



Policy Resolutions 2015



Positions on Selected 2015 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 October 17-18 at the Canadian Chamber's 86th Annual Meeting in Ottawa, Ontario. Each resolution, once approved by a convention, has an effective lifespan of three years.

The 2015 resolutions were discussed, amended and approved during debate, at which time accredited voting delegates from across the country considered a total of 55 proposals (of which 49 were approved) 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.

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:

The Canadian Chamber of Commerce
360 Albert Street, Suite 420
Ottawa, Ontario K1R 7X7
Telephone: (613) 238-4000
Fax: (613) 238-7643

TABLE OF CONTENTS

INDUSTRY.....	1
01. Canadian Nuclear Innovation	1
02. CanNor and Territorial Businesses	1
03. Capitalizing on Growth Opportunities in Canadian Auto Parts Manufacturing.....	4
04. Counteracting the Growing Productivity Gap: Call for the Public Debate	5
05. Developing a National Bioeconomy Strategy	7
07. Financial Protection for Canada’s Fresh Fruit and Vegetable Industry	8
08. Increasing Technology and Productivity in Canadian Food Manufacturing	9
09. Restoring Business Competitiveness to Canada’s Anti-Spam Legislation.....	10
10. Strengthen the Knowledge-Based Economy.....	14
11. Support Biotech in Agriculture.....	15
12. Timely, Reliable, Comparable Government Data for Canada’s Businesses	17
INTERNATIONAL AFFAIRS.....	20
13. Canada Border Services Agency - Customs & Immigration Programs	20
14. Collection of Duty and Taxes at Canada/US Border	21
15. Elimination of Border Re-Inspections & Associated Fees on Canadian Meat Exports into USA	22
16. Increasing Canadian Agri-Food Exports.....	24
17. Next Steps for Canada’s Trade Relationship with the Asia-Pacific.....	25
18. Renewing the Canada-U.S. Trade Relationship	27
HUMAN RESOURCES	30
19. Make Significant Changes to Address Issues in Foreign Worker Programs.....	30
20. Citizenship and Immigration Canada Regional Settlement	32
22. Creating Pan-Canadian Training and Certification Standards	34
23. Federal Support for Transition in the Food Processing Industry	35
25. Supporting Canadian Students’ Transition to Employment Through Work Placements	37
SOCIAL POLICY	39
26. Addressing the Pension Issue – Enhancing the Canadian Pension Plan	39
SPECIAL ISSUES.....	41
28. Alignment of Federal and Provincial Liens Policies	41
29. Developing a National Urban Policy for Canadian Cities	41
FINANCE AND TAXATION	44
30. Canada Revenue Agency Impact on Small Business.....	44
31. Fair Tax Process for Small Business	45
32. Federal Fiscal Policy	46
33. Increasing Rental Inventory Through Fair Tax Treatment	50
34. International Online Sales: An Important Shortfall for Governments	53

35. Non-Residents Performing Services in Canada Policy – Waivers from Withholding Obligations Under Regulations 105 and 102	54
36. Road Travel Rebate Incentive Program for Increased Tourism Revenue	56
37. Simplification of the Taxing Statutes	57
38. Strengthening Canada’s Workforce through Tax Indexing.....	59
NATURAL RESOURCES AND ENVIRONMENT	61
39. Accelerating Domestic Styrofoam Reuse and Remanufacture for Environmental and Economic Gain	61
40. Clean Technology and the Renewable Energy Sector in Canada	63
41. Does Our Water Abundance Mask a Potential Challenge? The Need for a National Water Framework	65
42. Energy Productivity: A Win-win for Canada’s Economy and Environment.....	67
43. Greenhouse Gas (GHG) Emission Reduction through Economic Instruments	68
44. Preserving Economic Benefits under the Extractive Sector Transparency Measures Act	69
45. Support for TransCanada’s Energy East Project	71
47. Support Future Mineral Exploration and Mining in Canada.....	72
48. Supporting Canada to Become a Leader in Global Mining Innovation.....	73
TRANSPORTATION AND INFRASTRUCTURE.....	76
50. Harmonizing Transportation of Oversized Shipments Across Canada	76
51. Moving the Goods: Transportation of Canada’s Natural Resources.....	77
52. Rail Service Issues in Canada.....	79
53. Regulating Unmanned Aerial Vehicles in Canada	82
54. Strategic Public Infrastructure for a Competitive Canada.....	84
55. The Importance to the Economy of Expanded Oil Pipeline Infrastructure	85

INDUSTRY

01. Canadian Nuclear Innovation¹

The Canadian nuclear energy industry represents a vital part of the Canadian economy. The industry employs 70,000 Canadians directly and indirectly (via support industries), generating over \$7 billion dollars a year in economic activity and over \$1.5 billion in both federal and provincial revenues.

The current restructuring of Atomic Energy of Canada Limited and the need for an innovation mandate for Canadian Nuclear Laboratories (CNL) creates an opportunity for the Federal and Ontario governments along with nuclear industry partners to play a lead role in fostering nuclear innovation by leveraging CNL's S&T capabilities. The parties should develop a new collaborative approach for defining nuclear science, technology and innovation priorities and for establishing program funding that will enable Ontario's nuclear industry to be competitive and sustainable in world markets.

With over 400 nuclear facilities in operation globally, 63 currently under construction and 66 in the planning phase, nuclear energy expansion and maintenance of existing facilities will become an increasingly vital source of energy and economic stability in coming years. The Canadian nuclear industry is already well entrenched in the global nuclear energy community, with significant operations in over 20 countries. Support for the Canadian nuclear industry from all levels of government, especially at the Federal level, will become increasingly necessary due to increased demand for nuclear production, both domestically and internationally, as well as increased competition within the market.

Since 2012, the Greater Oshawa Chamber of Commerce, together with the Ontario and Canadian Chambers, have supported the creation of an oversight committee/panel to address nuclear industry issues and act as a liaison between government and relevant industry representatives.

Recommendation

That the federal government work with provincial and territorial governments to:

1. Through its Energy, Research and Innovation and Economic Development ministries and the Canadian nuclear industry leaders, establish a joint government – industry nuclear science, technology and innovation program. This program will ensure that Canada retains its leadership position in the global nuclear industry.

02. CanNor and Territorial Businesses

The Canadian Chamber of Commerce has identified the lack of tools available to businesses in our territories as one of Canada's Top 10 Barriers to Competitiveness. Canada needs economic strength in all of its regions to compete. Reducing the dependence of Canada's territories on the federal government for financial transfers and jobs as well as improving the conditions for private sector growth will improve our national competitiveness. This cannot happen without more tools for businesses in the territories to increase their economic footprint.

¹ Data for this resolution was generously contributed by industry members including Ontario Power Generation, CANDU Energy Incorporated, and the Ontario Society of Professional Engineers.

In 2009, the federal government created the Canadian Northern Economic Development Agency (CanNor) to “develop a diversified, sustainable and dynamic economy across Canada’s three territories...by delivering funding programs to Northerners and Aboriginal people, guiding resource development and major projects across the North through the Northern Projects Management Office, undertaking research to support the development of evidence-based policies, advocating for Northern economic prosperity and diversification, and collaborating with and aligning the efforts of other federal departments, territorial governments, Aboriginal organizations and industry.”²

The Strategic Investments in Northern Economic Development (SINED) is CanNor’s largest funding program and the one used to support private sector initiatives. SINED’s current funding (\$20 million annually) is in place until March 31, 2016 and the program is under review. Businesses in Canada’s territories appreciate the acknowledgement by the federal government that the territorial economies warranted the establishment of a dedicated economic development agency and have had successful partnerships with CanNor that have brought benefits to the business community and – as a result – the economy. An example is the Whitehorse Chamber’s Yukon Business Development Program (YBDP), which received CanNor support until March 31, 2014. Under this program, selected companies and First Nation economic development corporations receive personalized business development assistance to help them reach their full market potential. The YBDP has helped more than 54 businesses in Yukon. One example of the success of the program is a business connected to the resource sector. The owner came to the program working out of his garage and after several years in the program, he now employs more than 12 people and has gone from gross sales of \$100,000 per year to more than \$4 million.

The Whitehorse Chamber’s Partnering for Success program, which was also supported by funding from SINED, brings representatives from industry, governments and First Nations together to discuss business issues and ways to enhance the Yukon economy. Partnering for Success has resulted in changes to several pieces of legislation in Yukon including the *Business Corporations Act*, the *Landlord Tenant Act*, the *Workers’ Compensation Board Act*, the *Condominium Act* and the *Land Titles Act*.

That said, territorial chambers of commerce and their members believe that CanNor’s ability to fulfill its mandate as an enabler for the private sector is hampered by a lack of business experience/sense of urgency within the agency as well as a cumbersome, lengthy and bureaucracy-laced application, review and approval process. The difficulties cited by territorial businesses and chambers of commerce in navigating the application process for CanNor support was corroborated by the Auditor General of Canada, Michel Ferguson, when he appeared before the House of Commons Public Accounts Committee to speak to his office’s Spring 2014 Report. “Mr. Ferguson said that CanNor’s ‘administration of (contribution) agreements was weak.’ For example, he explained that it took on average over nine months after an application was received for a contribution agreement to be signed, with the result that some of the contribution agreements were signed late in the fiscal year they covered, and some recipients had only a short period of time to spend funds.”³

CanNor is undoubtedly meeting its 90-day application completion standard “which starts when a complete application for funding is received”⁴. However, delays in acknowledging applications, changing parameters regarding supplementary documentation required, and the amount of funding available as well as long time gaps associated with each are capped by the fact that the Minister must approve each application. While businesses support the need for due diligence in the spending of public funds, the current process results in frustration and the waste of precious private – and government – time and money. Businesses cannot operate in this manner – for long – nor should the publicly-funded agencies that have been established to assist them in creating sustainable economic growth.

² Treasury Board Secretariat, 2015-16 Main Estimates Parts I and II The Government Expenditure Plan and Main Estimates, page II-65.

³ Report of the Standing Committee on Public Accounts of the Spring 2014 Report of the Auditor General of Canada, Chapter 6, Transfer Payments Programs – Canadian Northern Economic Development Agency, February 2015

⁴ Ibid.

Territorial businesses find it extremely difficult to contact CanNor staff. At present, there is no personnel directory on CanNor sites. When combined with CanNor's history of not returning calls, it is very difficult – if not impossible – to apply for programs, clarify documentation requirements, etc.

CanNor is a relatively new agency that inherited some of the programs it delivers from other departments “that had deficiencies identified in past evaluations and audits. While attempting to address these issues, CanNor also had to develop and deliver new programs.”⁵The territorial business community acknowledges this but also believes that CanNor can improve its efficiency and effectiveness in delivering programs to support the private sector.

Several territorial businesses and the chambers of commerce that represent them have said there is some confusion – particularly amongst small businesses – regarding who to approach for financing amongst CanNor, Business Development Bank of Canada (BDC) and the private banks. CanNor could assist by working with BDC and private banks to clarify and communicate appropriate funding sources for various businesses.

Recommendations

That the federal government:

1. Introduce the following enhancement/changes to the application and approval process for the Canadian Northern Economic Development Agency's (CanNor) Strategic Investments in Northern Economic Development (SINED) program:
 - a. Establish an advisory committee of business people in each territory/region to identify opportunities to invest CanNor funding most effectively in private sector initiatives as a complement to its role in accepting applications on a reactive basis only.
 - b. Acknowledge within 5 business days the receipt of funding applications.
 - c. Follow up with a preliminary assessment of applications – including additional documentation required – within 10 business days after the original acknowledgement.
 - d. Communicate a final decision on applications within 90 working days of receiving funding applications or provide an explanation to the applicant(s) of why this is not possible.
 - e. Approval at the territorial level of applications for funding less than or equal to \$100 thousand that meet the required criteria.
 - f. Provide detailed marketing/communications requirements in its approval letters.
 - g. Communicate its requirements with other partners, e.g., territorial governments, Crown Corporations.
2. Make SINED a permanent program, reviewing it after 5 years in order to provide planning certainty for CanNor and territorial businesses.
3. Establish an “ease of access to CanNor's offices and personnel” as a performance standard for the agency.
4. Mandate CanNor to provide access to information on the variety of sources of capital available to business enterprises and entrepreneurs. This information is to include matching sources of capital to business lifecycle, stage of commercialization and ability to provide required financing information to capital providers. Capital providers would include, but not be limited to: government agencies and programs (both federally and territorially), the Business Development Bank of Canada, private banking institutions, credit unions, alternative financing providers, venture capital, angel investors and private equity.

⁵ Ibid.

03. Capitalizing on Growth Opportunities in Canadian Auto Parts Manufacturing

Issue

Supportive federal government policies related to international trade agreements, competitive regulatory regimes, and investments into R&D can position Canada as a global leader in automotive parts manufacturing.

Background

The Canadian auto sector consists of assemblers – Ford, Chrysler, General Motors, Honda and Toyota – and a large network of parts suppliers.

Domestic parts manufacturers have been challenged over the last decade by the migration of assemblers to the southern United States and Mexico based on lower labour costs and major relocation incentives. Despite this trend, parts manufacturers emerged strongly from the recession and continue to expand as automobile sales escalate.

A 2014 report⁶ from the Lawrence National Centre for Policy and Management at the Ivey School of Business at Western University analyzed the operations of three major auto parts manufacturers – Magna International, Linamar Corporation, and Martinrea International. Quality and process innovation was identified as a high priority for securing business from assemblers, along with technology and knowledge transfer to maintain low operating costs.

All three firms utilized government tax incentives and programs, including SR&ED (Magna), federal and provincial support for innovation (Linamar) and trade financing through the Export Development Corporation (Martinrea). Concern was expressed that Canada's inherent manufacturing advantages are not sufficient to overcome heavy location incentives from governments in the United States and Mexico.

Canadian taxation levels are however considered a benefit and in some corporate decisions are sufficient to overcome lower labour costs. High school and post-secondary education should provide the skills required for industry along with information on wages available in advanced manufacturing. Government funding for educational programs should relate to the demand for skills in that area. Germany has frequently been identified as the prototype for supplying manufacturers with skilled employees through apprenticeships and trade institutions.

Two primary public policy issues identified by the three manufacturers include trade agreements and overlapping regulation. More agreements are required as freer trade with Mexico and the United States has made those jurisdictions relatively more attractive for parts that are readily exported. Magna has indicated that Canada needs to develop a strategy to increase Canadian manufacturing jobs rather than buying manufactured products. The Comprehensive Economic and Trade Agreement (CETA) with the European Union will benefit the domestic auto parts sector as EU tariffs, which can reach 4.5 percent, will be eliminated. This measure will provide Canada with a major advantage over competing jurisdictions.

The requirement to reduce regulatory overlap and duplication is also a priority for parts manufacturers and particularly important when importing machinery from countries that have rigid environmental regimes such as Germany. The retesting of equipment wastes time and money and adds no value.

Martinrea has indicated that part manufacturers need to cluster around assemblers (within 50 miles) to compete on logistics and reduce supply chain risk, implying that Canada should also offer location incentives to attract assemblers. Winning the competition for assembly plants will require superior performance in three areas – government subsidies, coordinated responses across federal, provincial and local governments, and flexible, highly productive labour arrangements.

⁶ The Future of Canadian Manufacturing: Learning from Leading Firms. Canadian Auto-Parts Manufacturing. Lawrence National Centre for Policy and Management, Ivey Business School, Western University. 2014

The 2015 federal Budget tabled by Finance Minister Joe Oliver committed up to \$100 million, over five years, for the Automotive Supplier Innovation Program. This new initiative will assist domestic parts manufacturers in developing new products required by assemblers. Of the total \$100 million, one-half will be reallocated from the Automotive Innovation Fund and will be supplemented on a cost-shared basis by participating firms.

Recommendations:

That the federal government:

1. Expand export opportunities for Canadian auto parts manufacturers through international trade agreements;
2. Eliminate regulatory duplication and overlap particularly in relation to the importation of machinery from jurisdictions with effective environmental and safety regimes;
3. Maintain programs for assisting auto manufacturers on R&D activities to meet the changing requirements of domestic and international assemblers.
4. Direct Ray Tanguay, Canada/Ontario Auto Adviser, to advise the Canadian Chamber of Commerce of his strategic plan within 6 months.

04. Counteracting the Growing Productivity Gap: Call for a Public Debate

Canada continues to lack an overarching productivity strategy. Canadian productivity is not growing as fast as it is in the U.S. and many other countries as Canada sits in the bottom quartile of the Organization for Economic Co-operation and Development (OECD). At present, Canada has relatively healthy balance sheets, low taxes and low borrowing cost, what potentially makes Canada a competitive partner for the emerging markets and global economy key players.⁷ However, there continues to be important obstacles that lessen the Canadian economy attractiveness, underuse the country's economic and human potential and, in the whole, slow down the Canadian productivity notably.

As stated by the research conducted by the World Economic Forum (WEF) *Canada is slipping a few notches in the 2014-15 report (with its goods and labour ranked 14th (12th in 2011-12 report) 7th (5th in 2012 report)) respectively. (The country's financial market, which ranked 13th in the 2012 report, has excelled into an 8th positioning, in the 2014 report.) Canada boasts well-functioning and transparent institutions now ranked 14th (11th in 2012 report), and excellent infrastructure now ranked 15th (11th in 2012 report). In addition, the country has been successful in nurturing its human resources: it is ranked 7th (6th in 2012 report) for health and primary education and 18th (12th in 2012 report) for higher education and training. Business sophistication and Innovations falls further down the scale at 23rd and 22nd respectively. As a global competitive entity Canada is ranking 15/144.*⁸

In less than ten years of time the emerging economies will account for 55% of the world's economic output, up from the current 45%. The strong demand in these countries for materials, finished products and services presents opportunities for the Canadian business. According to the WEC, the most problematic factors for doing business in Canada are: access to financing, tax rates and inefficient government bureaucracy. Rated 4th is insufficient capacity to innovate, followed by inadequate supply of infrastructure. "Structurally, we're not doing as well at innovation as we need to," said Daniel Muzyka, president of the Conference Board of Canada, the WEF's Canadian partner in the global study. "We're not really mobilizing to become more competitive."

⁷ Productivity must rise: Bank of Canada, Retrieved on 28 May, 2012 from: <http://www.cbc.ca/news/business/story/2010/03/29/boc-jenkins.html>

⁸ Global Competitiveness Report <http://www.weforum.org/reports/global-competitiveness-report-2014-2015>

If there ever was a time to take poor productivity growth seriously the time has arrived. Over time Canadian business investment has shifted away from manufacturing toward resource development. Key resource sectors, such as the oil sands have absorbed significant and innovative investment but have yet to see a significant and sustained increase in productivity. With a downward adjustment in the price of these key natural resources the country will certainly feel the urgency to diversify and innovate.

At the same time, Canadian researchers indicate that a key source of U.S. higher productivity growth has been the development and production of information and communications related goods, and subsequently the broad application of these through the U.S. economy, particularly in the service sector. The intensity of usage of information technology by Canadian business continues to be only half that of the U.S..

In 2007, Canadian business ranked 14th among OECD countries in research and development expenditures as a percentage of GDP. Canadian business spending on R&D was only 1% of GDP and continues to stay the same according to current studies, well below the OECD average of 1.6%, half of what the U.S. business spends and 33% compared with Sweden, Finland and Korea. As a result, Canadian business has less capacity to be receptive to innovation, and less of a focus on innovation as part of integrated business strategy in Canada.

The globalization of markets is accelerating the diffusion of technology and the pace of innovation. New occupations are emerging and replacing others. Within each occupation, required skills and competencies are evolving, as the knowledge content of production processes and services is rising.”⁹ In a research document titled “Smarten Up: It’s Time to Build Essential Skills” prepared by the Canada West Foundation the document identifies 40% of the workers in Canada do not have the essential skills needed to apply their technical skills and knowledge at globally competitive levels. The document speaks to ½ of the people who did not finish high school who have essential skills shortages (basic skills like math, reading and writing) and 1/3 of 16 – 25 year olds are short of some essential skills for their jobs. The skills shortages are pervasive across all demographics.¹⁰ The federal government has implemented the Canada Job Grant through provincial bi-lateral agreements, which is a step in the right direction, however, without a needs assessment to determine what essential training is required, by which employees and to which level is not undertaken prior to implementation would be crucial for the success of qualifying federal government spending job creation grant application expenditures.

Public perception may need to be addressed. In a further study through Deloitte; The Future of Productivity 2013; closing the perception gap suggests attitudes and perceptions may explain why Canadian companies invest less in improving their productivity and growth. 36% of Canadian businesses do not realize they are underinvesting and are overconfident. “To spur Canadian Companies into action we need to change perceptions” “Companies need timely, accurate information about their competitive environment and how they compete”.¹¹

Taking into account different attitudes towards the Canadian productivity gap, there is no denial that Canada is missing a broader debate about the countries productivity. A concerted productivity strategy, that would encompass innovation, the labour force, markets and attitudes, skills and training should be elaborated.

Recommendations

That the federal government:

1. Within the next 18 months, develop a long-term, comprehensive productivity strategy that will ensure Canada becomes one of the top five nations for competitiveness in the World Economic Forum rankings.

⁹ 8A *Skilled Workforce for Strong, Sustainable and Balanced Growth: A G20 Training Strategy*. International Labour Office – Geneva, (2010)

¹⁰ Smarten Up: It’s Time to Build Essential Skills
http://cwfc.ca/pdfdocs/publications/HCP_SmartenUp_Report_JUNE2015_WEB.pdf

¹¹ The Future of Productivity: Deloitte <http://www2.deloitte.com/ca/en/pages/insights-and-issues/articles/future-of-productivity-2013.html>

2. Implement the recommendations of the federal government's own expert panel, which created a framework for action in 2011 that speaks to R & D funding so that Canada can compete on equal terms with the most innovative economies in the world, based on the GII Index 2014.
3. Focus on building global centres of research excellence, better commercialization of research efforts to create jobs and wealth, better models of business-university partnerships, and better market-based means of financing the application of innovation.

05. Developing a National Bioeconomy Strategy

Issue

Canada is the only country in the developed world without a federally-led long term strategy or policy on economic growth through the bioeconomy. The USA, European Union, Australia, Malaysia, Japan and other nations have strong strategies developed in concert with industry and endorsed and approved by their leadership. For the 21st Century, Canada needs a blueprint for the bioeconomy that can lead the country to strong economic development, creating new businesses, high quality long term jobs, and clusters with stable growth.

Background

Many industries, including health, agriculture, food, forestry and natural resources, as well as rural and urban communities stand to benefit from the development of new bio-based products and services that use renewable resources derived from terrestrial and marine sources of biomass and associated waste streams as their feedstock. These produce a wide range of products, such as bio-fuels, biomaterials, bio-chemicals, natural health products, and pharmaceuticals, while minimizing impact on the environment. It involves all processes including invention, development, production and use. The net result of a strategy focused on the bioeconomy will be the creation of new businesses; revitalization of old businesses and jobs for Canadians.

Canada's economic future depends on the country becoming a global player in the bioeconomy. In 2008, the United States' biobased economy – measured in GDP on a per capita basis – was over 60% more developed than Canada's, upwards of \$1.25 trillion dollars, or 8.45% of GDP. Compare that to Canada's biobased economy valued at \$78.3 billion dollars, equivalent to 6.4% of GDP.¹² In addition Canada's food and beverage industry is valued in the range of \$125 billion annually.

Recognizing this, the Government of Canada created a \$500 million NextGen Biofuels Fund™ in 2007 to encourage the private sector to increase production and commercialization of biofuels. Natural Resources Canada is partnering with industry, research institutes and the financial sector to lead Canada's forest industry into the bioeconomy through the Bio-pathways Project. In recent months the federal government has established the Canada First Excellence Research Fund with agri-food considered to be a priority area.

Some communities have grasped the bioeconomy and are building their future. Examples are:

- Sarnia, Ontario - bio-based chemistry cluster
- Drayton Valley, Alberta - biomaterials and bioproducts cluster
- Saskatoon, Saskatchewan - agri-food bioscience cluster

¹² Measuring the biobased economy: A Canadian perspective, William Pellerin and D. Wayne Taylor; INDUSTRIAL BIOTECHNOLOGY WINTER 2008, page 363-366

- Charlottetown, Prince Edward Island – bioactives for health cluster

Sarnia, Ontario's focus on bio-based chemicals to build a hybrid chemistry cluster has been happening without a national policy, but is also a good example of what could be developed even faster with a national strategy in place and the proper support. Ten years of effort in Sarnia is now seeing the benefits of a long-term strategy with the recent attraction of BioAmber, which will open a US \$125-million biosuccinic acid manufacturing facility in the city, creating 60 permanent jobs.

Despite these efforts by the Government and communities, Canada lacks a national bioeconomy and innovation strategy. Communities that are looking to develop their own unique clusters need support and direction through appropriate programs to foster the partnerships.

To quote US President Barack Obama on the importance of fostering partnerships, as stated in his administration's National Bioeconomy Blueprint, February 2011:

"We're all familiar with clusters like Silicon Valley. When you get a group of people together and industries together, and institutions like universities together around particular industries, then the synergies that develop from all those different facets coming together can make the whole greater than the sum of all its parts."

Recommendations

That the federal government:

1. Develop a national bioeconomy strategy that builds from the best existing models with appropriate support, federally and provincially
2. Recognize that universities, colleges and federal laboratories play a vital role in building a long term bioeconomy and provide them support for discovery research.
3. Provide appropriate support to attract new businesses in the bioeconomy to Canada including the development of bioeconomy clusters throughout Canada.

07. Financial Protection for Canada's Fresh Fruit and Vegetable Industry

Background

Agriculture is the largest or the second largest industry for Ontario. Historically, Canadian and Ontario agriculture businesses have been protected under a long standing preferential access to the U.S. Perishable Agricultural Commodities Act (PACA) guaranteeing protection in case of bankruptcies and when payment issues arise. This preferential access was revoked by the U.S. Department of Agriculture on October 1, 2014. The newly created situation puts Canadian and Ontario agriculture companies at a disadvantage.

Canada had been the only country granted the same access as U.S. entities to the protections offered by PACA to recover payments both during bankruptcies and to recover unpaid bills outside of bankruptcy.

In order to address the gaps in protections between the two countries, the Canada-U.S. Regulatory Cooperation Council (RCC) mandate agreed to by President Obama and Prime Minister Harper in 2011 included a commitment to establishing a comparable Canadian approach for protecting Canadian and U.S. fruit and vegetable suppliers from buyers that default on their payment obligations.

Due to a lack of progress in fulfilling this commitment, on October 1st 2014, the U.S. Department of Agriculture (USDA) revoked Canada's preferential access to the PACA.

This will have significant consequences for the fresh produce industry in Canada, putting jobs, Canadian farms and other parts of the supply chain at risk. Unpaid bills (such as those due to a bankruptcy) will increase for Canadian companies exporting to the U.S., who will have lost their previously strong leverage over their buyers. The only protection that is viable is posting of bond of double the value (200%) of their claim. Seventy-five percent of Canada's 10,000 fruit and vegetable producers are small businesses with average sales of less than \$85,000 per year. Many cannot afford this and will simply have to walk away.

According to the Canadian Produce Marketing Association the changes to PACA rules will result in a permanent loss in Canada's GDP of at least \$12.7 million annually. The lost production results in a permanent loss of 154 jobs and \$5.9 million in labour income. Our upper bound assumptions result in losses to GDP of \$38.4 million, along with the permanent loss of 464 jobs and \$17.7 million in labour income.

Creating of a limited statutory deemed trust that provides financial protection for produce sellers in Canada in the event of bankruptcies will meet the U.S. requirements for a comparable Canadian system in order to reinstate our preferential access to PACA.

Recommendation

That the federal government create and implement a limited statutory deemed trust in the first legislative session after the 2015 election that provides financial protection for produce sellers in Canada in the event of bankruptcies. The assets available to trust creditors would be limited specifically to produce accounts receivable, and any cash and inventory from the sale of the produce.

08. Increasing Technology and Productivity in Canadian Food Manufacturing

Issue

Low and stagnating productivity levels are restricting global growth and expansion opportunities across the Canadian food manufacturing sector.

Background

Food processing is the largest manufacturing industry in Canada by employment and GDP, where output is larger than autos and aerospace combined. The industry has a major presence in all areas of Canada and is integral to rural and urban communities.

A Lawrence National Centre for Policy and Management report¹³ concluded the key to global competitiveness across the Canadian agri-food sector is increasing productivity. Improvements are being achieved through scale, new technology (robotics and automation) and systems. Discussions with food manufacturing firms indicated the Accelerated Capital Cost Allowance (ACCA) implemented by the federal government in 2007 has significantly assisted in the purchase of productivity enhancing machinery.

Like many other industries in Canada, food manufacturing is now dominated numerically by small companies. Approximately 84 percent of all firms have fewer than 50 employees, however they generate 17 percent of industry revenue. While opportunities continue for new firms to create new products, larger firms are restructuring and consolidating for global competitiveness.

¹³ The Future of Canadian Manufacturing: Learning from Leading Firms. Public Policies to Support Advanced Manufacturing. Lawrence National Centre for Policy and Management. Ivey Business School, Western University. October 2014

Many Canadian plants are either too old or too small. Achieving global competitiveness requires investments in new facilities, technology and systems. A limited number of government programs apart from the ACCA for upgrading and expanding plants and their relatively small scale could present future challenges. The Alberta government offers the Agri-Business Automation and Lean Manufacturing Fund, which covers 50 percent of costs related to process automation, improvement and technology adaptation. More provinces should examine similar programs. Automation allows Canadian manufacturers to compete with lower-wage jurisdictions by increasing domestic productivity and product quality. Labour comprises 11 percent of total production costs.

In a study of 141 food manufacturing plant closures from 2006-2013, the Lawrence Centre reported that 60 percent resulted from the operation no longer being competitive. The Canadian Agri-Food Policy Institute¹⁴ (CAPI) indicated that Canada had 143 plants closures from 2004-2014, with 52 percent in Ontario and 19 percent in Quebec. Approximately 90 percent of closures were a component of multi-plant restructuring by multinationals.

Canada requires a supportive regulatory system that protects consumers and ensures food safety, is consistent with major trading partners, and responds in a timely manner to new technologies and environments. Government policy can play a role in innovation and assist industry growth through tax policy, regulatory frameworks and municipal planning.

The 2015 federal Budget extended the Accelerated Capital Costs Allowance for an additional ten years. As noted above this measure, introduced in 2007 and extended through a series of past budgets, provides an incentive for firms to invest in new machinery and equipment for elevating productivity levels. The Food and Consumer Products of Canada, in an April 21, 2015 media release, indicated the extension provides businesses with more planning certainty for larger investment projects and encourages investment in the innovative technologies required to boost productivity. Ultimately it is another tool to help Canadian manufacturers grow here at home and compete for new business globally.

Recommendations

That the federal government:

1. Continue to support innovation and productivity in food manufacturing through programs such as the Accelerated Capital Cost Allowance;
2. Work collaboratively with all relevant inspection agencies to provide a food safety regulatory system that is consistent with competing jurisdictions.

09. Restoring Business Competitiveness to Canada's Anti-Spam Legislation

Issue

Canada's Anti-Spam Legislation (CASL) governs the unsolicited installation of computer programs and the sending of electronic messages for commercial purposes. CASL came into effect on July 1, 2014 with the portion governing software taking effect as of January 2015. Other jurisdictions, such as the US (CAN-SPAM Act (2003)), that require the receiver's consent to send electronic messages. CASL deviates from CAN-SPAM in a number of areas but most notably CAN-SPAM uses an 'opt-out' consent model. In an opt-out model, an individual or business may send an electronic message that's commercial in nature (what CAN-SPAM calls a commercial electronic mail message or CEMM) to someone but the sender must provide the recipient a means to unsubscribe.

¹⁴ Taking the Sector from Trade Deficits to a Competitive Resurgence. The Canadian Agri-Food Policy Institute. June 2014

CASL, on the other hand, has adopted an 'opt-in' model. Senders may only send a commercial electronic message (CEM) if they acquire consent first or meet an exception. Like CASL, Australia's Spam Act (2003) is one of the few models globally that require an opt-in consent. However the Australian model uses the concept of "inferred" consent to create much broader exceptions to the law than are available in Canada:

"via an existing business or other relationship, where there is reasonable expectation of receiving commercial electronic messages"

Unlike Australia's Spam Act, CASL's business relationship exceptions are time limited, forcing the removal of contacts from distribution lists when no two way communication has occurred.

To complicate matters further, Canada has two consent regimes – one for privacy legislation and one for CASL. Bill S-4 (changes to the Personal Information and Electronic Documents Act – PIPEDA) added a major new requirement for obtaining consents pertaining to the collection, use and disclosure of personal information but is still inconsistent with the requirements of CASL.

Background

CASL has been widely criticized by businesses and the legal community across the country.

In March 2015, Network Security Firm Cloudmark noted that while CASL has been effective in reducing the volume of spam coming from inside Canada, it had no effect on reducing spam received in Canada from other Countries, which had actually increased. More importantly, they noted that there was a 29% decrease in legitimate email traffic, confirming the fears expressed by business prior to the implementation of CASL that the law would have a chilling effect on electronic marketing:

This new law represents staggering overreach by regulators, is unnecessary due to basic tech solutions and it seems to me most importantly, the law illustrates a serious and profound disconnect between federal legislators and regulators on the one hand and the realities of Canadian business (and their need to market to effectively compete) on the other
[\(http://digest.dx3canada.com/2015/04/28/data-finds-casls-feared-chilling-effect-on-business/\)](http://digest.dx3canada.com/2015/04/28/data-finds-casls-feared-chilling-effect-on-business/)

In a July 9, 2014, Huffington Post article, Dan Kelly, the President at the Canadian Federation of Independent Business (CFIB) cites that "62 per cent of small firms have done nothing to meet the new requirements."

In a July 4, 2014 article, Mark Goldberg, a prominent technology consultant and blogger wrote, "Our government has imposed yet another impediment to the adoption of e-commerce and information technology in Canada. It is another contributor to lower levels of competition across the board in Canada's economy."

Borden, Ladner, Gervais LLP, Partner Jeffrey Graham, in a July 3, 2014 Financial Post article wrote, "A simple opt-out regime would have avoided the complex transitional rules that have been created... Why would it not be enough for the law to simply provide that if there is an existing relationship, broadly defined, and an effective opt out right clearly identified in the promotional emails, the public interest is adequately protected?"

Businesses across Canada have struggled with implementing CASL.

Almost all businesses are falling into one or more of these categories:

- Spending a disproportionate amount of money on legal consulting, operational processes, staff training, and human resources to fully implement the legislation, and/or,
- Not in compliance and violating the law, and/or,
- Have opted for alternatives to electronic marketing to avoid the risk of prosecution.

These issues demonstrate the government has not met its objectives:

To bring into force legislation that is intended to deter spam and other damaging and deceptive electronic threats such as identity theft, phishing and spyware from occurring in Canada and to help drive spammers out of Canada, in a way that phases in the

violations and enforcement mechanisms over a three year period...and to protect Canadians while ensuring that businesses can continue to compete in the global marketplace.

Disproportionate compliance spending hurts the Canadian economy. Businesses could be spending this money on innovation, hiring, marketing, and expansion.

Companies that exit the electronic marketing ecosystem creates a less competitive environment in Canada and makes Canada less competitive globally. Mark Goldberg, in a July 4, 2014, article wrote, "Commercial Electronic Messages – and I mean otherwise legal, non-fraudulent, non-malicious messages – increase competition and expand market knowledge. Why would we want to block increased competition?" (<http://mhgoldberg.com/blog/?p=7337>)

Companies outside Canada continue to send CEMs to Canadians, violating CASL. Extra jurisdictional enforcement mechanisms are insufficient to these illegally sent CEMs. While this continues, Canadian businesses are scaling down their email efforts. This puts Canadian companies at a disadvantage against foreign competition.

Here are the specific issues with the CASL legislation that businesses are struggling with:

1. Information requirements for acquiring 'express consent' are onerous.

When collecting consent information, a business must disclose all of the following (s. 10(1) and s. 4 of the CRTC regulation):

- Name of the company
- Mailing Address
- Either phone, email or web URL
- According to regulators, the user must make an affirmative action to subscribe (ie. opt-in check box or providing their email)
- Consent message – And the consent message needs to have details as to what the company is going to do with their information and mentioning that the user may unsubscribe at any time.

Information requirements differ depending on whom the consent is being sought on behalf of. The complexity and technical requirements often require legal and IT consulting assistance.

2. Managing the deadlines around implied consent is too difficult.

Under the implied consent provisions of CASL, a company may send CEMs to someone for up to 2 years from the date of last purchase and 6 months from the date of the person's product/service inquiry (s. 10(10)).

This section of the Act appears simple enough but many businesses are struggling with its implementation. For instance, consider this:

- Software is logistically necessary to track leads and structure data entry. This software must be configured to purge contacts when lead's implied consent expires. The software (or through human process), must track when a lead becomes a customer as that will re-trigger the two year rule (s. 10.10.a)
- The software (or through human process), must track when someone re-purchases, re-starting the two year rule.

This solution to implement (whether developing/implementing software or hiring staff to manage) can cost individual businesses tens of thousands of dollars or more annually to maintain.

3. Many of the exceptions are too vague.

Many exceptions are too vague. For instance, s. 3(d) of the CRTC regulation states:

"Section 6 of the Act does not apply to a commercial electronic message... (d) that is sent and received on an electronic messaging service if the information and unsubscribe mechanism that are required under subsection 6(2) of

the Act are conspicuously published and readily available on the user interface through which the message is accessed, and the person to whom the message is sent consents to receive it either expressly or by implication.”

Under CASL, an electronic address is broadly defined as an address used in connection with the transmission of an electronic message to an email account, a telephone account, an instant messaging account or any other similar account. The notion of “similar account” has generated much debate about the application of CASL to social media. In response, the CRTC has affirmed that certain social media accounts may constitute a “similar account,” yet has stated that the determination will have to be made on a case-by-case basis.

4. Record keeping standard is difficult to achieve

According to regulators, consent can be achieved by not only digital or written format but also verbal. However, section 13 puts the onus on the sender to prove consent. This has created a predicament for businesses. They may have acquired valid consent but are unable to document in a sufficient way to meet the challenge of a future audit or civil law suit.

5. Private right of action.

As of July 1, 2017, individuals can bring forth legal action against a party they believe has violated CASL (s. 47).

In CASL’s current iteration, compliance is out of reach for many businesses due to cost and complexity. The risks associated with electronic commerce will be further exacerbated by the threat of civil litigation.

In comparing this section to CAN-SPAM to see how other jurisdictions have addressed this topic, CAN-SPAM provides no such right of action to private individuals, nor does the Australian Spam Act (2003). According to Sharon E. Groom, a lawyer at McMillan, “Apart from a state attorney general, only ISPs who have been ‘adversely affected by a violation’ can bring an action under CAN-SPAM.”

6. Inaccurately purging people from their lists.

Section 66 of CASL (transitional provisions) allows businesses up to three years to send CEMs if certain pre-requisites are met.

Unfortunately, what has occurred is many businesses (out of misunderstanding the section or receiving poor advice), went and sent out the express consent request email blasts (pre July 1) and purged anyone that didn’t respond. Some of those purged, the business may have still had implied consent (under the existing business relationship rule) and didn’t know any differently.

Another segment of businesses would have missed the transitional provisions opportunity entirely by not sending out a CEM to those recipients pre-July 1 (sending a CEM pre-July 1 2014 is one of the pre-requisites under s. 66).

7. Vicarious liability.

Section 53 creates potential personal liability for officers and directors of corporations that violate CASL where due diligence is the only defense. This is extreme.

Recommendations

That the federal government make the following reforms to CASL in order to prevent this legislation from putting Canadian businesses at a competitive disadvantage:

1. Add in a new form of implied consent, recognizing the concept of inferred consent used in the Australian model that allows communication between parties where there is a reasonable expectation of receiving commercial messages and without time limits.
2. As a result of the amendment to PIPEDA in bill S4 , recognize all consents that would be recognized as valid under the standards for consents in PIPEDA

3. Clarify in regulation that two connected people or businesses on an existing social network (eg. Facebook, LinkedIn, etc.) are deemed to have implied consent without time limits.
4. Remove the “Right of Action” from CASL. While individuals should still have the right to report inappropriate CEMs to federal regulatory bodies, they should not have the right to sue senders in the civil court system.

10. Strengthen the Knowledge-Based Economy

Issue

Worldwide, companies formed on biotechnology have generated employment, benefits to patients, and substantial economic value. Although Canada excels in basic research it has failed to share in the worldwide biotech boom because, where the majority of risk-tolerant capital is provided from public capital markets only in Canada are life sciences companies obliged to compete for public risk capital against capital subsidies for other industries.

Background

Canada’s biotechnology sector has the ability to be an important driver of the Canadian economy, as it is in the United States, much of Europe and numerous other countries, and to continue to be one of two key engines of employment growth for the foreseeable future.

The aging of the population has already demonstrated rapidly increasing demands for drugs, diagnostic equipment and therapies. Biotech companies have already produced protection for our environment and have importantly advanced the world’s food supply. In order for Canada to catch up in this robust and critical area of the international economy, it must competitively position its biotech sector through regulatory, tax, intellectual property and other policies.

The challenges facing the growth and development of the biotechnology sector are very similar to those of the natural resource sector: large capital requirements, low probability of success and long timeframes before reporting positive cash flow with biotechnology having larger capital requirements and longer time frames. Canadian governments have long recognized those specific issues challenging the natural resource sector and, for the past ~50 years have had in place specific programs to address those risks and to encourage capital into the sector. The Mining Exploration Tax Credit (METC) and flow-through share financing support mining companies raising exploration and development capital, keep investment in Canada and sustain [grassroots] exploration activity. Since 2006, the METC has allowed mining companies to raise over \$5.5 billion for exploration and development. In 2013, more than 250 companies issued flow-through shares eligible for the METC to over 19,000 individual investors.

The Scientific Research and Experimental Development (SR&ED) program provides tax incentives to encourage Canadian companies of all sizes and in all industry sectors to conduct research and development. These tax incentives come in three forms: an income tax deduction, an investment tax credit, and, in certain circumstances, a refund. This assistance supports and is welcomed by biotechnology companies; however, it does not provide an incentive for third-party capital investment.

Canada is a global leader in both educational attainment and scientific research, yet the rate of successful commercialization of Canadian intellectual property discoveries is well below its scientific peers and competitors: the United States, France, Britain, Sweden, Netherlands, Germany and Switzerland. The Canadian Chamber of Commerce identifies lack of capital as one of its Top Ten Barriers to Competitiveness. The very limited capital that has been provided in Canada to finance the costs of commercializing research is recognized as the single greatest reason for Canada’s biotech companies to be barely represented on the international scene, notwithstanding the excellence of Canadian basic medical science. In the same way that flow-through shares are successful in encouraging

exploration and development in the mining and petroleum sectors, expanding the creative and thoughtful flow-through share program to the biotech sector would permit Canada to compete in the international arena with a direct and measurable impact on permanent employment, the building and management of technologically-advanced factories and a measurable benefit to provincial health plans with the replacement of imported drugs.

A study by PricewaterhouseCoopers LLP in 2010 analyzed the potential economic impacts of allowing the biotechnology sector to use flow-through share financing. The study identified an increase of R&D spending by \$411 million, a total gross output impact of \$967 million, and the creation of 7,945 full-time equivalent jobs. That same study also points to an increase in government taxes collected totaling over \$80 million.

Recommendation

That the federal government extend flow-through shares incentives to Canada's biotechnology industry.

11. Support Biotech in Agriculture

Issue

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 overall pesticide load associated with growing crops. It has also facilitated the widespread adoption of reduced or zero-tillage thereby significantly increased soil and water quality while reducing carbon dioxide emissions.

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. 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.

Farmers, who represent less than 1% of Canadian population, have difficulty in making their voices heard in society¹⁵. 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 versus perception of modern agriculture, especially when it comes to GMO crops.

Thus it is important that The Chamber of Commerce recognize how vital biotechnology is to farmers, to agriculture, to agribusiness, to consumers, and to the Canadian economy.

Background

GMOs are 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

¹⁵ Census of Agriculture, number of farm operators per farm by age, <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=0040239&pattern=0040200..0040242&tabMode=dataTable&srchLan=-1&p1=1&p2=50>

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 agriculture¹⁶.

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)¹⁷. 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 techniques¹⁸.”

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 economy¹⁹. Since the introduction of GMO Canola in 1995 (comprising 90%+ of cdn canola), yields have climbed from 21 bushels per acre to over 41²⁰. Soil erosion has decreased 66%, greenhouse gas emissions have decreased by 26%, and fuel usage has been reduced by 31%²¹. 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 browning²². The newly approved Innate Potato resists bruising, reducing waste, and has reduced levels of asprigine, a compound that increases levels of the likely carcinogenic acrylamide²³. 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.

¹⁶McInnis, The Transformation of Rapeseed Into Canola: A Cinderella Story, Winning the Prairie Gamble: The Saskatchewan Story exhibit. 21 May 2004. Retrieved 21 January 2015. <http://wdm.ca/skteacherguide/WDMResearch/CanolaResearchPaper.pdf>

¹⁷ Alberta Environmentally Sustainable Agriculture Council, Greenhouse Gas Emissions: Alberta’s Cropping Industry, Number 5, November 2000. Retrieved 28 January 2015.

¹⁸ “Statement by the AAAS Board of Directors on Labeling of Genetically Modified Foods.” American Association for the Advancement of Science http://www.aaas.org/sites/default/files/AAAS_GM_statement.pdf Retrieved on 30 January 2015

¹⁹ “Industry Overview.” Canola Council. <http://www.canolacouncil.org/markets-stats/industry-overview/> Retrieved on 27 January 2015.

²⁰ Beckie, Hugh et al (Autumn 2011) [GM Canola: The Canadian Experience](http://www.canolawatch.org/wp-content/uploads/2011/10/20110309_FPI_Aut11_Beckie.et_al.pdf), Farm Policy Journal, Volume 8 Number 8, Autumn Quarter 2011. http://www.canolawatch.org/wp-content/uploads/2011/10/20110309_FPI_Aut11_Beckie.et_al.pdf Retrieved 21 January 2015.

²¹ Ibid.

²² “Arctic Apple Benefits.” Arctic Apples. <http://www.arcticapples.com/about-arctic-apples/arctic-apple-benefits> Retrieved 30 January 2015.

²³ “Acrylamide.” American Cancer Society. <http://www.cancer.org/cancer/cancercauses/othercarcinogens/athome/acrylamide> Retrieved 27 January 2015.

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 technology²⁴. 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.

Recommendations

That the federal government:

1. Encourage increased science-based communication and education of genetic engineering in agriculture when establishing relevant policies, regulations, and communications.
2. Support Health Canada's stance that has declared Genetically Modified Organism foods are safe for consumption when developing relevant food policies, regulations and communications on a case by case basis.
3. Continue to support independent research of genetic engineering in agriculture.

12. Timely, Reliable, Comparable Government Data for Canada's Businesses

Data is critical to businesses of all sizes to identify new markets and customers, clients at risk, etc. Digital technologies have made it possible for smaller businesses to access and use data in ways that were once only possible for larger companies.

In September 2014, delegates to the Canadian Chamber's annual general meeting adopted a policy resolution calling upon the federal government to reinstate the mandatory Long-Form Census in 2016 in the interests of ensuring that businesses and other stakeholders – including municipalities – have reliable, comparable data to make decisions ranging from which markets to promote themselves in to planning (in the case of municipalities) critical infrastructure investments.

In October 2014, the federal government issued a mandatory Open by Default policy requiring federal departments and agencies to maximize the release of their data and information, subject to applicable restrictions related to privacy, confidentiality, and security. As a result, eligible data and information will be released in standardized, open formats, free of charge, and without restrictions on reuse. This follows the federal government's 2013 announcement that it intends to work with provinces, territories, and municipalities to break down barriers to integrated, pan-Canadian open data services. This is no small task given many government programs and services cut across multiple jurisdictions (e.g., health and transportation).

It is one thing to have "open" access to government data, however, the utility of that data is compromised if it is outdated and its reliability is questionable due to it being difficult and/or impossible to compare with data previously collected, for example comparing 2011 National Household Survey data to 2006 Census data.

The federal agency responsible for ensuring "...Canadians have access to a trusted source of statistics on Canada to meet their highest priority needs"²⁵ is Statistics Canada. *The Statistics Canada Act* "requires that Statistics Canada collect, compile, analyze and publish statistical information on the economic, social and general conditions of the country and its people. It also requires that Statistics Canada conduct a census of population and a census of

²⁴ Prax, V. (2010, April 28). American family farmers feed 155 people each- 2% Americans farm. Retrieved from <http://suite101.com/article/american-family-farmers-feeds-155-people-each-2-americans-farm-a231011>.

²⁵ Treasury Board Secretariat, 2015-16 Main Estimates Parts I and II The Government Expenditure Plan and Main Estimates, page II-259

agriculture every fifth year, and that the Agency protect the confidentiality of the information with which it is entrusted.”²⁶

While the federal government’s Open by Default initiative is a step in the right direction, businesses of all sizes rely heavily upon the data provided by Statistics Canada. While the 2015-16 Main Estimates for Statistics Canada call for its budget to increase by 28 per cent (\$149.8 million), this is the first increase in the agency’s budget since the 2011-12 budget year. All but \$640,000 of this increase is being devoted to the 2016 Census of Population and 2016 Census of Agriculture.²⁷

For three consecutive federal fiscal years (2012-13, 2013-14 and 2014-15) the budget of Statistics Canada has been cut by \$286.9 million²⁸, \$54.1million²⁹ and \$15.6 million³⁰ respectively. The decreases of the latter two fiscal years is explained as being the result of the Budget 2012 Spending Review which demanded cuts from all departments and agencies as the government worked towards its commitment to eliminate the federal deficit by 2015.

Not only has the elimination of the mandatory long-form census - the core survey to which many other surveys are tied - had serious implications for business people, economists, urban planners and others, cuts to Statistics Canada’s budget has resulted in there being fewer resources to provide the analysis and timely delivery of ancillary econometric surveys like the Travel Survey of Residents of Canada (TSRC) and International Travel Survey (ITS), among many others. When these surveys are released, they are often a year or more after the collection of the data which diminishes their usefulness.

Auditor General’s 2014 Spring Report

In his 2014 Spring Report, the Auditor General of Canada interviewed non-government users of Statistics Canada data and found, “that Statistics Canada has not consulted them on their needs. For example, a municipal user of the Labour Force Survey informed us of their need for employment data by workplace location, but there was no ongoing mechanism to provide feedback to Statistics Canada on these needs. Without ongoing consultation with users, the Agency’s data may become less relevant.”³¹ The Auditor General recommended that, “In order to ensure the continued relevance of its data products, Statistics Canada should obtain, document, and analyze ongoing feedback from the full range of its data users.”³²

In response to the Auditor General’s Report, the agency committed to “Starting in 2014, Statistics Canada will plan its future consultation activities to ensure that the full range of users—including those from the private sector, municipalities, and non-governmental organizations—are consulted where appropriate, and the results of these consultations are documented and analyzed.”³³

²⁶ Ibid.

²⁷ Ibid.

²⁸ Treasury Board Secretariat, 2012-13 Main Estimates Parts I and II The Government Expenditure Plan and Main Estimates, page II-225. Nearly all of the decrease is explained as the result of the winding down of the 2011 Census of Population and National Household Survey, as well as the ending of the major data collection period for the Census of Agriculture.

²⁹ Treasury Board Secretariat, 2013-14 Main Estimates Parts I and II The Government Expenditure Plan and Main Estimates, page II-330

³⁰ Treasury Board Secretariat, 2014-15 Main Estimates Parts I and II The Government Expenditure Plan and Main Estimates, page II-304

³¹ Office of the Auditor General of Canada, Spring 2014, Chapter 8 Meeting Needs for Key Statistical Data

³² Ibid.

³³ Ibid.

The Auditor General also recommended that there be a formal, routine process to rotate membership of advisory committees to “ensure the Agency is aware of, and responsive to, evolving needs”.³⁴ In response, Statistics Canada committed to “formalize its membership renewal process for subject matter advisory committees by January 2015 to ensure that the fullest possible range of users are represented on these committees and that the Agency is formally aware of and responsive to evolving user needs.”³⁵

Recommendations

That the federal government:

1. Continue its efforts to collect and present defensible data in a centrally-accessible, consistently formatted manner.
2. Continue working with the provinces/territories and municipalities to release data that is standardized, open formats, at little to no cost and never more than cost recovery, and without restrictions.
3. Ensure that Statistics Canada has the ability to deliver data that is timely and reliable to meet Canadian business needs.
4. Communicate the representation of private sector, municipalities and NGOs on Statistics Canada’s advisory committees, the process for membership rotation and how stakeholders can identify their interest in participating.

³⁴ Ibid.

³⁵ Ibid.

INTERNATIONAL AFFAIRS

13. Canada Border Services Agency - Customs & Immigration Programs

There are inequities in the provision and cost of Canadian Border Services at airports across the country. The Canada Border Services Agency (CBSA) considers airport operators to be the sole beneficiaries of Customs Services rather than the public at large and, therefore, subject to cost recovery.

As a result of the strict implementation of the Treasury Board Cost Recovery and Charging Policy of 1997, which was subsequently replaced by the External Charging Policy in August, 2003, border services were “frozen” at existing levels. Any requests subsequent to that policy are treated on a direct cost recovery basis or not provided at all. This was further exacerbated by requirements following 9/11, which put additional operational pressures and financial strain on the CBSA budget.

The CBSA has worked with other stakeholders, such as Amtrak, to provide service for passengers entering Canada. It is this kind of flexibility in CBSA’s approach to other requests for increased levels of service that would be helpful, instead of treating every application from airports as strictly a cost recovery issue. Smaller airports are being unfairly penalized by this policy since service levels are not adjusted to reflect current demand. Where airports are obliged to contract with CBSA for additional scheduled service, they either lose a large portion of the benefit from the new trans-border and international traffic, or must increase aeronautical fees to cover the cost. Carriers and passengers both suffer from this inequitable treatment as the costs are passed on to users and the ability to attract new service for the community suffers.

The economic benefits resulting from increased international air traffic can far outweigh the cost of providing Customs services. Direct tax benefits to the federal government alone should justify the additional cost. Where the benefits of this service extend beyond a single user or supplier can be demonstrated, through pre-determined criteria, the system should adjust to accommodate the need for this service without additional cost to the airport operator. Existing services should be reviewed and more appropriately allocated to meet demand.

As an example, the Kamloops airport is listed as an AOE (30) Airport of Entry. Custom services are offered Monday to Friday 08:30am to 4:30pm. Aircraft can arrive directly in Kamloops during those times and CBSA officers are on hand to attend to the aircraft and facilitate arrival to Canada. After hours cross border aircraft (with 30 passengers or less) are diverted to other points of entry. More often than not, the pilot is cleared by telephone in an alternate entry point and directed to proceed onto Kamloops for landing.

Under the current agreement with CBSA, the Kamloops Airport Authority has the responsibility to collect the custom fees from the passengers, often at a later date. Because the fees are not posted on the CBSA website, up to 30% of inbound passengers refuse to pay and the Kamloops Airport is forced to take a loss. CBSA agreement should allow airports to recover the cost for the airline operator in a transparent, efficient manner and not from arriving passengers during or after arrival. Ironically the CBSA does provide after-hours customs service in Kamloops for aircraft with animals or insects on board.

Recommendations

That the federal government and CBSA:

1. Move immediately to remove the discriminatory cost recovery mechanism for Customs and Immigration services and provide these services on the same basis as they are provided in other areas of the country and at the same cost to Canadians;
2. Where new or expanded services are required in any region of Canada, the provision of such services should meet a legitimate business case;

3. Add an on-call service component to all airports designated as an Airport of Entry;
4. Post all its fee schedules, including on-call services, on its website; and
5. Revise contract agreements with Airports to allow the proper billing to the plane operator in order to recover all the costs related to on-call services or other services supplied by the CBSA for the user.

14. Collection of Duty and Taxes at Canada/US Border

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 2006.³⁶ 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.

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 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.).

The federal government has clearly acknowledged that day trips should not be exempted from taxes, as stated by Jim Flaherty "Our government has no plans to create an exemption for day trips under 24 hours as it would disadvantage retailers in border communities and elsewhere in Canada," but Border Services Officers continue to routinely waive taxes and duties on goods bought by travellers in the U.S.. 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.³⁷ 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.

³⁶ Stats Canada Study: Cross-border Shopping 2004-2012

³⁷ According to the briefing note obtained by the Canadian Press under the Freedom To Information Act

Recommendations

That the federal government:

1. Examine current policies and protocols to identify efficiencies or additional resource commitments that could 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.

15. Elimination of Border Re-Inspections & Associated Fees on Canadian Meat Exports into USA

“Food produced under the regulatory systems in both countries (Canada & USA) is some of the safest in the world and it should usually not be necessary to apply additional inspection or testing requirements simply because it is crossing the Canada – USA border.”³⁸

Issue

Border inspections of Canadian and US meat are simply re-inspections of CFIA and USDA inspected meats. On July 6, 2009 FSIS formally acknowledged that Canada’s system of meat testing is equivalent to USDA standards. However every shipment of Canadian meat into USA is subject to mandatory re-inspection at the border, with re-inspection fees applicable. This border re-inspection process places the Canadian meat industry at an economic disadvantage to that of the USA, and is one of many examples where the failure to resolve bilateral regulatory and border issues are undermining Canada’s competitiveness.

Background

In a report released in September 2014, The Canadian Meat Council (CMC) advises that Canada’s meat industry employs 65,000 and ranks number one in our food industry, with total revenues of \$24.1 billion annually. On average Canadian processors export 563,000 tonnes of meat (28,150 truckloads) annually into the USA, with each truck subject to border re-inspection, despite a national sampling plan administered by the US Food Safety & Inspection Service (FSIS). Annual meat imports from the USA average 356,000 tonnes (17,800 truckloads).

Based on the recognition of the equivalency of the inspection systems and the Canada-US Free Trade Agreement, Canada adopted a frequency of import inspection at the level of one in ten. Current USDA border re-inspection of all US meat imports are redundant, delay shipments, introduce product and marketing risks, translating into additional costs to Canadian meat processors.

These US border re-inspections are conducted by 10 privately owned Inspection Centres which charge re-inspection fees without USDA oversight. These fees cost our meat processing industry upwards of \$3.6 million annually³⁹. Furthermore, US border re-inspection requirements significantly increase shipping and handling costs to Canadian

³⁸ “American Meat Institute (AMI) and the Canadian Meat Council (CMC).” Canada’s Economic Action Plan <http://actionplan.gc.ca/en/page/rcc-ccr/american-meat-institute-ami-and-canadian-meat> Retrieved 3 February 2015.

³⁹ Ibid.

meat processors (*i.e. added driver, fuel and vehicle depreciation costs*), and increase market risk when the cold-chain delivery system is disrupted at these US Inspection Centres.

According to CMC, many “Inspection Houses” are older non-refrigerated facilities and lack the food safety standards (*i.e. HACCP*) and warehousing programs consistent with standards applied at the CFIA and USDA facilities from which the meat was originally inspected and shipped. Furthermore re-inspections at these Inspection Houses disrupt the cold-chain delivery process and “could result in temperature shifts of 10 degrees or more ... and a supplier could lose 3 – 10 days of a typical 30 day shelf life fresh meats that get delayed can be refused by the customer.”

According to the Canadian Meat Council, “every driver loses 2 - 4 hours of driving time when reporting to the Inspection Centres”. Once a driver hits 11 – 12 hours behind the wheel, transportation regulations mandate a 10 hour rest time. According to the CMC, at \$100 per hour, resulting driver downtime is a significant cost to our meat industry.

US Border Inspection Process: All trucks crossing the US border containing meat from Canadian processors are first screened by US Border Officials, after which they must report to one of only 10 US Inspection Centres located on the international border. All trucks are opened at the Inspection Centres and their import documents are verified with the USDA. Approximately 10% of all trucks are physically re-inspected before they can proceed to a federally inspected US packing plant for further processing.

Canadian Border Inspection: All trucks crossing the Canadian border containing US meats are first screened by Canadian Border Officials, at which time the driver is informed if his truckload is one of the 10% randomly selected for further inspection. If a re-inspection is required, it is not done at the border, but rather at one of the 125 CFIA Registered Establishments. This re-inspection process ensures tighter quality control and improved food safety to the consumer, with reduced shipping costs to the supplier. There are no border re-inspections fees applicable to the US meat processor on imports into Canada. Rather CFIA inspection costs are absorbed by the Canadian processor.

History

On February 4, 2011 the Canada-United States Regulatory Cooperation Council (RCC) was created to facilitate closer cooperation between Canada and the USA with the objective to develop more effective approaches to regulation in order to enhance economic strength and competitiveness of both countries. Prime Minister Harper and President Obama collectively announced support for the 29 point Joint Action Plan “*Beyond the Border: A Shared Vision for Perimeter Security and Economic Competitiveness*.” Its mandate is to “*enhance security and accelerate the legitimate flow of people, goods and services across our international border*”⁴⁰ As an exporting nation, Canadian businesses are dependent on smooth, fast, and free trade. The RCC is an essential program for identifying impediments to trade across numerous sectors. Canadian businesses are sure to see tremendous benefit when RCC recommendations are implemented.

As part of the “Beyond the Border Action Plan”, the USDA’s Food Safety and Inspection Service (FSIS) and the Canadian Food Inspection Agency (CFIA) committed to implement a pilot project to introduce and evaluate an outcomes-based process for the purpose of eliminating unnecessary and duplicated requirements on cross-border meat shipments. The 12 month pilot project was to conclude in September 2013 following which it would be evaluated. However, it was halted by the USDA shortly after its launch influenced by US lobbyists who cited concerns about food safety in the face of the XL Foods massive meat recall.

In August 2014 the Canada – United States Regulatory Cooperation Council (RCC) released its *Joint Forward Plan* which “*focuses on eliminating unnecessary costs and duplication, removing red tape, reducing delays in bringing products to market and providing more predictability for integrated supply chains – all without compromising the health and safety of Canadians and Americans*”.⁴¹

⁴⁰ Ibid.

⁴¹ “Canada-United States Regulatory Cooperation Council Joint Forward Plan August 2014.” Canada’s Economic Action Plan. <http://actionplan.gc.ca/en/page/rcc-ccr/canada-united-states-regulatory-cooperation-1> Retrieved on 3 February 2015.

Recommendations

That the federal government:

1. Support the efforts of the Canada-United States Regulatory Cooperation Council (RCC) in its initiative to harmonize regulatory requirements and practices on meat and other trade between Canada and the United States of America.
2. Ensure that all re-inspections of Canadian meats exported to the United States of America only be conducted at United States Department of Agriculture sanctioned processing facilities.
3. Eliminate current border re-inspection fees on Canadian meats exported into the United States of America.

16. Increasing Canadian Agri-Food Exports

Issue:

The growth of the national agri-food industry and rural economy is dependent on the successful completion of trade agreements such as the Trans-Pacific Partnership (TPP).

Background:

Economic growth in Canada remains highly dependent on exports. The Canadian agri-food sector has developed an international brand for producing safe, high-quality products that can significantly elevate domestic prosperity levels.

In 2012, over two-thirds of Canadian agri-food exports were destined for the United States. By July of 2013, China was Canada's second largest market. According to Farm Credit Canada⁴², diversifying exports away from the United States will benefit the domestic industry as a dependence on a single market can be a long-term risk. Any event – political or economic – that creates declining US demand or prices will have a detrimental impact on Canada.

In a submission to the Senate Standing Committee on Agriculture and Forestry in October of 2014, the Canadian Agri-Food Policy Institute (CAPI) indicated that the primary challenge for industry and government(s) is positioning Canada in a world of increasing global food production and supply. Addressing this concern goes beyond trade agreements and entails linking policy, supply chain strategies and marketplace foresight.

Canada should however be negotiating traceability and general food safety principles into trade agreements, which is increasingly demanded by partners and positions Canada ahead of many competitors. Overall, according to the CAPI, prospects for the Canadian agri-food sector are strong since global supply chains want to lock-in reliable sources of food and value-added ingredients over the longer term.

A 2014 report from the Lawrence National Centre for Policy and Management at Western University's Ivey School of Business notes that securing access to global markets under fair terms is an important success factor for Canada's food manufacturing industry.

The Comprehensive Economic and Trade Agreement (CETA) between Canada and the EU will provide Canadian companies with lower barriers than American-made products shipping into member nations. Overall, trade agreements such as CETA provide major implications for production location decisions by manufacturers and processors.

⁴² Canadian Agriculture and Agri-Food in the Global Economy 2013-14. Farm Credit Canada. 2014

In a May 7, 2015 media release the Canadian Meat Council (CMC), which represents the largest sector of Canadian food processing, indicated that the Trans-Pacific Partnership (TPP) negotiations are “the most critical initiative in determining the future prospects for international trade and competitiveness.” Anything less than the retention of a level playing field with TPP competitors would not be an acceptable outcome. All political parties in Canada must acknowledge the importance to Canada of maintaining competitive access to international markets for Canadian agriculture and agri-food products.

Failure to achieve market access parity would immediately place at risk more than \$1 billion in current meat exports, but also producer revenues and the jobs they create. Japan is the world’s largest importer of pork and Canada’s second largest customer after the United States and the loss of access to this market would be devastating for rural Canada.

An April 2, 2015 letter to Prime Minister Harper from the Canadian Chamber of Commerce, Canadian Council of Chief Executives, and Canadian Manufacturers & Exporters noted that the next step in the government’s ambitious trade agenda must be to open new markets in the fast-growing Asia Pacific region. These negotiations represent a historic opportunity to provide Canadian entrepreneurs and exporters with access to almost 800 million new customers. A successful outcome will position Canada as the only country in the world with privileged access to key markets across North America, Europe and Asia.

Recommendations

That the federal government:

1. Conclude and implement an ambitious TPP that includes competitive access for Canadian agri-food products.
2. Increase resources to expedite Canada’s role in negotiations and ratification of the multilateral TPP agreement.
3. Focus on food safety principles for all international trade negotiations and agreements.

17. Next Steps for Canada’s Trade Relationship with the Asia-Pacific

While the United States will continue to be Canada’s largest trading partner, diversification to higher-growth markets, notably in Asia, is increasingly important to Canada’s prosperity. An expanding consumer base and rapid urbanization continue to drive market opportunities in China, India, and Southeast Asia. Japan remains the world’s third largest economy and, along with South Korea, a technology powerhouse with supply chain links throughout the region. Canada’s strengths in industries like agri-food, energy, environmental technologies, financial services and infrastructure are closely aligned with the needs of the region. To take advantage of such opportunities, Canadian companies need public policies that enable them and help them compete.

Where we stand

Canada is doing more and more business with Asia. According to the Conference Board of Canada, Asia makes up 15 percent of Canada’s international trade, up from 10 percent in 2003. But dig deeper and the numbers are less rosy. Imports have increased much faster than exports and Canada’s market share in the region continues to fall. Canada’s share of total foreign investment in Asia has also dropped compared to G7 peers, suggesting lower levels of supply chain integration and sales by overseas subsidiaries.

Increasingly, federal policymakers are trying to reverse this trend. After years of watching from the sidelines, Canada joined the 12-country Trans-Pacific Partnership (TPP) negotiations and recently concluded a trade agreement with South Korea. Canada landed the first offshore trading hub for Chinese currency in the Americas. The number of trade

offices in China and India is growing and, part of Ottawa's drive to double the number of Canadian small and medium-sized enterprises (SMEs) in emerging markets by 2018.

The way forward

These are all steps in the right direction. But Asia has many suitors and Canada will have to work even harder and smarter to remove trade barriers, create a level playing field and help companies navigate new surroundings.

There is a need for more free trade agreements (FTAs) and foreign investment protection agreements (FIPAs). If TPP can be concluded, it would open up brand new market access in Vietnam and Malaysia and lower barriers for a wide range of existing exports to Japan. Depending on TPP's outcomes, Canada may secure additional benefits from Japan through a separate bilateral Economic Partnership Agreement (EPA). Negotiations with India on a Comprehensive Economic Partnership Agreement (CEPA) are back on track, following the recent state visit to Canada by Prime Minister Narendra Modi. Canada has started to pursue agreements with the members of the Association of Southeast Asian Nations (ASEAN).

Progress with China, however, has stalled. It may be Canada's second largest export market, but the two countries have yet to formally explore, let alone start negotiations on an FTA. On Prime Minister Stephen Harper's 2014 visit to China, the two countries announced a 'track-two' dialogue that would evaluate different arrangements to enhance bilateral trade, but it has been subject to delays. Meanwhile, Canada's competitors are not waiting. Australia's new FTA with China is already putting Canadian businesses and farmers at a competitive disadvantage.

Canada will need to do more than just sign trade agreements to succeed in Asia. Trading partners must provide real access to their domestic markets, including through the elimination of sector-specific non-tariff barriers and unfair financial or regulatory advantages. Canada should monitor these issues closely and, when necessary, use appropriate mechanisms to enforce agreements, including trade remedies and dispute settlement procedures. These essential functions require a well-resourced, professional border service and trade policy team that is in frequent contact with businesses on the ground.

The government needs to make sure that SMEs are aware of how they can take advantage of the economic opportunities that current and future agreements provide. Many SMEs do not have the resources to promote their products and services in markets where they have to deal with very different laws and customs.

Government-to-government relationships are a key feature of doing business in Asia. High-level political engagement and exchanges, regulatory cooperation, foreign aid and development finance are important tools to boost private sector collaboration. The Canada-China Joint Agriculture Committee and Financial Sector Policy Dialogues with China and India, for instance, have been valuable channels to build trust and address market access issues for Canadian companies.

Canada's economic agenda in Asia is gathering steam. Working with relevant companies and industry groups to develop and execute a clear vision for the next phase will make sure that Canada can compete and win in the world's most dynamic region.

Recommendations

That the federal government:

1. Take a leading role in concluding and implementing an ambitious TPP that includes:
 - a. Comprehensive market access for goods and services, as well as realistic rules of origin.
 - b. High-standard rules to facilitate cross-border data flows and the movement of business people, improve regulatory transparency and strengthen investment and intellectual property protection.
2. Expand bilateral trade and investment agreements in Asia by:

- a. Concluding joint feasibility studies on the costs, benefits and potential structure of FTAs with China and the Philippines.
 - b. Concluding and implementing the Canada-India CEPA and FIPA.
 - c. Negotiating FIPAs with Taiwan and Macau.
- 3. Improve the local business climate for Canadian companies by:
 - a. Ensuring commercially meaningful regulatory outcomes from bilateral sector committees and expanding them to include priority economies in ASEAN.
 - b. Targeting development aid to help local governments enact and enforce best practice laws and regulations in areas such as taxation, financial supervision, workplace health and safety, environment and consumer protection.
- 4. Continue to improve the effectiveness of Canada's trade promotion strategies and programs by:
 - a. Streamlining access to federal and provincial/territorial trade promotion services.
 - b. Creating a forward planning committee to coordinate with provincial/territorial governments on delegations and strategic foreign investment and export opportunities.
 - c. Ensuring that federal trade officials have adequate resources to negotiate, monitor and enforce the results of trade agreements, as well as provide timely, effective service to clients at home and abroad.
- 5. Facilitate Canadian participation in regional infrastructure projects by:
 - a. Working with local governments to develop private-public-partnership models.
 - b. Encouraging collaboration between Export Development Canada and regional financial institutions such as the Asian Infrastructure Investment Bank and Asian Development Bank.

18. Renewing the Canada-U.S. Trade Relationship

Canada and the United States (U.S.) have a special relationship built on shared values and a long history of family, friends and visitors living on both sides of the border. Every day, over \$2 billion in goods and services and 300,000 people cross the border. Despite these strong foundations, bilateral trade has stagnated over the past decade, with Canada steadily losing market share in the U.S., especially since the financial crisis. The story is improving as of late, with a lower Canadian dollar, resurgent U.S. economy and expanded cross-border trade in the Great Lakes region. However, there remain a number of policy steps that need to be taken by both governments in order to revitalize the economic relationship.

The barriers

There are several factors holding back bilateral business: inefficiencies at the border, regulatory divergence, failure to approve the Keystone XL pipeline, country of origin labeling requirements, and the revival of 'Buy America' rules for local government procurement. These trade irritants and protectionist measures continue to impede trade flows and hurt the competitiveness of North American supply chains.

At the same time, bilateral cooperation has not kept up with emerging issues and opportunities in areas such as trade, energy and environment. Canada did not join the Trans-Pacific Partnership (TPP) talks until late in the process. The so-called shale revolution in the U.S. and reform of the energy sector in Mexico has fundamentally transformed the continental energy market. At the same time, approaches to greenhouse gas regulation and the development of renewable energy are poorly aligned.

Part of the problem has been the slow decline in the frequency of engagement between political leaders. The North American Leadership Summit scheduled for early 2015 in Ottawa was cancelled. Canada has not hosted the occasion since 2007.

The way forward

The long-standing challenges and new realities facing Canada and the U.S. suggest that business as usual will not be enough to realize the full benefits of the bilateral relationship.

Canada and the United States will need to take additional steps to facilitate the movement of goods, services and people across the border in all modes of transportation. Since announcing the Shared Vision for Perimeter Security and Economic Competitiveness Action Plan in 2011, Canada and the U.S. have been working together through the Regulatory Cooperation Council and Beyond the Border initiatives in an effort to improve the efficiency of the border and reduce unnecessary regulatory divergence. However, these initiatives have not lived up to their ambition and are in need of new energy and attention.

Facilitating temporary entry and business travel

By harmonizing and coordinating customs and security rules and procedures, the Beyond the Border Action Plan seeks to improve border efficiency, reduce delays and increase the mobility of people and goods across the Canada-U.S. border. Despite some recent milestones—e.g. Integrated Cargo Security Strategy (including air cargo), piloting the concept of ‘cleared once, accepted twice’ and the recently announced Preclearance Agreement that would cover multiple transportation modes—a lot of work remains.

Better training of border agents and more clarity around temporary entry requirements would make it easier for Canadians and Americans to conduct legitimate business across the border. TN and L applicants (i.e. for temporary entry as business visitors) to the U.S. are often subject to different treatment depending on the port of entry. Clarification is needed on new measures allowing specialized maintenance and repair personnel to conduct maintenance and emergency work on critical industrial machinery and operational systems. Likewise, there is a lack of guidance for visitors entering to provide after-leasing services. The rules should be applied in an equal fashion as they are for those doing after-sales services.

The application process itself should also be improved. The new U.S. guideline allowing TN applicants to process their applications at United States Citizenship and Immigration Services (USCIS) centres is a welcome development, but they should also be able to apply through U.S. Consulates in Canada. Minor application errors should be treated with leniency. The NEXUS trusted-traveler program, for instance, should move away from a zero tolerance approach to violations in favour of the approach used by the Free and Secure Trade for Commercial Vehicles program. It should also be possible to appeal denials and revocations.

Customs agencies must have uniform and speedy mechanisms to deal with wrongfully denied business entry and mis-adjudications. In some cases, Canadian business visitors have been put through Expedited Removal proceedings at the border, despite the fact that Department of Homeland Security regulations mandate that non-immigrant Canadians be exempt. Administrative remedies should be made available for such abuses of the process.

The recent Pre-Clearance Agreement could significantly speed up border crossings for individuals and cargo. However, the enacting legislation may be politically challenging due to extra-territoriality and immunity issues. In the meantime, efforts should be made to reduce situations of multiple inspections, as in the case of rail passengers from Vancouver to the U.S. being inspected once in Vancouver and again when they cross the border.

Improving importer programs

Canada’s trusted trader programs, which offer expedited and simplified customs procedures to low-risk shippers, remain underdeveloped and poorly integrated with those of the U.S. as well as other Canadian federal agencies (e.g. Canadian Food Inspection Agency). Growth of company membership in these programs has slowed as a result and remains limited. Significant investments in technology and operations are needed.

After long delays, Canada is set to implement key elements of the Single Window Initiative. By allowing importers to submit documents and information electronically to customs and nine other relevant government agencies all in one

location, it is expected to cut red tape and lower trade costs. However, with the challenges faced getting the program to this point, close attention is needed to ensure that the roll-out meets expectations.

Cooperating on energy and the environment

A truly continental approach to energy and the environment would help Canada and the U.S. reduce greenhouse gas emissions and provide economies of scale to stimulate joint innovation and the growth of the green economy. Selling an additional 2,500MW of Canadian hydro power to the U.S., for instance, could lower CO2 emissions by an amount equivalent to taking 2.3 million cars off the road. Cooperating on environmental regulations could also improve the reputation of Canadian oil and gas products in the American market.

Pursuing a North American trade policy

Although Canada was late to the table, the TPP is platform for the two countries to work together to establish new trade rules that will govern Pacific trade. North American trade interest are aligned in a number of sectors and by pooling its market size with the U.S., Canada can increase its bargaining power. As a living agreement, TPP will be an instrument for future trade liberalization with countries such as China and India. Canada should also be using TPP as an opportunity to find bilateral compromises on government procurement and the movement of business people – if not within the agreement itself, then through side arrangements.

Recommendations

That the federal government:

1. Improve the movement of people and goods across all modes by fully resourcing and implementing programs identified by the Beyond the Border initiative.
2. Improve stakeholder consultation throughout the agenda-setting and tracking process of the Canada-U.S. Regulatory Cooperation Council.
3. Work with the U.S. to realize an ambitious and comprehensive TPP agreement that lays the foundation for the North American trade with Asia, including high standards of market access and intellectual property protection, as well as new disciplines related to cross-border data flows and state-owned enterprises.
4. Through the TPP or parallel bilateral arrangements, address Buy America rules and expand the list of qualified professionals eligible temporary entry and business visas under the North American Free Trade Agreement.
5. Restore and institutionalize the annual North American Leadership Summit, creating issue or sector-based working groups on topics such as energy and trade policy.

HUMAN RESOURCES

19. Make Significant Changes to Address Issues in Foreign Worker Programs

The federal government's Temporary Foreign Worker Program (TFWP) and Canada's Provincial Nominee Programs are important components of Canada's labour strategy. However, changes in how the programs are implemented and integrated federally are urgently needed. Change is needed to reform processes to increase Canadian businesses' ability to compete domestically and globally.

In spite of record levels of participation, immigration, and slower economic growth, the demand for workers is still expected to exceed the supply through 2022⁴³. Even with the implementation of the Express Entry system, the TFWP remains an essential tool for employers unable to attract domestic labour, or with positions that are non-eligible occupations for other immigration streams. The TFWP is a program established to serve the labour needs of Canadian businesses on a short-term basis; however Canada's employers have permanent jobs to be filled. Many businesses, struggling to meet their labour needs, rely on the TFWP primarily for unskilled workers in industrial, agricultural and retail settings.

Employers cite numerous concerns with the delivery model including:

- **Processing Errors:** Most provinces have to provide a Labor Market Impact Assessment (LMIA) for TFWs, which must be approved before Citizenship & Immigration Canada (CIC) will issue a work permit. Service Canada agents from time to time have declined LMIA applications in error and/or without justification or ability to appeal.
- **Calculation of Prevailing Wage Rates:** Prevailing wage rates established by Service Canada are creating challenges for some businesses since the calculation is not industry specific and often fails to recognize local employment demographics. Increased flexibility in wage determination is needed to ensure that the nature and location of the business, labour demographics and wage parameters are duly recognized at the local level when establishing wages for TFW's. Access to qualified workers may vary significantly by location (i.e. urban vs. rural, region vs. province etc.). Additionally, Service Canada may change the posted wage rate in the course of a day. Employers who unknowingly used a wage rate on their initial LMIA application that has subsequently become outdated may have their application denied, in which case they must re-apply causing costly delays.
- **National Occupation Classification (NOC Codes):** NOC codes are generic and do not adequately address the nature and location of the business.. Employers in smaller centers are disadvantaged because NOC codes do not adequately recognize and differentiate between skill level needs and regional demographics. Currently in Alberta there are no NOC codes for employers seeking to recruit grain farm operators under the TFW Program with pathways available to Permanent Residency. This puts Alberta grain farmers at a disadvantage to those in Saskatchewan and other provincial jurisdictions.
- **Barriers to Permanent Residency Transition:** Many employers who utilize the TFW program require unskilled workers, making the program a good fit. Reports indicate that TFWs provide a stable, diligent workforce. Not surprisingly, employers typically attempt to transition TFWs into permanent residents through Provincial Nominee Programs. This process poses additional problems. For example, in order to qualify for the Alberta Provincial Nominee Program, the immigrant must have obtained three years of

⁴³ "Canada's Workforce Requirements 2013 to 2022." Workforce Outlooks Spring 2013, <http://www.workforceoutlooks.ca/information/WOCanada131.pdf> Retrieved on 29 May 2015.

related experience before coming to Canada; experience obtained while in Canada on the TFW program does not qualify.

Differences in Provincial Systems: Though the LMIA process is administered by Service Canada, a federal agency, regional Service Canada offices have latitude to interpret policy and manage the process. For example, Saskatchewan's Immigrant Nominee Program (SINP) varies from the Alberta Immigrant Nominee Program (AINP) and contains a number of flexibilities unavailable through the Alberta program.

Additionally, on June 20, 2014, the Minister of Employment and Social Development, Jason Kenney, announced major changes to the Temporary Foreign Worker Program (TFWP) in order to drastically reduce the number of foreign workers in the country.

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 LMIA's 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 merely red tape measures that hinder rather than encourage prosperity and employment.

Companies, rather than the Program, create jobs and it is important to avoid increasing barriers to employment. In fact, the new measures threaten the employment of Canadians who work for employers who hire temporary foreign workers by limiting their ability to meet customer demand. Many employers in the areas of accommodation, food services, retail trade, agriculture and food processing must use temporary foreign workers to fill their vacancies due to a lack of candidates.

The Canadian Chamber of Commerce considers it essential that the government take into account the different economic realities of businesses in the country and make significant changes to the TFWP for trades and occupations, industries and communities facing labour shortages.

Recommendations

That the federal government and the provincial/territorial governments work together to:

1. Use the Temporary Foreign Worker Program as a true temporary worker program for immediate shortages while enabling foreign workers to use other immigration programs for permanent residency.
2. Develop permanent solutions to chronic labour shortages by expanding pathways to permanent residency, including negotiating with the federal government to expand the Canadian Experience Class to give low- and semi-skilled temporary foreign workers the right to apply for permanent residency after three years of work experience in Canada, based on employer recommendations, satisfactory background check, appropriate prior experience in country of origin and minimum language proficiency requirements.
3. Implement a process by which employers are notified of any changes to processes or information utilized in the calculation and submission of their initial LMIA application, permitting employers the opportunity to update applications and avoid costly delays, particularly in the case of prevailing wage rates.

4. Improve processing efficiencies by recommending that the responsible department create a temporary foreign worker (TFW) industry specific 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.
5. Review National Occupation Classification (NOC) Code processes in all provinces, and establish flexible, responsive practices that incorporate rural, urban and regional labour market needs.
6. Amend the advertising criteria for LMIA's to allow companies from the same sector to jointly advertise rather than as individual organizations.
7. Simplifying the processing of applications and LMIA's for trades and professions in high demand while taking into account the varied situations in different labour markets in Canada;
8. Exempting companies engaged in workforce development from the obligation to provide transition plans for trades and professions experiencing chronic shortages;
9. Permit the application process for low wage temporary foreign worker positions in regions where there is full employment (ie. less than 6% unemployment) located in large economic regions as defined by Statistics Canada and used in the Temporary Foreign Worker Program.
10. Include transparency in requirements and guidelines.

20. Citizenship and Immigration Canada Regional Settlement

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 (Citizen and Immigration Canada or CIC) 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, provinces such as British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Newfoundland and Labrador, the Northwest Territories and Yukon have signed Provincial Nominee agreements, which allow them to nominate immigrants to meet specific labour market needs.

In both cases, a central element necessary to fulfill these agreements were the local settlement offices that were supported and/or staffed by CIC. These offices were crucial to performing the work necessary to carry out the agreements and ensured that the provincial and territorial immigration departments were aligned in encouraging and informing newcomers of the possibilities and opportunities that existed in mid-size urban municipalities across the country outside of the larger metropolitan centres. These offices also dealt with complex immigration issues including assisting new immigrants, refugees, international students and temporary workers in filling out applications and in providing information on citizenship and immigration programs offered by the federal government. Additionally, the in-person services also helped with citizenship testing, permanent resident card pickups and immigration interviews abroad. These offices also acted 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 CIC budget experienced a cut of \$29.8 million in 2012-13 and as a result, nineteen CIC offices were closed or consolidated.⁴⁴ Services have been relocated to central offices or have moved online. The impact of these

⁴⁴ The offices that were closed include BC (Nanaimo, Prince George, Kelowna, Victoria), Alberta (Lethbridge), Saskatchewan (Regina), ON (Thunder Bay, Barrie, Oshawa, Sudbury, Sault St. Marie and Kingston), Quebec (Gatineau, Sherbrooke, Trois Rivières, Quebec), New Brunswick (Saint John, Moncton) and Prince Edward Island (Charlottetown).

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 or local businesses having to travel to access settlement services at centrally managed locations which 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. Post-secondary institutions across the country have also been impacted who traditionally referred international students to local CIC offices for the ease of accessing services.

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 to attract and retain skilled immigrants. Potential migrants are drawn to communities that offer the services they need such as immigration and settlement services.

These cuts have been especially detrimental to northern and rural parts of the country that are looking to immigration to grow their populations and fill vacant positions in their local economies. Decisions around settlement and immigration funding ratios should also take into account the unique characteristics some of these communities face including their geography, dispersed populations and large land masses.

Following the closures, there have been gains in immigration funding over the years. Settlement allocations have increased from less than \$200 million in 2005-2006 to almost \$600 million in 2012-2013 to support settlement needs in provinces and territories outside Quebec. As of June 2015, CIC released its new settlement program priorities. As of this launch, all programs and territories except Quebec will have federally funded settlement services managed through the federal department. The new settlement program priorities emphasize an increase in funding for pre-arrival services to better prepare newcomers for their arrival and settlement in Canada. In April 2015, \$24 million in funding was announced to expand pre-arrival services. There have also been increases in supports for Immigrant Employment Councils and Local Immigration Partnerships (LIP) designed to tackle economic immigration and assist communities in becoming more welcoming.

These allocation increases, although needed, do not specifically address strategies for rural and smaller communities or the lack of access of these communities to in-person immigration services once newcomers arrive to Canada that were lost with the local CIC office closures. There are some services that only the CIC offices were able to provide that have now moved online or have become consolidated. Years after the closures, local MP offices and service providers are continuing to receive calls and visits from newcomers about complex immigration issues and applications that could typically have been addressed by a local CIC staff person. Some newcomers are not receiving the level of service they need through the call centre or the CIC website and seek access to in-person immigration experts.

The federal government maintains that CIC has been moving diligently towards an increasingly integrated, modernized, and centralized working environment; they point to technology allowing CIC to process applicants anywhere and in a more effective manner. The chamber network however is calling on the government to conduct a cost-benefit analysis of re-offering these services in communities that experienced closures. Different models should be looked at such as training staff at existing federal service buildings in immigration services or hiring additional staff to deal with newcomer needs. For instance, the federal government recently announced the expansion of its existing Service Canada offices in a number of communities across Canada to offer certain passport services. Although these are not full-fledged passport offices, it is still a step in the right direction. A similar approach may be possible for immigration services.

Recently, in January 2015 a new immigration system was introduced- Express Entry- which has changed the immigration landscape in the country. The Express Entry system encourages foreign nationals to apply for Canadian permanent residency under a new regime that matches their specific skills sets to employer demand in the country. This new online application system aims to match employers with candidates prior to their arrival to Canada. With these changes, economic immigrants coming to different regions of Canada will continue to need access to local CIC services to assist their transition and to help retain those newcomers in various regions of the country, rather than just the more urban centres.

These new changes as well as Canada's overall immigration policy should be taken with a vision and strategy aimed at increasing immigration to rural and smaller cities across the country that are often not the destination of choice for newcomers. According to a CIC newsletter, in recent years, "...more than a quarter of residents in metropolitan areas have been immigrants, a figure that plummets to only five percent in small towns."⁴⁵ Canada's three largest cities- Toronto, Montreal, and Vancouver, together accounted for nearly two-thirds of the immigrant population of Canada. In contrast, only one-third of Canada's population lived in these cities, showing a disparity in immigrant and non-immigrant populations between urban and rural areas.⁴⁶ A strategy needs to be put in place beyond the Provincial Nominee Program alone to attract newcomers to rural and smaller communities to reverse dwindling population trends, strengthen local economic and address labour shortages.

In the end, the Canadian immigration experience has unfairly relied on the large, urban centres that dot the country; predisposed by their possession of an international airport with CIC and Customs services. In these places, vibrant newcomer settlement services are operating outside direct CIC contribution. More important, they demonstrate large existing immigrant bases that can support newcomers.

Recommendations

That the federal government:

1. Conduct a cost-benefit analysis of offering immigration services in local communities that faced CIC closures. This analysis should include different options such as transferring in experienced staff to local communities to be able to take on this role, hiring CIC service staff at existing government buildings to assisting newcomers or re-opening select or target 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. Take action to include a national vision and strategy aimed at increasing immigration to rural and smaller cities across the country by 2017.

22. Creating Pan-Canadian Training and Certification Standards

Issue

Each province and territory develops their own training standards and certification for various apprenticeship occupations, creating duplication and waste. Harmonizing training and certification standards across Canada would help improve labour mobility, address skilled shortages in various occupations, and best meet future labour needs of business.

Background

Under the Canadian Constitution, apprenticeship training, certification, administration and regulation are the responsibilities of the provinces and territories (referred as jurisdictions). This has resulted in a distorted legacy, wherein each province and territory creates its own training and certification standards for various occupations. This

⁴⁵ CIC News, "Small Canadian Towns Hoping to Attract New Immigrants to Canada," *Canadian Immigration Newsletter*. September 2014, <http://www.cicnews.com/2014/09/small-canadian-towns-hoping-attract-immigrants-canada-093763.html>.

⁴⁶ Ibid.

is a costly duplication which also constrains labour mobility of both journeypersons and apprentices, negatively impacting on businesses and the economy, particularly when there are growing skilled shortages in many occupations.

Provinces, territories and the federal government have collaborated through the Canadian Council of Directors of Apprenticeship (CCDA) in harmonizing training and certification standards through the Interprovincial Standards Red Seal Program, which is an onerous, duplicative and expensive superstructure. The Red Seal program currently covers 55 trades across Canada, and to be eligible, a provincial/territorial certification must first be successfully completed. These provincial/territorial certifications can often be different from one province/territory to another, and having to “pass another test” limits many from attaining the national standard and benefits that go along with it.

As an example, given that electricity works the same across the country, it is counter-intuitive that variable training standards for electricians are required for different geographies. Other bi-lateral harmonization efforts between certain provinces seem to be a poor use of limited resources, when a national approach would be the best option.

In November 2014, the Forum of Labour Market Ministers (FLMM) met and committed to making progress on harmonizing apprenticeship programs. Through the CCDA Harmonization Initiative, three priority occupations were identified to achieve alignment of apprenticeship training in most provinces and territories by September 2015, with an additional seven trades expected to be harmonized by January 2016.

The efforts to harmonize are consistent with and support the Internal Agreement on Trade and the Canadian Regulatory Harmonization Initiative.

Recommendations

That the federal government:

1. In concert with provinces/territories, continue to aggressively migrate towards developing pan-Canadian training standards for various occupations where certification is required.
2. Address any unique geographical requirements for an occupation, by treating them as endorsements over and above the Pan-Canadian training and certification standards.
3. Encourage individual provinces to take a lead in developing training and certification standards for a particular occupation. There would need to be a definitive time-line and a speedy resolution method to manage any dissenting viewpoints.

23. Federal Support for Transition in the Seafood Processing Industry

Certain federal programs are creating avoidable labour shortages at seafood processing plants in Atlantic Canada. Regulations associated with the Temporary Foreign Worker (TFW) and Employment Insurance (EI) programs threaten to materially reduce the availability of processed seafood because of a loss of processing capacity. While close to 80% of Canada’s seafood resource and processing sector is located principally in Eastern Canada, the consumption of this product occurs across the country and around the world. Further, reductions in the availability of processed fish and shellfish products have implications for the transportation, retail and foodservice sectors across Canada.

The seafood sector in Atlantic Canada is a multi-billion dollar industry, employing over 20,000 people, predominantly in communities characterized by aging populations and a large number of seasonal employees receiving EI benefits. This industry, which includes fish, shellfish, mollusks and aquaculture, holds significant importance to these rural

economies. For example, in New Brunswick the value of the aquaculture industry surpasses all other agri-food industries, and in the southeastern county of Charlotte, employs more than 15% of the available workforce.

To compound the problem the Atlantic provinces, and to a greater extent the rural communities, are characterized by aging populations where young people are seeking employment in urban areas and higher wage industries such as oil and gas. The demographic profile of this part of Canada differs from other coastal regions in that a common challenge of the region is slow and even negative population growth and immigration rates are well below national averages.

Growth and consolidation in the industry over the last decade has been significant, with lobster landings increasing from 150 million pounds in 2006 to 330 million pounds in 2013. The unique characteristics of the seafood processing industry are that it must be able to access workers intermittently, based on the constraints imposed by a perishable product located in rural areas on a seasonal and weather dependent basis.

The demand to expand processing capacity has been addressed by employers through a combination of investments in technology, hiring every available Canadian in communities with aging populations, and by hiring temporary foreign workers (TFW). Due to an inability to recruit Canadian workers, the total number of TFWs working in the seafood processing sector in the region grew from five in 2005 to 960 in 2012. Despite this increase, the total employment in the industry is actually 90% Canadian and 10% TFW in Atlantic Canada.

The processing industry is facing significant challenges in recruiting Canadian workers due to the effect of several federal programs, including the TFW and the EI programs. In 2014 the federal government implemented changes to the TFW program that will reduce employers' ability to maintain or increase processing capacity and creates the risk that seafood will have to be exported unprocessed, thereby further reducing employment in this sector. The federal government is overlooking the fact that processors prefer to hire Canadians because it costs a lot less. When a company hires a Canadian, it doesn't have to pay for recruitment, airfare, settlement costs, and expensive fees to the federal government. In contrast to abuses reported in the hospitality industry, seafood processing companies pay Canadians and foreign workers the same wage rate and the same benefits.

Federal ministers have noted that there are Atlantic Canadians receiving EI who are qualified for these jobs. However it is not reasonable for the government to further restrict employers' access to workers when experience demonstrates that a willing and able labour pool is not locally accessible. The sector overall already pays competitive wages (above minimum wage in all provinces) in rural labour markets, while participating in a highly competitive global market. Furthermore, it is not the private sector's responsibility to convince EI recipients to accept low wage jobs in lieu of federal employment benefits. Greater federal vigilance and enforcement of EI access is required.

The result is that with caps on TFWs set to lower to 10% of workforce by 2017, the new regulations create an untenable situation where plants are challenged to process available fish stocks, fishers are prevented from maximizing landings and a critical component of small rural economies is materially impacted. The potential damage to processing capacity with the new caps on TFWs is large, and not worth risking. Additionally, these labour market interventions will restrict this sector's ability to pursue opportunities to increase trade - particularly ironic in light of Canada's upcoming trade agreement with the European Union (CETA) - and thereby diminishing its contribution to the recovery of the Atlantic Canadian economy.

It is clear that without transition programs, seafood processors will be affected and the impact on Canadian workers and rural communities will be magnified due to their smaller populations. The alternative is to develop a win-win situation. When Canadian workers are not available, a dedicated mechanism is needed for processors to hire willing foreign workers as a backstop, and offer viable alternative pathways to permanent residency. The federal government can recognize the potential losses being imposed by rapid imposition of TFW caps, protect processing capacity and the associated Canadian jobs and support rural economies, while expanding capacity to compete in international markets.

Recommendations

That the federal government:

1. Complete a comprehensive labour market analysis of the industry and adjust programs and policies to put Canadians first while recognizing labour market conditions in rural agri-food economies and acknowledging the inclusion of many seasonal workers on EI in calculating local unemployment statistics.
2. Freeze the cap on TFWs working at processing plants at 30% for 4 years to allow for investment in technology and expansion of local recruiting programs.
3. Implement a system of sliding scale application fees for companies requesting TFWs under the same LMIA assessment to reduce the cost of filling multiple identical positions.
4. Recognize the sector as falling under the Canadian Agriculture and Agri-Food Workforce Action Plan and/or include seafood on the National Commodities List, qualifying TFWs for comparable treatment under the Seasonal Agricultural Worker Program (SAWP).
5. Develop programs to assist with necessary increases in staffing envisaged under a CETA tariff reduction environment.
6. Freely share population and EI data with provinces to assist in identifying potential workers for recruiting and training.
7. Create sector policies designed to facilitate extended residency in Canada by:
 - a. Reducing the cumulative duration restrictions for workers staying in Canada for less than 8 months,
 - b. Allowing 4 years to meet the requirements for provincial nominee programs or permanent residency requirements, or
 - c. Adjusting NOC code classification for processing plant workers in order to avoid the restrictions placed on low skilled temporary foreign workers.

25. Supporting Canadian Students' Transition to Employment Through Work Placements

If Canada is to successfully tackle its skills gap and ensure its economic growth, we have to give special attention to the largest cohort of labour force entrants each year: young people.

Across the country, there is a growing sense that Canada needs to better align its education and training systems to labour market needs. One practical way to improve that alignment is through work-integrated learning such as co-op programs, internships and field placements during post-secondary education. Work placements provide the skills students need to rapidly integrate into today's labour market.

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

- Work-integrated learning (WIL) includes co-op and internship programs, among other workplace training programs
- WIL benefits students by allowing them to gain experience before entering the workforce and by contributing to their career education
- WIL facilitates the recruitment process for employers and is associated with productivity gains
- Not enough employers, especially smaller firms and organizations, take sufficient advantage of WIL.

In a report based on a survey over 3,300 employers in Ontario in 2012, the Higher Education Quality Council of Ontario found that:

- Participation in WIL helps students transition into the workforce, with employers preferring to hire graduates with WIL experience
- Students benefit financially from participating in WIL programs
- Financial supports may help to facilitate employer participation in postsecondary WIL programs.

Meanwhile, according to the Canadian Association for Co-operative Education, whose members include 79 post-secondary institutions, educators cannot meet the high demand for placements by students and are always seeking more employers to become engaged.

While financial supports are not the only strategy to encourage employer participation, they are an important tool for government to recognize and encourage the valuable role of work placements during students' educational experience. Currently, Ontario and Manitoba offer refundable tax credits to employers who hire co-op students in paid placements.

Recommendation

That the federal government provide financial incentives to employers to offer paid work-integrated learning placements to students during post-secondary education, giving special consideration to small and medium-sized businesses and to those who have not previously offered work placements.

SOCIAL POLICY

26. Addressing the Pension Issue – Enhancing the Canadian Pension Plan

The younger generation is facing low incomes, high debt and no private pension plan and will not have enough to live on unless CPP is improved. Current benefits pay just over \$12,000 a year and even with Old Age Security and the Guaranteed Income Supplement, the income is just \$16,000.

There are a number of factors impacting how Canadian save, primarily a lack of formidable saving. And, those in the private sector, mainly the middle class, have been singled out as being not saving enough for retirement.

In the past, Ontario, Nova Scotia, Newfoundland and Labrador, Manitoba and Quebec favoured some kind of CPP enhancement measure.

That said the governing party in Ontario believes change is urgently needed and is moving ahead with a mandatory Ontario Retirement Pension Plan. Finance Minister Charles Sousa claims “just 34 per cent of all Canadians have a private workplace pension and one-third of Canadians have no savings at all. Ontario's always stated our priority is to enhance CPP. It's a well-run system, it's well-managed, it's least expensive and it's the most appropriate means by which to proceed”. The Premier of Ontario, Kathleen Wynne expressed the same position to delegates at the Ontario Chamber of Commerce Annual General Meeting in Cornwall in May 2015.

The Ontario Chamber of Commerce and business groups agree that “many businesses are worried about costs any stand-alone ORPP will impose”. Although details have emerged about exemptions and improvements to mitigate “the cost of doing business”, the implementation of a new perceived payroll tax is not conducive to good policy.

Regarding the provincial finance minister's comments on how Canadians are saving, “research reveals that most of the unprepared households belong to one of two groups of middle- to high-income households: those that do not contribute enough to their defined contribution (DC) plans or group RRSPs and those that do not have access to an employer plan and have below average personal savings. Targeted solutions to address the lack of readiness in these groups could strengthen Canada's already robust retirement readiness. However, these solutions should be balanced in such a way that they maintain the fairness of the system for all of Canada's households (McKinsey and Company 2014).

The Ontario Chamber of Commerce continues to fight on behalf of the business community in expanding what types of savings options should be exempt from any mandatory provincial plan. In particular, Ontario must “revise the definition of a “**comparable**” **workplace pension plan**” to include other workplace retirement savings plans, such as Defined Contribution pension plans, Pooled Registered Pension Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and group Tax Free Savings Accounts.

The lack of movement at the federal level has caused this chain reaction by provinces such as Quebec, who have instituted their own plan, and in Ontario, where the introduction of ORPP legislation has caused negative business response and a program of advocacy by the Ontario Chambers.

A more viable option for all would be to enhance the CPP to mitigate a “chain-reaction” of bad provincial policy.

The infrastructure is already in place to allow voluntary flexibility. We need to provide for adequate retirement income for the future population of elderly people without imposing an undue burden of taxation on the working population and the business sector.

Recommendations

That the federal government:

1. Look to improve the CPP by allowing employees to contribute higher amounts to their CPP, above their 4.95% contribution up to a maximum of 6.85%;
2. Direct the appropriate department and/or agencies to create or commission demographic forecasts that list the in-demand groups who will be most affected by any enhancement to ensure no negative impact to private business.

SPECIAL ISSUES

28. Alignment of Federal and Provincial Liens Policies

The misalignment of federal and provincial policies regarding liens on derelict properties continues to create hardships for municipalities while slowing recovery and growth.

A lien is a legal claim on the property of another as security against the payment of a debt. Already struggling with a massive infrastructure deficit and the responsibility for funding services downloaded from the provincial and federal governments, Canadian municipalities often face the additional challenge of paying off provincial and federal liens on abandoned properties before they can be sold and redeveloped or made attractive and functional.

Because business liens are attached to a property, rather than to the owner, the municipality's sale of the property is the only recourse available to recoup unpaid taxes on derelict properties. Buildings are often left in such a state of disrepair that they are in violation of provincial building codes, and the amount of the cumulative liens can far exceed the market value of the property. With limited resources at their disposal to pay off the liens and demolish or upgrade the structures, municipalities often leave derelict buildings to further deteriorate and stand as eyesores, impeding future development around them and lowering the value of surrounding properties.

Many provinces have systems in place to allow provincial liens to eventually be waived. There are, however, no similar provisions for federal Crown liens that continue to be tied to a business property. While the federal government has agreed to remove all or part of liens on an ad hoc basis to encourage the redevelopment of contaminated sites, no formal mechanism is in place to have federal Crown liens removed from uncontaminated, derelict properties.

Liens that remain on derelict properties serve as a significant deterrent for individuals who wish to purchase the land for the purpose of redevelopment. With no process whereby properties may be completely freed of federal liens, the propensity for properties that are in a state of disrepair to continue to deteriorate and burden municipalities will surely continue.

Recommendations

That the federal government:

1. Immediately allow for the removal of federal liens against a property by establishing and maintaining lien policies that are in alignment with those of provincial/territorial governments.
2. Work collaboratively with provincial/territorial governments to establish and maintain a nationally consistent, coordinated approach to removing Crown liens and tax arrears on qualified properties.

29. Developing a National Urban Policy for Canadian Cities

Issue

In our increasingly globalized economy, cities and city-regions are increasingly the most prominent economic drivers of national economies, and they compete internationally. Cities in Canada house over 80% of our population and continue to grow rapidly due to immigration and continued urbanization within Canada. For example, by 2041 the Greater Toronto and Hamilton Area (GTHA) is expected to grow by 3.3 million to over 9.6 million, and Metro

Vancouver by 1.1 million to 3.4 million – an increase of nearly 50% in both cases. However, Canadian cities are managed locally with sparse fiscal support from other levels of government. Modern infrastructure, notably rapid and predictable public transit and transportation (locally within cities and connecting cities within city-regions), and utilities, are essential to the efficient movement of people (employees) and commercial traffic, and to productivity. Yet Canadian cities and city-regions face a growing infrastructure gap relative to many international competitors, even as their populations continue to increase. In order for Canadian cities and city-regions, and all of Canada to prosper, they need a federally driven fiscal framework that will sustain their pressing infrastructure development/renewal and service needs.

Background

In 2008, the federally-appointed Competition Policy Review Panel noted, “large, dynamic urban centres have a national importance that transcends their significance to a region or a province, in the same way that national railways were recognized in the 1800s as having a national significance.”⁴⁷ Within North America, metropolitan areas also generate an overwhelming 86% of the combined GDP of Canada, Mexico and United States.⁴⁸ Increasingly, cities and city-regions prosper in their ability to compete for opportunity with cities and city-regions internationally; having modern infrastructure including transit/transportation and utilities are key determinants of the ability of businesses in cities and city-regions to boost productivity, draw investment and talent, and compete.

Amongst their many responsibilities, Canada’s cities are most importantly active in providing services such as public transit, goods movement, affordable housing, economic development and immigration settlement. In many instances, while the federal and provincial governments have various programs and funding envelopes to support the provision of these services, there has been a chronic lack of stable fiscal support for municipalities. As a result, Canadian cities have large infrastructure and transportation deficits and challenges competing in the global economy. For example, in an annual ranking of Global Cities, major Canadian metropolitan areas like Vancouver, Toronto and Halifax frequently score poorly against their peers in the Transportation Category.⁴⁹ The lack of consistent public transit and goods movement infrastructure investment for example in the GTHA region alone costs the economy \$6 billion annually, and will rise to \$15 billion annually by 2031 without sufficient levels of investment.

To its credit, the federal government has begun investing in municipalities over the last two decades, first through the Gas Tax Fund and more recently with the 2015 federal budget’s Building Canada Fund (\$14 billion over the next 10 years). However, the fact remains that these funding envelopes are generally contingent on fiscal policy governed by partisan politics, and even when combined with provincial funding, they remain largely insufficient relative to the infrastructure deficits they are meant to overcome. The uncertainty generated by a lack of long-term transit or infrastructure strategy in Canada is incongruent with urban policy planning systems that are dependent on certainty.

Rather than provide all municipalities with equal per capita shares, this long-term plan needs to have a greater strategic focus on Canada’s urban centres. For example, under the 2015 Building Canada funding proposal, all provinces regardless of population determinants get the base amount of \$250 million, while the base allocation is supplemented per capita payments, the overall sum is still uneven per capita across various provinces.

The need for federal support extends from coast to coast. An effective policy should work directly with municipalities and the provinces (notably provincial agencies responsible for infrastructure), while also leveraging the support of local chambers of commerce, citizens, associations and private sector partners (including by leveraging the successful P3 models developed in Canada) to develop grassroots solutions to local challenges.

⁴⁷ Competition Policy Review Panel (2008), *Compete to Win: Final Report* – June 2008 (p73).

⁴⁸ *Cities and Metros as Hubs of Advanced Industries and Integrated Goods Trade*, 2014. Brookings Institute.

⁴⁹ Toronto Board of Trade: 2015 Scorecard on Prosperity
https://www.bot.com/Portals/0/unsecure/Advocacy/Scorecard_2015.pdf

Recommendations

That the federal government:

1. Develop, in co-operation with the provinces and territories, a long-term National Urban Policy for Canadian Cities and Municipalities that:
 - a. Creates a consistent and predictable long term public infrastructure funding stream for municipalities.
 - b. Prioritizes multi-modal goods movement infrastructure funding that enhances the ability of Canadian Municipalities to compete in the Global Supply Chain and Intranationally.
 - c. Recognizes and supports the role played by Municipalities in the settlement of Immigrants.
 - d. Supports businesses to compete and collaborate with their counterparts in Global Cities.
 - e. Support the development of globally competitive regional economic clusters in municipalities.

FINANCE AND TAXATION

30. Canada Revenue Agency Impact on Small Business

The Canada Revenue Agency (CRA) has conducted many studies in the last number of years to identify ways to improve its systems and service; however, small businesses in Canada continue to report frustration and a need to commit significant time, often at considerable expense, to deal with taxation and filing issues.⁵⁰

Small businesses are the backbone of Canada's economy. According to Industry Canada, small businesses account for 98 per cent of businesses in Canada, and employ 48 per cent of the private sector labour force.

Most businesses, at some point in time, have had to correspond with the CRA over matters related to their business, whether by letter, fax, telephone, online or in person. Inquiries typically centre on issues related to business income taxes, the goods and services tax, payroll taxes, customs and excise taxes, or 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 the CRA. When a business makes an error in filing, there are tight timelines placed on correction and response; however, when the CRA is in error, a small businessperson may invest significant amounts of time communicating with CRA officials 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.

In 2006 the Department of Finance established the Action Task Force on Small Business.⁵¹ A Final Report on Action Items was released in November 2008 followed by an Update on the Final Report on Action Items in November 2009 and Closing Report on Action Items in October 2011. Another Red Tape consultations report was completed for 2014. The 2015 – 2017 red tape reduction action plan highlights include many areas for improvement such as improved telephone and online service, accessible, clear, and understandable tax information, reduced filing requirements, more information sharing among levels of government, and an improved audit experience.⁵²

Unfortunately, business owners still report 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.⁵³

With the release of the Red Tape Reduction Commission's January 2012 report "Cutting Red Tape...Freeing Businesses to Grow", opportunity exists to advocate for meaningful CRA reform.

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.

⁵⁰ Industry Canada Key Small Business Statistics July 2010. http://www.ic.gc.ca/eic/site/sbrprppe.nsf/eng/h_rd02488.html

⁵¹ Canada Revenue Agency Form RC4483. <http://www.cra-arc.gc.ca/formspubs/pbs/rc4483-ctntmtpdt-eng.html>

⁵² "We heard you: Cut Red Tape for Small and Medium Businesses." <http://www.cra-arc.gc.ca/gncy/rdtpdctn/rprt2014-cra-arc-eng.html>

⁵³ "Focusing on Small Business Priorities: Canada Revenue Agency Consultations on Cutting Red Tape." 12 November 2012. http://www.cra-arc.gc.ca/gncy/rdtpdctn/rprt2012-eng.html#_Toc227916449 Canada Revenue Agency. Retrieved on 10 February 2015.

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.

31. Fair Tax Process for Small Business

Issue

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.

These protections do not, however, cover the activities of the Canada Revenue Agency (CRA) wherein citizens must understand the complicated details of the Income Tax Act and escalate concerns to the courts.

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 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.

Recommendation

That the federal government review the Canada Revenue Agency's (CRA's) internal policies for small business and implement common administrative law practices into its procedures so that there is assistance for small business to resolve conflicts with the CRA with the protection of due process.

32. Federal Fiscal Policy

Issue

Stubbornly low commodity prices and a tenuous recovery in Canadian manufacturing output and exports combined with our rapidly aging population and slower growth in the labour force will continue to exert significant pressure on the public purse in the years ahead. Demand for publicly funded programs, like health care and elderly benefits, will rise significantly and a smaller number of workers will shoulder a larger share of the tax burden. Governments need to be reminded of how they raise tax revenue and finance government programs and services and they need to drastically simplify the tax system to achieve tax fairness and reduce high compliance costs.

Vigilance on reining in spending and improving efficiencies should enable the government to stay on target with balanced and even surplus budgets in the near term. This could enable them to regain the fiscal flexibility to respond to changing circumstances and tackle areas that are crucial to Canada's long-term competitiveness. To do this during the election year the government must also avoid introducing additional "popular" spending programs or initiatives that will strain fiscal capacity or threaten full economic recovery.

Background

The April 2015 Federal Budget was undoubtedly an election budget with a strong emphasis on tax cuts for (hardworking) Canadian families and a number of business-friendly tax adjustments and spending commitments. These initiatives will however also help stimulate an economic rebound especially the plan to reduce the small business tax rate from the current 11 percent to 9 per cent by 2019.

In contrast, a lot of things still need to go right in fiscal 2015–16 to go beyond a balanced budget and show a \$1.4 billion surplus – a sustained focus on federal spending efficiencies and a global rebound in growth and commodity prices in particular.

Returning to balanced budgets during 2015–16 will ensure that the federal debt, measured in relation to the size of the economy, falls to below 30 per cent by 2016–17, in line with and potentially below its pre-recession level.

Canada's relatively favourable fiscal position sets it aside from most other major industrialized economies and provides a strategic advantage for long-term growth. In spite of the reinvigorated focus on trade and international affairs in Budget 2015, Canada is in no position to be complacent. What was missing from the 2015 Federal Budget was as important as the many small perks doled out to geographically select interest groups and industry sectors throughout the country. Absences include: tax simplification; equitable tax treatment for generational wealth transfers in all business sectors; Accelerated Capital Cost Allowances for ALL industries; a temporary foreign worker program; concrete investment in tourism promotion; and strategic investments in market access infrastructure.

Delivering a Better Tax System

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 can significantly boost Canada's international competitiveness.

The following are long-standing principles of good tax policy:

- **Tax Neutrality:** Economic activities should bear similar tax treatment to encourage the best allocation and profitable use of resources in the economy.
- **Tax Equity or Fairness:** A tax system should distribute its burdens fairly. There are two dimensions to equity. The first facet is that people in similar economic circumstances should receive the same tax treatment (horizontal equity). The second aspect is based on the notion that the more an individual earns, the more income tax the individual should pay (vertical equity).
- **Efficiency:** The tax system should minimize adverse effects on taxpayer behavior that undermine the efficiency of the economy.
- **Simplicity:** The tax system should be simple, transparent and easy to understand and comply with.

The Tax Base

Ad hoc changes to tax legislation by successive governments and the enactment of temporary provisions have complicated the tax system and increased compliance costs. The C.D. Howe Institute notes there are some 260 tax-preference measures (exemptions, deductions, credits or rebates) listed in the federal government's assessment of tax expenditures.⁵⁴ Some credits simply subsidize activities many recipients would have done anyway. Others may stimulate spending in certain areas, prompting suppliers to raise prices, thereby negating the benefit of the tax credit. In many cases, the government is using tax preferences to achieve social objectives rather than funding the initiative through spending programs. The myriad tax preferences enormously complicate the tax structure and increase compliance costs.

The tax base should be as broad as possible, allowing tax rates to be as low as possible at all points so that everyone benefits. This practice leads to fewer economic distortions, improved fairness and efficiency, and lower administration and compliance costs.

Tax Compliance and Administration

The tax code is overly complex as a result of piecemeal changes to tax legislation by successive governments and the enactment of temporary provisions and hundreds of tax preferences. The Fraser Institute estimates it costs Canadians up to \$6.7 billion annually to comply with their personal income tax obligations and businesses as much as \$17.8 billion to comply with theirs. Additionally, governments spend an estimated \$6.6 billion each year to administer the tax system.⁵⁵

A comprehensive review of Canada's tax system is in order with the central objective of reducing its complexity and improving the way Canada raises tax revenue. The Canadian Chamber calls on the federal government to appoint an expert panel that would (among others) review and clarify the language used in tax law; recommend changes to existing legislation that is not achieving its purpose or entails costs that outweigh the revenue being raised or protected; examine the processes used to formulate tax policy and to draft the legislation to give effect to that policy; and evaluate all tax preferences (credits, deductions, exemptions, rebates) with a view of eliminating those that are not cost effective or are not achieving their intended purpose. A broader tax base would make the tax system simpler, fairer and more efficient and would allow general tax rate reductions without loss of revenue.

Not All Taxes are Created Equal

⁵⁴ Laurin, Alexandre and William B.P. Robson "A Faster Track to Fiscal Balance: The 2011 Shadow Budget." Toronto: C.D. Howe Institute. February 2011.

⁵⁵ Vaillancourt, François, Édison Roy-César, and Maria Silvia Barros. "The Compliance and Administrative Costs of Taxation in Canada." Studies in Tax Policy. Vancouver: The Fraser Institute. April 2013.

The federal government needs to rethink how it raises revenue and the types of taxes that are more efficient.

According to the Department of Finance, for each additional dollar of revenue raised, corporate income taxes impose a cost on society of \$1.55. This compares with a cost of \$0.56 for an additional dollar of revenue raised through personal income taxes. Payroll taxes impose relatively low costs on society (\$0.27 per each additional dollar of revenue) and consumption taxes even less (\$0.17).

- Business taxes deter productivity-enhancing capital investment and job creation. They fall directly on Canadian families – workers through lower wages, consumers in the form of higher prices for goods and services, and shareholders (including pensioners who own equity through RPPs, RRSPs and mutual funds) through lower returns.
- Personal income taxes reduce the net return that workers get from working, saving or pursuing advanced training and education. They also reduce investors' rate of return and, thereby, the incentive to save and invest.
- Payroll taxes (like EI and CPP) result in higher costs for businesses dampening hiring decisions. Over the long run, these costs are passed on to employees in the form of lower wages, taking a bite out of personal income.
- Consumption taxes (i.e., taxes on the sale of goods and services) provide fewer opportunities for tax evasion and rely on a broader base. Additionally, consumption taxes do not threaten incentives to save and invest. Finally, they are relatively easy to collect.

Yet, in Canada, approximately 47 per cent of total tax revenue comes from income and profit taxes compared to 34 per cent in Organization of Economic and Development (OECD) member countries.⁵⁶ Thirty-one of the 34 OECD countries rely on consumption taxes to greater extent than Canada does because they are the least economically damaging form of taxation.⁵⁷

Most governments around the world have come to the conclusion that consumption taxes are more stable and reliable and, therefore, value-added tax rates are going up and income tax rates are going down. Canada has much to gain by using its tax system optimally. Reducing our heavy reliance on economically-damaging income and profit taxes and relying more on less damaging forms of taxation, i.e. consumption taxes, can significantly boost Canada's international competitiveness.

Personal Income Taxes

When it comes to Canada's personal income tax system, change has been sporadic and there is much unfinished business. In international comparisons, Canada stands out as having a relatively high burden of personal income tax as a percentage of gross domestic product (GDP). Punishingly high marginal personal income tax rates, that are especially affecting Canadians with modest incomes, reduce incentives to work, save, invest in education and skills and undertake entrepreneurial activities, all of which form the basis of a productive and growing economy.

Many low- and middle-income Canadian families with children with income in the \$25,000 to \$45,000 range face marginal effective tax rates on incremental income in excess of 50 per cent in most provinces because many of the public transfers they receive (including child tax benefits, the GST and provincial sales tax credits, provincial property tax credits, student financial assistance and social welfare) end up being clawed back as income rises.⁵⁸ These rates are generally higher than those for high-income families.

⁵⁶ OECD Tax Revenue Statistics 2013 edition.

⁵⁷ The Department of Finance has concluded that for each additional dollar of revenue raised, corporate income taxes impose a cost on society of \$1.55. This compares with a cost of \$0.56 for an additional dollar of revenue raised through personal income taxes. Payroll taxes impose relatively low costs on society (\$0.27 per each additional dollar of revenue) and consumption taxes even less (\$0.17).

⁵⁸ Laurin, Alexandre and Finn Poschmann. "Treading Water: The Impact of High METRS on Working Families in Canada." *e-Brief*. Toronto: C.D. Howe Institute. July 17, 2013.

The impacts are similar for seniors in that marginal effective tax rates are high at the low end of the income scale. Many low-income retirees encounter effective marginal tax rates as high as 80 per cent as their guaranteed income supplement or the old age security gets clawed back as taxable pension savings (RRSPs and RPPs) are withdrawn.⁵⁹

The Canadian Chamber of Commerce recommends that the federal government implement a multi-year plan to reduce personal income tax rates once the books are balanced. It should focus first on reducing marginal tax rates for low- and modest-income families because they face the highest marginal rates of all Canadians.

Reducing personal income tax rates can cost the treasury billions of dollars in forgone revenue, which is a major roadblock for cash strapped governments. Most economists believe that the most efficient way to pay for cuts to personal income tax rates is to increase consumption taxes, like the GST/HST – in other words, shift the tax mix away from income-based taxes to more efficient taxes based on consumption. The C.D. Howe Institute has proposed a one percentage point increase in the GST that would pay for a one percentage point reduction in rates in each of the four federal personal income tax brackets.⁶⁰

Going forward, Canada will face the increasing challenge of attracting and retaining skilled workers that are essential to our international competitiveness. To entice high-technology skilled workers, upper management, entrepreneurs and professionals to Canada, the Canadian Chamber recommends that the federal government raise the threshold at which the top federal marginal personal income tax rate kicks in. For Canadian families, reducing personal income tax rates would result in higher disposable income. The benefits to Canada from increasing the incentive to work, save, stay in Canada and undertake further education and training come in the form of higher productivity and economic growth.

Business Taxation

Once known for having one of the highest corporate income tax rates in the developed world, Canada now has the best ranking among G7 countries. Although the plan to reduce the small business tax rate to 9 percent will help to maintain our good ranking, marginal effective tax rates (METRs) on capital investment – which include the statutory corporate income tax rate, sales taxes on capital inputs as well as deductions or credits associated with purchasing capital goods – vary widely by industry. Service providers (e.g., the retail trade, wholesale trade and communications sectors) face a rate of around 23 per cent. In contrast, METRs on capital are relatively low for forestry and manufacturing (well under 10 per cent).⁶¹ This dichotomy is concerning because services are a major source of job creation and are increasingly exposed to international trade and competition.

Corporate taxes can hurt the economy most when they are not neutral among industries because capital tends to gravitate towards industries with the most preferred tax treatment rather than to where growth prospects may be higher. Governments (federal and provincial/territorial) should strive to achieve a neutral business tax system – one that does not distort business decisions by favouring particular industries, investments or activities.

Recommendations

That the federal government:

1. Re: Debt Management

⁵⁹ Ibid.

⁶⁰ Laurin, Alexandre and William B.P. Robson. “Prudence and Opportunity: A Shadow Federal Budget for 2013.” Commentary No. 375. Toronto: C.D. Howe Institute. March 2013. The C.D. Howe Institute says it will cost \$6.8 billion to reduce by one percentage point each of the four federal personal income tax rates (i.e. cut the 15 per cent rate to 14 per cent, the 22 per cent rate to 21 per cent, the 26 per cent rate to 25 per cent, and the 29 per cent rate to 28 per cent, with non-refundable tax credit and charitable donations tax credit rates adjusted accordingly). The federal government can fully pay for this by increasing the GST rate by one percentage point (from 5 per cent to 6 per cent).

⁶¹ Chen, Duanjie and Jack Mintz. “2013 Annual Global Tax Competitiveness Ranking: Corporate Tax Policy at a Crossroads.” *SPP Research Papers*. Volume 6. Issue 35. Calgary: The School of Public Policy, University of Calgary. November 2013.

- a. Annually target for balanced (or conditions permitting, surplus) budgets subject to recessionary conditions indicating a requirement for deficit spending to stimulate economic activity;
 - b. Achieve and maintain a debt-to-GDP ratio below 30 per cent with financial contributions to debt reduction as necessary to sustain that position;
2. Re: Program Spending
- a. Confine program spending to core areas of federal responsibility and limit growth in program spending to a maximum of national population growth plus inflation;
 - b. Continue to examine new ways to reduce costs, modernize how government works and ensure value for taxpayers' money, including in the areas of service delivery, corporate asset management, travel and administrative systems;
3. Re: Tax Policy
- a. Ensure that Canada's tax system is as neutral, simple, efficient, and fair as possible;
 - b. Avoid unnecessary complications to tax legislation by rigorously reviewing any addition of special provisions and targeted tax benefits;
 - c. Undertake a comprehensive review of taxing statutes with the objective of identifying and ensuring the implementation of new ways and means to simplify tax legislation, reduce the complexity of Canada's tax system and decrease compliance costs. The review should include an examination of the hundreds of exemptions, deductions, rebates, deferrals and/or credits that are part of the federal tax system to determine which ones are inefficient or wasteful and can be eliminated; and
 - d. Reduce Canada's heavy reliance on more damaging, high-cost sources of taxes, namely income and profit taxes, and rely more on consumption-based taxes, like the GST/HST in combination with a multiyear plan to reduce personal income tax rates with an immediate focus on reducing marginal tax rates.

33. Increasing Rental Inventory Through Fair Tax Treatment

A healthy rental market is important to business operations as the rental inventory provides housing for employees at all levels of the employment spectrum, and most importantly, for entry level employees. Employers are increasingly finding the issue of rental availability to be a hurdle to recruitment and retention of employees. In some areas, extremely low vacancy rates may have adverse effects on the ability of businesses to grow.

Issue

Our economy relies upon a wide variety of labour to meet its needs. Rental housing provides accommodation for those who are early in their work careers or those who choose not to pursue home ownership. The lack of supply of rental housing is acute across the country and limits both the supply and mobility of labour. The lack of affordable housing is a significant risk to our economy. There are a number of areas of affordable housing that could be addressed. This policy seeks to address rental inventory specifically.

Tax changes introduced over the past 25 years have disadvantaged the treatment of investment in real property and rental housing in particular. The tax changes have created inequitable taxation on these investments when compared to other forms of investment. The result has been decreased activity in the rental housing market, such as less property turnover and revitalization and less purpose built rental property construction. This has been reflected in

the erosion of available rental units, which according to the Canada Mortgage and Housing Corporation, has fallen from an average Canadian vacancy rate of 4.5 per cent in 1994 to 2.7 per cent by the spring of 2014.

Treatment of Capital Gains

In the 1990s, investments in real property were eliminated from the lifetime capital gains exemption. The rationale for the tax move was to direct investment dollars to more “productive” investments. The capital gains tax formula on the sale of rental property is applied immediately upon the disposition of the asset, whereas capital gains on other assets, such as “former property” or “former business property” are eligible for tax deferral when a replacement property is purchased within a specific time frame. Rental property, oddly, is specifically excluded from the definition of “business property”.

In addition to the capital gains tax, property owners must also pay tax at their full tax rate on the recaptured amount of capital cost allowance depreciated over the period of their ownership tenure. Together these two tax measures result in a significant “lock-in effect”, where owners of real property hold on to the assets rather than re-invest in more productive properties. The tax measures also act as a disincentive to maintain or revitalize the overall quality of both commercial and residential assets, as doing so would result in higher capital gains tax payment upon eventual disposition.

The Canadian Real Estate Association, through the services of Dr. Thomas Wilson, a leading authority on taxation and the University of Toronto’s Institute for Policy Analysis, has determined that the cost to government to introduce a deferral on capital gains for real property is minimal. The approximate cost in the first year is estimated to be \$415 million to the federal government and \$208 million in total to provincial and territorial governments. The Association asserts that the cost would actually decrease in subsequent years as the deferrals of gains would come into play and that increased business activity from newly freed capital would more than compensate through increased tax revenue. The Altus Group estimates the typical multi-unit residential income property transaction in the Greater Toronto Area, Greater Calgary Area and Greater Vancouver Area generates \$287,850 in ancillary spending. The Altus study also found more than one job was created for every two transactions.⁶² The increase in ancillary spending and job creation mitigates the loss of Capital Gains Revenue to the government and approximates a revenue neutral effect of this measure.

Explanatory Notes Capital Taxes

If one disposes of a depreciable piece of property there two things that could be triggered:

- Recapture of Capital Cost allowance: This would be if the property were sold and it sold for more than the depreciated value. The difference between depreciated value and actual cost would be recaptured and considered income in the year of disposition.
- Capital Gains: This is the difference between cost of the property and any gain over cost. 50% of this gain is considered income.

In summary, the difference is recapture of capital cost allowance is 100% of the recapture is taxable vs capital gains where only 50% is taxable.

Tax Deferral – is a process of deferring the recognition of income over a longer period. This facilitates taxes being paid on income but in the case of this policy would serve to reduce the balloon increases in income.⁶³

Tax Treatment of Rental Income

⁶² http://www.torontorealestateboard.com/about_treb/lobbying/submissions/2010/CREA-Capital_Gains.pdf

⁶³ CD Howe Institute No. 94 April 2006, “Removing the Shackles Deferring Capital Gains Taxes on Asset Rollovers” http://www.cdhowe.org/pdf/background_94.pdf

In addition to the treatment of capital gains on rental properties, the rental income they generate falls under the definition of “aggregate investment income” in the Canada Income Tax Act (CITA). Since it is not “active business income”, a Canadian Controlled Private Corporation (CCPC) is not able to take advantage of the small business credit, which reduces the corporate tax rate to only 13.5 per cent on the first \$500,000 of active business income. Furthermore, since “aggregate investment income” is excluded from the definition of “full rate taxable income”, the CCPC will also not be eligible for the General Rate Reduction. This means that the starting point of the corporate tax rate on this type of income can exceed 40 per cent. To potentially qualify for a lower rate, the business must be classified as a “Principal Business Corporation” (PBC). A PBC’s primary business must be the leasing, rental, or the development for lease, rental or sale of real property owned by them, and they must employ at least six full-time employees. Most of the companies that provide the majority of rental housing in Canada do not meet these requirements and therefore are taxed at the higher rate.

Furthermore, governments have moved to discourage the use by corporations to defer tax on investment income, instituting an “Additional Refundable Tax” (ART) on aggregate investment income that qualifies for a dividend refund. This is an additional tax on corporations that aggregate investment income and don’t pass along the income through dividends to their shareholders. The ART adds a tax of 6.7 per cent on the aggregate investment income of CCPCs, which makes the corporate tax rate for CCPCs roughly equal to the highest individual marginal tax rate.

The effect of these definitions and requirements has been to deter investment in rental housing, directing it to other real estate sectors such as the hotel and accommodation industry, where the requirements and tax treatment on active business income are more favourable.

Effects of the GST on Rental Housing

Since it was introduced in 1991, the GST has discriminated against rental housing by providing a rebate for ownership housing but none for rental units. In addition, because residential rents are classified as exempt rather than zero-rated under the GST, landlords are unable to recover tax paid on the purchase, repair or improvement of residential buildings. Allowing for a zero-rated designation would mean that because landlords cannot charge GST on rent, they would be able to claim GST on their Input Tax Credits.

All taxes induce people to behave in certain ways. It is clear that the changes in tax policy of the last 25 years applying to investment in real property, and specifically rental property, have resulted in a lock-in effect, less activity in the rental housing industry, and an overall decrease in rental accommodation availability. Yet as noted at the outset, a healthy rental market is important to business operations since rental inventory provides housing for all levels of the employment spectrum.⁶⁴

Recommendations

That, when fiscal conditions allow, the federal government:

1. Enact deferral of capital gains tax on the sale of residential rental and mixed-use property, when the proceeds of sales are reinvested within a twelve-month period into other residential rental and/or mixed-use property investments;
2. Defer the recapturing of the value of depreciated capital cost allowances on residential rental and mixed-use property;
3. Include rental income under the definition of “active business income” for CCPCs in the CITA legislation;
4. Allow a 100 per cent refund of GST paid by businesses investing in rental housing; and,

⁶⁴ <http://www.hafezrealty.com/news/25.pdf>

5. Zero-rate rental housing operations to allow landlords to claim ITCs on their expenses.

34. International Online Sales: An Important Shortfall for Governments

Background

Online sales through companies outside Canada are a growing phenomenon due to the rapid development of the digital economy.

Foreign companies that have no assets or employees in Canada and are selling digital products to Canadian consumers are not forced by current tax regulations to collect the Goods and Services Tax/Harmonized Sales Tax (GST/HST) nor to remit the tax to federal and provincial governments.

Digital products are products entirely downloaded by Internet clients, for example, electronic books, movies, television programs and video games.

Consequently, tax revenues are lost (i.e. Goods and Services Tax/Harmonized Sales Tax (GST/HST)) because of the loopholes in Canada's current tax system.

It seems essential to fix the problem so federal and provincial governments can collect the Goods and Services Tax/Harmonized Sales Tax (GST/HST) on all online sales in Canada by foreign suppliers.

Not enrolling these companies in the Canadian system has significant consequences.

Losses of tax revenues: The federal and provincial governments are depriving themselves of these tax revenues, and this forces them to get more from other sources (i.e. income tax on individuals and companies) or to reduce spending and the level of service to citizens. With the continued growth of online business, the phenomenon will grow.

An inconvenience for Canadian companies: Canadian companies are at a disadvantage compared with foreign companies because the price of goods and services they sell is, due to consumption taxes, about 13% higher than those of non-Canadian companies.

A constraint to investment in Canada: Foreign companies are not encouraged to invest here, because in so doing they would add 13% to the price charged to Canadian clients, which would reduce demand for their digital products and services.

The Commission d'examen sur la fiscalité québécoise (Commission Godbout) analyzed this phenomenon and recognized that collecting taxes and duties for these activities is a major challenge.

For Quebec only, Revenu Québec estimated in 2012 that the Quebec state lost \$165 million in tax revenues due to online purchases by Quebecers from suppliers located outside Canada. Even if it seems difficult to estimate losses tied to online purchases by Quebecers from suppliers in another province or country, is it probably a significant amount. An amount of \$300 million was once been mentioned by Revenu Québec.

In its Budget 2015-2016 presentation, the Quebec Government adopted the recommendations of the Commission sur la fiscalité québécoise and intends initiating discussions with the Federal Government on the matter.

Furthermore, the Business and Industry Advisory Committee to OECD (BIAC) agrees that the most efficient way to collect the Value Added Tax (VAT) on cross-border B2C services is to force foreign suppliers (non-resident) to register and record these services in the customer's jurisdiction. Countries should examine a simplified registration system to reduce the compliance burden.

Recommendations

That the federal government:

1. Impose the consumption tax system to foreign companies selling digital products and services to Canadian consumers, specifically that companies:
 - a. Register with the Canada Revenue Agency (CTA);
 - b. Collect the Goods and Services Tax/Harmonized Sales Tax (GST/HST/QST) from Canadian clients;
 - c. Remit the revenues from these taxes to the proper tax authorities.
2. Intensify its efforts as part of ongoing OECD work on the collection of the following tax and duties:
 - a. Sales taxes on Internet transactions by suppliers in foreign countries;
 - b. Income taxes on companies tied to electronic commerce.

35. Non-Residents Performing Services in Canada Policy – Waivers from Withholding Obligations Under Regulations 105 and 102

Issue

Many Canadian companies routinely, or as required, work with non-resident consultants, engineers and other service providers from the United States and elsewhere. Onerous tax withholding and reporting requirements exist in relation to these services and serves to discourage growth, act as a barrier to international trade, and create unnecessary reporting and withholding requirements for Canadian businesses.

The Chamber community appreciates the Government's Budget 2015 announcement of an exemption of the Regulation 102 withholding requirement for qualifying non-resident employers who are exempt from Canadian income tax because of a tax treaty. However the application and reporting requirements remain very onerous, particularly compared with best practices in other jurisdictions, such as the US or the UK. In fact, the process requires a complex application followed by a lengthy waiting period for CRA approval, and payments made before receiving the approval are not exempt from the withholding.

Background

Sections 105 and 102 of the Income Tax Regulations impose withholding requirements on payments for services rendered in Canada by non-residents. Regulation 105 covers situations where a fee is paid to a non-resident for services rendered in Canada while regulation 102 addresses compensation paid to a non-resident employee who is working in Canada. These requirements exist in isolation from Canada's tax treaties, which can exempt a corporation or an employee from any tax liability in Canada (leading to exempt corporations and employees still being subject to withholding taxes).

Section 105 of the Canadian Income Tax Regulations ("Regulation 105") stipulates that "every person paying to a non-resident person a fee, commission or other amount in respect of services rendered in Canada, of any nature whatsoever, shall deduct or withhold 15 per cent of such payment" and remit it to the Canada Revenue Agency (CRA). The non-resident corporation can apply to the CRA for a treaty based waiver to exempt them from the withholding tax if they apply 30 days in advance of carrying out the work performed in Canada, and have no outstanding tax filings or balances with the CRA.

The Regulation 105 withholding program isn't working as intended. The withholdings are intended to be an instalment on potential Canadian taxes, to be refunded when the non-resident files a Canadian tax return. Many non-resident companies do not file treaty based returns, even for a refund that is legally due to them. As a result of stiff penalties in other jurisdictions, many non-resident companies do not seek refunds of Regulation 105 withholdings simply to minimize exposure to scrutiny from Canadian tax authorities. Instead, these businesses shift the economic burden of Regulation 105 onto their Canadian customers by insisting on tax gross-up clauses in their contracts and intentionally never file a Canadian return. The result of this is:

- The non-resident corporation is left with the cash they wanted (net of withholdings) and stay below the CRA's radar.
- Canadian companies are overpaying for non-resident services, increasing the cost of projects in Canada and ultimately reducing their profitability.
- The CRA is unduly enriched by the taxes withheld that will never be refunded (at the cost of Canadian taxpayers).

Under section 102 of the Income Tax Regulations, non-resident employers have an obligation to withhold and remit Canadian payroll withholdings for their employees who cross the border and work in Canada. CPP and EI premiums along with personal taxes must be properly calculated, withheld and remitted to the CRA for each day of employment in Canada. Similar to Regulation 105, a non-resident employer can apply for a treaty based waiver, but it must also be filed 30 days in advance of the start of the employment in Canada, and the employee must have a Social Insurance Number or Individual Tax Number. However the waiver is applicable only for a specific employee for a specific period of time.

The Regulation 102 withholding program is also not working as intended. The CRA is not issuing waivers to non-resident employers, without previously being approved for a Regulation 105 waiver and without being fully compliant in previous years. These CRA requirements dramatically increase a non-resident's Canadian compliance burden.

The 2015 Federal Budget proposal provides some welcome relief to the issue. The proposal provides an exemption for "qualifying non-resident employers" (requiring certification by the CRA) from the Regulation 102 requirements for payments to "qualifying non-resident employees." This can significantly reduce the current withholding administrative burden depending on how it's implemented. However, the certification required by the CRA can continue to cause delays, there are certain terms that are defined differently under the Income Tax Act versus Canada's tax treaties which can create unintended results. As well, non-resident companies will still be required to maintain a Canadian payroll account and issue annual T4 slips to qualifying non-resident employees (who will also have to apply for Canadian tax identification numbers) even though these employees are exempt from Canadian tax under the Treaty.

As Regulations 102 and 105 of the *Income Tax Act* apply equally to all non-residents (including foreign entities affiliated with Canadian corporations) and the compliance burden, or processes for voluntary disclosure, represent a significant barrier to trade, and reduce the profitability of businesses in Canada. The unexpected outcomes of the CRA's administration of the regulations add considerable cost to doing business in Canada to both resident and non-resident corporations and runs counter to the spirit of the articles of the income tax treaty.

Recommendations

That the federal government:

1. Adopt a Regulation 105 procedure similar to the United States, where a resident of a tax treaty country can be exempted from the withholding tax on services without advance approval from a tax authority if they provide a signed information form confirming tax treaty benefits.

2. Improve the Regulation 102 proposals by replacing the CRA advanced approval (certification) of qualified non-resident employers with a signed information form confirming tax treaty benefits, while also eliminating the T4 reporting requirement for qualified non-resident employees.

36. Road Travel Rebate Incentive Program for Increased Tourism Revenue

Canadian border towns face serious economic challenges in an era of expanding online commerce and a significant sales tax percentage differential between Canada and the United States. However, a simple and cost-effective Road Travel Rebate Incentive Program (Road TRIP) such as the one championed in recent years by a broad range of political leaders and industry stakeholders could increase Canadian revenue and employment considerably. These economic benefits would accrue overwhelmingly to the Canadian border towns where they would make the maximum positive impact.

Over the past decade, these border communities have suffered the consequences of high gas prices, increased competition from American and online retailers charging lower sales taxes, a depressed American economy, and tightened border security following the September 11th terrorist attack on the World Trade Center. The combined effect of all of these factors has been disastrous for the Canadian border towns that depend on the jobs and revenue stimulated by American tourists.

Since 2002, Canada has experienced an overall 23.9% decline in American visitors. If that statistic were not troubling enough, the picture darkens considerably when it focuses on the specific experience of Canadian border communities during that same period. Same day visitors, who are understood to be mainly road travelers, have declined by a full 55.9%. Furthermore, depressed border tourism tends to affect small and medium-sized businesses severely. Using Duty Free retailers as an example, these tourism-dependent outfits have experienced an approximate 40% decline in sales since 2002.

However, the conditions are currently ripe for reversing this trend. The US economy is recovering from its long recession with a stronger dollar, lower gas prices, and Americans who are ready to travel again. In fact, the number of Americans carrying passports today has doubled since 2008 to reach 100 million. Despite declines over the past decade, the US remains Canada's largest source of tourism and shopping ranks among the top three reasons for traveling to Canada, so these travelers are predisposed to enrich the Canadian economy. The Canadian tourism industry is poised to capitalize on these promising conditions by mounting robust new marketing initiatives. In particular, the Tourism Industry Association of Canada's industry-championed 'Connecting America' initiative is reaching out to Americans living within a four-hour drive of a border crossing in order to increase Canada's gross receipts from tourism by a projected \$1.5 billion.

In this context of serious challenge and emergent opportunity, Road TRIP has the potential to reinforce positive trends with little to no government cost and a simple plan for implementation and monitoring. Initially proposed by the Frontier Duty Free Association, this 3-year pilot program would provide cross-border visitors with a rebate of the 5% Goods and Services Tax (GST) on goods verified as exported from Canada. These 'traveler incentive' rebates would be processed in the Canadian land border Duty Free shops where the Canadian export status of the goods can be verified. If implemented, Road TRIP would be aggressively marketed to American tourists with a 'Take 5' (5% tax rebate) campaign that would work in tandem with the overarching 'Connecting America' initiative. With this approach, Canada could stand to once again become an attractive destination for American shoppers who have been dissuaded by large sales tax differentials of as much as 15%.

Econometric Research Limited's (ERL) 2014 study of Road TRIP's projected economic impacts led the esteemed consulting firm to offer its unqualified endorsement of the program. They found that demand for tourism exports appears to be generally price elastic, meaning that a 1% reduction in the cost of Canadian export goods causes a larger than 1% increase in demand for such goods. Given this elasticity of demand, they determined that the 5% rebate

could cause tourism flows to rise incrementally by up to 620,000 visits annually. In this scenario, Canadian Gross Domestic Product could rise by up to \$89.6 million; workers could experience wage and salary increases of up to \$55.6 million; and up to 1,374 Full Time Equivalent Jobs could be created. Struggling border communities would capture the lion's share of these gains, experiencing transformative and sustained benefits.

While Road TRIP represents a potentially game-changing deal for border communities, its cost to the government is projected to be negligible. ERL estimates that cost to fall between \$5.2 and \$9.0 million in GST rebates, a sum that is handily offset by increased tax revenues from economic growth. In fact, in a high elasticity of demand scenario, those tax revenue increases could exceed \$40 million. Even according to the most conservative calculations and under the most adverse conditions, Road TRIP would remain revenue neutral.

Finally, Road TRIP promises to be lucrative without being administratively onerous. Duty Free retailers can easily and effectively implement the program since they have the existing capacity to verify export goods and award rebates at a time close to actual purchase. Also, they are well positioned to recapture a good portion of these rebates and increase sales of Canadian products. Duty Free operators report that up to 60% of customers who are awarded rebates will spend them in their shops, where Canadian-made goods like wine, ice wine, maple syrup, and crafts predominate. Furthermore, the Duty Free industry is able to track the data the government will need to conclusively assess the program's cost and benefits.

Since the benefits of a tourism-boosting initiative like Road TRIP are so clear, it should come as no surprise that many of Canada's competitors in the global tourism market have already adopted similar programs. Rivals such as Great Britain, India, and the European Union are already enjoying a competitive advantage over Canada thanks to their tax rebate programs for international visitors. Given the exponential changes taking place in the global tourism market – 25 years ago, only 10 countries were contending for tourism dollars, while today over 100 countries are vying for market share – the Canadian tourism industry needs to secure competitive advantage whenever and wherever it can. For this reason, members of Parliament, several chambers of commerce, municipal politicians, industry stakeholders such as the Tourism Industry of Canada and the Retail Council of Canada, and scores of key duty-free supplier companies are strenuously championing the Road TRIP 3-year pilot program.

Recommendations:

That the Federal Government:

1. Launch a 3-year pilot project for a Road Travel Rebate Incentive Program that would make international visitors eligible for a rebate of 5% GST on goods purchased in Canada;
2. Authorize ground-based Duty Free operators to process these rebates, and track the data necessary for assessing the program's costs and benefits.

37. Simplification of the Taxing Statutes

Issue

The last comprehensive reform of the Canadian federal tax system occurred in 1972 as a result of the recommendations made by the Carter Commission. These reforms resulted in the modern day version of the Income Tax Act. In 1987 the federal government introduced its tax reform budget containing significant amendments designed to simplify the tax system and make it fair for all taxpayers. Since then however these statutes have been complicated by significant modifications not only through technical amendment but also by budgets, Orders in Council, income tax conventions, consolidations, etc. As a result, the statutes have become so complicated that not

only the taxpayer is bewildered, but also advisors and those administering the Act. The end result being very high compliance costs for most businesses.

Furthermore, the recent budget which is proposing to add a significant additional administrative burden when dividends are being paid between related corporations. Previously these dividends were generally viewed as not being subject to any anti-avoidance rules and were a common technique used by private companies to help protect the corporate wealth they had created. Under the proposals companies appear to be required to first calculate the safe income on the shares on which the dividends are to be paid. That calculation can be cumbersome and in some cases almost impossible to calculate. This just leads to additional costs to taxpayers.

Background

The Income Tax Act (ITA) (Canada), the Excise Tax Act (ETA) (Canada) and Provincial Corporate Tax Acts, such as the Corporate Tax Act (CTA) (Alberta), govern the taxation of the majority of transactions entered into by corporations and individuals. These statutes have seen significant amendments since enactment by technical amendments, budgets, Order in Council, income tax conventions, consolidations, etc. As a result, these statutes have become difficult for the average business owner, employee or investor to interpret and understand. In some cases, even the professional advisors, the Canada Revenue Agency, the taxpayer and the Courts cannot fully understand the provisions. See, for example, *Hoffman v. H.M.Q.*, 2010 TCC 267 where C. Miller, J. states, at paragraph 13:

The system has become so complicated that not only the taxpayer is bewildered, but also advisors and those administering the Act.

In *J.F. Newton Ltd. and John F. Newton v. Thorne Riddell et al.*, 91 DTC 5726, Finch, J. of the Supreme Court of British Columbia said, in respect of section 55:

It surpasses my imagination that anyone considers language such as this to be capable of an intelligent understanding, or that such language is thought to be capable of application to the events of real life, such as the sale of a business.

In submissions to the House of Commons Committee on Finance and Economic Affairs, the Joint Committee on Taxation of the Canadian Bar Association and the Canadian Institute of Chartered Accountants stated:

For any taxpayer to pick up some of this legislation we are looking at here today and understand how these rules are going to impact him when he sits down to fill out his tax return is almost impossible.

Amendments to tax legislation arise as legislators attempt to deal with perceived abuses, changes due to jurisprudence, development of business opportunities not previously available (e.g., electronic commerce), etc. As governments change new policies and ideas are introduced in the House of Commons and the Legislative Assembly, eventually accompanied by revised legislation. Over time, it is inevitable that amendments to tax legislation will result in a statute containing a collection of piecemeal amendments, corrections, incentives, etc. Legislation will inevitably become more complex, less understandable and more expensive to administer.

As the taxing statutes become more complex, businesses are required to devote an increasing amount of time to compliance matters (e.g., preparing and filing tax returns, information slips and reports). Failure to meet the various compliance obligations can result in the imposition of penalties, interest and additional income or excise taxes in addition to sanctions, and increased audit activity, all of which results in even more compliance-related reporting.

Examples of complex transactions with high compliance costs include:

- Goods and services tax (or harmonized sales tax) administration (e.g., real property transactions, joint ventures, multiple jurisdictions)
- Unincorporated contractor reporting
- Transactions with non-resident persons

- Calculation of safe income in corporate reorganizations
- Provisions applicable to the sale of a business
- Scientific research and experimental development

A good tax system should be capable of being administered economically and should not impose significant compliance costs on the taxpayers and the governments which administer it. Moreover, the taxing legislation should be clear and simple. The more complicated the legislation, or complex the process, the less likely the system is of being administered efficiently and economically. That being said, it is understood that business transactions are conducted in a sophisticated and uncertain economy and some complexity and uncertainty are unavoidable.

Comprehensive reform of the Canadian federal tax system occurred in 1972 as a result of the recommendations made by the Carter Commission. These reforms resulted in the modern day version of the ITA. In 1987 the federal government introduced its tax reform budget containing significant amendments designed to simplify the tax system and make it fair for all taxpayers. Some provincial governments, Alberta for example, did not follow suit and have not introduced tax reform or simplification measures since the CTA was enacted. And, as there have been many significant amendments and complicating revisions to the taxing statutes since 1987, a comprehensive and immediate review of the same is warranted.

A review of taxing statutes should include participants from a wide range of key stakeholders including taxpayers, academics, tax specialists, government departments (like Finance Canada and the Canada Revenue Agency) professional bodies (like the Joint Committee on Taxation, the Canadian Bar Association and the Chartered Professional Accountants of Canada and foreign governments.

Recommendation

That the federal government:

1. Immediately undertake a comprehensive review of taxing statutes with the objective of identifying, recommending and ensuring the implementation of ways and means to simplify tax legislation, reduce compliance costs and ensure Canada's tax system is neutral, simple, efficient and as fair as possible.
2. Establish a committee to continuously monitor changes and publicly report progress at least annually.

38. Strengthening Canada's Workforce through Tax Indexing

The Canadian Department of Finance began indexing personal income tax brackets on every Canadian'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 a 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 limit was recently increased from the 1998 level of \$7,000 per year, the amount of the increase is neither in line with inflation nor the substantial rise in child care costs. (Average annual rate of inflation 1998-2014 – 1.96%)⁶⁵. A parent returning to the work force must make a financial decision of how much their take-home income is

⁶⁵ "Inflation Calculator." <http://www.bankofcanada.ca/rates/related/inflation-calculator/> Bank of Canada. Retrieved on 10 February 2015.

benefiting the family versus the cost of being away from the children and paying for care. This chart demonstrates the average cost of full time child care across Canada⁶⁶.

If families across Canada are paying an average of \$872 per month on child care, the median Canadian monthly wage is \$3,279 before tax, and the maximum deduction is \$8,000 (\$667/month), there leaves little incentive for that person to enter the workforce unless absolutely necessary⁶⁷. With chronic skilled labour shortages across Canada persisting, it is incumbent upon government to make workforce engagement as appealing as possible to young parents. According to a study from the University of Sherbrooke, lower costs for child care in Quebec have had a significant positive economic impact⁶⁸.

On the other end of the workforce lifecycle is the issue of Canada Pension Plan (CPP) contributions. Recently, the new CPP contribution limits were announced recognizing the inflation-indexing adjustment to the contribution limits⁶⁹.

Since 1997 the maximum annual pensionable earnings has increased due to indexing by \$17,800. The basic exemption has increased by a comparative number of \$0. The employee/employer matched contributions have increased by \$1,480.72, a 162-per-cent increase over the past 18 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 has actually raised payroll taxes substantially at a time where few can afford it.

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

Recommendation

That the federal government apply indexing to all exemptions, deductions and contribution limits applicable in the *Tax Act* so Canadians and businesses are not unfairly taxed.

⁶⁶ "Child Care Costs in Canada." <http://www.godaycare.com/child-care-cost> Go Day Care. Retrieved on 10 February 2015.

⁶⁷ "Median total income, by family type, by province and territory." <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/famil108c-eng.htm> Retrieved on 10 February 2015.

⁶⁸ Pierre Fortin, Luc Godbout, Suzie St-Cerny. "Impact on Quebec's Universal Low-Fee Childcare Program on Female Labour Force Participation, Domestic Income, and Government Budgets," University of Sherbrooke: Sherbrooke, Quebec. Retrieved from http://www.oise.utoronto.ca/atkinson/UserFiles/File/News/Fortin-Godbout-St_Cerny_eng.pdf 28 May 2015.

⁶⁹ "CPP contribution rates, maximums and exemptions." <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrl/clclng/cpp-rpc/cnt-chrt-pf-eng.html#nt1> Canada Revenue Agency. Retrieved on 10 February 2015.

NATURAL RESOURCES AND ENVIRONMENT

39. Accelerating Domestic Styrofoam Reuse and Remanufacture for Environmental and Economic Gain

Issue

Regulations across Canada have encouraged the collection and recycling of Expanded Polystyrene (EPS) post-consumer products, commonly referred to as Styrofoam (a trademark name); however, the ability to re-use EPS waste is limited to specific types (clean, un-dyed, uncontaminated). Most EPS still ends up in landfills or shipped overseas regardless of how it was collected. EPS in landfills is comprised of 98% air that “overfills” sites per weight and lasts indefinitely. A common contaminant of EPS products is fire-retardant chemicals, such as hexabromocyclododecane (HBCD) or perfluorooctanoic acid (PFOA) and related products. These compounds can leach into the ecosystem and are an environmental risk.

What is EPS

For more than 50 years, the effectiveness of Expanded Polystyrene (EPS) has been proven in numerous applications used by a wide variety of industries, consumer product manufacturers, and shipping companies. It is a rigid, closed-cell foam that is non-toxic, inert and made without chlorofluorocarbons (CFCs). EPS expandable polystyrene beads are processed and molded into either low or high-density foam products.

Lightweight EPS is ideal for packaging applications due to its cushioning characteristics, dimensional stability, and thermal and moisture resistance. There is a growing use of EPS in construction as insulating concrete forms and insulated EPS sandwich panels as well as structural blocks in road and highway construction.

EPS in Canada

According to the 2008 EPS Recycle Rate Report prepared by the Alliance for Foam Packaging Recyclers (AFPR), the total amount of post-consumer and post-commercial EPS sold in the USA was 172 million pounds.

A report compiled for the Canadian Plastics Industry Association, 2013, estimated the total amount of EPS recycled in Canada was about 2.5 million kilograms. The majority of the post-consumer and post-commercial EPS is impact-absorbent packaging for fragile electronic devices. In 2014, Canada imported nearly \$59 billion worth of electronics. The estimated cost of packaging for electronics is approximately \$860 million. Depending on provincial regulations, electronic companies may take the responsibility of recycling the end-of-life electronics through different product stewardship programs across Canada; however, electronic companies refused to recycle EPS packaging. This means that each year, hundreds of millions of dollars of packaging materials are sent to landfills, instead of being recycled.

Due to the weight of EPS, diversion will have minimal effect on municipal diversion rates or goals compared to heavier items (e.g., bottles) and is, therefore, low on the priority list.

Environmental Concerns

Unfortunately, EPS is virtually indestructible and does not biodegrade for hundreds of years and is resistant to photo decomposition.

In 2012, an estimated 14.4 million pounds (80%) of EPS waste in Canada went to landfills, rivers, streams and the ocean. This is the equivalent of 18.4 million cubic feet, or 208 Olympic sized swimming pools of EPS waste in Canada each year. In ten years, it is estimated that over 64,000 trailer loads (40' trailers) of post-consumer and post-commercial EPS waste will be buried in landfills across the nation. Due to the light weight and large volume physical properties, the total cost to haul EPS waste from transfer stations to landfill sites is estimated to be \$20 million, and the landfill cost is estimate to be \$2.4 million.

Clean EPS packaging has less impact on the environment than molded pulp packaging; however, toxic fire retardants such as hexabromocyclododecane (HBCD) is included in the production of EPS for insulation and imported for the construction industry, accounting for 99% of HBCD use in Canada. Approximately 92.4% of products contaminated with HBCD will ultimately be landfilled, with contaminants potentially leaching into the environment. The federal government is currently proposing to prohibit the importation of products containing HBCD and similar fire retardants as safer alternatives exist; however, future disposal of EPS made with fire retardants currently in use is unknown.

A Commercial Opportunity

EPS is 100% recyclable. Recycled post-consumer and post-commercial EPS can be turned into value-added plastic products, such as crown moldings, picture frames, park benches, movie props, faux marble and stone, etc., reducing the amount of virgin material needed. Comparing the various options for the 14.4 million pounds of EPS waste in landfills every year, and using the virgin material price at \$0.90 per pound, following are the costs and Value Returned/Retained on each option (using 2012 figures):

	Market Value (\$/lb)	Economic Value (\$)
Landfill: Cost of hauling and landfill	0.13	(1,896,480)
Compacted and exported to China	0.16	2,304,000
Extrude & palletize PS, and sell in open market	0.50	7,200,000
Basic recycled plastic products	1.20	17,280,000
Innovate and high value recycled plastic products (conservative estimate)	2.00	28,800,000
Innovate and high value recycled plastic products (optimistic estimate)	3.00	43,200,000

Recommendations

That the federal government work with provinces and territories to:

1. Actively promote the diversion of waste Expanded Polystyrene (EPS) from landfills.
2. Engage with Canadian plastics industry companies and institutions and provide incentives to stimulate research into and the development of high value made-in-Canada products from recycled EPS.
3. Support the research and development of cost-effective mechanisms to decontaminate EPS for the purpose of recycling and re-use.

REFERENCES

2008 EPS Recycling Rate Report and 2013 EPS Recycling Rate Report, EPS Industry Alliance. www.epsindustry.org

Flame Retardant Alternatives for Hexabromocyclododecane (HBCD), Final Report, June 2014, EPA Publication 740R14001. <http://www2.epa.gov/saferchoice>

Regulations Amending the Prohibition of Certain Toxic Substances Regulations, 2012, Canada Gazette Part I, April 4, 2015. <http://www.gazette.gc.ca/rp-pr/p1/2015/2015-04-04/html/reg2-eng.php>

Risk Assessment, Hexabromocyclododecane, CAS-No.: 25637-99-4, EINECS-No.: 247-148-4, Final Report, May 2008. <http://echa.europa.eu/documents/10162/661bff17-dc0a-4475-9758-40bdd6198f82>

Screening Assessment Report on Hexabromocyclododecane, Chemical Abstracts Service Registry Number 3194-55-6, Environment Canada & Health Canada, November 2011. <http://www.ec.gc.ca/ese-ees/default.asp?lang=En&n=7882C148-1>

40. Clean Technology and the Renewable Energy Sector in Canada

Issue

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. We are seeing the beginning of a new technology revolution that will provide huge economic benefit for those able to place themselves at the forefront of this revolution. One only need to look at countries such as Germany to appreciate how taking a leadership approach to this new green economy can benefit an entire country both economically and environmentally.⁷⁰ Unfortunately, while some Canadian provinces have a strong international reputation for innovation on climate change we, as a country, are not leveraging this reputation to be at the forefront of the growing green technology economy.

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.

Sector	Examples of Technology
Electricity Access	Upgraded Power Grids Off-grid technologies
Water Management	Wastewater Treatment
Waste Management	Recycling Energy capture from landfills
Climate Change/Reducing Emissions	Mitigation technologies Upgraded power grids Renewable energy, wind, solar, geothermal, geoexchange, tidal, biomass, hydro, etc. Electric and hybrid vehicles

⁷⁰ <http://thetyee.ca/News/2014/10/20/German-Clean-Energy-Revolution/>

	Carbon Capture and storage Adaption technologies New cultivation practices Climate resistant infrastructure: sea walls, drainage capacity, water, forest and biodiversity management, etc.
Transport	Rapid Transit systems Low emission vehicles and fuels, biogas, natural gas and plug in electric
Building Energy Efficiency	Thermal Insulation Energy efficiency programs Best practice building codes

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 BC Jobs Plan. In addition the British Columbia Provincial Government has also developed “BC’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.⁷¹ “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.⁷² 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 technology⁷³. 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.⁷⁴

Canada needs to move beyond the limited focus on Canada’s traditional industries and make Canada a global leader in all aspects of the new emerging global green economy. As an example, the Canadian 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 Canada 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;

⁷¹ <http://www.efficiencyns.ca/energy-solutions/solar/>

⁷² <https://www.sdte.ca/en>

⁷³ <http://www.kpmg.com/global/en/issuesandinsights/articlespublications/taxes-and-incentives-for-renewable-energy/pages/germany.aspx>

⁷⁴ <http://www.bmwi.de/EN/Topics/Energy/Energy-Efficiency/energy-consulting-and-funding.did=687122.html>

- 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;
- achieve the convergence of the efforts of all players in the sector

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 resounding 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. We have just seen the election of a provincial government in Alberta that is committed to a boost for renewable energy and a green retrofitting loan program.

To ensure that Canada is able to move quickly to establish ourselves as a global leader government, 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.

Recommendations

That the federal government:

1. Develop, expand and implement plans to make Canada a global leader in the sustainable technology and energy sectors
2. Work with the business community, provinces/territories and international institutions and governments to ensure that individual jurisdiction carbon pricing programs work toward a common target for emissions reductions.

41. Does Our Water Abundance Mask a Potential Challenge? The Need for a National Water Framework

According to the World Economic Forum's 2014 Global Risks Perception Survey, water security is one of the top three most concerning global risks facing the world today.⁷⁵ This resolution seeks to build upon the existing 2013 Canadian Chamber of Commerce resolution *Water for Sustainability – A National Water Strategy* by positing that *Canada is not immune to water security risks and that our assumed freshwater endowment and fragmented jurisdictional responsibility mask potential water challenges and the need for a national water framework.*

⁷⁵ World Economic Forum, *The Global Risks Report 2015*, <http://reports.weforum.org/global-risks-2015/part-1-global-risks-2015/environment-high-concern-little-progress/>

The demand for fresh water continues to rise and global water requirements are projected to be pushed beyond sustainable water supplies by 40% by 2030. Agriculture already accounts for approximately 70% of total water consumption but, according to the World Bank, food production will need to increase by 50% by 2030 as the population grows and dietary habits change. The International Energy Agency further projects water consumption to increase by 85% by 2035 to meet energy production needs. In addition, population pressures and the changing climate are only serving to compound current water demands.

An assumption exists that Canada is blessed with abundant freshwater and need not be concerned with water scarcity. However, while Canada has 20% of the world's total freshwater resources, less than half of this water is deemed "[renewable](#)", meaning that it is useful and accessible for humans. The remainder of this freshwater resource is locked away in fossil water caches such as in aquifers or glaciers.⁷⁶

Currently, Canada does not have an adequate national water strategy or governing framework for our water resources. We lack a full and accessible national accounting of our existing water resource, our current water needs, and the projected water demands of the future. In addition, we have little national understanding of the cumulative impacts of our water use, including the timing and volume of water withdrawals, the speed of return flows and the quality of returning water – information necessary for governments to adequately, and fairly, assess applications by industry or agriculture to withdraw water for their operations.

As water is essential not only for human life but for the production of food, energy, and products of all kinds, it is vital that it is managed sustainably to meet future needs. The lack of a national water framework compromises our ability to manage this resource sustainably and makes industry susceptible to future water shortages or unduly aggressive conservation measures. As responsibility for water is fragmented between federal, provincial, and municipal governments and various departments and agencies,⁷⁷ only a governance framework of national scope that consolidates and updates existing water management strategies across the country will be sufficient to know how and why we use water in the ways we do and how we manage the resource for the future.

Recommendations

That the federal government works with the provinces and territories to:

1. Commission new research into water rights management, the sustainability of Canadian water resources, the potential for national water shortages and the potential impact on Canadian businesses, and make this research and any subsequent resources or tools publicly available.
2. Craft a national water framework in partnership with the provinces and territories that consolidates and updates existing legislation and strategies, while respecting any existing international, interprovincial or interterritorial agreements, and ensures Canadians across the country and all levels of government understand:
 - a. The water rights management framework;
 - b. The location and abundance of our current water resources;
 - c. How water is used and managed (currently and in the future) for the benefit of both human and environmental needs;
 - d. The potential impact of climate change and anthropogenic activities on our water resources;
 - e. The replenishment rate and returning quality of major water resources; and

⁷⁶ Environment Canada website. Accessed from: <https://www.ec.gc.ca/eau-water/default.asp?lang=En&n=1C100657-1>

⁷⁷ National Roundtable on the Environment and the Economy, "Changing Currents: Water Sustainability and the Future of Canada's Natural Resource Sectors." Accessed from: <http://www.blue-economy.ca/sites/default/files/reports/resource/changing-currents-water-report-eng-1.pdf>

- f. How to properly manage water resources to ensure it remains a sustainable resource for Canadians in the future.
3. Incorporate consultations with First Nations, Inuit and Métis groups, businesses and business organizations, and the public into the creation of such a national water framework.

42. Energy Productivity: A Win-win for Canada's Economy and Environment

Growth in productivity is closely related to growth in standards of living, innovation and economic competitiveness. In Canada, much ink has been spilt over labour or multifactor productivity growth rates. Yet another productivity statistic deserves closer attention. Energy productivity, the amount of economic output possible at a given energy supply, can improve Canada's economic competitiveness while effectively addressing greenhouse gas emissions and other environmental impacts of energy production and use. There are several ways investments in energy efficiency that improve energy productivity benefits the Canadian economy:

- *Large international market* – The global market for energy efficient products and services is very large. According to the International Energy Agency, investment in energy efficiency worldwide was between \$310 billion and \$360 billion in 2012. This sum was larger than the money put into renewable, coal, oil or gas electricity generation, and around half the size of upstream oil and gas investment.⁷⁸ Due to increased global demand, the market for energy efficiency-related goods, services and technologies could reach \$550 billion per year by 2035.⁷⁹
- *Source of jobs* – According to a report by Natural Resources Canada, in 2011 there were about 100,000 people working in energy-efficiency related occupations in Canada with total annual wages of \$7.7 billion. Every \$1 million spent on energy efficiency programs within Canada generates between 30-57 job years in firms that sell energy efficient products or services.⁸⁰
- *Freeing up resources for 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, ultimately resulting in job growth and improved overall economic performance. Between 1990 and 2011, more than \$34 billion in energy savings was reinvested into the Canadian economy. Companies addressing energy efficiencies often end up improving other characteristics and thereby improving overall performance, efficiency, innovation and market share.⁸¹
- *Freeing up energy for export* – Aside from its impact on the domestic economy, improved performance on energy productivity can also promote exports. Energy that is produced but not consumed within Canada can be exported, creating broader economic benefits through royalties and taxes collected. Energy savings, if passed to consumers, increases price competitiveness usually resulting in increase market share.

Improving Canada's energy productivity will have significant environmental benefits as well and could play an essential role in an effective climate change strategy for Canada. Reducing waste in energy production and transportation and reducing the need to use energy in the first place will result in lower greenhouse gas emissions and the need for fewer power plants and transmission lines.

⁷⁸ International Energy Agency. 2014. "Executive Summary". *Energy Efficiency Market Report 2014*.

⁷⁹ International Energy Agency. 2014. "Factsheet". *World Energy Investment Outlook 2014*.

⁸⁰ Natural Resources Canada. 2014. *Energy Efficiency Update 2014: Economic Benefits of Responsible Energy Use*.

⁸¹ Ibid.

Unlike many other productivity measures, Canada has had success in improving its energy productivity performance. Between 1995 and 2010, Canadian GDP grew by 46%, while demand for energy rose by only 12%.⁸² Yet Canada has not made continuous improvements in energy productivity an explicit part of its approach to economic competitiveness or action on climate policy. This is in contrast to other peer nations. In 2013, President Obama pledged to double energy productivity from the 2010 level by 2030, while Australia's government recently released an energy white paper proposing an increase of up to 40% in energy productivity by 2030.

There are two significant barriers to further improvements in Canada's energy productivity that the federal government could address. First are measures to reduce the costs of energy efficiency. In the 2014 Canadian Energy Efficiency Alliance conducted a survey of business attitudes toward investments in energy efficiency, with over half of respondents cited costs as the most significant barrier to improved energy efficiency. A fifth suggested and improved incentives would be the most effective approach to removing these barriers.⁸³

A second significant barrier is the need for effective and accurate methods by which to measure and record energy productivity/efficiency. Without proper methods to track and report on energy productivity, making businesses or government accountable for progress will be difficult to achieve.

Recommendations

That the federal government work with provinces and territories to:

1. Identify the means for overcoming the economic and environmental barriers of increased energy productivity/efficiency to business and promote energy efficiency measures.
2. Research and adopt across Canada the best available science to measure barriers, record and implement energy productivity and efficiencies.

43. Greenhouse Gas (GHG) Emission Reduction through Economic Instruments

G7 leaders met on June 8, 2015 notably to discuss climate change and committed themselves to various objectives, including:

- Hold the increase in global average temperature below 2°C;
- Reduce global GHG emissions "in the upper hand" of 40 to 70% reductions by 2050 compared to 2010 through "a global response";
- [Do their] part to achieve a low-carbon global economy in the long-term;
- Adopt an agreement at the Paris Conference this fall.

In the past, Canada committed itself to various targets, including limiting GHG emissions to 555 megatons in 2012, under the Kyoto Protocol, 610 megatons in 2020 under the Copenhagen Agreement and, on May 15, 2015, to a 515 megaton limit in 2030. The Kyoto target for 2012 has been largely surpassed (715 megatons according to the latest revision, or 160 megatons over target or +29%) whereas the targets of Copenhagen and last May are not likely to be met at the current rate – the latest results for 2013 show another increase in emissions to 726 megatons.

⁸² Ralph Torrie and David B. Layzell. "The secret life of Canada's Energy System." Canadian Energy Systems Analysis Research. <http://www.cesarnet.ca/blog/secret-life-canada-s-energy-systems>.

⁸³ The Canadian Energy Efficiency Alliance. *CEEA 2014 Survey: Canadian Business Attitudes on Energy Efficiency*.

A growing number of Canadians already see products having a carbon component or being transported, being priced. This is the case in British Columbia, with a carbon tax, and in Quebec with a royalty paid to finance a cap and trade system under the Western Climate Initiative (WCI). Ontario announced on April 13, 2015 that it intends to join the WCI along with Quebec and California. Consequently, these provinces have taken the path of innovation and sustainable development.

The Canadian Chamber of Commerce network is a longstanding supporter of carbon pricing, to the extent that all economic players are subject to a similar carbon tariff, regardless of the economic instrument used, whether it is a carbon tax or a cap and trade system. Such coverage is essential to maintaining a level competitive playing field. It is therefore desirable for other provinces to follow the lead of British Columbia and Quebec in combating climate change.

The Paris Conference will give several states or countries the opportunity to reveal their targets for GHG emission reduction beyond 2020, possibly through to 2050. Canada's commitment to promote sustainable development must be accompanied by actions supporting that commitment. It is particularly important to align with jurisdictions where we expect to have free trade agreements, such as the European Union.

Canada's chambers of commerce can be leaders and actors of change and promote this commitment throughout the country. Therefore, there are plans for the chamber of commerce movement, everywhere in Canada, to join their sustainable development sector in order to urge the federal government to adopt a Canadian strategy for GHG emission reduction with a target, and measures and mechanisms to reach this target.

Recommendations

That the federal government:

1. Adopt an approach and mechanisms to combat climate change in order to establish and reach a GHG emission reduction target by 2050.
2. Work with the provinces and territories to:
 - a. Adopt carbon pricing mechanisms that will help realize Canada's international commitments to reduce GHG emissions. The selection of these mechanisms must take into consideration the actions of competitor jurisdictions and the impact on Canada's global competitiveness.
 - b. Ensure revenue collected from carbon pricing mechanisms directly facilitates businesses' transition to a lower carbon economy – it should not go into general revenues. Further, the allocation of that revenue should be objective and transparent.
 - c. Adopt policy instruments that sufficiently price the negative externalities associated with greenhouse gas emissions to achieve this target.

44. Preserving Economic Benefits under the Extractive Sector Transparency Measures Act

While the new Extractive Sector Transparency Measures Act (ESTMA) contains measures to ensure sustainable resource development in foreign countries in which Canadian companies operate, there remain significant concerns that it could complicate development within Canada and potentially harm industry relations with Aboriginal communities.

Having received royal assent in December 2014, the ESTMA was originally developed in response to reports that some foreign governments were improperly spending mining revenues generated by Canadian companies. To address the issue, Canadian extractive industry partners worked with the federal government to develop regulations requiring public disclosure of payments made to governments and government entities, resulting in the ESTMA.

The foreign disclosure measures outlined in the ESTMA will apply to large mining, oil and gas companies making payments over \$100,000, and to junior firms making payments over \$10,000; these will take effect in the summer of 2015, and have been thoroughly supported by industry as a means of increasing transparency and sustainability for regions in which Canadian companies operate.

However, throughout the consultation process, industry was clear that their support was never intended to be viewed as an approval for the ESTMA to be applied domestically;⁸⁴⁸⁵ nevertheless, the federal government inserted such measures into the final version of the legislation, requiring the mining, oil and gas industries to disclose payments made to Aboriginal groups and communities within Canada as of June 2017.

While industry groups continue to embrace the concept of increased transparency, the mandatory inclusion of Canada's Aboriginal groups within this legislation creates many complex questions which have yet to be fully addressed by the federal government. This includes concerns around the lack of meaningful consultation with Aboriginal groups leading up to the passage of ESTMA, which industry groups have argued to be necessary to ensure that any designated reporting requirements are appropriate, and that Aboriginal interests are adequately considered⁸⁶. Without full and comprehensive consultation, the possibility remains that ongoing disapproval of these measures could place existing and future relationships between extractive companies and Aboriginal communities at risk.

This risk of harm to these relationships is heightened by the lingering fear among industry partners and Aboriginal groups alike that the federal government will reduce funding for Aboriginal communities who have received payments as disclosed under the ESTMA. From the Mining Association of Canada and the Prospectors and Developers Association of Canada to the Assembly of First Nations and the Canadian Aboriginal Minerals Association, many have expressed concern around the lack of any provisions in the Act that would prevent this from occurring.

Any such clawback would effectively harm Aboriginal communities' ability to benefit from resource development. Related agreements also often allow for much-needed enhancements to infrastructure and social programs that are otherwise not covered by federal payments: for example, in 2011 and 2012, oil sands companies provided more than \$20 million to Aboriginal communities in Wood Buffalo and Lac La Biche in northeastern Alberta, which funded school and youth programs, celebrations, cultural events, literacy projects, and more⁸⁷. Similarly, De Beers Canada's Victor Mine project in northeastern Ontario provides roughly \$2 million in annual royalties to the nearby Attawapiskat First Nation, and has funded housing, training options, and other opportunities.

These improvements also benefit the resource development industry, not only in the form of the community support required to move new projects forward, but also by establishing the training facilities, local capacity, and general infrastructure necessary for the effective operation of their future projects. As such, it is crucial that the federal government protect these investments from being effectively nullified, and provide legislative guarantees against related clawbacks prior to the implementation of the domestic ESTMA provisions in June 2017.

Recommendations

That the federal government:

1. Undertake consultations with Aboriginal groups and communities in order to ensure that Extractive Sector Transparency Measures Act (ESTMA) reporting requirements are appropriate and that Aboriginal interests are properly considered.

⁸⁴ PDAC-MAC Submission to the Government of Canada Consultation on Mandatory Reporting, 2014

⁸⁵ Resource Revenue Transparency Working Group Submission to the Government of Canada – Consultation on Mandatory Reporting, 2014

⁸⁶ Mining sector supports new disclosure rules, Vancouver Sun, March 27 2015

⁸⁷ Oil Sands Community Alliance, 2013

2. Undertake consultations with extractive industries to ensure that the process for reporting payments to Aboriginal communities under the ESTMA is not duplicative or unduly cumbersome, and that it does not contravene existing non-disclosure agreements.
3. Guarantee that federal funding for Aboriginal communities will not be reduced in response to financial disclosures made under the ESTMA, ensuring that those communities will be funded appropriately as per their needs and prior federal obligations and commitments, regardless of any investments made by third parties engaged in resource extraction.

45. Support for TransCanada's Energy East Project

All Canadians should benefit from Canadian oil. Energy East is a rare nation-building opportunity that will move oil from the West to refineries and terminals in the East, creating jobs and economic growth from Alberta to Ontario to Quebec and New Brunswick, while reducing our reliance on foreign oil.

The 4,600 km pipeline will transport about 1.1 million barrels of oil per day from Alberta and Saskatchewan to the refineries of Eastern Canada. The project implies converting part of an existing natural gas pipeline to an oil transportation pipeline. The business communities of Ontario and Quebec are encouraged to see TransCanada and the gas companies (Gaz Metro, Enbridge and Union Gas) have signed an agreement to ensure a continued reliable and affordable supply of natural gas to help power both provincial economies. The project also implies constructing new pipelines in Alberta, Saskatchewan, Manitoba, Eastern Ontario, Quebec and New Brunswick. Finally, it includes constructing the associated facilities, pump stations and tank terminals, including marine facilities.

This critical new piece of energy infrastructure will result in the expansion of Canada's oil transportation network, generate additional tax revenues for federal, provincial and municipal governments and, according to the Conference Board of Canada⁸⁸, Energy East will also generate an estimated \$11.5 billion in additional GDP for the Canadian economy during the seven-year development and construction phase and \$24.9 billion the first 20 years of operations.

On the issue of job creation as related to Energy East, The Conference Board of Canada predicts the project will support high quality direct and indirect jobs in several provinces during the seven year construction phase and the first 20 years of operation of the new pipeline⁸⁹.

The Energy East Project is subject to extensive evaluation by the National Energy Board (NEB), a recognized authority on pipelines in Canada that is committed to examining 16 different areas of interest before approving, amending or not approving the project. Among the conditions is whether the project will follow sustainable development practices of creating wealth while respecting the environment and communities.

There is a lot of dialogue around this project and it is important for the national voice of business to weigh in on this conversation because of its economic benefits, potential for trade and new jobs across the country.

Recommendation

That the federal government create favourable conditions for the Energy East project to move forward, as the project will have significant economic benefits for Canada.

⁸⁸ <http://www.energyeastpipeline.com/wp-content/uploads/2014/11/economic-backgrounder-en.pdf>

⁸⁹ Ibid.

47. Support Future Mineral Exploration and Mining in Canada

Issue

The long-term viability of the mining industry is in jeopardy due to a decline in base metal reserves and production volumes. Permanent financial incentives are needed to inspire investment in mining development, especially in remote and northern areas where costs are significantly higher.

Background

Mineral exploration and mining are mainstays of Canada’s economy, particularly in northern and remote regions. In 2013, Canada’s mining industry accounted for approximately 20% of Canada’s annual goods exports and contributed \$54 Billion to Canada’s Gross Domestic Product (GDP). The industry employs over 380,000 Canadians in mineral extraction, processing and manufacturing. Mining is the largest private sector employer of Aboriginal peoples in Canada on a proportional basis, and employment is poised to increase.

There are two indicators of challenges to the long-term viability of the industry: reserves of base metals have experienced significant declines since the 1980’s; and, production volumes of key commodities have been declining. These indicators point to a twofold problem: the need to make more discoveries and the need to bring new and existing discoveries into production.

Remote and northern parts of Canada hold the key to resolving both challenges. However, exploring and mining these areas come with a hefty cost premium. Companies operating in remote and northern areas face a unique set of challenges that are linked to the characteristics that define the geographical regions themselves: remoteness, severe weather, undeveloped infrastructure and sparse populations.

The Mining Association of Canada, the Prospectors and Developers Association of Canada, the NWT & Nunavut Chamber of Mines, the Yukon Chamber of Mines and the Association of Consulting Engineering Companies – Canada released a very detailed report, “Levelling the Playing Field” in April 2015 that outlines the cost implications of mining in northern and remote areas of Canada. We have used their data in this resolution.

The primary driver of cost variations is the distance of a project from the transportation infrastructure required to service the needs of the project during exploration, construction and production. As an example, exploration costs at the most remote project (in the Arctic Circle) were six times higher than the costs incurred at the least remote project.

	Non-remote (50km or less from supply route)	Remote (51km to 500km from supply route)	Very remote (>500km from supply route)
Exploration Costs	Average cost: \$202.69/metre drilled	1.7 times higher	2.8 times higher

The higher cost of exploration at a remote site includes the need to fly-in equipment and personnel by fixed wing aircraft and/or helicopter. In addition, personnel are often lodged in a bunkhouse at the exploration site at a cost that is higher than living in a hotel in a small town nearby, which is done where road access is available.

The capital cost of constructing a mine in remote and northern areas often includes construction of assets such as a power plant, accommodations for the workforce, winter and permanent roads of hundreds of kilometres, large storage facilities, aircraft and airstrips, and shipping ports. Capital costs are about double for gold mines, 2.5 times higher for base metal mines and 15% - 20% higher for diamond mines. In addition, operating costs for these mines are 30% - 60% higher.

The higher cost profile of exploration and mining in remote and northern Canada is reducing competitiveness of those regions as a destination for mineral investment. This is particularly challenging during the current downturn,

which has seen equity financing levels for mineral exploration drop 80% since 2007. Without creative action to address these challenges, the industry may not be able to sustain the same level of economic benefits for future generations of Canadians.

The mineral exploration tax credit (METC) was introduced in 2000 and provided a 15% tax credit on top of the 100% tax deduction for Canadian Exploration Expense (CEE). The METC was reintroduced in 2006 and subsequently renewed for two years and has since been extended on a yearly basis. In the April 2015 budget, the METC was again extended for an additional year to March 31, 2016. The METC and flow-through share financing continue to serve a critical role as they allow junior companies to raise needed capital, keep investment in Canada and sustain grassroots exploration activity. Since 2006, the METC has allowed mining companies to raise over \$5.5 billion for exploration and development. In 2013, more than 250 companies issued flow-through shares eligible for the METC to over 19,000 investors.

The creation of a new and enhanced METC at 25% for remote and northern projects would reduce the costs of financing one metre of drilling by approximately 12% and would make investments in these projects more attractive to investors and help to attract much needed investment to northern Canada.

Recommendations

That the federal government:

1. Make the 15% Mineral Exploration Tax Credit (METC) permanent: and,
2. Create a new and enhanced 25% Mineral Exploration Tax Credit (METC) for projects in locations more than 50 kilometres from a supply route.

Source data: PDAC (2015) *State of Mineral Finance 2015*. Accessible at: <http://www.pdac.ca/docs/default-source/securities/levelling-the-playing-field---final.pdf>

48. Supporting Canada to Become a Leader in Global Mining Innovation

Mineral and metal deposits are becoming increasingly more difficult to locate, requiring new tools and techniques. Innovation has allowed Canadian companies to maintain their competitive edge and has helped Canada become a safer, more cost-effective and environmentally-sound mining jurisdiction.

The 2013 Conference Board of Canada's Innovation Index rates Canada as 13th out of 15 of its peers. Although Canada is a leader in mining innovation, there currently exists an innovation gap which is preventing Canada from becoming the global leader in innovation. Strengthened coordination, improved funding flows and ratios as well as a broader vision of innovation are all elements that will help propel Canada to the top of the list of global innovators.

Three national mining organizations, the Canadian Mineral Industry Federation (CMIF), the Canadian Mining Innovation Council (CMIC) and the Centre for Excellence in Mining Innovation (CEMI) have identified the lack of national scale coordination of government and industry research, development and innovation (RDI) funding as a barrier to advancing mining innovation. There are over 4,000 different and uncoordinated sources of RDI funding in Canada, carried out and supported by a myriad of academic, government and industry entities. There are also over 40 different mining research organizations that at times operate in silos.⁹⁰

⁹⁰ The Canadian Chamber of Commerce, "Mining Capital: How Canada Has Transformed Its Resource Endowment Into a Global Competitive Advantage," 2013.

Because the development of new mining technologies and practices is capital intensive, collaboration has become increasingly necessary. Individual firms are hesitant to make standalone investments in innovation because of the risky and uncertain environment and are turning to partnerships with suppliers and academia to advance their initiatives. The Canadian Chamber's 2013 Mining Capital report states that due to the collaborative nature of the natural resource sector, a systematic and coordinated approach that enhances linkages between the various stakeholders is vital to propelling mining innovation.⁹¹ Gains are being made in addressing the coordination gap, such as the establishment of CMIC by government, industry and academic researchers to lobby for mining innovation.

Key to their efforts was the identification for innovation through coordination of industry-led RDI. CEMI, an active participant in the mining innovation space, is closing the co-ordination gap by working collaboratively with the mining industry, academia, mining service & supply sector, SMEs and cross-sector industries (oil & gas, space technology). However, to catapult Canada as a leader in mining innovation, there is an increased need for more co-ordination and co-operation in terms funding (government, industry) and between research and implementing organizations.

Further, for innovation to work, it must be adopted. For this, mining innovations need to be demonstrated and implemented as workable beyond the theoretical, but also show commercial viability. The lack of commercialization is one of the reasons why so little of the funding for mining research has impacted mine operations. The majority of funding in Canada is targeted at research in academia that may not necessarily translate into industry-relevant innovation or commercialization. While university-based research is essential, research in operating mines and with suppliers is equally important. The Research, Demonstration and Implementation (RD +I) approach to focus on practical applications, distinct from academic research was developed by CEMI in 2011 and is aimed at addressing this very important issue. Closing the loop by driving commercialization activities for mining innovations should be strongly supported by government, which will have direct and dramatic economic impact to Canada and in bringing these Canadian mining innovations to the world stage. Mining service and supply firms also make significant contributions to the commercialization process and their efforts should be supported in an integrated manner. Funding and programming in such areas will further help to encourage commercialization and industry adoption of important mining innovations.

Although funding is vital to mining innovation, it is also impacted by: the time it takes for funding to flow; and the government to industry ratio of funding.

In some jurisdictions proposals can take over a year to be processed and it can take another year before approved funding begins to flow. The time required impacts the momentum of the project as a whole, available talent and resources, as well as the delay in the potential economic impact and adoption. It also impacts the willingness of management within industry to commit to funds. Most managers and business heads are willing to commit to funds for projects that accrue benefits within their "lifetime" within a particular position, generally between 1-3 years. This incents shorter-term thinking, unless the commitments are approved at the highest levels.

Generally, Canadian mining companies and government contribute research and innovation funds on a 1:1 ratio. In a national perspective, this makes sense as both are vested in developing and building the infrastructure, knowledge base and economy within Canada. However, the global consolidation of the mining industry has impacted the financial commitment for mining innovation in Canada. The Canadian portion of these mining conglomerates accounts for a small percentage of the whole and the evaluation for investment in Canada is measured against the consolidated global view. The interests of these mining conglomerates for their Canada-based companies can diverge significantly from that of Canadian government's economic interest and development. For near-term (1-2 years) smaller projects, the 1:1 ratio is still valid. In order to attract funds and partnership with these global mining companies, the Canadian government needs to consider adjusting its funding ratios and consider options such as increasing ratios to 4:1 or 5:1 to provide incentives to support larger-scale, longer-term, visionary Canadian mining innovation projects to stay the course.

⁹¹ Ibid.

The Federal Government has recognized the issue of funding flows, but support is required. In 2014 the Federal Government, Business-led Networked Centres of Excellence (BL-NCE), in recognition of its RD +I&C (commercialization) approach, awarded CEMI \$15M over five years to CEMI's Ultra-Deep Mining Network (UDMN). The total program is \$46M, funded roughly equally by government, mining companies and service and supply companies in the resources industries (mining and oil and gas). It focuses on reducing geotechnical risk, improving productivity, reducing energy consumption and improving human performance – all critical issues for mines at 2.5 km below surface and deeper – becoming common in many mining jurisdictions around the world. The UDMN is an example of co-operation, collaboration and that takes into account the time flow of funding and exemplifies how best to move forward.

In face of growing competition from nations with lower wages and less stringent environmental regulations, Canada has little choice but to innovate. Governments at all levels in Canada have to recognize that Canada is just one player in the globalized mining business. Given the relative strength and coherence of mining industry, research and innovation organizations and our mining service and supply sector, we have a tremendous opportunity to become a global powerhouse in this field – so long as all the factors for success are in place in which mining innovators can thrive. Conventional approaches are failing to deliver new mines at greater depths and in more remote locations; innovation is essential if we are to sustain our strength in the mining industry.

Recommendations

That the federal government:

1. Provide funding for mining innovation projects that go beyond academic research exclusively and include those aspects that incorporate mining industry, supply & service companies and cross-sector industries to support implementation and commercialization requirements.
2. Increase funding ratios and manage funding flows as appropriate based on the size and timeframe of innovation projects.
3. Facilitate and support co-ordination and collaboration between research and innovation organizations, funding bodies and business organizations to meet Canadian and global mining innovation needs.

TRANSPORTATION AND INFRASTRUCTURE

50. Harmonizing Transportation of Oversized Shipments Across Canada

Issue

The interprovincial trade of over-dimensional freight (ODF) is restricted by a costly and complex, multi-jurisdictional permitting process, inconsistent weight and dimensional standards, exorbitant fees and the need for repetitive route studies. These factors impede competitiveness and restrict the ability of industrial suppliers and fabricators to import and export their products to Canadian and global markets.

Background

PROLOG Canada Inc. estimates that a volume of over 50 million tonnes of freight will be imported into Western Canada over the next 20 years to maintain, upgrade and expand energy, mining and pipeline projects. Of this volume, energy companies and their engineers estimate that some 50% will be ODF, with much of the balance entering Alberta in legal-sized loads, and subsequently assembled into modules in southern Alberta, for the final ODF trip north.

According to a 2007-2008 Industry Canada working paper on interprovincial trade barriers, trucking regulation is a main impediment to interprovincial trade and this includes weights and dimensions regulations which differ across provinces and territories. "The resulting non-uniformity in regulation imposed additional costs on truckers ... in all provinces they travelled through."⁹²

The 1995 Agreement on Internal Trade attempts to reconcile the variety of trucking regulations in order to promote open and efficient trade and some individual provinces have followed through. The Government of British Columbia, the Federal Government and private sector partners are working together on a \$90 million project to establish road-rail and utility corridors in Northern B.C. to support international trade as part of its 10-year transportation plan.

Alberta's "High Load Corridor" (HLC) has designated an ever-increasing network of highway routes for the transportation of oversized shipments that are up to 9 metres high, 7.32 metres wide and 35 metres long with gross vehicle weights up to 380 tonnes. Saskatchewan's High Clearance/Heavy Haul Corridor is now included in the HLC with Alberta. And on February 11, 2011 Manitoba and Saskatchewan signed a Memorandum of Understanding on the Harmonization of Regulations and cooperation on Transportation Issues including "special permit conditions for oversize and overweight indivisible loads."⁹³

However, ODF transportation remains a trade barrier between eastern and western Canada. Sarnia Lambton Industrial Alliance, a coalition of over 30 manufacturing-related companies in Sarnia-Lambton, Ontario, recently lost a bid to manufacture and ship 80 units valued at \$12 million for the oil & gas industry in Alberta. Shipping costs of \$3 million raised the cost by an additional 20%, the majority of which is attributed to the lack of ODF infrastructure and regulatory adherence. While the movement of equipment for large capital projects is improving in Western Canada, interprovincial barriers to trade still exist east to west impeding the ability of domestic manufactured and fabricated goods to displace foreign sourced products.

⁹² Interprovincial Trade Barriers Towards Goods and Services in Canada: An Issues Paper for Industry Canada, John Whalley, University of Western Ontario, Working Paper, 2007-08 [https://www.ic.gc.ca/eic/site/eas-aes.nsf/vwapj/wp200708.pdf/\\$file/wp200708.pdf](https://www.ic.gc.ca/eic/site/eas-aes.nsf/vwapj/wp200708.pdf/$file/wp200708.pdf)

⁹³ <https://www.gov.mb.ca/mit/mcd/pdf/transportationmbsk.pdf>

By enhancing the flow of goods through an Over Dimension Freight Corridor and regulatory network Canada will also be better positioned to leverage and export to global markets its expertise in manufacturing equipment for resource extraction and value added processes.

Recommendations

That the federal government continue to strengthen the 1995 Agreement on Internal Trade, by working with the provinces and territories through the Committee on Internal Trade to establish a Task Force that will work to:

1. Harmonize width, height and weight standards for the transportation of over-dimensional freight;
2. Identify choke points and recommend improvements to eventually increase size envelope and weight limits according to a single standard;
3. Consult manufacturers, resource companies and shipping source jurisdictions in the planning phase to promote designs that can be tailored to the safe transportation of their products; and,
4. Work with all levels of government to provide appropriate funding, within existing infrastructure programs and mechanisms, to ensure Over Dimensional Freight barriers are eliminated.

51. Moving the Goods: Transportation of Canada's Natural Resources

Issue

Natural resources are a cornerstone of the Canadian economy and trade. In the past few years the transportation of natural resources has come to the forefront of Canada's policy dialogue. Concerns about safety, potential environment impacts and supply chain constraints are all top of mind for many Canadians. The federal government must take action to ensure that the predictable, safe and efficient transportation of Canada's natural resources is recognized as vital to Canada's global competitiveness.

Background

The safe and efficient movement of Canada's natural resources is quickly becoming one of the most pressing public policy issues in Canada.

The Canadian economy is trade dependent, with exports and imports representing approximately 45% of the country's GDP. Canada has also been blessed with a wealth of natural resources, so much so that they account for more than half of merchandise exports.⁹⁴ Canada is the world's largest exporter of newsprint and kraft pulp, has the third largest oil reserve in the world and ranks among the top ten global producers of several essential industrial metals and minerals.

According to Natural Resources Canada, there is approximately \$675 billion worth of investments in natural resources projects that are currently underway or set to launch in the next 10 years.⁹⁵ It is clear that Canada's natural resources will be an economic driver for the foreseeable future. But these investments will mean little if Canada remains constrained by an inability to get these resources to market.

⁹⁴ Natural Resources Canada, Key Facts and Figures: <https://www.nrcan.gc.ca/publications/key-facts/16013#a3>

⁹⁵ Natural Resources Canada, Key Facts and Figures: http://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/files/pdf/10_key_facts_nrcan_e.pdf

Canada has a long history of transporting natural resources. These products traditionally had two primary export destinations--the U.S. and Europe. Today, the U.S. is by far the largest importer of Canadian natural resources. Approximately 98% of Canada's energy exports, 64% of forest product exports and 51% of minerals and metals exports are destined for the U.S. market.

While this bilateral trade relationship has served Canada well, the surge in demand for natural resources in developing countries is a phenomenon that Canada cannot ignore. The global demand for Canada's natural resources products is expected to drastically increase over the next twenty years. The majority of this demand is expected to come from emerging markets. For example, forest products are now the largest Canadian export to China, with shipments to the U.S. having declined by approximately 20 % over the past number of years.⁹⁶ Unfortunately, the limited ability to get energy products to market costs the Canadian economy as much as \$50 million a day in lost revenues.⁹⁷

Strategic investments in Canada's trade enabling infrastructure are necessary to ensure that the country's transportation sector is able to keep pace with current and future demand. Unfortunately, infrastructure investments can be costly, are often embroiled in local politics and can face resistance by the general public. In order to overcome these challenges the federal government must show leadership and provide direction for the national best interest.

First, the federal government should establish a plan to better coordinate the different players in the transportation and logistics system around strategic national objectives. Canada's existing transportation infrastructure is a blend of public and private assets which makes planning and coordination among the various stakeholders difficult. Provinces and municipalities are responsible for the majority of public infrastructure in Canada, which lends itself to regional approaches to infrastructure planning and prioritization. While investments in municipal infrastructure are vital, they must be coupled with strategic investments that factor in the national best interest. To counter the effect of regionalization, the Federal government can play an important role in identifying designated trade corridors of national importance and by facilitating dialogue among the relevant and related stakeholders in those corridors.

Second, while Canada continues to invest in its infrastructure stock, it must also work to address public concerns about the safe transportation of natural resources. This has been most apparent in the energy sector, where resistance to pipeline infrastructure by some aspects of civil society remains strong and complicates the approval process for new projects. In the absence of sufficient pipeline routes, producers have turned to other modes of transportation such as rail. Over the past number of years, the surge in demand for Canadian energy has created commercial opportunities for rail companies. While more expensive than shipment by pipeline, rail companies are adaptable to shifting market demand as their cargo can be shipped virtually anywhere. Canada's rail network is the third largest in the world and is no stranger to the transportation of dangerous goods (including crude and petroleum products). The rail industry has done a good job in responding to the changing demands and numerous loading facilities have been built and new rail tank cars constructed. Yet, the transportation of energy products by rail also faces its share of challenges not the least of which is the growing political and public backlash due to the recent high-profile accidents. A lack of community acceptance for one resource industry can impact others, making an effective process for community consultation across the economy essential.

Finally, Canadians need assurance that our existing transportation safety systems are up to the task, which means implementing smart measures at home and coordinating with our key trading partners abroad. The tragedy of Lac-Mégantic called attention to areas where improvements to transportation safety were necessary. Overall, Canadian railways have a very high safety standard, the best in North America, and accidents are rare. Yet, a national risk assessment would provide further assurance that the government and industry are vigilant in identifying and responding to new threats. As our largest trading partner, coordination with the United States (U.S.) is essential. For example, in an attempt to ensure the safe transportation of goods by rail, Canada and the U.S. announced new tank car regulations for flammable liquids. Such bilateral cooperation is vital given the integrated nature of North American transportation.

⁹⁶ Lindsay, David. "Right Sizing Canada's Transportation System: A 21st Century Policy Challenge."

⁹⁷ The Canadian Chamber of Commerce: \$50 Million a Day http://www.chamber.ca/media/blog/130917-50-Million-a-Day/1309_50_Million_a_Day.pdf

The challenge will be to ensure that Canada not only has the highest possible transportation safety standards but also that the public is comfortable with these standards. For example, a large marine spill of oil could have devastating impacts on the environment and coastal communities. Fortunately, the risk of such spills remains small. Over the past two decades, the marine industry has greatly improved its safety record. The average volume of oil spilled from oil tankers has decreased by approximately 96% since the 1990s. Such a drastic reduction can partially be attributed to the adoption of new technologies such as double hull and enhanced navigational aid systems. Compulsory pilotage areas and improved training and regulatory standards have also contributed to the overall safety of marine transportation. Today, the risk of a major oil spill in Canadian waters is small. Even with the low risk of a major spill, Canada deserves the world's best spill prevention and response capabilities.

For example, the Marathassa bunker fuel discharge in English Bay B.C. in the spring of 2015 highlighted concerns with Canada's ability to respond to a major spill. Thankfully the spill was relatively small and localized, and the effects minimal. However it did highlight some areas that need to be addressed. Interagency coordination and the ability of the Coast Guard's to manage incident command were all factors that influenced the efficiency of spill response.

Recommendations

That the federal government work with all levels of government and relevant stakeholders to:

1. Develop a long-term, strategic plan and defined corridors for Canada's trade enabling infrastructure. This plan should foster close partnership with the private sector, promote cost benefit analyses of investments and aim to position Canada as a world leader in trade infrastructure and logistics.
2. Mitigate the inherent risk associated with the efficient movement of resources and related supply chain hazardous materials by harmonizing transportation regulations with the United States and adopting best practices, policies, processes and technologies for HAZMAT-related tracing and emergency response.
3. Develop a national risk assessment strategy for Canadian ports to ensure that any shortcomings in existing policies are addressed and adequately communicated to the public.
4. Implement recommendations presented by the Tanker Safety Panel, and any relevant recommendations made by the CTA Review Panel that improve transportation safety and response mechanisms.

52. Rail Service Issues in Canada

The transportation of export commodities by rail to and from communities is crucial to the economy of the Western provinces and is equally important for transportation of commodities throughout Canada. From potash in Saskatchewan, to pulse crops and oil in Alberta, nickel in Ontario, or mining and natural gas products in B.C., the movement of Canada's many resources is dependent on reliable, adequate rail service. The competitiveness of industry and business in Canada is compromised by the current policies of government and the business or operational models of Canada's rail companies.

Canada's rail system as a regulated monopoly is defined as a common carrier and operates under the Canada Transportation Act (CTA), which states: "A rate or condition of service established under this division must be fair and reasonable to all parties," and under section 113, the following applies for level of service from railways:

- Furnish, at the point of origin, at the point of junction of the railway with another railway, and at all points of stopping established for that purpose, adequate and suitable accommodation for the receiving and loading of all traffic offered for carriage on the railway;
- Furnish adequate and suitable accommodation for the carriage, unloading and delivering of the traffic;

- Without delay, and with due care and diligence, receive, carry and deliver the traffic;
- Furnish and use all proper appliances, accommodation and means necessary for receiving, loading, carrying, unloading and delivering the traffic; and
- Furnish any other service incidental to transportation that is customary or usual in connection with the business of a railway company.

In Western Canada, emphasis of rail freight is on the movement of commodities and shippers are spread over a wide geographic area. When shippers face challenges in getting these commodities to market, Canada's international reputation as a reliable supplier of goods is impacted. For many shippers, particularly those in northern regions, rail freight service presents significant challenges; consequences of those challenges includes the loss of productivity (inefficient use of labour and equipment), loss of sales (inability to respond to customer requirements, timeliness, and reliability), challenges in attracting investment, and increased operational costs.

Recommendations made by the Federal Rail Review Panel⁹⁸ in 2011 have resulted in some positive changes in rail freight service; however, there is much more work to be done. Many shippers/receivers continue to face barriers that include reliability, accountability/transparency and customer service. There is a need for stronger leadership from the federal government and meaningful change by rail service providers to resolve these issues and ensure our rail system meets and adapts to the needs of Canadian shippers.

Last fall in Alberta, a provincial Rail Transportation Task Team conducted public consultation to hear the concerns of shippers in the province. These issues were compiled into a report for a submission⁹⁹ to the CTA Review Panel. Shippers called for a number of changes to improve reliability and accountability from rail service providers to address service issues. One of the recommendations was the need for enhanced performance monitoring and reporting within the rail system. Little factual information on the rail freight system is available to shippers, which makes it very difficult for them to access the data they require to measure the service they receive. A more open and transparent system will make for a more effective process not only in resolving rail service issues, but will support collaborative discussions and planning among all supply chain participants. Shippers are also limited by the expensive and time-consuming process to deliberate a level of service complaint. The report suggests that the Canada Transportation Agency could provide leadership with a voluntary mediation service for railways and shippers to resolve disputes before those disputes become formal complaints.

In the Prairies, 2013 was a record harvest for grain that is shipped around the world. Grain farmers, however, were not able to access adequate rail service to get their crops to market. In a recent submission to the CTA¹⁰⁰, the Saskatchewan Wheat Development Commission, Sask Pulse, the Saskatchewan Barley Development Commission and the Agricultural Producers Association of Saskatchewan (APAS), called for a rail transportation system that is prepared for "surges" and that can manage annual fluctuations not only for grain but for all market participants. The report also called upon changes in rail freight service to address a number of issues producers continue to face including challenges around lack of transparency within the system; the cost of filing formal service complaints; and loss of business with foreign buyers who switched from Canadian suppliers to competing suppliers because product could not get to market due to scarcity of cars on specific corridors.

In Fort Nelson, located in northern British Columbia, over the past two years the rail company has dropped service levels from three trains per week to two per week from Fort St John, and in town services decreased from five days to two, serviced only when trains come in. That is a decrease of three staff to zero. Fort Nelson companies were advised June 3, 2015 that service levels would drop to one switch per week on Sundays beginning June 7, 2015. There was no community consultation prior to the decision being made; in addition, four days is not adequate notice for companies to be able to effectively adjust their staffing or arrange other means of transporting goods. Without rail staff to move rail cars when the train is not in the community, the biggest single issue is full cars sitting on railway property, resulting in businesses being unable to access their own product. As well, there is no certainty over delivery

⁹⁸ The Final Report can be found at: <https://www.tc.gc.ca/eng/policy/acg-rfs-review-examen-sfm-rvw-eng-2616.htm>

⁹⁹ Canada Transportation Act Review – Government of Alberta Submission for Consideration by the CTA Review Panel, <http://www.transportation.alberta.ca/Content/docType56/Production/CTAReviewSubmission.pdf>

¹⁰⁰ <http://www.saskwheatcommission.com/newspost/submission-to-the-cta-review-panel/>

schedules, as the railway frequently bumps shipments and changes the delivery date. Uncertainty in a company's ability to receive product by rail results in a significant increase in road traffic, a decrease in road conditions and the associated environmental impacts.

Rail companies are regulated to consult when discontinuing a line or closing a yard; however, they are not required to do so when making any other changes to services, including decreasing schedules or removing all staff from a yard and reducing hours when receivers can get product. The current mediation process is a complicated and expensive process that is difficult to navigate through and without access to transportation lawyers and sufficient funding it is virtually impossible for a SME to participate. Similar to other entities such as utilities, common carriers, & telecommunications, rail should be required to consult with the communities affected in the decision making process and communities should have the ability to act as interveners through a regulated process that provides everyone with equal access to dispute resolution.

In Section 114, the Transportation Act goes on to require:

1. A railway company shall, according to its powers, afford to all persons and other companies all adequate and suitable accommodation for receiving, carrying and delivering traffic on and from its railway, for the transfer of traffic between its railway and other railways and for the return of rolling stock.
2. For the purposes of subsection (1), adequate and suitable accommodation includes reasonable facilities for the receiving, carriage and delivery by the company:
 - a. at the request of any other company, of through traffic and, in the case of goods shipped by carload, of the car with the goods shipped in it, to and from the railway of the other company, at a through rate;
 - b. at the request of any person interested in through traffic, of such traffic at through rates.
3. Every railway company that has or operates a railway forming part of a continuous line of railway with, or that intersects any other railway, or that has any terminus, station or wharf near to any terminus, station or wharf of another railway, shall afford all reasonable facilities for delivering to that other railway, or for receiving from or carrying by its railway, all the traffic arriving by that other railway without any unreasonable delay, so that:
 - a. no obstruction is offered to the public desirous of using those railways as a continuous line of communication.
 - b. all reasonable accommodation, by means of the railways of those companies, is at all times afforded to the public for that purpose.

Beyond our agricultural and mineral resources that find their way to ports from across the country, the anticipated increase in LNG production in British Columbia also requires reliable and accountable rail service. Unreliable rail system performance has increased operating costs and directly impacts a community's ability to attract new industry or diversify economies. This is the experience of the Northern Rockies Regional Municipality in British Columbia, which states: "The investment inquiries ... over the past months have been from two main sources: the forestry sector and proponents interested in Gas-to-Liquid [GTL] conversion. The projects being investigated range in value from 10s of millions to 100s of millions, and would be significant contributors to the creation of employment, our tax base, and the regional and provincial economies. Among these, we are dealing actively with half a dozen on an on-going basis as they work toward investment decisions, and as many others who are in the earlier stages of investment decisions. All of these proponents have asked very specific questions about CN's service. Indeed, as the discussions, which have gone beyond the preliminary stage have progressed, that topic has transformed into a concern for potential investors, and has climbed in the list of priority considerations as they go through the exercise of evaluating the NRRMs potential vis-a-vis other possibilities. For at least one potentially major investor, it is the sole issue around which there is uncertainty." In addition, reliable rail service is critical to remote and end of line communities that not only rely on the rail themselves, but also serve as a continuing point for moving essential products such as fuel and gas industry requirements further north and/or into other more isolated areas.

While the railways are public entities of strategic national importance and operate to maximize profit for their shareholders, they must also serve the national interest by providing reliable cost-effective service to shippers.

Increased throughput and reliability of service will improve the capacity of businesses throughout Canada in a cost-effective, environmentally-friendly manner. Shippers, facing intense global competitive pressures, need reliable services that allow them to maintain a competitive market position.

Recommendations

That the federal government work to require railways to ensure and demonstrate consultation with the business community when railway actions result in service disruptions, reductions, closures or abandonments, and notification of Service Changes.

53. Regulating Unmanned Aerial Vehicles in Canada

With the use of unmanned aerial vehicles (“UAVs”) for recreation, law enforcement and commercial purposes expected to continue to increase rapidly over the next several years and decades, federal regulations need to anticipate and keep up with the rate of change. Canada has been a leader in the use of commercial drones, allowing such use since at least 1996. Since first issuing Special Flight Operation Certificates (“SFOC”) for commercial use in 2007, the number of approved applications has sky-rocketed in the past two years: 2007 = 44; 2008 = 64; 2009 = 66; 2010 = 66; 2011 = 149; 2012 = 229; 2013 = 945; 2014 = 1672. Commercial uses for UAVs in Canada currently include cartography /land surveying, environmental protection/monitoring, agricultural planning, weather forecasting, filming, mining, telecommunications and more.

Commercial Uses

In order to maintain this competitive advantage and fully exploit the potential benefits of UAVs, Transport Canada must not only carefully consider current or pending regulations from a medium- to long-term perspective, but also be prepared to quickly react to rapidly changing uses and circumstances. Safety, privacy and commercial needs will continue to evolve as the fledging commercial and recreational uses continue to proliferate. The creation of two exemption categories in November 2014 by Transport Canada is a signal that the government is cognizant of the need to adjust rules on the fly. As per Transport Canada’s news release: “Under the new exemptions, a Special Flight Operations Certificate will not be required for UAVs under 2 kilograms and certain operations involving UAVs under 25 kilograms. The new approach will apply to commercial operations and contribute to a strong safety regime for those on the ground and in the skies.”

Maintaining a regulatory regime that is sensitive to business needs will not only allow Canada’s domestic companies to grow the economy and create employment, but may also attract foreign investment or relocation. At a minimum, Canada may attract companies from the USA, which is several years behind in its commercial use regulations – currently limited primarily to a handful of exemptions given to the film industry and highly restrictive test-exemptions for commercial deliveries. Getting the rules right at this early stage can extend Canada’s position as an innovator and pacesetter with UAV technology use.

Recreational Uses

Recreational uses of UAVs are more difficult to regulate and in particular, enforce. Recreational users typically have less of a financial interest in following regulations and less experience operating UAVs – further complicated by commercial and recreational UAVs being largely indistinguishable from each other and other types of model airplanes. High-profile incidents such as the breach of the White House grounds in January 2015 or recreational drones entering restricted airspace such as near airports shake public confidence, hamper incentives to find

innovative commercial applications for the technology due to increased uncertainty and can potentially endanger the lives of those in commercial aircraft. Privacy violations and safety risks are the two greatest hindrances in this regard. These are legitimate concerns that must be adequately addressed if UAV technology can be developed to its full capacity – for recreational and commercial users.

Privacy and Safety Considerations

Much ink is currently being spilled over privacy concerns with the use of UAVs, including by the Privacy Commissioner of Canada. With the passing of Bill C-51 in the spring of 2015, privacy itself will likely remain a top-of-mind concern for engaged Canadians, including in relation to UAVs. Like many developing technologies, the general public acknowledges the potential benefits, but remains weary of drawbacks – such as privacy invasion, as noted by the Privacy Commissioner in 2013¹⁰¹. The Commissioner notes that the implications for surveillance are fairly well known, but that UAV technology enables surveillance that is surreptitious, cheap, efficient, persistent and agile. The Commissioner concludes:

“When it comes to the privacy implications of drones, a lot will depend on who is using them and for what purposes, the context and location of their use, the type of technology mounted on them and the extent and type of personal information that may be captured. As drones are acquired and put to use in Canada’s public and private sectors, it will be important to circumscribe their use within an accountability structure that ensures they are justified, necessary and proportional, and that the necessary checks and balances fundamental to a democratic society are in place to stave off proliferation of uses, abuses, and function creep. Canada’s privacy laws will, and do apply to UAVs deployed by public or private sector organizations to collect and/or use personal information about citizens.”

In many ways, the safety considerations of increasing UAV use are obvious – primarily their proximity to other aircraft, particularly commercial flights. At the extreme, a UAV getting sucked into a jet engine could have catastrophic consequences, but the very nature of flight-based activity carries inherent risk (things hitting other things). New technology can likely provide a large part of the solution with advanced radar capabilities and the like, but a human element will remain that must be regulated (and enforced).

Moving Forward

In 2010, the Canadian Aviation Regulation Advisory Council established its Unmanned Aircraft System Program Design Working Group, tasked with identifying “...immediate needs for staff instructions, guidance material, policy documents, advisory circulars or exemptions and make recommendations to the Director, Standards.” The group’s March 2012 Phase 1 Final Report led to the creation of the November 2014 exemptions and is now tasked with authoring new regulations, a draft of which is expected in 2017. One of the more restrictive current regulations is the requirement to maintain a direct line of sight between the UAV and its operator. Finding an innovative solution to this legitimate safety concern will open up many potential commercial uses for UAVs.

Business community input will be critical to provide context and to help find the right balance of safety, privacy, and business concerns. Unless the public is satisfied that their safety and privacy needs are being met, acceptance of widespread commercial uses and benefits will be difficult to achieve.

Recommendations

That the federal government:

¹⁰¹ *Drones in Canada: Will the proliferation of domestic drone use in Canada raise new concerns for privacy?* Office of the Privacy Commissioner of Canada. March 2013.

1. Prior to implementing new regulations, consult with representatives from a wide range of industries that are currently using or plan to use unmanned aerial vehicles for commercial purposes.
2. Continue the Canadian Aviation Regulation Advisory Council's Unmanned Aircraft System Program Design Working Group after fulfilling its current mandate so that Canada's regulatory regime can continue to be responsive to evolving commercial circumstances.
3. Continue to work on technological solutions to eventually permit exemptions to the current line-of-site restrictions.

54. Strategic Public Infrastructure for a Competitive Canada

Issue

Public infrastructure investments are linked to enhanced productivity, job creation, and income growth. They also enhance the health and quality of life of Canadians and our communities. Unfortunately, our country faces a significant public infrastructure challenge due to a long period of underinvestment in maintaining existing stock, combined with a growing need to modernize infrastructure such as public transit, roads, water and wastewater, the power grid, and modern telecommunications such as fiber-optics.

Canada needs a national infrastructure investment plan that involves all levels of government, targeted at opportunities that will yield the greatest economic benefits. The federal government must lead the way, coordinating with provincial and municipal partners to introduce a wide range of innovative financing tools, including new mechanisms for raising revenue from both private and public sources that provide stable and predictable financing on an ongoing basis.

Background

Recent studies by the Institute for Research for Public Policy (IRPP), the Canada West Foundation, the Canadian Chamber of Commerce, and the Conference Board of Canada have demonstrated that improvements to labour productivity, growth, and increases to income are tied to public infrastructure investments.

Unfortunately, Canada experienced a long period of underinvestment in public infrastructure by all levels of government. According to *The Economist*, infrastructure spending in Canada as a percentage of GDP declined annually from 1960 to 2004, from a high water mark of 3 per cent in 1960 to 1.5 per cent in the 1990s; the world average long run expenditure on infrastructure is 3.8 per cent of GDP per year.

A recent report from the Mowat Centre reveals that the federal share of spending on infrastructure has declined from 31 percent to 10 percent over the last 50 years. At the same time, municipalities have been forced to pick up the slack, to the extent that municipalities now account for 67 percent of all infrastructure spending, up from 38% in 1961. This hike in municipal costs is exerting upward pressure on property taxes and hurting business competitiveness.

It would be challenging for Canada to be at the head of the pack in infrastructure investment, but treading water at the median will ensure mediocre productivity when compared to other modern economies going forward. Canadians deserve better.

The Canadian government has taken important steps to address infrastructure needs through the introduction of the Building Canada Fund, the Green Infrastructure Fund, the GST rebate for municipalities, and making the Gas Tax Fund permanent and indexed at two per cent.

Even with these announced investments, combined with infrastructure programs announced by many provinces, a gap in funding will remain. Just to maintain our current infrastructure stock at current levels would require an annual

investment level of 2.9 per cent of GDP, which is a level higher than the peak year of the recent stimulus program. To maintain our current stock and invest in new infrastructure will require Canada to increase the availability of funds, both public sources and other mechanisms such as user-pay, and a growing reliance on public-private partnerships. It will also require us to investigate other innovative financing methods such as infrastructure banks, tax-increment financing, and sales tax levies for specific, local projects that would be put to municipal voters through referendum.

The alternative – continuing to underinvest in infrastructure – is fraught with long-term, negative consequences. A recent CCPA report found that cumulative public investment in infrastructure has steadily declined from its peak in the late 1950s – and that the cumulative effect of this underinvestment means Canada is missing out on \$145 billion worth of infrastructure (CCPA 2013). The impact of an additional \$145 billion worth of infrastructure investment would have had an electric effect on the Canadian economy and on job creation in particular. The CCPA estimates that Canadian governments would need to spend an additional \$20-\$30 billion over the next ten years to return infrastructure funding to historic levels.

If Canada aspires to be a competitive, 21st century economy, it requires 21st century public infrastructure, and 21st century revenue tools to build that infrastructure. This will require the federal government to lead the way in initiating a dialogue with Canadians about the importance of infrastructure investments, and demonstrating that investments will have a positive impact on their everyday lives. It will also require the development of a long-term infrastructure plan that is coordinated across jurisdictions, involves increased investment from public sources that is permanent, stable, and predictable, draws upon private sources of funding and other innovative tools to raise additional investment revenue, and targets funding to projects that will have the greatest economic benefit. Such a shift towards private financing will require significant attention to the conditions that have to be in place for these types of investors to take interest.

Recommendations

That the federal government:

1. Increases, by at least 20 percent, the funds allocated through the 10-year Building Canada Plan.
2. Reviews global best practices in public infrastructure financing, and investigates the feasibility of introducing new public and private financing tools that deliver value for the money invested.
3. Ensures that investments in public infrastructure are targeted to projects that result in the largest net gains for the economy, and must include strategic investments in Canada's major economic hubs, gateways, and public transit systems.
4. Validates the effectiveness of P3 projects to ensure that all parties are able to efficiently manage those projects so that they result in a quality product that is delivered in a timely manner with a reasonable return on investment.
5. Provide stable, predictable and equitable financing in all projects, including advance notice of available funds, criteria and application process to ensure the projects needed have access to the funds available in a timely manner.

55. The Importance to the Economy of Expanded Oil Pipeline Infrastructure

Energy and 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 production and export of coal, oil, natural gas, and electricity. These commodities already support tens of thousands of direct, indirect, and induced

jobs. There is an unprecedented opportunity for them to play an even greater role in the economy, to the benefit of all Canadians.

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, serve as an important source of near and long-term job creation, and generate 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 this pipeline infrastructure is critical to both the Canadian and provincial/territorial economies, with the ability to transform Canadian oil producers from price takers to price makers in international markets. When this fact is combined with North American oil transportation bottlenecks due to the lack of infrastructure to markets other than the U.S., Canadian producers are being forced to sell their products at a discounted price, which has cost our economy up to \$50 million a day. That is \$18-\$19 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 resource development, 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 Project (TMEP).

The public discussion about the Trans Mountain expansion, and other pipeline projects, overlooks the foundational 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 will help assure the Canadian public that these projects meet high standards for safety and environmental protection.

The capital cost of the TMEP alone is estimated at \$5.4 billion (\$2012), with the expenditures taking place over a seven-year period, from 2012 to 2018.

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.

Building much-needed pipeline infrastructure creates well-paying, family-supporting jobs. A project of the size and scope of the TMEP will generate 58,000 person-years of employment across Canada during construction, including 36,000 person-years in B.C. and 15,000 person-years in Alberta. Over the life the project, total employment is expected to reach 108,000 person-years including 66,000 in B.C., 25,000 in Alberta and the remaining 17,000 person-years spread across the country.

Project development will generate \$3.3 billion in labour income across Canada. The project will generate large demands for goods, services and workers, with an emphasis on local hiring, procurement, and sourcing.

There will be 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.

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

At the same time, it is not enough for B.C. and other provinces to simply state their provincial interests for pipeline infrastructure to proceed with their support. It is vital these governments fully articulate what they deem necessary to satisfy these interests. 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.

The new pipeline segments and new facilities associated with the TMEP would withstand a one-in-2,475-year earthquake. The risk of a major marine spill is reduced to a one-in-2,366-year event through enhancements to oil tanker tug escort protocols.

There are also proposed enhancements to spill response and recovery along the tanker route due to efforts of the federal Tanker Safety Review Panel and other ongoing initiatives. Trans Mountain and other pipeline proponents have indicated a commitment to the creation of a world-class spill prevention and response regime and the provincial and federal governments continue to indicate this is a priority for them. The commitment of all stakeholders to this goal and the actions taken so far should give Canadians confidence that the project can be supported.

Recommendations

That the federal government:

1. Continue to support a responsible framework for resource development that understands, assesses, mitigates, manages and monitors all economic, social and environmental impacts and benefits, including a world-class marine tanker safety regime with enhanced marine spill response capability, and a world-class terrestrial safety system.
2. Engage 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 Aboriginal peoples' participation.