the NGO's governance.
4. Ensure FREE public access to statistical data tables is guaranteed and all data gathering activities are transparent and in line with best practice.

## Advance Canada's Bioeconomy

### DESCRIPTION

Industry is on the cusp of transformation: traditional petroleum-derived chemicals and products will be increasingly substituted or blended with more sustainable resources derived from biomass. Canada can leverage its strengths in advanced manufacturing and resource development to lead the way on national bioeconomy strategies. A comprehensive bioeconomy framework will create new businesses, high quality long term jobs and stable growth while reducing carbon emissions.

### BACKGROUND

The bioeconomy is based on using renewable resources derived from plants and waste to produce a wide range of products, such as bio-fuels, biochemicals and biomaterials (e.g. plastics, textiles), while minimizing impact on the environment. It involves all processes including invention, development, production and use.

With growing international demand for sustainable, low-carbon goods and services (estimated to be worth \$5.8 trillion with an annual growth rate of 3%)<sup>60</sup>, and the vast biomass resources available across Canada, the economic potential is enormous. Multiple industries, such as health, agriculture, forestry and natural resources, as well as rural and urban communities stand to benefit from the bioeconomy. The net result is the creation of new businesses, revitalization of old businesses, regional diversification and more importantly - jobs.

<sup>60</sup> Forest bioeconomy in Ontario – A policy discussion by I. Majumdar, et. al. <http://pubs.cif-ifc.org/doi/pdf/10.5558/tfc2017-007>

For a sector with such high growth potential and access to vast resources, Canada's bioeconomy is lagging. In 2008, the sector was valued at 6.4% of GDP on a per capita basis in Canada, whereas in the United States it was valued at 8.45% of GDP.<sup>61</sup> Furthermore, Sweden, is considered to be a world leader in the bioeconomy with 30% of its national energy supply fed by biomass, compared to 1% in Canada.<sup>61</sup>

Canada's slow emergence in the bioeconomy is explained by the "lack of a clear strategic direction" and the fragmentation of programs that "does not support all types of bioproducts and policy initiatives," according to the Canadian Council of Forest Ministers in the Discussion Paper A Forest Bioeconomy Framework for Canada.

For example, at the national level, the forestry industry is seen as the key bio-based resource and Natural Resources Canada is leading support for the industry. In Ontario, agriculture is seen as a key bio-based resource and some bioproducts receive more support than others. Electricity and fuels, for example receive the most support, even more so since cap-and-trade legislation took effect<sup>62</sup>.

In addition to breaking down silos, a comprehensive framework should address some of the challenges faced by the bioindustry. According to a survey conducted by BioTalent Canada, the "single greatest challenge" reported by the bioindustry is limited access to capital. In 2008 65.9% of respondents said this was their greatest challenge and by 2013, that number rose to 73.8%.<sup>63</sup> The federal government has responded by investing millions of dollars into business accelerators, such as Bioindustrial Innovation Canada, and funding needs to continue.

A Forest Bioeconomy Framework for Canada cites "Innovative financial mechanisms, including tax measures to de-risk commercialization" as one of the six policy areas that should be addressed in a bioeconomy framework. The others include:

1. Efficient standards and an effective regulatory regime for new bio-based products
2. Collaborative research and development along the innovation continuum
3. Public sector procurement to promote clean tech and supply chain sustainability
4. Outreach to attract investment and increase demand for Canadian bioproducts
5. Accessible comprehensive investment-grade data on the bioeconomy
6. Workforce training and strong partnerships with Indigenous communities

The key way to succeed in the bioeconomy is to address these policy areas in an integrated and coordinated effort involving government, industry, investors and academia.

## RECOMMENDATIONS

That the federal government:

1. Work in partnership with all relevant government departments, non-governmental agencies, provinces and territories and private sector partners to develop a national bioeconomy framework that builds on existing models.
2. Continue to fund successful business accelerators and venture capitalists that support bioindustrial companies and projects.
3. Continue to incentivize successful business accelerators and venture capitalists that support bioindustrial companies and projects.

<sup>61</sup> Measuring the biobased economy: A Canadian perspective, William Pellerin and D. Wayne Taylor; INDUSTRIAL BIOTECHNOLOGY WINTER 2008, page 363-366

<sup>62</sup> Forest bioeconomy in Ontario – A policy discussion by I. Majumdar, et. al. <http://pubs.cif-ifc.org/doi/pdf/10.5558/tfc2017-007>

<sup>63</sup> <https://www.biotalent.ca/bio-economy-facts>



# INTERNATIONAL AFFAIRS

## Support SMEs to Become Exporters

### DESCRIPTION

Consultants who work with companies wanting to export have identified that multiple barriers hinder businesses.<sup>64</sup> Further, they have identified several key steps that are currently missing that would be of great benefit to potential exporters, especially small and medium-sized enterprises (SMEs). If the federal government, Trade Commissioner Service (TCS), and Export Development Canada (EDC) adopt a more business-friendly process to access trade support and training, there will be a substantial uptick in successful Canadian exporters to the world market and major economic growth.

### BACKGROUND

#### Trade Statistics

Canada's growth in export is low, about 1.0% for the past 2 years, compared to imports<sup>65</sup>. In fact, the number of businesses, especially SMEs exporting goods and services, is very low compared to other countries.<sup>66</sup>

A 2017 Export Development Canada (EDC) article on the Toronto Board of Trade's assistance for exporters pointed out that only 4% of Canada's SMEs are exporters, compared to France (27%), Japan (24%), and Germany (28%). As most businesses in Canada are SMEs, a comparable 23% export engagement by SMEs would bring in \$225 billion in export growth.

A Statistics Canada (Statcan) report from May 2017 reported that the number of exporting enterprises was down by 1.5% in 2016, most of which were SMEs. SMEs accounted for 97% (of 43,255) all exporting enterprises in 2016, contributing substantially to sales totalling \$442.2 billion. Another update, from March 2018, reported that exports were holding steady at 1.0% growth, with a 0.6% gain in goods, and 2.8% growth in services. Exporting services are becoming much more accessible and affordable for smaller businesses.<sup>67</sup>

EDC, in its 2017 Annual General Report, found that 107,000 of 149,000 micro businesses in Canada could be exporters, but only 59,000 are doing so. They have identified assisting businesses to be a high priority<sup>68</sup>. Further, they too recognize the need to adapt to the rapidly growing service sector<sup>69</sup>.

Canada is currently fifth from the bottom of OECD countries in annual trade growth (2017)<sup>70</sup>. Given that Canada has an opportunity to substantially grow in the export market through assisting SMEs, particularly in the service sector, it would be in Canada's economic interests to invest in the development of SMEs as exporters.

#### Accessing Trade Knowledge

<sup>64</sup> Holden, Mike. CME: Presentation to the Standing Senate Committee on Banking, Trade and Commerce, February 2018.

<sup>65</sup> StatCan Annual GDP Growth, March 2018 <http://www.statcan.gc.ca/daily-quotidien/180302/dq180302a-eng.html>

<sup>66</sup> EDC 2017 Article <https://www.edc.ca/en/blog/export-internationally-with-toronto-bot.html>

<sup>67</sup> Statcan: Trade by exporter characteristics: Goods, 2016. May 2, 2017 <https://www150.statcan.gc.ca/n1/daily-quotidien/170502/dq170502b-eng.htm>

<sup>68</sup> EDC 2017 AGM Report <https://www.edc.ca/EN/About-Us/Corporate-Reports/Documents/annual-report-e-2017.pdf>, p.12.

<sup>69</sup> Ibid, p.14.

<sup>70</sup> OECD Trade Data <https://data.oecd.org/trade/trade-in-goods-and-services.htm>

Trade information, support, and training opportunities are primarily provided through the TCS<sup>71</sup>, and Export Development Canada<sup>72</sup>. Other information portals include Global Affairs Canada<sup>73</sup> and the Canada Business Network<sup>74</sup>. This would appear to be sufficient if not for the various challenges reported by consultants who work on the ground with potential exporters, particularly SMEs.

The TCS provides a free guide but only to those who open an account<sup>75</sup>. Businesses exploring the potential of developing an export market may not be ready to commit to an account. In fact, the TCS tends to work with those who are "trade ready," meaning they have a product developed to a target market in a country in which the TCS has an office. EDC has online training modules which lead a participant through 6 courses (at \$600 each, 3 months per course) to become trade certified. The other two provide trade statistics and links back to the TCS and EDC.

Most companies surveyed had not used or did not know such programs existed. A similar survey found 65% of Canadian companies do not understand how to sell overseas.<sup>76</sup> The consensus between the two agencies is that EDC and the TCS should be better promoted and accessible to SMEs.

The real concern is that businesses, SMEs in particular, need assistance much earlier in the process in order to understand the potential of developing an export business: What products do they have now that do well and with what customer base? How would that translate into another country's market? What would need to be modified? How to find out before spending thousands of dollars on product development? What resources would they need? How to access resources? These and many more questions are what businesses need to ask before investing their time and money on what may be the wrong markets or the wrong product.

### Improving Opportunities

While the training EDC provides would be beneficial, a small business will not have the time or resources for an employee to be dedicated in the initial stages of consideration to become a certified expert. Further, much of the training is focused on tangible products. A growing sector of exports is services; for example, online services ranging from high tech (e.g., animation, IT) to shopping services.

There are two basic opportunities that the federal government can explore with some certainty of success. The first is to solve the issue regarding access, the second is to consider engagement at a much earlier stage of developing export capacity for businesses.

Firstly, businesses often turn to their local chambers of commerce or boards of trade as their first portal for information. The federal government can capitalize on that wealth of connection and outreach by providing tools, flyers, pamphlets, and links that chambers can have available for their members, particularly those that do not have the capacity to develop an international centre in-house. Further, grants or other funding can be made available to chambers to host informational how-to workshops for their SME members and others in their business community. Regardless of approach, the federal government needs to develop a means of increasing the awareness of existing trade support programs.

Secondly, as both the TCS and EDC work to develop awareness and promotional or educational material, they would, by necessity, need to engage chambers to determine how best to tailor the information for SMEs. In response to this feedback, federal government agencies will need to develop a more business-

<sup>71</sup> Canadian Trade Commissioner Service <http://tradecommissioner.gc.ca/index.aspx>

<sup>72</sup> Export Development Canada, [www.edc.ca](http://www.edc.ca)

<sup>73</sup> Global Affairs Canada <http://www.international.gc.ca/international/index.aspx?lang=eng>

<sup>74</sup> Canada Business Network (CBN), <https://canadabusiness.ca/growing/exporting-and-importing/exporting/>

<sup>75</sup> <http://tradecommissioner.gc.ca/exporters-exportateurs/guide-exporting-guide-exportation.aspx?lang=eng#intro0>

<sup>76</sup> Advisory Council on Economic Growth: Positioning Canada as a Global Trading Hub, February 2017, p.10. [www.budget.gc.ca/aceg-ccce/home-accueil-en.html](http://www.budget.gc.ca/aceg-ccce/home-accueil-en.html)



friendly approach to their programs that would benefit SMEs, particularly those who are considering the growing field of service export – something that is not very evident on the current online portals. There are several steps businesses must take before they are ready to engage EDC or TCS in order to use their time and resources wisely. Therefore, the material needs to start at the beginning and include a self-assessment checklist to determine a business's capacity for product development, resources, finances and market research.

Canada currently has 12 free trade agreements along with TCS offices in over 140 countries. Canada has the potential to grow its export capacity substantially along with the economic and employment benefits such growth can bring. With two fairly basic changes that utilizes resources already at hand, the federal government can increase the opportunities for SMEs to be successful exporters.

## **RECOMMENDATIONS**

That the federal government, along with Export Development Canada:

1. Work with business organizations, such as chambers of commerce, boards of trade and other stakeholders to develop programs that are easily accessible to SMEs, and include (but not limited to) such information as:
  - A basic introduction to exporting, including an outline of steps required to develop the capacity to export,
  - A very preliminary self-assessment guide,
  - An introduction to the Trade Commissioner Service and Export Development Canada, and other useful resources: what they do, and at what level of readiness would be required before engaging,
  - An easy-to-understand introduction to the rules, regulations, trade agreements, compliance requirements, etc.,
  - Regional considerations of potential products (such as agricultural products) to export, and potential global markets that extend beyond the traditional North American market, and
  - Exporting services guide – intellectual property, trade agreements, etc.
2. Work with business organizations, such as chambers of commerce, boards of trade and other stakeholders to utilize their vast network to develop outreach and awareness strategies.

## **Collections of Duty and Taxes at Canada/US Border**

### **DESCRIPTION**

Cross-border shopping by Canadians in the United States was an estimated \$4.7 billion in 2006. Since then, annual increases have taken the total to \$8.0 billion in 2012, 72% higher than 2006.<sup>77</sup> The impact on Canadian retailers, particularly in border towns, is costing the economy billions of dollars which could be minimized if duties were enforced at the border.

### **BACKGROUND**

Approximately three-quarters of Canadians live within 160 kilometres of the Canada-US border. Therefore, many consumers use their relatively easy access to the United States as a shopping option. According to Statistics Canada, cross-border shopping has increased by 53% over the past 10 years. A study conducted by the Business Council of BC indicated same-day trips to the U.S. increased by more than 143 percent in

<sup>77</sup> Stats Canada Study: Cross-border Shopping 2004-2012

BC between 2009 and 2012. Under the laws, there are no personal exemptions permitted for same day cross border shoppers. Assuming 95% of day-trippers return with a full tank of gas, at an average of \$70, and \$80 worth of goods, there is a significant impact on B.C.'s economy due to lost profits and tax collections (GST, PST, gas taxes, etc.).

According to a briefing note for the Prime Minister prepared in June 2014, the border agency waives taxes when the value is below a certain threshold.<sup>78</sup> The threshold was established by considering the cost for CBSA to process a traveller through the collection process, but the threshold is not publicly available. Collections may also be waived where the volume in collections results in unacceptable border processing delays, as determined by local management. If the reduction in border processing times is an overriding priority for Canadian business, there also needs to be consideration for the significant impact these exemptions have on the local economy.

A key barrier to consistent collection of duties and taxes are the conflicting responsibilities of the border personnel. The border personnel are managing revenue collection, service to the public (wait times), interdiction of inadmissible persons and goods, and the facilitation of legitimate trade and travel. Local management have the authority to adjust priorities and have several options available to them in order to meet these objectives, including opening more lanes, planning shift schedules, scheduling overtime, etc., but many of these options require increased resources and costs.

The priorities of personnel include the security and safety of our nation; therefore collection of duties and taxes are by default a lower priority.

A consistent pattern of non-collection of taxes and duties at the Canada/US Border creates a further incentive for residents to choose cross border shopping. This puts Canadian Retailers at an unfair disadvantage and results in a significant economic loss to border communities.

## **RECOMMENDATIONS**

That the federal government:

1. Examine current policies and protocols to identify efficiencies or additional resource commitments that would enable the consistent collection of prescribed duties and taxes with no effect on the free flow of commercial traffic.
2. Research implementation of a self-reporting model (similar to Nexus) whereby the reporting onus will be placed on the individual, and Border Personnel will continue to be responsible for performing random checks.
3. Increase penalties and restrictions whereby non-compliant residents will incur penalties that are sufficiently onerous to deter abuse of the process and offset costs of enforcement, and where abusers of a self-reporting model would become ineligible.

## **CANADA-U.S. Border Pact: Pre-Clearance Agreement**

### **DESCRIPTION**

The Canadian business community supports the Pre-Clearance Agreement but does not support the application of the U.S. "expedited removal" process to Canadian citizens or residents entering the United States of America, who for a variety of reasons, including mistaken identity and confusion of travel destination or purpose, can be refused entry and enlisted in the "expedited removal" process by a

<sup>78</sup> According to the briefing note obtained by the Canadian Press under the Freedom To Information Act

determination of the admitting officer acting in an unrestricted manner. Such a Canadian citizen or resident can be denied entry for periods of up to five years and beyond. This practice impacts our shared goal of an efficient and expedited flow of people across our common border. To have such U.S. provisions applied on Canadian soil under Pre-Clearance conditions is unacceptable.

## BACKGROUND

The Pre-Clearance Agreement is designed to harmonize the regulatory process of expedited entry across the Canada-U.S. border and while progress has been made in this undertaking, the Agreement is still subject to further regulatory provisions anticipated to be enacted within the next year. The authorized positioning within Canada, inland of border gateways, of U.S. Customs and Border Protection (US-CBP) personnel is a potential matter of concern because “expedited removal” enables US-CBP Officers to act with singular discretion to bar entry to the United States for five years – with little or no legal recourse or review. “Expedited removal” may be applied against Canadian visitors who are subjectively deemed not to meet “documentary requirements”. As such, US-CBP Officers should be precluded from applying the “expedited removal” aspects of their authority within Canada. There are criminal sanctions for persons subjected to an “expedited removal” order when such persons attempt second or subsequent entry to the United States.

Since 2016 when the Pre-Clearance Agreement was signed by previous U.S. and Canadian administrations, access to pre-clearance at land, rail, marine and air terminals have expanded and will continue to expand accordingly. Cruise ships from Vancouver to Alaska and Charlottetown, Prince Edward Island to Boston or New York<sup>79</sup> demonstrate the marine pre-clearance involvement connecting neighbouring countries. There are eight airports across Canada that have pre-clearance authorities, with Vancouver International Airport, Calgary International Airport and Toronto Pearson International Airport as the main access points.<sup>80</sup> Beyond the eight airports, there have been Amtrak rail pre-clearances located in British Columbia and Montreal, connecting these major Canadian cities to Seattle, Washington and New York. With the most recent addition being Montreal Central Station by the current federal government, we are seeing how this agreement extending over the years.

Serious concern should exist if the U.S. “expedited removal” process is applied within Canada inland from U.S. border ports of entry under expanded Pre-Clearance authority or regulations. Canadian citizens or residents preparing to board an airline, bus, train and/or other modes of transport bound for the U.S. will be subject to pre-clearance inspection by U.S. officials positioned within Canada. Currently, it is not possible to place a Canadian into “expedited removal” at pre-clearance sites as US-CBP do not have the authority to hold the person and develop the alleged misrepresentation, whereas under the new Pre-Clearance Act, US-CBP will have the authority to temporarily detain persons seeking to withdraw from pre-clearance sites within Canada.<sup>81</sup>

For further background purposes, it should be understood that:

### The Expedited Removal Process Generally

Under the “Expedited Removal” process, 8 U.S.C. §1225(b) (1) (A), an immigration officer at the border can issue an expedited order of removal against certain non-citizens applying to enter. This can be done immediately, while the person is at the border, and is completely at the discretion of the immigration officer if the agent believes that the person has made a false statement or does not have the proper immigration

<sup>79</sup> <https://www.ncl.com/ca/en/port-of-call/cruises-to-charlottetown>.

<sup>80</sup> The Canadian Press. <http://www.cbc.ca/news/canada/windsor/more-customs-facilities-in-more-places-canada-u-s-plan-expanded-pre-clearance-1.4522077>.

<sup>81</sup> <http://www.cbc.ca/news/politics/pre-clearance-u-s-travellers-bill-c-23-reaction-1.4213797>

documents. The applicant is turned away and is also barred from returning to the United States for a minimum period of five years.

Even where the US-CBP Officer acts in an arbitrary manner, the statute seems to preclude any judicial oversight. According to 8 U.S.C. §1252(e)(2), there is no judicial review of the US-CBP's Expedited Removal order except to determine (1) whether the person is a U.S. citizen; (2) whether the person is a permanent resident or a refugee; and (3) whether the person was ordered removed under the Expedited Removal statute. As one court noted:

*The entire process... can happen without any check on whether the person understood the proceedings, had an interpreter, or enjoyed any other safeguards. ... [T]his procedure is fraught with risk of arbitrary, mistaken, or discriminatory behavior (suppose a particular US-CBP Officer decides that enough visitors from Africa have already entered the United States). ... [Nevertheless, we] must align ourselves with the courts that have considered the issue and hold that we lack jurisdiction to inquire whether the Expedited Removal procedure to which the Khans were subjected was properly invoked. Khan v. Holder, 608 F.3d 325, 329, 330 (7th Cir. 2010).*

### The Argument That Canadians Are Exempted from Expedited Removal

An argument has been developed that a detailed reading of the regulations made to implement the statutory scheme preclude application of Expedited Removal proceedings to individuals “for whom documentary requirements are waived”—this includes Canadian citizens who seek to enter the United States as visitors. See 8 C.F.R. §212.1(a) (1). Thus, there is an initial threshold question whether US-CBP actually has the legal authority to issue the Expedited Removal order against Canadians.

Further, the U.S. 9<sup>th</sup> Circuit Court of Appeal has recognized an exemption to expedited removal laws for Canadians crossing the border for bona fide business or tourism purposes. This is the first time since the expedited removal laws were passed in 1996 that any U.S. court, administrative tribunal or other body has recognized the existence of such an exemption.<sup>82</sup>

Despite this, US-CBP places dozens of Canadians into Expedited Removal annually, which makes it more necessary for clear regulations that protect Canadians from expedited removal provisions.

### **RECOMMENDATION**

That the federal government, working with the U.S. government:

1. formulates Pre-Clearance regulations through cross-border constituent review, input and concurrence, to ensure that appropriate safeguards, due process and dispute resolution options exist regarding any use of legal authority, such as expedited removal provisions, at inland ports of entry by the U.S. CBP.

## **Unsticking Our International Border Crossings - An Economic and Environmental Turning Point**

### **DESCRIPTION**

The lack of adequate staffing on both sides of our international border crossings is misaligned with both the volume of commercial and vehicular traffic we are presently experiencing as well as the capital

<sup>82</sup> <http://www.bcchamber.org/advocacy-news/court-decision-great-news-canada-us-business-chamber-says>

investments (well into the billions) our governments and private sector partners are making to improve that infrastructure enabling us to better compete on an international and global scale.

This results in enormous delays which is costing our mutual economies billions of dollars a year not to mention the environmental consequences of discharging millions of tonnes of GHGs into the air generated by idling trucks and cars stuck in huge lineups.

## **BACKGROUND**

Long before the advent of Homeland Security in the US and heightened concern in Canada regarding security threats, our borders were already being plugged by this issue. This has dramatically effected all aspects of our economy but particularly for our exporters and tourism industries on both sides of the border. And the issue is not if we have adequate processing facilities, in fact we do. Rather, the issue is one of staffing those facilities and it is here that we fall woefully short.

Five years ago, the federal government announced the reduction of 1200 customs officers jobs through attrition. Today many of the officers that remain are being asked to relocate away from some of Canada's busiest border crossings to go to Quebec to help process asylum seekers. If the staffing shortage is not dealt with it will result in the closure of more lanes and exacerbate delays at the border crossings.

Opening up the number of unattended/unstaffed customs booths to meet the demand when the demand is there would go a long way in remedying the problem. President of the Customs and Immigration Union Jean-Pierre Fortin estimates to properly resolve the problem, approximately half of the 1200 jobs that were eliminated should be returned.

It seems counterintuitive that the Ontario Premier and our trade officials in Ottawa have worked hard to make the case that Ontario and Canada are indeed great places to bring international investment to and their efforts on NAFTA, CETA and the TPP similarly espouse the virtues international trade and commerce in our country. And yet, we retard any progress on these and other files by not being able to adequately process the cross-border trade and traffic we presently have much less what these new or revised deals potential create in additional volume.

In order for all Canadians to realize the maximum benefits of all past and future spending on cross-border infrastructure we must move quickly to once and for all address the staffing inadequacies that exist today.

No one can argue the need for a fulsome inspection process and the absolute need to secure our borders. But this can still be accomplished while at the same time remedying this huge economic and environmental crisis.

## **RECOMMENDATIONS**

That the Federal and Provincial/Territorial Governments work jointly to address this growing concern by:

1. Undertaking a thorough study to determine peak flows of commercial and vehicular traffic with the goal of matching customs and immigration personnel to meet that demand.
2. Determining through both provincial/territorial and federal trade offices the anticipated impact of increased trade/exports at our border crossings resulting from a re-negotiated NAFTA deal as well as new opportunities coming out of CETA/TPP and other international trade deals.
3. Commissioning both provincial/territorial and federal environment ministries to undertake studies to accurately determine the impact that border crossing delays have in GHG emissions with the resultant impact and costs to our health care infrastructure and budgets.
4. Strategically designing advanced pre-clearance facilities at appropriate distances away from border crossing entry points that would, through current and new technologies, allow for the

pre-clearance of commercial vehicles equipped with tamper-proof transponders thus enabling quicker, pass-through processing at international border points and relieving pent up pressures and bottlenecking that we experience far too frequently.

# OTHER

## Considering the Layered Costs of Government Policies

### DESCRIPTION

Government policies are making it harder for businesses in Canada to succeed. In the Calgary Chamber's 2017 Business Leader Market Perceptions survey, more businesses indicated government regulations and taxes as a challenge to their business than any other factor. It isn't just one specific policy, from one specific level of government, that is making it harder to run a business. Rather, a myriad of policies from all three levels of government are layering costs on the business communities. By making it harder to run a business, this "layered cost impact" is resulting in fewer job opportunities, higher prices, and is discouraging investment. It is reducing the ability of current businesses to expand and new businesses to start-up. These issues are not unique to Calgary. The Bank of Canada's Business Outlook Survey found that an "often attributed" reason for Canadian businesses not increasing capital expenditure is the tax or regulatory environment. The same report also cited carbon taxes and higher minimum wages as a reason why firms across Canada expect costs to continue to rise. <sup>83</sup>

### BACKGROUND

There are numerous policies that have been implemented by all levels of government that have been driving up business costs. As illustrated in the table below, when considering higher minimum wages, rising municipal property taxes, and carbon pricing, it's clear that businesses are facing significant cost increases. <sup>84</sup>

Layered cost impact for Calgary businesses by industry – Cost increase between 2016 and 2018<sup>85</sup>

Industry	Median Cost increase
Transport and Delivery	\$856,727
Restaurant and Hospitality	\$60,710
Retail	\$7,643
Service Providers	\$2,680

#### *Increasing business taxes*

Recent tax changes targeted at Canadian Controlled Private Corporations (CCPCs) could increase the overall tax burden facing businesses, likely reducing the available funds that can be reinvested in the business community and increasing the complexity of Canada's tax system. These changes have been implemented in addition to other federal tax changes that have increased business tax obligations. For

<sup>83</sup> Bank of Canada, "Business Outlook Survey – Spring 2018," <https://www.bankofcanada.ca/2018/04/business-outlook-survey-spring-2018/>

<sup>84</sup> For full analysis and methodology see Calgary Chamber of Commerce, "The layered costs of government policies," December 2017, <https://www.calgarychamber.com/wp-content/uploads/2018/02/Report-Layered-Cost-Impact.pdf>.

<sup>85</sup> In some industries, the layered cost increase is less than the cost due to a specific policy. This is because certain businesses within the industry are impacted significantly by an individual policy, while other businesses in the industry were not impacted, or saw a reduced property tax bill. Thus, when all businesses and policies are compared in the layered cost figures, lower cost businesses and policies pull the median down in certain industries.

example, beginning in 2016 the tax rate on investment income earned within a CCPC increased by 4 percentage points.<sup>86</sup>

These changes are exacerbated by the fact that some businesses have had to cope with increases to their provincial and municipal taxes as well. British Columbia, Alberta, New Brunswick, and Newfoundland and Labrador have all seen their corporate rates increase in the last 4 years,<sup>87</sup> while businesses in Vancouver, Toronto, and Montreal, among others, pay a disproportionate amount of their city's property tax.<sup>88</sup>

While Canada's tax system continues to impose greater costs on business, other jurisdictions are taking significant strides to improve their tax competitiveness. Due to the recently enacted Tax Cuts and Jobs Act, the U.S. marginal effective tax rate (METR) on new investments – considering corporate income tax rates and deductions, sales taxes on capital purchases, and other capital-related taxes – will significantly decrease. In fact, the U.S. aggregate METR decreased from 34.6% to 18.8%, below Canada's METR of 20.3%.<sup>89</sup>

Although internal trade-barriers aren't technically a tax, they act like a tariff by imposing costs on businesses looking to expand to other provinces. This discourages the growth of the Canadian companies driving our economy. The costs of internal trade barriers have been estimated between \$50 billion and \$130 billion.<sup>90</sup>

### *Rising labour costs*

The expansion of the Canada Pension Plan will require businesses to make greater contribution beginning in 2019. Changes to Canada's employment insurance system could also result in greater premium costs.

Businesses across the country are also facing changes that will directly increase the cost of labour. British Columbia, Alberta, and Ontario have increased their minimum wage by more than 10% in the last year, with Alberta's increasing 47% since 2015.<sup>91</sup> The increasing minimum wage is placing significant costs on many businesses. Compared to 2016, the median cost increase that an impacted Calgary restaurant and hospitality business surveyed in Chamber's layered cost assessment will face due to the minimum wage is \$51,720.

However, this calculation does not illustrate the full cost to business due to minimum wage increases. When the minimum wage increases, employees that are higher-up the pay scale also look for a raise, including some managers that are not the intended target of the policy. During the Calgary Chamber's layered cost consultations, 52% of businesses indicated that they also increase wages to higher paid staff when the minimum wage increases.

The minimum wage increase represents a clear example of how greater costs on business is resulting in unintended consequences for the broader community. During the Calgary Chamber's layered cost consultations, 55% of businesses surveyed with minimum wage staff reported staff layoffs due to the

<sup>86</sup> "Corporate income tax rates," Deloitte (2017), [https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/tax/ca-en-tax\\_2013-2017%20Corporate%20income%20tax%20rates\\_AODA.PDF](https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/tax/ca-en-tax_2013-2017%20Corporate%20income%20tax%20rates_AODA.PDF).

<sup>87</sup> Deloitte, "Corporate Income Tax Rates (%)," [https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/taxrates2018/ca\\_en\\_2014-2018\\_Corporate\\_income\\_tax\\_rates\\_AODA.pdf](https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/taxrates2018/ca_en_2014-2018_Corporate_income_tax_rates_AODA.pdf)

<sup>88</sup> Altus Group, "Canadian Property Tax Rate Benchmark Report 2017," <https://www.altusgroup.com/wp-content/uploads/2017/10/Canadian-Property-Tax-Rate-Benchmark-Report.pdf>

<sup>89</sup> Fred O'Riordan and Jack Mintz, "How US Tax Reform will Affect Canada's Competitiveness," EY (2018), [http://www.ey.com/Publication/vwLUAssets/EY-US-tax-reform-Canada-competitiveness-final-en/\\$FILE/EY-US-tax-reform-Canada-competitiveness-final-en.pdf](http://www.ey.com/Publication/vwLUAssets/EY-US-tax-reform-Canada-competitiveness-final-en/$FILE/EY-US-tax-reform-Canada-competitiveness-final-en.pdf).

<sup>90</sup> Lukas Albrecht and Trevor Tombe, "Internal trade, productivity and interconnected industries: A quantitative analysis," <https://onlinelibrary.wiley.com/doi/abs/10.1111/caje.12196>.

<sup>91</sup> Government of Canada, "Hourly Minimum Wages in Canada for Adult Workers," <http://srv116.services.gc.ca/dimt-wid/sm-mw/rpt2.aspx>.



minimum wage increase. 36% of all businesses surveyed indicating they would likely need to lay off additional staff when the minimum wage reaches \$15 this fall.

#### *Greater costs from energy regulations*

Canadian businesses are also facing greater costs from carbon levies and taxes as well as cap and trade systems. Alberta and B.C. have instituted carbon taxes at \$30 per tonne, with Manitoba also recently committing to a price on carbon. Ontario and Quebec have instituted cap and trade systems that will cost approximately \$19.40 per tonne by 2020.<sup>92</sup> The Federal government has required that a price on carbon be in place in each province by 2018. If provinces choose not to implement a carbon price of their own, the Federal price of \$10/tonne, increasing to \$50/tonne by 2022, will be levied against them.

Businesses have reported significant costs from carbon pricing. The median cost increase for impacted restaurants and hospitality businesses surveyed in the Calgary Chamber's layered cost assessment due to the carbon levy in 2018 is \$36,408.

While 73% of businesses surveyed in the Calgary Chamber's layered cost assessment indicated that their costs will increase due to the carbon levy, only 21% of those businesses plan on passing the carbon costs to their customers. Many small and medium-sized businesses do not believe that their customers can, or are willing to, pay higher prices. Therefore, they are reluctant, or unable, to pass the cost increases on to their customers. Many business owners – along with their workers and investors – have had no choice but to “eat” a large portion of the costs. In many circumstances, the higher costs paid by the business means there is less available funds to reinvest in wage, job, or business growth.

A price on carbon may be the most cost-effective way to reduce GHG emissions. However, this is being layered in addition to other regulations and interventions that increase costs and uncertainty for business, particularly for those in the energy sector. According to the Canadian Association of Petroleum Producers, there are up to 50 policy and regulatory initiatives currently being considered by the federal and provincial governments that could undermine investor confidence.<sup>93</sup>

## **RECOMMENDATIONS**

That the federal government:

1. fully consult businesses on policy changes, and work with provincial governments to undertake a “layered cost assessment” as part of the policy development process.
2. stop any further employer-paid increases to Federal employment premiums such as CPP and EI. Look for other ways to decrease labour costs so that minimum-wage businesses can remain competitive.
3. In the face of U.S. tax reform, help Canadian businesses grow by adopting a more competitive corporate tax rate regime.
4. Encourage the growth of businesses looking to expand within Canada by working with the provinces to harmonize regulatory barriers to interprovincial trade.

## **Carefully Analyze the Impacts of Proposed Amendments to the Patented Medicines Regulations**

<sup>92</sup> CBC News, “Here’s where the provinces stand on carbon prices,” <http://www.cbc.ca/news/politics/provinces-with-carbon-pricing-1.3789174>.

<sup>93</sup> Canadian Association of Petroleum Producers, “2018 Economic Report Series: A Global Vision for the Future of Canadian Oil and Natural Gas,” <https://www.capp.ca/publications-and-statistics/economicseries>.

## DESCRIPTION

Proposed amendments to the Patented Medicines Regulations (PMR) and the mandate of the Patented Medicine Prices Review Board (PMPRB) could adversely affect Canada's health systems, economy, patients and life sciences ecosystem. The amendments also go against the federal government's innovation goals and could impact access to innovative medicines in Canada.

The Canadian government's innovation and economic development strategy tries, among other things and rightly so, to reinforce the links and synergy between various players, including public and private sectors, large and small businesses and higher education communities. However, the impact of the proposed amendments goes against this orientation and could discourage innovation in Canada.

## BACKGROUND

The Canadian government announced its intention to revise the mandate of the Patented Medicine Prices Review Board (PMPRB), and held consultations in June 2016, June 2017 and December 2017 by means of a call for submissions and comments. However, despite the fundamental nature of the proposed amendments, the reform debate has been limited and major stakeholders like patients, the life sciences sector and economic development organizations and agencies were not adequately consulted. Moreover, Health Canada's Cost-Benefit Analysis (CBA) raises serious concerns, not only about the economic impacts of such a reform, but also about access to innovative treatments.

### Access to innovative treatments

The amendments proposed by the Canadian government raise major concerns. Number one, Canada's government determined a new basket of comparative countries without explaining its choice and seems to have only one goal – bring down the median international price by removing the United States and Switzerland from the group and adding countries whose markets are not comparable to Canada's, such as South Korea and Australia. Since many countries compare the price of new products with other countries, a change in Canada's position on the international price could delay access to innovative treatments for Canadians.

Number two, the fact that the PMPRB adds a pharmacoeconomic dimension to the evaluation of drug costs is redundant with other existing evaluation mechanisms, particularly since provincial payers already negotiate drug costs according to their innovative contribution relative to existing treatments.

### Economic impacts

Contrary to the CBA's statement that there will be no economic impact, this reform would likely have adverse impacts. With regard to jobs, it is difficult to understand on what basis Health Canada can claim there will be no job losses among pharmaceutical companies when their revenues would decrease overall by \$8.6 billion over 10 years in present-value terms, or 10.8 percent by 2028.

Furthermore, the \$8.6 billion figure has been challenged. According to a third party study<sup>94</sup>, this amount has been considerably underestimated by Health Canada and is likely to be \$26.1 billion over ten years. Also, the CBA does not mention the impacts of lower drug costs on wholesalers, pharmacies and generic companies.

<sup>94</sup> Proposed Amendments to Patented Medicines Regulations: A Critical Appraisal of the Cost-Benefit Analysis, PDCI Market Access Inc, January 2018

According to a study by Ernst & Young (EY)<sup>95</sup>, the proposed amendments could decrease the pharmaceutical research industry's gross revenues by 25 to 30 percent if they covered all products. This drastic reduction in revenues would cause, according to EY, a drop in economic activity of almost \$6 billion within the Canadian industry. Consequently, pharmaceutical companies' ability to invest in research and development would be greatly reduced. Given the new business model of this industry, research centres and small and medium-sized businesses offering direct and indirect services would be the most affected, since the pharmaceutical industry increasingly relies on public research centres and companies to conduct their clinical trials in Canada.

## **RECOMMENDATIONS**

That the federal government:

1. Carry out a more extensive consultation with all major stakeholders as well as a rigorous cost-benefit analysis in order to carefully evaluate the impacts of such a revision on Canada's health systems, economy, patients and life sciences ecosystem.
2. Include non-SR&ED investment when calculating the value of research and development.

<sup>95</sup> Innovative Medicines Canada, Data Analytics and Members' Economic Footprint and Impact in Canada: Analysis and Assessment of Members' Economic Footprint and Impact in Canada to Support Innovation and System Sustainability », EY, October 2017

# REGULATORY AND INTERNAL TRADE

## Protecting the National Economy by Managing the Lower Fraser River (2018)

### DESCRIPTION

As highlighted in the 2016 report titled, The Economic Importance of the Lower Fraser River, the region under discussion stretches from Richmond to Hope, and is one of the prime economic generators in Western Canada. As such, the Lower Fraser is a significant contributor to the national economy. Without clear strategic management between all levels of government and key stakeholders, the economic growth potential will not be fully realized. It is time to bring all vested interests together and chart a mutually agreed course forward that maximizes economic potential while managing risks.

### BACKGROUND

The Port of Vancouver is Canada's largest port and third largest port by tonnage in North America. It is the principal ocean gateway to the Asia Pacific markets. The impact of the port function of the Lower Fraser is comparable in importance to the impact of Canadian traffic on the St. Lawrence Seaway, both in terms of tonnage and employment:

	Lower Fraser River <sup>96</sup>	St Lawrence <sup>97</sup>
Cargo (Million Tonnes)	30.80	47.80
Jobs (FTEs)	41,860.00	63,041.00
Wages (\$Billions)	\$2.77	\$2.88
Economic Output (\$Billions)	\$9.26	\$9.81

The Lower Fraser region is home to 2.9 million people and the most developable port lands to accommodate future port growth is along the Fraser River. In addition, the Fraser River supports other key industries such as the Fraser Valley's agriculture production, over 45 forest industry facilities, and nine federal government small craft harbours that support fishing, aquaculture, recreation, tourism, shipping, and other marine activities.

### Risks

The geographical configuration of the Lower Fraser, a wide delta of silt and alluvial fill, is vulnerable to flooding and earthquakes. The port and supporting goods movement infrastructure will feel the impact of a major event: rails, highways, bridges, etc. In 2007, the Fraser nearly overtopped dykes along the Fraser Valley during the freshet jeopardizing national rail lines and the TransCanada Highway.

In 2016, the Fraser Basin Council released its first of a number of reports that studied impacts of flood risks for the Lower Mainland coastal and Fraser River areas. In summary of four flood scenarios, the financial impact are:

<sup>96</sup> The Lower Fraser River impact figures are from the Port of Vancouver Economic Impact Study for 2016, <https://www.portvancouver.com/wp-content/uploads/2016/05/2016-Port-of-Vancouver-Economic-Impact-Study.pdf>

<sup>97</sup> The St Lawrence Seaway impact is for 2014; St Lawrence data covers Canadian cargo carried on the Montreal-Lake Ontario section of the Seaway and the Welland Canal between Lake Ontario and Lake Erie.

Present-day Lower Mainland flood scenarios would result in losses estimated at:

- \$19.3 billion (coastal flood)
- \$22.9 billion (Fraser River).

Year 2100 Lower Mainland flood scenarios would result in losses estimated at:

- \$24.7 billion (coastal flood)
- \$32.7 billion (Fraser River flood).

Although there were assumptions, such as dike failure, the Fraser Basin Council researchers found that 71% of the Lower Mainland dikes assessed by the Provincial Inspector of Dikes are vulnerable to failure by overtopping during a major flood event. They further found that only 4% of assessed dike segments met provincial standards for “crest height” (0.6m freeboard above water surface elevation) in flood scenarios.<sup>98</sup>

Other reports done, for example, by BC Ministry of Forests, Lands and Natural Resource Operations (2014)<sup>99</sup>, or the Pacific Climate Impacts Consortium (2015)<sup>100</sup>, found similar impacts. It is of sufficient concern, that the cities of Delta, Surrey and Richmond likewise have done or are currently doing flood risk analyses with anticipated climate change impacts.

#### Coordination is required

The strategic management of economic growth and environmental risks on the Fraser River is challenging because of fragmented jurisdictions throughout the Fraser region. There are 15 municipal governments, 29 First Nations, and 20 provincial and federal ministries, engendering numerous legislative and bylaw regulations.

There are a multitude of issues resulting from fragmented oversight on the Fraser River, including the loss of industrial land due to pressure on local governments for residential or other development (over 3000 hectares in the last 30 years), piecemeal diking upgrades that are not continuous, and uncoordinated maintenance programs and safety responsibilities. Efforts have been made to coordinate between local governments and to work with other levels of government. However, these are issue or situation-based and not a high-level, over-arching, holistic strategic investment for the region.

As an example of recent efforts to try and bring stakeholders together, the Fraser River Industrial Association (FRIA)<sup>101</sup>, a coalition of marine-dependent industries and terminal operators, including the Fraser Surrey Docks, is advocating for key priorities that include broad and collaborative stakeholder engagement, preservation of industrial land, stewardship to protect people and habitats, channel improvements, marine and public safety, transportation access, and streamlined regulatory processes.

They, along with other stakeholders such as adjacent chambers of commerce, would support the establishment of an integrated agency/committee to manage strategy, policy and regulation in the lower Fraser River to enhance economic benefit, and would look for the opportunity to be a part of such a coordinated entity. They have identified inconsistent regulation and overburdening of permitting process of a primary stagnation to growth and investment. Lack of collaboration, understanding and awareness of

<sup>98</sup> For full Fraser Basin Reports on flood risks, go to [https://www.fraserbasin.bc.ca/Phase\\_1\\_Results.html](https://www.fraserbasin.bc.ca/Phase_1_Results.html)

<sup>99</sup> BC Ministry of Forests, Lands and Natural Resource Operations. Simulating the Effects of Sea Level Rise and Climate Change on Fraser River Flood Scenarios, Final Report, May 2014.

<sup>100</sup> Pacific Climate Impacts Consortium. Simulating the Effects of Climate Change on Fraser River Flood Scenarios – Phase 2, Final Report. University of Victoria, May 2015.

<sup>101</sup> The Fraser River Industrial Association website, [fria.ca](http://fria.ca), is a wealth of information for the Lower Fraser River region

impact of changes or roles is a contributing factor to challenging any future economic growth and development in the region.<sup>102</sup>

As stated by the Greater Vancouver Gateway Council, "Increasing the coordination of gateway activity is required to more effectively harness available supply chain capacity. Canada's Transportation policy framework should include a greater requirement to provide, in real time, logistics information that will be used to assess future infrastructure requirements, and provide a basis for more effective day-to-day coordination. Canada should act as a catalyst for developing such a system of transparency to achieve and maintain a position of supply chain excellence"<sup>103</sup>.

The provincial and federal governments need to facilitate a region wide strategic coordination to resolve issues and overcome boundaries of authority, as it is a shared responsibility. Long term strategic planning and ongoing monitoring and mitigation of risks require all relevant stakeholders to be at the table in an organized, formal process that recognizes each party's role for the river and provide the authority to coordinate region-wide goals.

## RECOMMENDATIONS

That the Federal Government work with the BC Government to:

1. Either independently and/or collectively establish a task force, agency or committee to examine the issues and create a mandate and a comprehensive plan that would include (but not be limited to) the following:
  - a. Broad stakeholder consultation
  - b. Flood protection
  - c. Navigation management
  - d. Sea level rise
  - e. Agriculture / industrial land protection and enhancement
  - f. Asia Pacific Gateway potential and the new CP-TPP markets
  - g. Earthquake preparedness
2. After development of an integrated plan consult with stakeholders and solicit buy-in to take action on the appropriate recommendations

## Addressing Barriers to Interprovincial Trade

### DESCRIPTION

Despite recent trade agreements, many barriers continue significantly impede the movement of goods, services and labour between Canadian provinces and territories, creating ongoing uncertainty that harms Canada's reputation as a secure place to invest and do business.

<sup>102</sup> As per FRIA representative, Jeff Scott, Fraser Surrey Docks.

<sup>103</sup> Greater Vancouver Gateway Council Submission for the Canada Transportation Act Review Secretariat, February 2015 [https://www.tc.gc.ca/eng/ctareview2014/pdf/Greater\\_Vancouver\\_Gateway\\_Society.pdf](https://www.tc.gc.ca/eng/ctareview2014/pdf/Greater_Vancouver_Gateway_Society.pdf) (page 10)

These challenges create barriers to international competitiveness, as Canada will be under increased pressure to resolve its own internal trade barriers as foreign direct investments resulting from international trade agreements such as CETA, and ongoing negotiations around NAFTA and CPTPP, will no longer tolerate bad behaviour from its partners.

## **BACKGROUND**

The movement of goods, services and labour between Canada's provinces and territories represents a significant cornerstone of the national economy. While international exports constitute roughly 30 percent of Canada's GDP, more than \$1 billion in trade moves within Canada every day as interprovincial trade reaches approximately \$385 billion per year and constitutes roughly 20 percent of GDP. Indeed, for most provinces, the two types of trade represent very similar percentages of their own GDP. However, interprovincial trade issues have traditionally received disproportionately less attention from legislators: while calls continue to be loudly made for greater trade liberalization and less protectionism within international trade agreements such as NAFTA and TPP, it is abundantly clear that the same approach is also sorely needed within Canada.

### **IMPACT OF INTERNAL TRADE BARRIERS AND THEIR REMOVAL**

Interprovincial trade barriers unnecessarily constrain the growth of the Canadian economy in ways both big and small.

The effect of these protectionist measures is keenly felt by provincial small and mid-sized producers, which commonly lack the volume and financial resources to sell to provincial liquor boards. As a result, many provincial liquor producers are limited in their ability to establish demand for their products in a national domestic market, which makes competition against large international producers more challenging. Interprovincial protectionist measures are also a drag on all producers who would benefit from internet-based sales and direct-to-consumer buying programs that provide better margins and enable more efficient supply management.

Perhaps most importantly, barriers to individual import of wine, beer and spirits are a hindrance to Canada's tourism industry. Many out-of-province Canadian tourists now cannot bring BC's and Ontario's fine wines home to share with their friends and are unable to participate in the wine clubs operated by many provincial enterprising wineries. Wineries lose because they are challenged to build long-term, loyal relationships with out-of-province customers. Consumers lose because their favourite label wine is not available to them at home.

Other examples abound: food safety regulations vary across the country and provinces have separate marketing boards for dairy and poultry, which can result in agricultural products produced in one province not able to be on the supermarket shelves of another. The transportation sector faces differing provincial regulations, as tires sizes and safety regulations for commercial trucks hauling large or dangerous goods are not harmonized across Canada. Refiners also face differing rules, as the ethanol mix allowed in fuel changes province to province.

Moreover, the country also lacks a single securities regulator and some barriers to labour mobility still exist. The myriad of differing regulations that exist across the country make Canada a complex market to do business with, and add to the cost of doing business.

According to Statistics Canada, these collective barriers have essentially amounted to a 6.9 percent tariff between provinces, and have a particularly acute impact on trade relating to direct business inputs. Estimates indicate that trade barriers are unnecessarily constraining growth, constraining Canada's economy by an estimated 7 percent.

Removal of these barriers could therefore have a significant impact for Canadian businesses and consumers alike, as recent studies indicate that meaningful liberalization of internal trade could add \$50 billion to \$130 billion to Canada's overall GDP. Using a mid-range estimate of \$100 billion, these economic gains represent more than \$7,500 per household per year ; this would also serve to cut the Canada-U.S. productivity gap by as much as one-third. The scope of this issue, and the considerable gains that could emerge from its resolution, has led the Canadian Chamber of Commerce (CCC) to repeatedly identify this as one of the country's top 10 barriers to growth ; the CCC also identified this issue as a central impediment to Canada's regulatory competitiveness in a May 2018 report.

#### PRIOR EFFORTS TO ADDRESS INTERNAL TRADE BARRIERS

The provinces themselves have made some efforts to address these via regionalized agreements, and while these have frequently offered a framework for discussion, their overly broad nature have traditionally failed to effectively address ongoing concerns. In an attempt to rectify these and other such regulatory misalignments, the federal, provincial and territorial governments signed the Canadian Free Trade Agreement (CFTA) in April 2017.

While it provides some progressive relief measures on specific areas such as procurement, much of the 300-page document is dedicated to exemptions, creating opt-out measures on many key files that continue to pose significant issues at the sub-national level. Moreover, there exist many persistent regulatory concerns that fall outside of the CFTA's intended purview. Conversely, Australia sought to achieve the same goals of the CFTA in 1992 with the Mutual Recognition Act, a 17-page document that simply stated that goods and workers regulated in one state could freely flow to another.

In the wake of the CFTA's announcement, many business organizations, including the CCC , indicated that the long-term success of this agreement would depend upon concerted efforts by the signatories to view it as a framework to engage in active regulatory reconciliation and cooperation. However, many examples of the CFTA's insufficiency on this front have emerged since its passage, as parties have continued to engage in on-again, off-again trade conflicts both public and private -- conflicts which this agreement was theoretically designed to address and avoid.

Additionally, unlike measures Canada has built into its international treaties, the CFTA fails to institute meaningful tools for dispute resolution. The associated monetary penalties that have been updated within the CFTA are equally inconsequential, with the maximum being \$10 million for the largest of the provinces; this is arguably insufficient, given that the previous maximum penalty of \$5 million under the previous 20-year-old Agreement on Internal Trade, not to mention the potential billions at stake.

This system for settling disputes under the Canada-EU provides recourse for companies that feel they have been unfairly treated to take action directly against the offending state. The lack of truly meaningful efforts of this nature withi Canada means that unless the federal government takes action now to eliminate internal trade barriers, European companies bidding on Canadian government work will gain an institutionalized edge over Canadian businesses trying to win similar contracts outside their home province once CETA is enforced.

Additional challenges to the goals and the effectiveness of the CFTA have since arisen through the Supreme Court of Canada's April 2018 ruling on the Comeau case – a case in which the CCC served as intervenor -- which effectively declared that Canada has no constitutional guarantee of free trade between provinces. This was considered to be a significant blow to the pursuit of a common market within Canada via the courts, confirming that the critical work of ongoing modernization of the rules governing interprovincial trade must be advanced by the federal, provincial and territorial governments.



In the words of Chamber President and CEO Perrin Beatty, "We have to decide at this point in Canada whether we are one country or 13."

## **RECOMMENDATIONS**

That the federal government:

1. Work with the provincial and territorial governments on the mutual recognition of regulations, rules and policies to allow for the free movement of labour, goods, and services in Canada and the reduction of exceptions as currently established within the Canadian Free Trade Agreement.
2. Conduct a full review of the CFTA with a view to further eliminating barriers to trade, investment and labour mobility, ensuring that the agreement:
  - Covers all sectors of the economy and includes all government entities including ministries, crown corporations and regional and local governments, without exception;
  - Institutes a dispute resolution mechanism for persons that includes access to a panel with binding and enforceable powers, including the ability to impose higher financial penalties that are more appropriately reflective of the stakes inherent in interprovincial trade;
  - Include a specific focus on the removal of barriers to inter-provincial trade in wine, beer and spirits; and
  - Ensures that the agreement includes the elimination of non-tariff trade barriers to encourage competition and ensure a level playing field for signatories and their respective businesses.
  - Protects the flow of primary GDP drivers in each respective province and territory

## **Funding Transparency for Special Interest Groups**

### **DESCRIPTION**

Special interest groups and registered charities are increasingly engaging in acts of social and political activism. In order for Canada's regulatory system to work effectively, it is essential that all levels of government, the media, and the public are fully aware of who is influencing the messages and activities of these organizations.

### **BACKGROUND**

The influence of well-funded special interest groups, often operating as registered charities in Canada, has grown to the point where governments, the media, and the public require greater transparency in regard to the funding sources of these entities.

Requiring additional transparency does not necessarily mean that these organizations are engaging in unlawful or unethical activities. Many thousands of charities and other groups do very important work that helps to make Canada a better place to work and live.

There are a growing number of cases in which these entities are being funded by undisclosed investors or governments beyond Canada's borders however, often with disastrous impacts on the Canadian economy, infrastructure and resource development projects, and investor confidence.

Regardless of whether it is a pipeline, the construction of other export infrastructure, or natural resource development projects, foreign-funded protests of these projects are doing real damage to the Canadian economy and the country's attractiveness as a destination for foreign investment.

The outright banning of protestors is not a reasonable or desirable option, since hearing legitimate opposition to projects by citizens is part of living in a free country. However, allowing wealthy, foreign activists and governments to secretly manipulate regulatory hearings, media coverage, and on-site construction through their funding and manipulation of Canadian-based charities is not in Canada's best interest and must be stopped.

## **RECOMMENDATIONS**

That the federal government:

1. Require intervenors in public consultations (including environmental impact assessments and National Energy Board hearings) as part of their applications to publicly declare the sources of their foreign and domestic funding for amounts greater than \$2,000.

## **Cannabis Legalization: Patient Rights and Level Playing Field for Business**

### **DESCRIPTION**

At the onset of cannabis legalization, the only regulated products available to consumers will be dried flowers, and oils containing maximum 3% THC. This means that the majority of products currently available to Canadians in the unregulated market will not be available to them through regulated government producers or retailers.

This poses problems for Canadians on two levels - patient access and market fairness.

### **BACKGROUND**

The unregulated cannabis retail industry in Canada has existed for 20 years, and at its inception was focused solely on medical and therapeutic benefits of cannabis. Product diversity has evolved over this period to include hundreds of products that serve the needs of patients and consumers alike. Many suffering from chronic pain, sleep disorders, seizure disorders, cancer and other illnesses rely on concentrated and edible products for their health and wellness.

The cannabis industry in Canada has developed many unique and sophisticated products. Many Canadians have come to realize the benefit of these products and have integrated them into their lifestyles. These products allow patients with unique needs to find constructive cannabis solutions without smoking, improving their health and wellness.

Medical Doctors, Nurse Practitioners, and Psychiatrists are the gatekeepers for cannabis medicine; they are not trained in cannabis medicine and in fact are instructed to limit access to cannabis. Because of this, many sick Canadians are not able to secure legal access and instead turn to the unregulated dispensaries for information and access.

In addition, the Health Canada system requires patients to purchase online or by phone from service personnel who are not allowed to share any information about potential benefits of the products. Many patients who do have Health Canada access still choose dispensaries for the product diversity, service, and human connection. In addition to access and information limitations, the Federal government has elected to apply the GST and a 10% excise tax to medical patients.

In fact, due to the failings of the Federal system, in 2016 Supreme Court Justice Phelan, called the existing unregulated dispensaries “the heart of cannabis access”<sup>104</sup>. Dispensaries are the chosen access point for many Canadian patients, and their continuity of access and right to choose this non-toxic plant-based medicine must be championed.

The proclamation of Bill C-45 will bring about product restrictions, with virtually all derivative products inaccessible for as much as a full year. The various product types that will remain unregulated for the first year include concentrates, edibles, and topicals. Suppositories also exist and prove very useful for many seriously ill patients, but very little comparative data exists.

A July 2017 report in Business Insider showed the change in the California market over a two year period<sup>105</sup>. The clear trend was a reduction in dry flowers and a significant increase in derivative products. These trends continued over the next 2 years. This easily places over 40% of consumers outside the regulated system.

This means that the most vulnerable among us, sick and chronically ill patients, will be without the products that have served them and in some cases, saved them. Further, the product restrictions ensure that black market sources will continue to be utilized by over 40% of consumers. Of this 40%, a sizable portion will be patients. Product restrictions put consumers and patients at risk of criminalization.

In addition to the challenges of patients, regulated retailers will be in a tenuous position. With only a small fraction of the products available through unregulated sources, regulated retailers will be at a competitive disadvantage. Product restrictions place regulated retailers in an unfair position and jeopardizes the viability of their businesses.

Higher potency products have many benefits and are popular with consumers. Concentrates, including vaporizer cartridges, are the second biggest product category and the growth of this category outpaces all others. There is a large diversity of concentrate products, including:

1. oil vapourizer pens and cartridges,
2. concentrated oils,
3. cannabis kief and hashish.

Many consumers have found that ingesting cannabis is their preferred method to consume. The edible market consists of capsules, tinctures, Infused foods, candy, chocolate, and beverages, and comprise about 12% of cannabis sales in Colorado, Oregon and Washington.

While baked and candied edibles that are appealing to children must be handled carefully due to the possibility that youth may mistake these for uninfused products, these products can be made accessible to adults if proper education regarding safe storage is provided.

Though this segment of the market is relatively small, it's a healthy segment with a strong growth rate at 83%, averaged over Washington, Colorado, and Oregon. These products have proven to be a safe and attractive entry point for many new consumers, when compared to other market segments. Topical products that are popular in the unregulated market include:

1. skin care creams and lotions,
2. pain relief patches, salves and balms,
3. massage oils,
4. bath and beauty products,
5. personal lubricants.

<sup>104</sup> "Vancouver Federal Court judge rules medical marijuana law unconstitutional"  
<http://www.vancouversun.com/health/vancouver+federal+court+judge+rules+medical+marijuana+unconstitutional/11740821/story.htm>  
|

<sup>105</sup> Business Insider, <http://www.businessinsider.com/vaping-marijuana-industry-2017-7>

By excluding concentrates, edibles and topicals from the legal market, we are ensuring that:

1. over 40% of consumers have no alternative but to seek unregulated sources,
2. a large portion of these consumers will be patients who can't access the medicine they need in the regulated system,
3. patients and consumers run the risk of criminalization for accessing cannabis products.
4. the strongest growth segments will be the sole domain of unregulated retailers,
5. regulated retailers will by default lose an equivalent share of revenue,
6. the government will forgo the corresponding tax revenue.

Knowing that:

1. the federal government is working towards the release of cannabis products not more than one year from legalization,
2. faced with a lack of available products, consumers will develop spending patterns that are not supportive of regulated retail storefronts,
3. US states that have legalized cannabis have made the full product diversity of the unregulated industry available from the onset.

## **RECOMMENDATIONS**

That the Federal Government:

1. Advance the introduction of the full range of cannabis derivative products to the earliest possible time.

## SMALL AND MEDIUM-SIZED BUSINESS

### Helping SMEs Prepare for International Success

#### DESCRIPTION

In Canada, SMEs account for more than 90% of all private sector employment and less than one third of our GDP. They contribute 25% to our goods and services exports. At a G7 level, SMES account for 50% of GDP and 56% of employment.

#### BACKGROUND

The Organisation for Economic Co-operation and Development (OECD) reports found that entrepreneurs whose firms operate internationally believe their companies have improved prospects for sustained revenue growth and increased employment creation. Clearly, there is an opportunity for Canadian SMEs to increase their contribution to our GDP and exports. The leading business associations of the G7 countries advocate that all their economies benefit enormously when governments provide additional tools that not only support but also scale up SMEs to grow into larger, sustainable, globally competitive enterprises.

The 2018 federal budget commits the federal government to being “a more client-focused federal partner for business”. The federal government has introduced initiatives, for example the Innovation Canada portal, to make it easier for entrepreneurs to obtain information about and apply for support programs through a single window. Global Affairs Canada's Can Export Program and Trade Commissioner Service also assist Canadian SMEs in pursuing international market success.

For Canadian companies, the pursuit of new business in new markets happens as a result of a “push”, i.e., new business via a strategic, planned entry into a new market, or a “pull”, i.e., demand for the company's products, services or technology from a new foreign market. While the push is the safest way to begin exporting, the reality is that the pull often is the most common form of new market expansion for many SMEs. The allure of the foreign company that wants what you have, can (and does) cause many SMEs to devote an extraordinary effort to servicing a new foreign customer based on volume and potential. This pull is typically not a strategic or planned entry, and while the reward can be great, the risk can be devastating for an SME if it fails to materialize.

Regardless of which type of new market entry the company is chasing, one of the biggest pitfalls for the SME is failing to meet regulatory compliance in the purchaser's country or region/state/province. SMEs need to be able to confirm to the “hot” international prospect—often very quickly—that they can meet the country's/region's regulatory requirements, or not. If not, SMEs also need to be prepared to quickly assess what it takes to meet the regulatory framework in the pull market to assure a prospective customer that—if the customer is interested enough in the product or service—they will take the steps necessary to achieve regulatory compliance. If the SME cannot give a prospective customer one of these answers quickly, the prospect will move on to another supplier and the opportunity is lost.

Most SMEs don't have the internal resources to locate and assess the national/regional regulations applicable to their products, services or technology in other countries. Finding resources—most often consultants—are the most effective—in the prospect's country to assist in this regulatory analysis can take time a prospective customer may not be prepared to wait. Assisting SMEs to quickly connect with the help they need to navigate other countries' regulations (often in other languages) to determine which of the above scenarios they can or should pursue when an international customer is ready to buy, would help many SMEs succeed where they might not do so today.

Global Affairs Canada's Trade Commissioner Service often provides valuable "on the ground" resources to Canadian business seeking to expand/push into foreign markets. However, their ability to direct businesses to consultants with the regional, sector-specific regulatory expertise required is limited to providing non-curated connections to on-the-ground entities. Typically these connections involve a list of consultants that the entrepreneur must take it upon him/herself to vet on their own to find a fit.

The Business Development Bank of Canada's (BDC) Advisory Services connects entrepreneurs to consultants for consulting on all issues related to running a business, including international growth strategies ranging from strategic planning to ISO certification. These capture the push model of new market expansion well. For the company facing a pull expansion model, a similar service that includes vetted in-country consultants with vertical and sector/region-specific regulatory expertise would be of great benefit to SMEs on the cusp of success in another country.

There are also international regulatory experts within the federal government that could also provide this market pull type of advice to SMEs.

## **RECOMMENDATIONS**

That the federal government:

1. Provide an integrated digital platform that builds on the tools from Innovation, Science and Economic Development Canada, the Business Development Bank of Canada, TFO Canada and Export Development Canada that also expands on search functionality to include search customization including not only country, but region/state/province, vertical and sector.

## **Changing the Canada Anti-Spam Legislation to Help Small Business**

### **DESCRIPTION**

Small and medium businesses remain concerned about the impact of the Canada Anti-Spam Legislation (CASL) and their ability to contact potential customers and clients for their business. Further because of the ambiguity and concerns many are simply not connecting with potential customers or clients for fear of reprisal under the Act.

### **BACKGROUND**

Canada's Anti-Spam Legislation (CASL) came into force in 2014 and has had mixed reviews about its effectiveness in reducing email "spam" with some citing a noticeable reduction while others indicate it has significantly affected the ability to communicate through normal business channels.

The House of Commons Standing Committee on Industry, Science and Technology completed a study on CASL in the Fall of 2017 and tabled its report in the House of Commons. The report can be viewed at <https://www.ourcommons.ca/DocumentViewer/en/42-1/INDU/report-10/>.

In the report the Committee did make a number of recommendations to the Government to provide better clarity to the Act and better interpretation of the rules. It did not however call for the repeal of the Act nor a significant overhaul of the Act.

The Canadian Chamber of Commerce currently has 17 recommendations around CASL that are helpful advice to the Government on making the Act more “business friendly.” To date and to the best of our knowledge none of these have been implemented.

The Government of Canada did respond to the Committee's report indicating it would take the recommendations under advisement but wishes to ensure continued CASL in its present form. It did agree to review various definitions in the Act to provide better clarity. The Government's response forms part of the Committee report above noted.

Small and medium business people do not want to live in fear that simply because they send a one-off email to someone they met or heard about to introduce their company would be subject to penalties under CASL. They wish to make business acquaintances in the normal course of doing business which should not be considered “spam” under the Act.

## **RECOMMENDATION**

That the federal government:

1. amend the Canada Anti-spam Legislation to permit an initial email contact to a prospective business client with the option to indicate that no further communication is desired by the recipient after the initial contact.

# SOCIAL POLICY

## Making Canada Truly Accessible and Inclusive

### DESCRIPTION

Tangible improvements in the built environment are needed to improve accessibility and to promote equality and inclusion for Canadians with disabilities. With a disparate patchwork of regulations and codes having evolved over the years, there is a strong need to harmonize all levels of government in Canada around a common national approach to accessibility, complementing complex and varying municipal and provincial codes.

### BACKGROUND

In November 2015, Prime Minister Justin Trudeau initiated a process to engage Canadians directly about what is needed in new Accessibility legislation that would help remove barriers and prevent new barriers from being created for persons with disabilities.

In June 2016, The Honourable Carla Qualtrough, Minister of Sport and Persons with Disabilities began her discussion with Canadians by launching a new website, Accessible Canada, where she asked all Canadians to think about what accessibility means to them and what it could mean for their communities. Between June 2016 and February 2017, over 6,000 Canadians and over 90 organizations shared their ideas about an accessible Canada, marking the largest and most accessible consultation on disability issues that Canada has ever seen.

In this consultation, it was recognized that, “new federal legislation will not address every barrier that Canadians with disabilities face. In fact, many issues raised were beyond the reach of federal jurisdiction.”

Minister Qualtrough continued to note, “Moving forward, we’re going to take what we learned through this historic consultation process to develop new federal accessibility legislation that will provide all Canadians a better chance to succeed in their local communities and workplaces. We will also share what we learned with all levels of government and encourage them to join us in our journey to make a more accessible Canada.”

Participants in the government’s consultations noted, “The new legislation should lead to more consistent experiences of accessibility across Canada with all levels of government working together to improve accessibility in all areas. New legislation should build on existing standards that are already working well.”

The Rick Hansen Foundation’s Accessibility Certification™ Program provides the roadmap for the adoption of universal principles and a way for governments to work together.

As governments work to promote equality and inclusion for Canadians with disabilities, a scaling-up of the Foundation’s Accessibility Certification™ program will help make Canada truly accessible for people with disabilities.

The accessibility certification program is an exciting social innovation which includes a professional training program and a LEED-style rating and recognition system, which promotes increased access through the adoption of Universal Design principles. Over the last two years, efforts to consult with industry, the community of people with disabilities as well as all levels of government across Canada have been comprehensive and generated wide-spread support for all aspects of the program.



The accessibility certification program presents the opportunity to get out ahead of the looming demographic shift with aging baby boomers and support an industry-led program that will do for accessibility what LEED did for the adoption of energy efficiency – driving tangible improvements in the built environment that will benefit all Canadians.

This initiative has received the endorsement of, and funding from, the government of British Columbia. Through this funding, the RHF is offering approximately 1,100 complimentary registrations and ratings in British Columbia to any non-profit or for-profit commercial or institutional spaces until March 2019 (valued up to \$5,500). Once rated, organizations may qualify to apply for up to \$20,000 in funding for accessibility improvements.

Other provinces, including Nova Scotia, Manitoba and Ontario, have also expressed interest. This shows the need for standardization and allows the opportunity to harmonize the public and private sectors around a common national approach to accessibility and to incent tangible improvements.

The Canadian Chamber of Commerce is taking a lead role as they move into new quarters in Ottawa. The Chamber made a special point of having contractors work to make the new premises certified through the Rick Hansen Foundation Accessibility Certification™ Program. This will allow the Canadian Chamber to setting the example and leading the way for our network of influencers.

## **RECOMMENDATIONS**

That the federal government:

1. Adopt the RHF Accessibility Certification program to operate as a voluntary complement to the accessibility requirements of the National Building Code guideline B-651-12.
2. Conduct a baseline rating of all buildings they manage directly or have jurisdiction over (e.g. Crown corporations) with an aim to certifying as many as possible.
3. Work in partnership with the provincial, territorial, municipal and indigenous governments as well as the private sector to support the national scale-up of the RHF Accessibility Certification program.

## **Reforming the Canada Health Act to Achieve System Efficiencies**

### **DESCRIPTION**

Rising deficits and debt at both the federal and provincial levels of government require examinations of all departments and ministries to determine efficiencies and appropriate spending restraints.

In the massive health care portfolio, recent research indicates the current Canada Health Act provides a major barrier to expenditure and operational reform, particularly at the provincial level.

### **BACKGROUND**

The Atlantic Chamber of Commerce submitted and passed a resolution at the 2017 Annual General Meeting (AGM) of the Canadian Chamber of Commerce in Fredericton, New Brunswick, which recommended that the federal government, in partnership with the provinces and territories, review the Canada Health Act (CHA) to provide an up-to-date framework for supporting a sustainable and modern system including expanded treatment options, access to private services, and the possibility of an income-based health services deductible.

Subsequent to the 2017 Canadian Chamber AGM, a May 1, 2018 report from the Fraser Institute concluded that the CHA prevents Canadian provinces from implementing proven health-care reforms that would improve the system and shorten wait times.

The Act designates rules related to cash transfers from the federal government to the provinces for operation of their health care systems. It also allows Ottawa to withhold funds from any province considered in violation of the legislation. Many legal analysts have observed that current provisions are vague and interpreted unilaterally by the federal government, making long-term planning at the provincial level increasingly difficult.

Fraser Institute research has concluded that although the Canada Health Act does not explicitly prohibit certain practices including private for-profit institutions and services, federal administrations have interpreted the legislation to disallow such activity which essentially prohibits any provinces from pursuing major reforms or cost efficiencies.

Also, the CHA does not allow the use of designated reforms applied in other universal health care jurisdictions, such as cost sharing using deductibles, co-payments, and co-insurance payments. No Canadian province uses cost-sharing however it is applied in Australia, France, Germany, Holland, Sweden and Switzerland.

Health care is the single-largest budget item for every province in Canada, ranging from 34.3 percent in Quebec to 43.2 percent in Ontario during 2016. Any significant change in health care spending can deliver a significant impact on public fiscal balances, the resources available for other programs, and tax competitiveness.

A December 18, 2017 opinion column in The Toronto Star by former University of Toronto President David Naylor noted that the fundamental model for financing and delivering health care in Canada has not significantly changed. Technologies are not reducing wait times and many Canadians do not have access to a family doctor. A heavy volume of issues originate from a federal-provincial framework which has not moved beyond covering hospitals and doctors. Naylor's conclusion was that Canada cannot continue "delivering health care as we always have."

As the national business sector has grown increasingly concerned with public debt and deficit levels within all levels of government and the corresponding impact on economic competitiveness, containing spending in the health care portfolio should be considered a priority for overall restraint, determining efficiencies, and examining alternative delivery models including an expanded role for the private sector.

## **RECOMMENDATIONS**

That the federal government in partnership with all provinces and territories:

1. Review and revise the Canada Health Act (CHA) for explicitly allowing provinces to implement reforms including private sector delivery as an option for generating cost efficiencies and more effective service models, while protecting the universality of health care for all and evaluating options for implementation through best practice models world-wide. Ensure the new language in the CHA is patient-centric rather than hospital-centric as it exists today.

## **Addressing Entrepreneur & Employee Mental Health**

### **DESCRIPTION**

Mental health challenges faced by employees and entrepreneurs are directly impacting the nation's economy. Efforts to compile mental health related research and data nationally and internationally, documenting trends and best practice treatments could improve outcomes for those suffering with mental health issues while reducing cost to business. Anxiety and depression from exposure to excessive stress impacts productivity and depletes the entrepreneurial spirit. Despite a greater focus on entrepreneurship, overall rates of new business formation have been falling since the 1980s , and only 51 per cent survive past five years .

## **BACKGROUND**

Entrepreneurs create the vast majority of new jobs, pull economies out of recessions and create prosperity. Despite their importance to the country, entrepreneurs struggle silently with elevated levels of stress, anxiety and depression due to the high stakes of starting a new business.

While mental health concerns of employees in traditional workplaces has been an ongoing concern for researchers, entrepreneurs and those engaged in new modes of work as independent contractors face unique challenges. These more independent modes of work require targeted research to address their particular concerns. Steps to address these challenges would support rates of business formation.

A 2017 study by Bluteau DeVenney showed that 72 per cent of entrepreneurs live with some form of mental illness, 40.5 per cent report their mental health had worsened since becoming entrepreneurs and 47.3 per cent report a decline in their overall health. Starting and building a business caused negative impacts in the personal relationships and social lives of 74.5 per cent of respondents. Entrepreneurs are 3.5 times as likely to experience mental illness and five times as likely to contemplate suicide as the general public.

These issues have a high cost to business and the economy. According to the Canadian Mental Health Association, the economic burden of mental illness in Canada is estimated at \$51 billion per year . This includes health care costs, lost productivity, law enforcement, corrections and reductions in health-related quality of life. The statistics are stark. Unemployment rates can be as high as 70 to 90 per cent for people with the most severe mental illnesses. In any given week, at least 500,000 employed Canadians are unable to work due to mental health problems. The cost of a disability leave for a mental illness is about double the cost of a leave due to a physical illness. According to a study by Morneau Shepell, the scope and cost of allowable Workers' Compensation claims has broadened across the country. Increasing claims of workplace mental health injuries are causing rates to rise, described by some businesses as "crippling."

Costs related to mental health for employees are escalating. Prevention and management is essential. Creation of a "Centre of Excellence" dedicated to research and data collection measurement and tracking of incidence rates, broadly sharing treatment techniques, and creating awareness will assist government bodies in developing legislation and regulation. The federal government announced \$17.5 million over four years, starting in 2018–19, and \$9.2 million per year ongoing, to create a Centre of Excellence on Post-Traumatic Stress Disorder (PTSD) and related mental health conditions for veterans and Canadian Armed Forces members. Considering the wide-sweeping impacts mental illness is having on many first responders, employees and entrepreneurs, the scope of the centre could be expanded within current funding levels with support of academia, government, health professionals and private business.

Federal Budget 2017 proposed to invest \$5 billion over 10 years to support mental health initiatives. Through this funding, access to mental health support will be improved for as many as 500,000 Canadians under the age of 25 who cannot currently receive even basic mental health services. It is also essential to provide improved access to mental health supports for entrepreneurs to support growth in Canada's economy.

## **RECOMMENDATIONS**

That the federal government:

1. Develop a national strategy to address mental health in partnership with the provinces and territories that includes consideration for mental health challenges for business owners and entrepreneurs
2. Support a national research project and encourage provincial health agencies to provide data on mental health outcomes of individual programs
3. that existing funding envelopes be used to provide sufficient funding for provincial/territorial plans to address mental health challenges
4. Ensure that government benefits compensation programs for individuals with mental health issues does not disproportionately place the cost burden on employers.

## **Ensuring a National Pharmacare Plan is Effective And Sustainable**

### **DESCRIPTION**

The Government of Canada has indicated its interest in establishing a national pharmacare program and has appointed former Ontario Minister of Health and Long-Term Care, Dr. Eric Hoskins, to convene and lead an Advisory Council to study the initiative.

While ensuring all Canadians have access to the medicines they need is a laudable goal, any pharmacare program must be designed in a way that is fiscally sustainable, ensures continued access to innovative medicines, and does not crowd out the superior coverage options offered by the private sector. If the government is to move forward with a federal pharmacare plan, it must give Canadians an advantage over what the system currently offers.

### **BACKGROUND**

In recent years, there have been calls for the implementation of 'pharmacare' in Canada. At their annual meeting in July 2017, the Premiers requested that the federal government engage in discussions on establishing a national pharmacare program. Ontario has begun to expand their public drug plans to include demographics such as youth under 25 and, in future, the elderly. With the formation of a national Advisory Council on pharmacare, it is likely that the federal government will attempt to unveil a plan before the next election in 2019.

While medicines taken in hospitals are covered by provincial governments, those taken in a community setting are paid for in different ways, including public drug plans, private group insurance plans and individual insurance plans, and cash payments out of pocket. Most Canadians currently have, or are eligible for, some type of drug coverage. The Conference Board of Canada estimates that only 1.8 percent of the population does not have access to drug coverage. A strategic approach to pharmacare would therefore be one in which government and private sector stakeholders work to 'close the gap' for the small proportion of Canadians who are not currently eligible for, or enrolled in, insurance coverage.

The case for improved access to prescription drugs (including vaccines) is a strong one: decreased access and adherence to medicines can lead to suboptimal health outcomes for patients and increases spending in other areas of the health care system, such as hospitals and health professional resources. A well-designed pharmacare program would help drive down costs in other areas of health care by reducing costlier interventions like surgery, and easing the burden of the impending health care human resource shortage. Integrating the financing of prescription drugs into the broader health care system would also

provide opportunities for administrators to consider how and where spending may impact other treatments and subsequent outcomes.

However, many stakeholders – such as the pharmaceutical industry, benefits providers, health care providers, and patient groups – have identified a critical problem with existing proposals for pharmacare: an assumption that the primary goal of any government plan should be to drive down the negotiated price of pharmaceuticals, rather than improve drug access and adherence, and subsequent health outcomes for Canadians. Government plans already cover far fewer medicines than private plans, and tend to favour generics over brand drugs. If the federal government drives down pharmaceutical prices, Canada will become a less competitive market and fewer new drugs will be launched in this country, impacting both patient choice and quality of care.

Continued access to a comprehensive drug formulary and innovative new medicines is critical to ensuring Canadians remain healthy and productive. A focus on cost rather than access will harm Canadian patients, and Canadian businesses both in and outside of the health sector.

## **RECOMMENDATIONS**

If a federal pharmacare plan is to be introduced, the Canadian Chamber of Commerce urges the Government of Canada to:

1. Focus on a 'gaps approach' to pharmacare, in which the public and private sectors collaborate to ensure that no Canadian lacks timely, equitable access to the new innovative medicines they need. Leverage the existing public-private coverage system to provide for patient choice, harness the efficiency of private sector administration, establish a national strategy for catastrophic/orphan drug coverage, and ensure the fiscal sustainability of a pharmacare plan.
2. Consult and engage with private sector stakeholders (such as pharmaceutical companies, benefits providers, and health care practitioners) when designing and implementing a national pharmacare program to prevent unintended consequences, i.e. loss of access to medicines.
3. Use a national pharmacare approach to streamline, and incentivize local innovation and R&D across the country, particularly clinical trials, to ensure Canadians continued to have access to a high quality of care .
4. Collaborate with the Provinces and Territories to ensure the plan is effective across diverse health care systems, delivers equitable access for all Canadians who require it, and is implemented independent of cost-cutting legislation.

# TRANSPORTATION

## Grays Bay Road and Port Project

### DESCRIPTION

The key policy objectives of the Canadian Chamber of Commerce include increasing the economic development contribution of business in the territories.

This includes Canada's ability to bring natural resources to global markets.

Canada's territories face a significant infrastructure deficit which has not only remained a barrier to economic and business development in the region but has also impoverished the quality of life people in many communities.

### BACKGROUND

In 1958, the Diefenbaker government made the decision to build the Road to Resources, a 736 km road from Dawson City, Yukon to Inuvik, NWT. Currently Canada has an opportunity of national significance that will transform territorial economic development through the 21st century, via the Grays Bay Road and Port Project (GBRP). The GBRP is a transportation system, that once completed, would connect the rich mineral resources of the Central Arctic, which straddles Nunavut and the Northwest Territories, to Arctic shipping routes. The GBRP consists of a 227 km all-season road that connects Nunavut to the national highway and rail systems in the Northwest Territories via the Tibbitt-Contwoyto Winter Road and a deep-water port strategically located at the mid-point of the Northwest Passage.<sup>106</sup>

In 2017, the Government of Nunavut and the Kitikmeot Inuit Association (KIA) applied for \$415.1 million in funding for the Grays Bay Road and Port Project from the federal government's National Trade Corridors Fund (NTCF). The NTCF was announced in 2016 and the government committed \$2 billion in funding over 11 years to it in the 2017 federal budget (including \$400 million targeted to northern territorial infrastructure). The federal government received comprehensive funding proposals totalling \$10 billion in its first call for applications. In April, the federal government denied the funding application for the Grays Bay Road and Port Project and the KIA has assumed the role of sole project proponent.

As the next step in its project funding process, the KIA anticipates that it will revise and resubmit its proposal to the NTCF for the program's intake targeting northern projects, expected to be called for in late 2018. This proposal will be focused on securing 75% of the \$25.95 million required, i.e., \$19.46 million, to move the project to "shovel ready" status; meaning the completion of environmental assessment, geotechnical investigation, permitting and detail design processes.

A strategic infrastructure investment by the federal government in the Grays Bay Road and Port Project would provide several key social and economic benefits. A brief overview of some of these benefits include:

- Reducing the cost of living and improved quality of life through timelier and less expensive delivery of durable goods to the Central Arctic;
- Strengthening northern sovereignty, safety and security;

<sup>106</sup> [https://www.gov.nu.ca/sites/default/files/grays\\_bay\\_port\\_pamphlet\\_english.pdf](https://www.gov.nu.ca/sites/default/files/grays_bay_port_pamphlet_english.pdf)

- A deep-water port allowing for minerals to be exported;
- Stimulating the regional, territorial and national economies by growing the mining sector and associated support services;
- Increasing private sector economic development in the Arctic;
- Reducing the need for taxpayers' dollars to support infrastructure development and resupply in Nunavut due to reduced air transportation costs;
- Paving the way for improved telecommunications services to the territories (through fibre optic cable or microwave towers);
- Creating the opportunity for greener power and energy sourcing and distribution opportunities. (Improvements to energy infrastructure would result in significantly decreased costs to local governments and improve the investment climate in the territories.);
- Increasing use of the Northwest Passage; and
- Growing the tourism sector.

In 2016 the Prospectors & Developers Association of Canada (PDAC) released a report entitled the "Northern Resource Potential - The role of infrastructure"<sup>107</sup>. The report identifies that although 40% of Canada's land mass lies above the 60th Parallel, this region contains only 12% of all known mineral deposits, suggesting that there are significantly more discoveries waiting to be made in the territories. The report goes on to mention that of the 1,079 undeveloped mining projects in Canada, 153 of these are above the 60th Parallel (54 projects in Yukon, 48 in Northwest Territories, 44 in Nunavut and 7 in northern Quebec). Strategic infrastructure investments are vital to help gain access to northern mineral rich deposits, which can in turn spur impactful social and economic gain for the local communities in the territories.

Moreover, the National Aboriginal Economic Development Board has been studying the issue of infrastructure needs of northern communities and several reports highlight the business case for a northern economic infrastructure system. The 2016 report, "Recommendations on Northern Infrastructure to Support Economic Development", noted benefits which include: increased business opportunities, reduced cost of living, better access to goods and services, improved food security, diversification of power and heating options, and lowered costs to deliver government services and programs.<sup>108</sup> The GBRP in concert with MMG Canada's Izok Corridor Project<sup>109</sup> will, over a 15 year-period, raise Nunavut's GDP by a total of \$5.1 billion and Canada's by \$7.6 billion.<sup>110</sup> With more than \$2 million already invested in preliminary design and environmental assessment work by the KIA and the private sector, the Kitikmeot region expects that Grays Bay Road and Port Project will deliver economic opportunities for all businesses within the region and many beyond.

## RECOMMENDATIONS

That the Federal Government:

<sup>107</sup> [http://www.pdac.ca/docs/default-source/priorities/pdac-national-infrastructure-study.pdf?sfvrsn=3091b398\\_0](http://www.pdac.ca/docs/default-source/priorities/pdac-national-infrastructure-study.pdf?sfvrsn=3091b398_0)

<sup>108</sup> <http://naedb-cndea.com/reports/recommendations-on-northern-infrastructure.pdf>

<sup>109</sup> The Izok Corridor Project is a \$6.5 billion-dollar Project to build the Izok Corridor in the Canadian Arctic within a geological formation known as the Slave Geological Province. Izok is a rich zinc/copper deposit with a Mineral Resource of 15 million tonnes at 13% zinc and 2.3% copper. The High Lake deposit, located north of Izok, has a Mineral Resource of 14 million tonnes at 3.8% zinc and 2.5% copper. <http://www.mmg.com/en/Our-Operations/Development-projects/Izok-Corridor.aspx><http://naedb-cndea.com/reports/recommendations-on-northern-infrastructure.pdf>

<sup>110</sup> [https://www.gov.nu.ca/sites/default/files/grays\\_bay\\_port\\_pamphlet\\_english.pdf](https://www.gov.nu.ca/sites/default/files/grays_bay_port_pamphlet_english.pdf)

1. Support the social and economic strengthening of Canada and its territorial communities by funding the Grays Bay Road and Port Project by:
  - a. Providing sufficient funding to ensure the project is 'shovel ready,' and;
  - b. Recognizing the national importance of the project and providing federal support for the remaining \$529 million in capital costs. Sources could include the Canada Infrastructure Bank, existing infrastructure programs or one-time contributions.

## **Protect Vital Trade Infrastructure on the Isthmus of Chignecto**

### **DESCRIPTION**

National transportation links (road and rail) between New Brunswick and Nova Scotia are at risk of being damaged or severed by sea level rise and storm surges. This fact has been confirmed by announcement of \$700,000 study to determine vulnerabilities of critical trade infrastructure to the effects of climate change.

### **BACKGROUND**

The Isthmus of Chignecto is a narrow, low-lying neck of land that provides the only land connection between Nova Scotia and the rest of Canada and the principal transportation connection to Newfoundland and Labrador. The isthmus is composed primarily of marshlands located at the head of the Bay of Fundy, the home of the world's highest tides. The area is protected by a system of dykes and berms, some dating back more than 250 years.

As the only land link to Nova Scotia, and Newfoundland and Labrador, there are numerous transportation and energy transmission linkages that, if interrupted, would have enormous economic impacts on people and businesses in and outside Atlantic Canada. The Trans-Canada Highway, the Canadian National Rail Line, the High Voltage interconnect and the Maritimes and Northeast Gas Pipeline all traverse this narrow stretch of land. The area is also home to environmentally important habitats and is significant importance as a greenhouse gas absorbing carbon sink.

The value of this land connection is enormous to the local and national economy. The value of goods transported across the isthmus is estimated at roughly \$50M a day and growing. More than 400,000 containers and 230,000 new cars pass through the isthmus on their way to and from the Port of Halifax every year. The origin and destinations of these goods span well beyond markets in Atlantic Canada, handling goods from across Canada to international markets and the island of Newfoundland.

These vital transportation and trade assets are threatened by the most damaging effects of climate change - sea level rise and extreme weather events. In the case the Isthmus of Chignecto, the dangers are further amplified by geography, being located next to a body of water with tides reaching 45 feet in height.

The key challenge in this area is that flood protection is provided by a system of dykes managed by two provincial government departments and CN Rail. A significant portion of the system relies solely on the existence of a raised rail bed that parallels the Trans-Canada Highway for about 8 km. The TCH and the CN rail line are separated by a mere 20 yards of over this stretch. The balance of the system is provided by very old dykes, varying in height that have been topped or threatened by storm surges on several occasions.



The value of this transportation infrastructure to the national economy is significant and the threat to its operation is real. The cost of protecting this vital link can be easily justified when compared to the economic and social impacts of allowing the primary links to NS and NL to be damaged by increasingly frequent extreme weather. A study of vulnerabilities is a vital first step. Part of this study must include a public commitment to complete a thorough scientific and engineering assessment and allocate resources quickly to remove vulnerabilities.

It is not a question of if there will be an extreme weather or tidal event that breaches the dyke system, simply a question of when.

## **RECOMMENDATIONS**

That the federal government:

1. Move quickly to complete the risk assessment of trade and transportation infrastructure located in the Isthmus of Chignecto;
2. Ensure that the Class 1 railway company is consulted in the process of evaluating and recommending minimum necessary flood protection standards, and is part of any funding arrangement;
3. Commit to reliable timelines to implement improvements in both public and private sector flood protection infrastructure.

## **Air Travellers Security Screening and Customs Service Standards**

### **DESCRIPTION**

Encouraging Government of Canada to set globally competitive service standards for airline passenger wait times / passenger flow

### **BACKGROUND**

Aviation supports Canadian jobs, trade, foreign investment and tourism. This sector, made up of airports and airlines, makes our communities more attractive to businesses looking to invest and create jobs. There are 194,000 direct jobs at airports and hundreds of thousands more in regional airport employment zones. Moreover, airports generate \$19 billion in GDP and are responsible for \$48 billion in economic activity. Meanwhile Canadian air carriers provided over 55,000 direct jobs and carried over 71,000,000 travelers last year alone.

Last year, Canadian airports and air carriers once again served record levels of travellers. Overall, air traffic in Canada was up about 6.3 per cent in 2017 compared to the previous year. In fact, Canadian airports brought in more than 11.3 million travellers from the U.S. and from overseas last year, which is 7.3 per cent higher than the year before. Over the next 10 years, air traffic in Canada is projected to increase by another 50 per cent or an additional 75 million travelers.

This growth is good not only for airports and air carriers, it is also for Canadian tourism and business.

Airports are promoting connectivity by investing more than \$9.1 billion in the last five years alone into infrastructure and process improvements to get travellers and their bags through safely and comfortably. Similarly, Canadian air carriers are investing \$13 billion to refresh their fleets with state of the art aircraft. However, the experience at security screening and border processing is degrading the impact of these investments, with millions of passengers unhappily waiting in long lines.

With massive growth in the number of people flying in the past number of years, combined with another 75 million passengers expected over the next decade, immediate changes are needed for security screening and customs services at airports, where travellers at our largest airports today are experiencing unacceptably long lines. In a globally dynamic and competitive marketplace government services for travellers are neither keeping pace with demand nor internationally competitive standards. This makes Canada a less attractive destination to travel to, from, or through for any reason.

## **RECOMMENDATIONS**

That the federal government:

1. take immediate steps to make Canadian airports and carriers the services of choice for Canadian and international travellers by funding government services at airports, CATSA and CBSA, to achieve an internationally globally competitive standard that sees 95% of travellers screened and processed within 10 minutes with no traveller waiting more than 20 minutes.

## **Air Crew-Duty Hours: Ensuring the availability of safe, affordable and accessible air travel**

### **DESCRIPTION**

On July 1, 2017, Transport Canada published through Canada Gazette 1 proposed air crew-duty hours. These proposed regulations are meant to address the issue of pilot fatigue. Regretfully, these regulations do not appropriately address the realities of Canada's immense size, threaten service to our most remote and northern communities, and undermine the maintenance of safe, affordable and accessible air travel.

### **BACKGROUND**

Commercial, cargo and helicopter air service providers serve large urban centers and remote northern communities alike. They move people and cargo, to connect our vast country. As airline operators, safety is always the top priority. Air service providers are supportive of updating crew-duty hours regulations, but believe they must be updated correctly and with proper industry consultation. Good policy requires more than just good intentions and concerns have been expressed that the proposed regulatory changes on crew-duty hours will have negative, unintended policy consequences. It is not sensible for the government to impose a one size fits all regulation to an industry with diverse needs and operating conditions. From our most easterly point to our most westerly point, Canada's width is almost ten thousand kilometres, with hundreds of communities spread along the way. Those communities are served by bush pilots, small carriers transporting essential goods including food and water, air ambulances providing critical medical services, charters used for business and tourism, short haul operators and many other flights covering a wide variety of purposes. Regulating a long-haul international carrier in the same way as a small regional airline does not make sense. Of specific concern are: The implementation timelines; The inability to make use of a fatigue risk management system (FRMS) since the requirements are too prescriptive and specific to medium and long-haul airlines; The cumulative impact of the new regulations on manpower requirements.

The timing of these proposed regulations, coinciding with arguably the greatest pilot shortage the industry has seen, puts Canadian communities in jeopardy of losing their service. It is smaller, rural and remote northern communities that will be the most affected by these proposed regulations. They will see their air service reduced or possibly cancelled. There is significant concern about the impacts that these proposals will have on First Nations communities across Canada that do not have all-weather roads. These citizens depend on regional air service for the basic necessities of life, including food, fuel, and healthcare; as such,

they will be the ones most negatively impacted by service reductions or increased costs that result from regulatory changes.

## **RECOMMENDATIONS**

That the federal government:

1. delay implementation of the regulatory changes to air crew duty hours until:
  - a. Meaningful consultation is held between Transport Canada and industry to assess the impact the proposed changes on short-haul, cargo and regional air service providers;
  - b. The government is able to conduct an analysis of the impact of these changes on rural and northern communities; and,

Air service providers have had sufficient time to develop and implement policies and procedures to address regulatory changes.

# FINANCE AND TAX POLICY

## Strengthen Canada's Workforce Through Tax Indexing

### DESCRIPTION

Inconsistencies in what deductions are indexed unfairly affect business and discourage workforce participation.

### BACKGROUND

The Canadian Department of Finance began indexing personal income tax brackets on every Canada's tax return in 1988. However, the Finance Department has failed to index a number of deductions which, in effect, has Canadians paying unfair taxes in certain areas. Two specific examples that affect the business community are the deduction of child care costs and Canada Pension Plan contributions.

The practice of indexing was implemented to prevent “bracket creep” where, as a result of cost-of-living increase, the taxpayer was bumped up into the next tax bracket and, as a consequence, took home no additional monies.

Current deductions for child care, only applicable for children under six years of age, are capped at \$8,000 per year. While this deduction was increased from the 1998 level of \$7,000 per year, the amount of the increase was neither in line with inflation nor the substantial rise in child care costs. (Average annual rate of inflation 1998-2017 is 1.91%)

A 2017 study released by the Canadian Centre for Policy Alternatives showed that since 2014 child care fees have risen faster than inflation in 82% of the cities compared. However, this cost varies wildly depending on the region with those in major metropolitan centres such as Toronto and Vancouver paying more than double the average. This cost is often disproportionate to the benefit of parents returning to the workforce and acts as a significant disincentive to increased workforce participation.

With acute labour shortages across Canada becoming a norm, it is incumbent upon government to make workforce participation as appealing as possible to parents. A study from the University of Sherbrooke demonstrated that lower costs for child care in Quebec have had a significant positive economic impact. Since the 2008 introduction of universal access to low-fee childcare Quebec has induced nearly 70,000 more mothers – an increase of 3.7% of women employment and increased its GDP by 1.7% as a result. While the financial benefit to families of the federal tax deduction is relatively small compared to Quebec's low-fee childcare program, it is reasonable to infer that a lower cost of child care has a significant and positive impact on employment and the economy.

On the other end of the workforce lifecycle is the issue of Canada Pension Plan (CPP) contributions. Since 1998 the maximum annual pensionable earnings has increased due to indexing by \$19,000 (as of 2018). Comparatively, the basic exemption has increased by \$0, and the employee/employer matched contributions have increased by \$1,525, a 143 per cent increase over the past 20 years.

Canadians and their employers are paying an ever-increasing cost to fund CPP. The government has taken credit for holding the contribution rate on CPP steady through the recent downturn in the financial markets and world economies. However, the indexing of the maximum contribution amount and the non-indexing of the basic exemption continues to substantially raise the cost of payroll taxes at a time where businesses already face an array of rising costs.

There are a number of specific tax credits that are indexed, along with the tax brackets, yet there are some glaring inconsistencies where indexing has not been applied. This adds to the complication of the Canadian tax system and weakens Canada's workforce by discouraging labour force participation.

## **RECOMMENDATIONS**

That the federal government:

1. Add consistency to the Income Tax Act by indexing all exemptions, deductions and contribution limits

## **Ensure The Transition To A Low Carbon Economy Reflects The Diverse Economies And Environmental Resources Of The Provinces**

### **DESCRIPTION**

Different provinces are taking different approaches with respect to carbon. For example, Ontario and Quebec introduced cap and trade January 1, 2017. British Columbia has a carbon tax. Alberta has a carbon tax coupled with cuts to corporate income tax and exemptions for agriculture (farm fuels, etc.). Manitoba is working on a made in Manitoba plan. Saskatchewan remains to be convinced of the need for doing one. In sum, this reflects the diversity of views, regional economies and approaches.

### **BACKGROUND**

It is important for the Canadian government to recognize the complex nature of emissions and environmental regulations across the country and across the world. Provincial economies have different components and different competitors that require different solutions.

Regulatory alignment with our key competitors in the U.S. and abroad including China is needed in order to maintain middle class jobs and an economy that can fund healthcare, education and infrastructure.

It is worth noting that some jurisdictions like Ontario have no coal plants and are recognized as one of the cleanest grids in the world. Competitive jurisdictions such as in the U.S. are still using sizeable quantities of coal to power their grid. In fact states like Ohio are upwards of 50% of coal to power their grid. According to the U.S. Energy Administration<sup>111</sup> coal is nearly one third of the energy mix and combined with natural gas account for nearly 2/3 of U.S. energy production. It is also worth noting that electricity costs in competitor states such as Ohio are about 1/3 the cost of Ontario.

China has hundreds of coal fired plants and is approximately 70% of their energy use. They are the largest consumer and user of coal in the world, followed by the U.S.<sup>112</sup> <https://www.energy.eu/stats/energy-coal-consumption.html>

The Canadian government needs to recognize the diversity of environmental priorities and regulations and let the provinces decide how best to administer their provincial economies while at the same time pressure other jurisdictions to produce cleaner power.

## **RECOMMENDATIONS**

<sup>111</sup> <https://www.eia.gov/tools/faqs/faq.php?id=427&t=3>

<sup>112</sup> <https://www.energy.eu/stats/energy-coal-consumption.html>

The Canadian Chamber of Commerce urges the Government of Canada to:

1. Ensure that the federal government is more responsive and inclusive of the different approaches taken by provinces to transition to a low carbon economy.
2. Require revenue neutrality in the collection and distribution of carbon taxes.
3. Provide clarity around the processes of offsetting the cost of pollution in an effort to encourage a competitive business environment and strong economy.

## **Protect Canadians with a Taxpayer Charter of Rights**

### **DESCRIPTION**

Canadian businesses from coast to coast are often facing unjust, harsh, and problematic treatment from the Canada Revenue Agency (the "CRA"). Based on the findings of the Auditor General of Canada, we know that Canadian taxpayers are receiving overly burdensome document requests, incorrect information from CRA representatives, and face years of delay in objecting to and appealing assessments. The Taxpayer Bill of Rights has no teeth, resulting in no real recourse for taxpayers.

There is nothing of substance taxpayers can do if CRA does not follow their own published guidelines within the existing Taxpayer Bill of Rights.

### **BACKGROUND**

There have been numerous complaints outlining where CRA has been in the wrong, along with news articles and television investigative shows. Businesses of all sizes across the country have suffered significant financial and other loss as a result of the current Bill of Rights and have long advocated for a fairer system.

A legislated Taxpayer Bill of Rights (a "Taxpayer Charter"), with prescribed remedies, could prevent matters from reaching the extreme and impacting taxpayers in ways that are not just or fair. There is far greater accountability as a public servant by police and government forces than there is by the Canada Revenue Agency.

What would happen if a Taxpayer Charter was established?

1. CRA would fine-tune their audit and service protocols to avoid creating needless cost of compliance. In cases where protocols are proven to be unnecessarily cumbersome or costly, the taxpayer would have recourse.
2. CRA staff would have to receive better training regarding treatment of taxpayers in order to modify their behaviour in respect to a Taxpayer Charter, failing which, the taxpayer would have recourse.

The government should have no reason to object to the Taxpayer Charter, because it would be illogical to take a position contrary to what they publish to Canadians.

Through better training of staff and clearer guidelines, this proposed change should be cost neutral or a cost savings to the government through a reduction in the filing of notices of objections and appeals to the tax court of Canada.

### **RECOMMENDATIONS**

That the federal government:

1. develop and enact legislation that would see the establishment of a Taxpayer Charter in place of the current Taxpayer Bill of Rights. This change affects both the Income Tax Act and the Excise Tax Act.

## **Federal Fiscal Policy – Ensuring Fiscal Balance in Canada**

### **DESCRIPTION**

The Government of Canada should outline a clear path to balanced budgets, while preparing the Canadian economy for success in a global context.

The latest federal budget released in February 2018 indicates that the government plans to continue its borrowing to finance deficits that are forecasted to occur every year over the next five years, ranging from \$12 to \$19 billion. If the government's most recent long-term economic outlook is any indication, there are no plans to work towards a balanced budget before 2045, with a federal net debt projected to reach \$757.8 billion by the end of 2019 and an alarming \$831.5 billion by the end of 2023.

### **BACKGROUND**

#### Canada's Economy

While running deficits in years of sluggish growth or during recessions is considered a reasonable fiscal approach, successive deficits and the lack of a clear strategy for future fiscal balance is not a prudent fiscal tactic. Should the government follow its current plan, it would make it the longest period of consecutive deficits in Canadian federal fiscal history, followed only by "the period of the Great Depression and the Second World War."

The Canadian economy is beginning to recover, following weakened export activity and the full ripple effects of severe commodity price fluctuations. The IMF's World Economic Outlook (April 2018) estimates that the Canadian economy will grow by a modest 2.1% in 2018, but will not keep pace with the United States. National unemployment has dropped to 5.8%, but significant differences occur depending on the province and sector (Statistics Canada, Mar 2018).

#### Debt Services

The annual cost to service the debt currently sits at \$24.4 billion and it is expected to increase by \$9 billion over the next five years. Furthermore, interest rates appear to be on an upward trend as governments aim to counter inflation. It goes without saying that dollars spent on servicing the debt are dollars diverted from other essential services such as healthcare and education.

The government also needs to remain cognisant of the fact that provinces have also been running substantial deficits in recent years. Once the provincial debt is added to the federal debt, the burden to the Canadian tax base increases to \$1.3 trillion, a burden that will rest on fewer shoulders as the demographic of working age Canadians shrinks.

#### Trade and Investment Attraction

The overall health of the Canadian economy is dependent on robust trade opportunities. Currently, three quarters of Canadian exports remain destined for the United States. Canadian governments (federal and provincial) and industry leaders have long recognized and championed the merits of having diverse export

opportunities and open markets. With the uncertainty created by the United States' current approach to trade (withdrawal from the TPP, application of North American border tariffs, NAFTA renegotiation, etc.), the need for Canadian businesses to extend their market reach beyond the United States is critical for their stability and ongoing sustainability. The provisional application of the Comprehensive Economic and Trade Agreement between Canada and the European Union is a major step toward diversifying Canada's export market opportunities (CBC News, Jul 2017). However, all orders of government (led by the federal government) together with businesses in all sectors must actively continue to explore trade opportunities worldwide to ensure the long-term growth of the Canadian economy.

Continued delays in the construction of Kinder Morgan's Trans Mountain pipeline have raised uncertainty and caused damage to Canada's reputation, at a time when the country is already seeing capital investment leave for the United States (Financial Post, Apr 2018). In addition, recent changes in the United States to reduce the tax burden on business mean Canada's top rates are no longer competitive relative to the U.S. We risk losing not only capital, but talent as well (CBC News, Apr 2018).

### Tax System Fairness

Canada has much to gain by using the tax system optimally to promote employment, productivity and higher living standards. Reducing our heavy reliance on economically-damaging income and profit taxes, broadening the tax base, creating a more neutral business tax system and reducing compliance costs for taxpayers will enhance Canada's international competitiveness.

In December 2017, the Standing Senate Committee on National Finance was tasked with studying the government's proposed changes regarding private corporations and the Income Tax Act, and in particular the passive income proposal and proposal for income sprinkling. The Senate committee reported that "many witnesses were concerned that the proposals could undermine Canada's competitiveness, resulting in less investment and less employment." The committee further pointed out in its report that significant tax changes in the United States would impact the Canadian economy, and that Canada "needs a strategy to ensure our tax system encourages, rather than inhibits, innovation, entrepreneurship and economic growth" (Mockler, Jaffer and Pratte, Dec 2017).

The committee's recommendations include:

- That the government "undertake an independent comprehensive review of Canada's tax system with the goal of reducing complexity, ensuring economic competitiveness, and enhancing overall fairness." (p.9)
- A call to withdraw the proposed changes
- If withdrawal is not possible, to delay the implementation
- Undertake cross-Canada consultations
- Conduct and publicly release an economic impact assessment
- Conduct and publicly release a gender analysis of the proposals
- Assess the potential impacts on health care, and consider measures to reduce unintended consequences

### Fiscal Responsibility

Considering global and local factors and the cumulative impact of policy decisions influencing business competitiveness, Chambers believes it is imperative that the federal government re-examine its fiscal priorities by focusing on long-term economic sustainability, while enabling businesses to remain competitive. One of the best ways to sustain business competitiveness is to show leadership with fiscal restraint and to foster investor confidence with a detailed plan to return to balance. Increasing the long-term debt burden on Canada's economy will not encourage growth in either investment or trade.



## RECOMMENDATIONS

That the federal government:

### Fiscal Responsibility

1. Achieve and maintain a debt-to-GDP ratio below 30% with financial contributions to debt reduction as necessary to sustain that position.
2. Establish a long-term plan to achieve a balanced budget by limiting operational expenditure growth. Maintain this policy until Canadian economic performance is generating sustained government revenues sufficient to support increased spending with overall rates of taxation and fee collection at levels similar to the existing regime.
3. Negotiate government labour agreements due for renewal with a target of no operational cost increase.
4. Undertake a thorough review of all government spending programs to identify programs that are redundant. Apply more rigour to new and existing program reviews across all ministries and departments to ensure clear mandates are in place, performance metrics are regularly reviewed, and their outcomes are measured against the cost of the programs to provide maximum return on investment.
5. Implement a cash-pooling arrangement within and among all departments and ministries whereby any annual budget surpluses (or unspent money) could be allocated by the Finance Minister to either pay down debt or re-allocate to other departmental/ministerial projects instead of borrowing to finance them. Encourage departments to avoid unnecessary spending by offering incentives when expenses come under budget, while not withholding funding in subsequent periods when additional spending may be required.

### Investment Attraction

6. Accept all recommendations of the December 2017 Report of the Standing Senate Committee on National Finance, particularly "That the Government of Canada undertake an independent comprehensive review of Canada's tax system with the goal of reducing complexity, ensuring economic competitiveness, and enhancing overall fairness."
7. Reduce Canada's heavy reliance on income and profit taxes by exploring options such as increasing consumption-based taxes.
8. Monitor tax changes and other investment attraction tools being undertaken in the United States, ensuring that Canada remains a strong competitor in global trade.

## Reforming Canada's Tax System

### DESCRIPTION

In a time when our largest trading partner has implemented sweeping tax reform that substantially simplified the U.S. federal tax code, Canadians face a dauntingly complex federal tax system that is filled with 'boutique tax credits' and is complicated by a collection of piecemeal changes implemented by successive governments based on tax changes driven by short term political issues rather than good tax policy. The resulting federal income tax system threatens Canada's economic competitiveness and is a barrier to success for Canadian businesses in the global race for talent where the best and brightest are highly mobile.

### BACKGROUND

The United States tax reforms are expected to have an overall negative economic impact on Canada with the most significant impact on Canada's tax competitiveness. Other countries like France and the United Kingdom are creating attractive environments for businesses looking to expand or invest by dramatically reducing business taxes and taking measures to reduce red tape.

A December 20, 2017 opinion column in *The Vancouver Sun* by Fraser Institute staff Charles Lamman and High MacIntyre noted that "neither the federal government, nor any of the provinces, has presented a plan to maintain Canada's competitive position on business taxes. To the contrary, some provinces in the past two years have actually raised their corporate tax rates, making us less competitive compared with the U.S."

Furthermore, current federal and provincial finances particularly in Alberta and Ontario make short-term tax relief highly challenging without running larger deficits.

Jack Mintz of the University of Calgary argues that Canada's competitive edge in attracting business investment has rested on two pillars – a lower corporate tax rate and free trade. One pillar is gone with the second highly unstable for Canadian businesses exporting into the United States. In a December 19, 2017 *Financial Post* article Mintz further observed that Canada's competitive position is about to get rocked, making it harder for Canadian governments to push costs onto businesses through higher taxes and regulations. Federal and provincial authorities will need to change course and if politicians sit on their hands, Canadians will see investment, jobs and profits flowing to the United States.

It has been over 50 years since the release of the report of the Carter Commission, formally known as the Royal Commission on Taxation, which in 1966 released its report which was the country's last major undertaking to review and reform the country's tax policies and ensure a fair and equitable tax system for all Canadians. In that time, the country's tax system has become extremely complex due to the piecemeal reforms implemented by successive governments driven by the then-current political agenda rather than considering goals of fairness, efficiency and economic competitiveness. As *National Post* columnist Andrew Coyne notes "Put simply, the Canadian tax system is a creaking, productivity-killing wreck: hugely over-complicated, and riddled with unjustified deductions and exemptions that distort economic decisions and bleed the government of revenues, recouped by much higher tax rates than would otherwise be the case." (*National Post*, Dec. 15, 2017)

For example, the political backlash faced by the federal government for their series of July 2017 proposals to implement tax changes that disproportionately impacted Canadian small and medium-sized businesses under the guise of promoting 'fairness' in the tax system highlighted a problem created by decades of 'in the moment' political tax policy decisions. In justifying its proposals, the government pointed out the sharp trend upward in private corporations apparently motivated by the benefits of tax deferral and income sprinkling to name a few. Yet, that same government had just finished quickly and quietly implementing a 4% increase in the top marginal personal income tax bracket to well above 50% while lauding its efforts to make the wealthiest Canadians pay more. By doing so, the government effectively increased the impetus for Canadians to incorporate in a perfectly logical, legal and purely economic-driven attempt to reduce the substantial tax burden faced by them by taking advantage of the substantially lower small business tax rates afforded to private corporations for which successive federal governments have taken credit. The political uproar that resulted from businesses and professionals across the country succinctly demonstrated the effects of attempts to implement piecemeal tax changes rather than undertaking an overall review and reform of the country's tax system.

Manufacturing is vital to the Canadian economy. In 2016, it accounted for 10.4 per cent of the country's entire Gross Domestic Product (GDP). However, when the demand for goods and services generated by manufacturers are included, or the consumer spending from all the jobs created or maintained by

manufacturers, nearly three of every ten dollars in wealth created in Canada can be traced back to the manufacturing sector.

Manufacturing businesses also invested an estimated \$15.9 billion in new capital in 2016, including \$12.1 billion in machinery and equipment. No other sector of the Canadian economy invests more in machinery and equipment. In addition, manufacturers account for one third of all research and development activities in Canada. Nearly 60 per cent expect to increase their investment in research and development over the next three years.

The personal and business tax changes in the U.S combined with the change that allows companies in all sectors to immediately write off the full cost of new machinery and equipment could affect the outcome of many companies' tax planning and investment location decisions, shifting growth and some companies to the U.S. This accompanied with the additional red tape and regulations borne by employers is reducing business investment. In fact, Canada is now the second lowest among 17 advanced countries.

Beginning in 2019, the expansion of the Canada Pension Plan (CPP) will further reduce funds available for domestic investment. This leaves less money available in Canada to finance innovative start-up businesses, the maintenance and expansion of existing operations and investments in new machines and technology which is critical for the economy.

Allowing Canadian companies to deduct cost of certain capital assets, such as machinery and equipment, over an accelerated period of time (such as one year) would increase capital spending and economic activity.

Canada can and should create an internationally competitive system of small business taxation as well as personal income tax rates that encourages business to invest in the technologies, skills, and capacity they need to grow while attracting highly qualified people from around the world.

The calls for a comprehensive review and reform of the Canadian tax system have substantially increased recently including a call from the federal Minister of Finance's Advisory Council on Economic Growth which in its third and final report to the Minister recommended that "we need to conduct a targeted review of our tax system to ensure that the tax regime fosters the development and adoption of innovation, and secures Canada's position as a global magnet for investment and talent. It is worth noting that it has been decades since the last significant review of Canada's tax system—years before the emergence of mobile phones and the internet, and the rise of the digital economy." (The Path to Prosperity: Resetting Canada's Growth Trajectory, Report of the Advisory Council on Economic Growth, December 1, 2017) Recently, the Royal Bank of Canada's CEO, Dave McKay, raised concerns of a 'significant investment exodus already underway' and suggested that Canada must take immediate steps to address the issue of competitiveness with the United States in its tax policies (Financial Post, "Investment dollars are already flowing out of Canada in 'real time', RBC CEO warns", Andy Blatchford, April 1, 2018). The Organization for Economic Co-operation and Development ('OECD') recognized the need to improve the global system for taxation in light of the digital economy and released a report in 2015 addressing Base Erosion and Profit Shifting ('BEPS'). This report included 15 action items to reform the global mechanisms through which tax is assessed and countries interact. These global changes need to be understood and woven into the Canadian domestic tax legislation.

As a result of the foregoing, it is time for the Canadian tax system to once again be reviewed from the ground up.

## **RECOMMENDATIONS**

That the federal government:

1. Immediately establish a royal commission to undertake a comprehensive review of the Income Tax Act and related legislation guided by the principles of simplification and modernization, as well as having the goal of:
  - a. Promoting fairness and reasonable integration between the personal and corporate tax systems.
  - b. Simplify and streamline the tax system to promote efficiency and ease of compliance for all individual and business taxpayers.
  - c. Promote Canada's competitiveness in the global market and reward risk-takers, growth and innovation.

## Canada Revenue Agency Audit Requests Costly for Business

### DESCRIPTION

In the past two years, small businesses have noticed a significant increase in Canada Revenue Agency (CRA) Business Audit Requests<sup>113</sup> asking for additional evidence or information to substantiate claims made on filing documents. Some of the requests are for tax returns of previous years. These requests provide a deadline to comply or assessments will be re-adjusted. To gather the required information and subsequently upload on the website takes between two to ten hours per request. With the number of audit requests increasing, the cost of complying is subsequently increased. For small businesses, it is becoming unreasonable.

### BACKGROUND

Small businesses are expressing concern regarding the sudden increase in the past two years of time-consuming audit requests. For example, an audit request received by one small business in late 2017 asked for the following for a line item reported in 2015:

"On your Schedule 125, Income Statement Information, you reported one or

more amounts for professional fees (field codes 8850 to 8863) for the above tax year(s). To support these expenses, please send the following:

- A detailed list of the transactions included in the accounts related to the professional fees or the relevant general ledger entries;
- A copy of the invoices and receipts supporting each transaction.

Please return this letter with the information asked for within 45 days..."

The example request for detailed receipts two years after a tax return was filed for a line item engendered up to ten hours of work for the small business, with the business client paying for that time in both fees to the accountant and lost productivity time in his own business with the threat that his taxes will be re-assessed if he fails to comply.

In all cases reported by small businesses that brought the issue to the attention of the board of trade, the result is no change to the original tax assessment. The conclusion that can be surmised is that the original

<sup>113</sup> <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/changes-your-business/business-audits.html>

income tax return was correctly submitted. If that is the case, then the sudden increase in audit letters are not necessary.

The CRA has stated in their own literature and the Taxpayers Bill of Rights that they are committed to streamlining filing processes and minimizing costs for small businesses, as evidenced below:

#### Our Commitment to Small Business<sup>114</sup>

1. The CRA is committed to administering the tax system in a way that minimizes the costs of compliance for small businesses
2. The CRA is committed to working with all governments to streamline service, minimize cost, and reduce the compliance burden
3. The CRA is committed to providing service offerings that meet the needs of small businesses
4. The CRA is committed to conducting outreach activities that help small businesses comply with the legislation we administer
5. The CRA is committed to explaining how we conduct our business with small businesses

Those flagging the concern of increasing business audits recognize the need for the CRA to ensure that all tax returns are factually accurate. Further, given that there are numerous reports regarding tax cheats costing the government<sup>115</sup>, it is understandable why auditors may be increasing their vigilance. According to a Globe & Mail article, the federal government has invested nearly \$1 billion to combat tax havens to recoup \$25 billion.<sup>116</sup>

In the meantime, auditors appear to be targeting micro expenses and costing the small businesses much in fees and lost productivity to comply with years old returns. Given that the businesses reporting this issue to the board of trade gave their results – zero reassessments to date – very little of the “missing” revenue will be recouped by this costly strategy. An argument could be made that the sudden increase in letters is a “fishing” strategy, rather than taking the time to revue and target actual errors.

It may prove to be more efficient to consider what supporting evidence is needed for future tax returns and provide an efficient and effective means for businesses to comply going forward rather than expending a great deal of time, effort and money attempting to recoup a small business expense. If the CRA did that, then they would be living up to the Taxpayers Bill of Rights.

## RECOMMENDATIONS

That the federal government direct the Canada Revenue Agency to:

<sup>114</sup> Sample of stories: Canada losing billions more than estimated to offshore tax havens, November 2017, [https://www.huffingtonpost.ca/2017/11/07/paradise-papers-canada-losing-billions-more-than-estimated-to-offshore-tax-havens\\_a\\_23269548/](https://www.huffingtonpost.ca/2017/11/07/paradise-papers-canada-losing-billions-more-than-estimated-to-offshore-tax-havens_a_23269548/); Canada misses out on nearly \$50 billion in tax, February 2017 <https://www.thestar.com/news/world/2017/02/13/canada-misses-out-on-nearly-50-billion-in-tax-each-year.html>; Tax cheats: What Canada is missing out thanks to offshore banking, 2016 <https://globalnews.ca/news/2955132/tax-cheats-what-canada-is-missing-out-on-thanks-to-offshore-banking/>;

<sup>115</sup> Sample of stories: Canada losing billions more than estimated to offshore tax havens, November 2017, [https://www.huffingtonpost.ca/2017/11/07/paradise-papers-canada-losing-billions-more-than-estimated-to-offshore-tax-havens\\_a\\_23269548/](https://www.huffingtonpost.ca/2017/11/07/paradise-papers-canada-losing-billions-more-than-estimated-to-offshore-tax-havens_a_23269548/); Canada misses out on nearly \$50 billion in tax, February 2017 <https://www.thestar.com/news/world/2017/02/13/canada-misses-out-on-nearly-50-billion-in-tax-each-year.html>; Tax cheats: What Canada is missing out thanks to offshore banking, 2016 <https://globalnews.ca/news/2955132/tax-cheats-what-canada-is-missing-out-on-thanks-to-offshore-banking/>;

<sup>116</sup> Revenue Minister steps back from claim Ottawa is close to recovering \$25 billion in unpaid taxes, December 2017 <https://www.theglobeandmail.com/news/politics/revenue-minister-steps-back-from-claim-ottawa-is-close-to-recovering-25-million-in-unpaid-taxes/article37189606/>

1. Provide evidence that the strategy to substantially increase small business audit requests is necessary when balanced with the cost to businesses to comply;
2. Live up to the spirit and intent of the Taxpayers Bill of Rights to minimize costs of compliance;
3. Provide timely written responses, which
  - a. acknowledge the auditee's position and any submissions
  - b. justify any adjustments including explanations in difference of interpretation of all evidence provided by the auditee
4. Provide appropriate training and supervision to CRA front-line staff to ensure accuracy of responses

## **Fair Tax Process for Small Business**

### **DESCRIPTION**

Canadian courts, through an area of common law rights called Administrative Law, hold most government agencies accountable to basic procedural safeguards to ensure that all Canadian citizens benefit from a fair and due process when denied or granted government benefits.

While rigorous enforcement of tax laws is imperative since taxes are critical for the maintenance of public services that allow for a prosperous Canadian society, small businesses require some form of intermediary assistance to understand and navigate issues and deal with the Canada Revenue Agency (CRA). This assistance should be structured to enable greater effectiveness and should not require the additional expense of a tax accountant and lawyer to resolve.

### **BACKGROUND**

The problem is quite widespread. The following comments made by Chief Justice Gerald Rip in *Pytel v. The Queen*, 2009 TCC 615 provide the best explanation for prevalence of the problem:

[42]The vast majority of informal appellants in this Court act for themselves or are represented by persons without any legal background. This, the Tax Court has in common with all other Canadian courts. Employees of the Tax Court try to assist the appellants and prospective appellants in getting their appeal to trial. The Court has produced a video describing the conduct of an appeal. Judges try to help the taxpayers subject to their limits of judicial impartiality. Nevertheless taxpayers and their lay representatives are often intimidated by the process and are unable to fully prosecute [defend] the appeals. This is what happened here.

[43] I am informed that the Legal Aid programs of the provinces do not provide assistance to taxpayers who cannot afford legal representation in income tax appeals. The rationale, I could only guess, is that if a person has a tax problem, the person must have money. There are appeals before the Court that are family related matters, such as Canada Child Tax benefits, and if disputed before a Family Court judge, may entitle the parties to legal aid. There are also appeals claiming medical expenses, Unemployment Income benefits, Canada Pension Plan benefits, among others, that impact upon low income persons.

[44] A need for taxpayers to be better prepared for their appeals before this Court is obvious. Legal Aid programs must consider extending their assistance to taxpayers, notwithstanding current budgeting issues. Dealing with a government bureaucracy, the CRA, for example, and then with a court is very stressful even on the most experienced persons. Unjust tax assessments may cause strain on the family relationship and ought to be challenged with public support when appropriate. Law firms and law schools also have the capacity to help.

Subsequent to the Pytel case, Chief Justice Rip wrote a letter to every law dean in Canada to see if there was anything they could do within the law schools to help address this growing problem. He also raised the issue in a meeting with the Canadian Bar Association's tax court bench and bar committee.

## **RECOMMENDATIONS**

That the federal government:

1. review the Canada Revenue Agency's (CRA's) internal policies for small business so that there is a representative for small business to resolve conflicts with the CRA.

## **Removing HST Charges On Top of Provincial and Municipal Taxes and Charges**

### **DESCRIPTION**

The Provincial and Municipal Governments across Canada establish taxes and charges within their jurisdictions on goods and services prescribed by legislation. Often, the federal HST (Harmonized Sales Tax) is then charged on top of that tax or charge adding to the final cost of the good or service.

### **BACKGROUND**

In the case of the Province of Ontario, municipalities are now allowed to establish a Municipal Accommodation Tax (MAT) on overnight stays in hotels, motels and short-term accommodations (AirBnB). It has been discovered that the HST is now being charged on the room rate plus MAT.

There are also other examples across the country of a "tax on a tax" including the HST being applied to the excise tax on gasoline and diesel at the pumps.

Such taxes on taxes should be disallowed in Canada as they add to the overall price of a good or service to the general public.

## **RECOMMENDATIONS**

That the federal government:

1. Remove the HST charges on all taxes imposed by federal, provincial, territorial or municipal governments in Canada.

## **Preventing Disputed HST Collection Efforts**

### **DESCRIPTION**

Businesses are regularly subject to substantial HST (re)assessments which they believe are erroneous and should be vacated. However, while the business is disputing the HST (re)assessment, the CRA can undertake collection efforts, including freezing bank accounts, seizing equipment, and placing a lien on commercial land. As a result, SME owners may end up abandoning the tax dispute in order to ensure the continued

financial viability of the business. Businesses should not pay more than their fair share of taxes due to collection pressure.

Under the Income Tax Act, the CRA cannot proceed with collection efforts during a dispute of a (re)assessment. The same provisions should apply to (re)assessments under the Excise Tax Act.

## **BACKGROUND**

Under the Income Tax Act and the Excise Tax Act, businesses may be (re)assessed for taxes for numerous years prior. These taxes may be (re)assessed by the CRA on an arbitrary basis (e.g. based on a rough estimation in review of bank records and other documents). The burden then rests on the taxpayer to establish that the taxes were not properly (re)assessed. For many (re)assessments, the HST, penalties, and interest, can easily total hundreds of thousands of dollars. If a business were then to have to immediately pay the amount (re)assessed, they could easily become insolvent. This potential insolvent is extremely problematic where it is apparent that the HST reassessment is likely in full or in part incorrect.

The harshness of the ability to collect during a dispute is further compounded by the delay in resolving a dispute. In March 2016, the Assistant Auditor General advised that, in regards to the Income Tax Act alone, the CRA “had close to 172,000 objection outstanding, worth over \$18 billion in income taxes”. Currently, the CRA is advising that it takes on average 239 days for a medium complexity GST/HST objection to be dealt with at the objection stage. Of course, the objection process is then followed by the appeal process to the Tax Court of Canada, unless it is settled. As such, it often takes years for tax disputes to be resolved, during which time a business may not be able to wait to be refunded the collected disputed HST.

Due to the harshness of collecting taxes during a dispute, it can be seen as no surprise that under subs. 225.1 of the Income Tax Act, the CRA cannot commence collection efforts until 90 days after the issuance of the assessment. This bar on collection efforts is further extended when a valid objection is filed and then again when a valid notice of appeal is issued.

In contrast, under the Excise Tax Act, the CRA is not barred from commencing collection efforts during an appeal. As a result, the CRA can and will immediately engage in a collection analysis when issuing a (re)assessment under the Excise Tax Act. The business is then faced with not only incurring the time and expense of the tax dispute, but also financing the tax bill during the dispute. For many businesses, these costs are too high, creating every reason to give up.

Although HST is to be held by the business in trust, in many instances the (re)assessment does not correctly reflect what the taxpayer should have withheld. As such, the nature of the tax should not result in an automatic entitlement of the CRA to collect during dispute. At most, tax collection efforts in regards to HST (re)assessments should be limited to where there is a baseless dispute or a substantial collection concern.

## **RECOMMENDATIONS**

That the federal government:

1. Amend the Excise Tax Act to preclude collection efforts during the dispute process (with defined limited exceptions).

## **Canada Revenue Agency Impact On Small Business**

### **DESCRIPTION**



Small businesses and accountants report frustration and a need to commit significant time, often at considerable expense, to deal with taxation and filing issues with the Canada Revenue Agency.

## **BACKGROUND**

As small business accounts for 98 per cent of business in Canada, employing 71 per cent of the labour force in the private sector, it is apparent that small businesses are the backbone of Canada's economy.

There are few businesses that at some point in time have not had to correspond with the Canada Revenue Agency (CRA) over matters related to their business, whether by letter, fax, telephone, online or in person. Inquiries typically centre around issues related to corporation income taxes, the goods and services tax, payroll taxes, customs and excise taxes, or even personal income taxes.

Although there is one basic number for business inquiries and one for inquiries regarding personal income tax, which should make for efficient, effective interaction with the CRA, many small businesses find themselves spending exorbitant amounts of time dealing with them. When a business makes an error in filing, there are strong timelines placed on correction and response; however, when the tax agency is in error, a small business person may invest significant amounts of time communicating or attempting to communicate with them and being transferred from department to department. In many cases an accountant is required to handle the matter, creating more cost and more red tape.

The CRA has held a number of consultations through 2012, 2014, and 2016 with the goal of reducing red tape and improving service for small and medium businesses. Across the country and through the years the feedback provided to the CRA has remained remarkably consistent. Businesses want to:

- Reduce the frequency of small business interactions with the CRA
- Improve how and when it communicates with small businesses
- Make “burden reduction” systemic within the CRA

In the fall of 2017 the Auditor-General tabled a report in the House of Commons that found the CRA actively blocked calls from taxpayers in order to falsely say it met its service standards of keeping people waiting less than two minutes. Between March 2016 and March 2017 the CRA answered only 36 per cent of calls. The report also found that the number of errors made by CRA agents was drastically underreported. The CRA reports an 6.5 per cent error rate compared to the 30% error rate observed by the Auditor-General's office.

Despite ongoing efforts at reducing red tape and improving service, frustration and complaints about dealings with the CRA remain. Reports of significant administrative burden, lack of timeliness, professionalism and predictability when dealing with regulators, lack of coordination between regulators, and a lack of fundamental understanding of the realities of small business continue to hamper business prosperity and growth.

## **RECOMMENDATIONS**

That the federal government:

1. Instill flexibilities into Canada Revenue Agency (CRA) systems to allow frontline staff to manage communications amongst CRA streams on behalf of small business owners, and take initiative to resolve small businesses' issues in a timely fashion, maintaining a client-oriented, customer-service approach.
2. Assign a case officer, with the appropriate training, to small business files to make compliance faster, cheaper, and simpler.

3. Instruct the CRA to correct and respond regarding CRA errors within 30 days of notification by the taxpayer or taxpayer's representative.
4. Hold the CRA accountable for its actions and decisions by implementing open government practices, and by correcting and corresponding regarding CRA errors within 30 days of notification by the taxpayer or taxpayer's representative.

## Excluding Real Estate From Passive Asset Taxation in Private Corporations

### DESCRIPTION

The availability of affordable residential real estate has become a concern in many local communities and is now a priority for both our provincial and national governments. Likewise, small business owners rely on the availability of commercial real estate, which has increased in value in many of our communities. An opportunity exists for the federal government to support private corporation investment in both commercial and residential real estate rental projects. However, the opposite has happened. The Income Tax Act ("ITA") deems income earned from the rental of real estate to be "income from property" or "passive income" rather than business income, subjecting it to a different tax treatment that may create a disincentive for investments in real estate assets that can contribute to housing solutions and economic growth.

### BACKGROUND

Income earned from the rental of real estate ("rental income") is generally deemed "passive" under the ITA unless it meets certain criteria to be "active business income". Active real estate assets or "active" income generally includes:

- Provision of other goods or services with the real estate – for example, a hotel, B&B, etc.;
- Use in an active business operation – for example, office, factory, retail store, warehouse;
- Property that meets the exclusions of "specified investment property", for example, where more than 5 full time employees are employed by a corporation involved in commercial real estate management or development; and
- Rental of real estate to an "associated" corporation – deemed as active.

Unfortunately this definition can lead to significant differences in how real estate income will be taxed in situations that are not fundamentally different to warrant a different treatment. For example:

- the 5 employee requirement is problematic as it creates a size test that is not relevant, nor can it be met even in a large company if that company chooses to contract out all of its services or hire part time employees rather than employ full time staff, or if it needs to structure its affairs to manage risk (for example – one property per company)
- the same piece of real estate can be classified differently from passive to active or vice versa, with or without changes in ownership of the real estate or whether corporations are "associated" for tax purposes. The TABLE below illustrates some common examples.

TABLE (in all examples, assume less than 5 full time employees)

Type of real estate rental	Active or Passive	Explanation
Long term residential real estate for investment purposes	Passive	

Residential real estate purchased for employees	Active	Housing needed for staff is used to support your active business
<ul style="list-style-type: none"> <li>But rented to other tenants / not needed for your own employees</li> </ul>	Passive	No longer used in your active business (if very brief periods of time between housing your own employees you may be able to argue that the 3 <sup>rd</sup> party rental is incidental to the main purpose of providing employee housing, but risky)
Commercial real estate rented to third parties	Passive	
Commercial real estate in one corporation you own (RealCo), rented to another corporation you own (OpCo)	Active	Deemed active – associated companies. Allows business owners to segregate their active real estate assets from their active operations without being penalize
<ul style="list-style-type: none"> <li>If OpCo sold to third party, you retain RealCo now rent to a third party</li> </ul>	Passive	No longer associated or “deemed active”  (in many business transitions, purchaser cannot afford to buy both OpCo and RealCo)
Commercial real estate in corp. owned by 3 equal shareholders (RealCo), rented to another corporation the 3 own (OpCo)	Active	Associated, Deemed active, as above
<ul style="list-style-type: none"> <li>But if 1 shareholder buys out his 2 partners from the OpCo; with all 3 still owing RealCo</li> </ul>	Passive	The companies are no longer associated as the remaining shareholder in OpCo only owns 1/3 of RealCo; therefore, not deemed active.
Commercial real estate in corp. where portion is rented to an associated corp. with the other portion to a third party	Both	Portion rented to associated corp. is “deemed active” Portion rented to third party is “passive”  (Note this is an example where an active business has both active & passive real estate and now be subject to SBD grind down)
Corporation has the opportunity to purchase the real estate it leases from landlord, for its own active business but landlord insists that more units or sq.ft. must be purchased than what the corporation needs.  Corporation buys all the real estate to secure its operating business with plans to rent out the space that is not needed to third parties	Both	Prorated as above Purchaser is subject to the SBD grind down

From an economic and policy perspective, these situations should not be the determinant of whether real estate is considered to be used in a business. In fact the definition of a business is quite broad and can include any situation where goods and services are or are intended to be exchanged for consideration – a definition that would include property rental. It is time to remove the passive treatment in the ITA to encourage more investment in real estate, to increase supply of both housing stock and commercial real estate, which in turn should improve affordability for both employees and employers and make it easier to attract and retain labour, and to manage the cost of business succession.

Treating net rental income as business income in all circumstances will have the following tax benefits to private corporations:

- Simplify the tax treatment and provide clarity and fairness of how the income will be taxed
- Eliminate the 4% added tax cost of flowing passive income through a corporation
- Eliminate the need to “dividend” out passive income to trigger the “dividend refund”, which is currently necessary to offset the refundable tax and maintain the tax cost at 4%
  - Cash retained can be used for necessary debt servicing or new investments
- Effective for 2019 and future years, avoid a grind down of the small business tax rate where passive income exceeds certain thresholds (currently set at \$50,000 based on a notional 5% return on \$1,000,000 in assets, with a prorated grind down between \$50,000 - \$150,000, and a full loss in excess of \$150,000)
  - These thresholds are too low and do not reflect the current value of real estate in many Canadian markets or the rental yield they may earn

## RECOMMENDATIONS

That the Federal Government:

1. remove net rental income from passive income, making it subject to normal corporate taxation rates for business income
2. Until this change happens, specifically exclude net rental income from investment income subject to the thresholds that grind a private corporation's access to the small business tax rate.
3. If it is necessary to include net rental income as part of the passive investment income subject to the new proposed thresholds, then:
  - a. Significantly increase thresholds to reflect economic reality and debt servicing requirements;
  - b. Provide exclusions for investments that provide access to affordable residential housing or subsidized employee housing;
  - c. Provide exclusions for commercial real estate that is connected to or attached to an operating business, or subject to a business succession plan; and
  - d. Provide more appropriate criteria around what is active vs. passive as the “deemed as active” rules are not able to (nor intended to) identify real estate ownership situations and changes in circumstances that should qualify as active

## Bridging the Digital Tax Divide to Ensure a Fair and Equitable Fiscal Environment for All Businesses

### DESCRIPTION

More and more consumers and businesses are turning to e-business. More than just a trend, it presents many opportunities and has shown its transformative potential by dramatically changing the way we buy and sell goods and services.

The time has come for countries to adjust their taxation for the digital world to ensure the competitiveness of Canadian businesses and the principle of fairness in our tax system.

## **BACKGROUND**

In our digitized world there is no existing strategy in Canada that would ensure not only continued business competitiveness but tax fairness to those companies who have bricks and mortar locations employing Canadians selling advertising, generating content, abiding by current regulations, and engaging in the public discourse.

Foreign companies that have no assets or employees in Canada and are selling intangible products to Canadian consumers are not required by current tax regulations to collect sales taxes nor to remit them to federal and provincial governments.

The Organisation for Economic Co-operation and Development (OECD) in its 2018 interim report on the Tax Challenges Arising from Digitalisation states that “digitalisation also allows some highly digitalised enterprises to be heavily involved in the economic life of a jurisdiction without any, or any significant, physical presence, thus achieving operational local scale without local mass. Currently, Canadian companies are required to charge HST/GST or the appropriate provincial value added tax (VAT) on their products. This tax does not apply to ads placed with foreign suppliers, yet companies can claim tax deductions for these advertising spends .

Not enrolling these foreign companies in the Canadian tax system has significant consequences.

Firstly, the federal and provincial governments are depriving themselves of important tax revenues, and this forces them to get more from other sources (i.e. income tax on individuals and corporations). Continued debt and deficit budgets by the federal government into the next four or five years are exacerbated by significant year over year dollars are being left off the table – in this case through lost sales tax revenue. In the 2018 federal budget, the federal government announced a deficit of \$17.8 billion dollars.

Secondly, this situation represents an inconvenience for Canadian companies. Canadian businesses are at a disadvantage compared with foreign companies because the price of goods and services they sell is, due to consumption taxes, higher than those of non Canadian companies.

Australia recently announced that after a review of tax strategies by multi-nationals they asked select foreign digital firms to pay millions in back taxes.

Several other countries, including the European Union and Japan have joined Australia, in adapting their taxation to the digital world, having overcome the administrative challenges associated with tax collection. Despite the broad consensus on the pertinence of taxing foreign products and services equally, Canada's government has not yet taken action.

- The European Commission is calling for “large technology companies to pay a 3% tax if they make money from user data or digital advertising in a country, regardless of their bricks-and-mortar presence. The commission estimates that digital businesses pay an effective average tax rate of 9.5%, compared with 23.2% for bricks-and-mortar firms.”
- In Canada, the Quebec government announced in its March 27th, 2018 budget “a new QST registration system to collect QST from suppliers that are non-residents of Québec and thereby ensure tax fairness. Foreign suppliers (suppliers outside Canada) will have until January 1, 2019, to

register for the QST using this new system, while Canadian suppliers (suppliers outside Québec) will have until September 1, 2019. Note that registration will also be mandatory for certain digital platforms acting as an intermediary between suppliers and consumers."

Recently the federal government set a questionable precedent in this space by agreeing to allow Netflix to contribute to Canada's cultural industry instead of subjecting the company to collect the same sales tax as Canadian broadcasters.

There is the potential that this exception will encourage other large companies, foreign and national, to try to create tax avoidance strategies of general application through special agreements with the government. These special agreements weaken the tax regime and impact taxpayer confidence in its fairness.

The 10 Ways to Build a Canada That Wins document published by the Canadian Chamber of Commerce encourages the federal government to make Canada a magnet for business investment. This includes responsive and competitive tax regimes for all who do business in Canada.

The recommendations are designed to move toward a level playing field in the digital economy and to ensure continued competitiveness of Canadian companies.

## **RECOMMENDATIONS**

That the federal government:

1. Examine how to apply VAT evenly and predictably across provinces and sectors in a digital world, including an assessment of potential revenue from foreign digital companies.
2. Require foreign digital companies to charge an appropriate provincial VAT (e.g. GST/HST) on sales related to the purchase of their services in Canada and remit the revenues from these taxes to the proper tax authorities.
3. Require foreign digital companies to register with the Canada Revenue Agency.

## **Changes to CRA Interpretation of the Tax Code to Allow for Golf Fees for Business Expense**

### **DESCRIPTION**

For many years, the CRA has discriminated against claiming golf memberships and related entertainment amounts as a business expense by interpreting the ITA Tax code in a way that disallows such claims.

### **BACKGROUND**

In 2016, a policy was put forward and passed at the Canadian Chamber of Commerce AGM called "*Tax Fairness for the Sports Entertainment Industry*" which called for the need to have golf fees included in allowable business expenses. This policy called for changes to the Tax Code, which could take many years. The Mission Regional Chamber of Commerce government affairs committee had been approached by our members about the concerns of the potential red tape in asking for a change to the tax code and upon review of the passed policy discovered that asking the federal government to make changes in the tax code would take far longer than to ask for the federal government support of asking CRA to change their interpretation of the tax code.

Due to a 1971 tax reform, the Canada Revenue Agency does not allow deductions for expenses incurred by business people entertaining clients at golf courses. It is a CRA Bulletin (not the ITA (Income Tax Act) i.e. Not a law) which governs CRA interpretation of the golf expense policy. This bulletin is as follows:

<http://www.cra-arc.gc.ca/E/pub/tp/it518r/it518r-e.html>

### Entertainment

18. Paragraph 67.1(4)(b) includes amusement and recreation as "entertainment." Section 67.1 also mentions the "enjoyment of entertainment." This refers to the mere attendance at or experience of the event or service. While not an exhaustive list, the following items are considered to be entertainment expenses and are subject to the 50% limitation:

- (a) the cost of tickets for a theatre, concert, athletic event or other performance;
- (b) the cost of private boxes at sports facilities;
- (c) the cost of room rentals to provide entertainment, such as a hospitality suite;
- (d) the cost of a cruise;
- (e) the cost of admission to a fashion show;
- (f) the cost of entertaining guests at night clubs, athletic, social and sporting clubs and on vacation and other similar trips.

Expenses related to the above items, such as taxes, gratuities, and cover charges, are also subject to the 50% limitation.

19. For any outlay for entertainment to qualify as a deductible expense, a taxpayer must be prepared to demonstrate that the amount was incurred for the purpose of earning income (see the current version of IT-487, *General Limitations on Deductions of Outlays or Expenses*). Records should be maintained of the names and business addresses of the customers or other persons being entertained, together with the relevant places, dates, times and amounts supported by such vouchers as are reasonably obtainable. Expenses that are personal in nature (other than expenses incurred by the taxpayer while away from home in the course of carrying on business) are not deductible by virtue of paragraph 18(1)(h). Payments for the services of a security escort or tour guide for a business client are normally deductible (subject to the 50% limitation) provided the amounts were incurred for the purpose of earning income. However, payments to what are sometimes called "escort services" for illicit services of a personal nature are never considered to be deductible outlays.

20. If the cost of food, beverages, or entertainment is part of a package price, which includes amounts not subject to the 50% limitation, the taxpayer has to determine the value or make a reasonable estimate of the amount subject to the 50% limitation.

For the purpose of this policy, "golf fees" are defined as course fees paid by a person for a one-time or limited time use of the course and do not include annual memberships.

There is no clear reason for the CRA to exclude golf fees as an entertainment expense as per the definitions outlined in their bulletin. Canada's 2,300 golf courses, most of whom are small business operators, feel that they cannot compete fairly with all the other industries where CRA does support entertaining clients. Over time, the unfairness of this discrimination against the golf industry has become more and more significant.

Example: You can take a client to a hockey game and write off 50 per cent of the cost as a business expense for tax purposes, but the same does not apply to golf.

In a 2014 study, golf employed just over 300,100 Canadians and contributed about \$8.3 billion to the economy in household income, \$ 1.4 billion in property and other indirect taxes and \$2.2 billion in federal and provincial taxes. Based on direct, indirect and induced impacts, Canada's 2013 golf cluster economic impact accounts for about \$14.3 billion of Canada's Gross Domestic Product (GDP), up from \$12.2 billion in 2008.

## **RECOMMENDATIONS**

That the Federal Government:

1. Encourage the CRA to change their interpretation of the tax code to permit golf fees as a business expense
2. Conduct a review and provide an explanation on the rationale for having different business expensing rules apply to golf fees.