



THE CANADIAN  
CHAMBER  
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*The Voice of Canadian Business™*  
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# Policy Resolutions 2017

## **Positions on Selected 2017 National and International Issues**

This booklet contains the final approved versions of all the resolutions adopted by the voting members of the Canadian Chamber of Commerce on September 23-35 at the Canadian Chamber's 88th Annual Meeting in Fredericton, New Brunswick. Each resolution, once approved by a convention, has an effective lifespan of three years.

The 2017 resolutions were discussed, amended and approved during debate, at which time accredited voting delegates from across the country considered a total of 79 proposals (of which 65 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:

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# INDUSTRY

## Addressing the Challenges of Canada's Largest Economic Sector: Small Business

### Issue

The cumulative regulatory burden, constant legislative changes and reporting requirements present a disproportionate impact on small businesses (fewer than 100 employees) and are an obstacle to prosperity, growth and competitiveness. The federal government can reduce the regulatory burden and support small business growth by establishing a concierge service to support small businesses in understanding and complying with multiple levels of regulation.

### Background

Small businesses play a central role in the Canadian economy. Small businesses make up 98% of businesses in Canada and employ more than 8.2 million Canadians, more than 70% of the private sector workforce.<sup>1</sup> Small businesses are also responsible for the vast majority of net employment change,<sup>2</sup> indicating that small business growth is critical to job creation in Canada.

At the same time, small businesses are also more vulnerable to regulatory burden than medium and large businesses. During the Ontario Chamber of Commerce's *Small Business: Too Big to Ignore* campaign, small business owners repeatedly highlighted the cost of regulatory compliance as a barrier to investment and growth. A 2015 report noted that 72% of small business owners identified government regulation and paper burden as one of their top issues.<sup>3</sup> The report also found that smaller businesses consistently face greater regulatory costs per employee: businesses with five employees or fewer pay approximately \$6,683 in regulatory costs per employee, more than four times the cost faced by businesses with over 100 employees.<sup>4</sup> Because small businesses often do not have resources dedicated to researching, understanding and complying with regulatory requirements, frequent and unpredictable regulatory changes at all three levels of government present a prohibitive burden on their growth.

The federal government can help small businesses meet this challenge by introducing a regulatory concierge service. This concierge service would be a single-access point for information, support and expertise on regulatory compliance in Canada. It would offer one-on-one support to small businesses so that they could successfully navigate regulatory frameworks at all three levels of government and achieve compliance. This would allow them to devote more of their limited resources to growing their businesses and the economy and would ensure a higher rate of regulatory compliance.

Such a concierge service is nothing new. The federal government already runs a program called *Concierge*, which is "a single access point to funding, expertise, facilities, and global opportunities for small and medium-sized enterprises (SMEs) seeking to grow through innovation."<sup>5</sup> *Concierge* does not offer funding itself; it provides customized, one-on-one guidance to innovators so that they can find funding and take advantage of other government programs. *Concierge* leverages the expertise of a team of "innovation advisors" so that business owners can spend their time and energy more effectively.

<sup>1</sup> Canada. Innovation, Science and Economic Development Canada. Small Business Branch. *Key Small Business Statistics*. June 2016. [https://www.ic.gc.ca/eic/site/061.nsf/eng/h\\_03018.html](https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03018.html). Highlights.

<sup>2</sup> *Ibid.*

<sup>3</sup> Canadian Federation of Independent Businesses. *Canada's Red Tape Report*. January 2015. <http://www.cfib-fcei.ca/cfib-documents/rr3344.pdf>. Pg 1.

<sup>4</sup> *Ibid.* Pg 8.

<sup>5</sup> Canada. Innovation, Science and Economic Development Canada. *Concierge. About us*. <https://concierge.innovation.gc.ca/en/about-us>

The federal government has also announced a \$218 million “investment hub,” a concierge service aimed at international investors. The investment hub “will provide seamless, single-window client support” to international investors.<sup>6</sup> Then Minister of International Trade, Hon. Chrystia Freeland said this service was necessary because having a multitude of regulations at three different levels of government made investment prohibitively difficult.

In short, the federal government has recognized that small businesses need a concierge service in order to grow, and that regulatory complexity is a serious barrier to investment and compliance that can be overcome by means of a concierge service. The federal government should act on this twofold recognition by creating a concierge service aimed at helping small businesses understand and comply with regulations at all three levels of government.

## Recommendations

That the federal government:

1. Create a concierge service, by June 2018, to provide single-window, one-on-one, customized consultations for small business to guide them through the regulatory process and achieve compliance.
2. Integrate the concierge service into an existing government organization, agency or program, such as the Canada Business Network, so that no new agency or bureaucracy is created.
3. Develop interconnectivity between municipal, provincial, and federal concierge services to enable knowledge-sharing and to ensure that each is able to provide the best guidance and expertise to its clients.

## Adopt a Common and True Open Data License for Canada

### Issue

Innovation and information-based businesses depend upon data. A key part of ensuring the prosperity of data-based businesses is open data, most especially where that data has been gathered with public funds and resources. While Canada has made some tentative steps towards open data, the current landscape is marred by a patchwork of different and non-interoperable licenses, inconsistent adoption, and jurisdictional open data policies that, ironically, violate the key principles of open data.

### Background

Previous policy resolutions passed in 2014 and 2015 have spoken to the Canadian business community’s need for open data, and those needs are, if anything, even stronger today. The modern digital economy depends in large part upon access to data. Some tech businesses, most famously but not limited to Google and Facebook, have built their entire business models on the generation and dissemination of data. Disruptive innovators such as Uber and Netflix depend upon a constant flow of rich data.

The global economy is configured so that almost any business that wishes to expand, innovate, and go global must embrace data. The World Wide Web Foundation’s Open Data Index ranked Canada eighth in open data policy and adoption, behind the United States, Mexico, Singapore, the United Kingdom, New Zealand, Ireland, and Australia.<sup>7</sup> If Canada wishes to be a leader in innovation, we also need to embrace and enable the free flow of data. One means of doing so is through an open approach to public data. Open data, at the risk of oversimplification, puts raw data into

<sup>6</sup> Canada. Global Affairs Canada. News Release. *Canada to create a new investment hub*. December 5, 2016. <http://news.gc.ca/web/article-en.do?nid=1165359>

<sup>7</sup> World Wide Web Foundation, *Introducing the Open Data Index*, 2012 (retrieved from <http://webfoundation.org/2012/09/introducing-the-open-data-index/> on May 30, 2017).

the public domain (subject to safeguarding privacy), with free license to redistribute and utilize the data, including for commercial purposes.

Open data has more than an indirect impact. The European Commission found that by 2016, open data in Europe had saved the European public sector 1.7 billion euros and created 75,000 direct jobs. By 2020, they anticipated that the number of direct jobs created would grow to 100,000. The E.U. also reports that open data saved 7,000 lives due to quicker emergency response times, and reduced road fatalities by 5.5 per cent.<sup>8</sup>

“Open Data” is not a monolithic term. There are several possible licensing interpretations. Multiple Creative Commons licenses can be applied to data, for example, although some jurisdictions have been reluctant to do so, mistakenly believing that they are only applicable to copyrighted or patented works. The U.K. produced its own Open Government License, owing to the need for compatibility with *sui generis* database rights in the E.U., but designed to be interoperable with Creative Commons licenses. The City of Toronto and the provincial government of British Columbia have adopted licenses based on the U.K.’s model, while the Government of Canada currently uses the Open Government License – Canada 2.0. Nine provinces and territories have adopted open data licenses, each unique, and while many of their licenses were mutually developed, there is nothing which binds them to continue their interoperability in the future. Manitoba, New Brunswick, Yukon, and Nunavut have no open data policy at all, and those Canadian cities which have moved to an open data policy have adopted or created a variety of licenses individually.

The varied approaches of Canadian municipalities illustrate the problems which arise when a common and truly open data model is not adopted. To name some examples, Vancouver, Toronto, and Ottawa have had to reform their open data licenses to address a lack of versioning and a reserved right to arbitrarily and retroactively ban users from the data, which made their previous licenses “open” in name only. The City of Edmonton still reserves this right in their license; thus, their open data license violates two of the Eight Principles of Open Data from the Open Government Working Group, and two of the ten principles of the Sunlight Foundation.<sup>9 10</sup> Without a guiding set of principles and standards on open data, there is nothing to prevent other jurisdictions in Canada adopting a restrictive and false-open approach as the City of Edmonton has.

The adoption of the Creative Commons Attribution (CC-BY) license is recommended as a truly open, international, and interoperable standard. Jurisdictions such as the governments of Australia, Austria, Greece, Italy, New Zealand, and the Basque government in Spain have successfully adopted and applied Creative Commons licenses, including CC-BY. The U.K. Open Government License is fully interoperable with the CC Attribution License by design. The licensor remains free to place stipulations on the use of data to protect personal information and to review and adopt new iterations of the license at-will. Creative Commons licenses are designed for worldwide interoperability.

The CC-BY license offers benefits that the common Creative Commons CC0 or Open Data Commons Public Domain Dedication and License (ODC-PDDL) alternatives do not, such as a termination clause for breach of license terms (although this has not been an issue so far for government licensors under the CC0 or ODC-PDDL licenses). Although CC-BY is preferable to CC0 or PDDL, the differences are slight, and either CC0 or ODC-PDDL would nevertheless be acceptable.

Adopting a common standard is important because of the need for interoperability between data sets. Businesses and other organizations using data frequently need to combine datasets from cities, provinces, and/or countries. When jurisdictions use different licenses, frequently unique to that jurisdiction, their data sets are rendered completely non-interoperable with those from other jurisdictions due to popular “share-alike” license clauses.<sup>11</sup>

The recommendations below overcome these problems. By adopting a common license for open data, Canada can avoid the pitfalls of non-interoperability between different datasets and institute a common standard for open data.

<sup>8</sup> European Commission, *Creating Value through Open Data: Study on the Impact of Re-use of Public Data Resources* (Luxembourg: Publications Office of the European Union, 2015).

<sup>9</sup> Open Government Working Group, *8 Principles of Open Government Data*, 2007 (retrieved from <http://workspace.unpan.org/sites/internet/Documents/UNPAN042947.pdf> on May 30, 2017)

<sup>10</sup> Sunlight Foundation, *Ten Principles for Opening Up Government Information*, 2010 (retrieved from <https://sunlightfoundation.com/policy/documents/ten-open-data-principles/> on May 30, 2017)

<sup>11</sup> Samuelson-Glushko Canadian Internet Policy and Public Interest Clinic, *An Analysis of Share-Alike Obligations in Municipal Open Data Licenses*, 2011 (retrieved from [https://cippic.ca/en/publications/analysis\\_of\\_share\\_alike\\_obligations](https://cippic.ca/en/publications/analysis_of_share_alike_obligations) on May 29, 2017)

By utilizing the CC-BY license as that common license, the Government of Canada can adopt a model that is an international standard, well-scrutinized, and wholly compatible with the guiding principles of open data. Finally, since a top-down approach would yield the best results, the Government of Canada should start by adopting this model itself, and then working to encourage provincial and municipal governments do likewise.

## **Recommendations**

That the federal government:

1. Adopt one of the Creative Commons Attribution (CC-BY), CC0, or Open Data Commons Public Domain Dedication and License (ODC-PDDL) models for its open data portals.
2. Encourage other levels of government to adopt either the CC-BY or CC0 license or the ODC-PDDL standard for their own open data portals as appropriate.
3. Encourage other levels of government to adopt a true open data policy and to make all permissible public data available under it.

## **Assisting Small Business with Minimizing the Risk and Recovery from Cybercrime**

### **Issue**

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

### **Background**

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

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

The Canadian economy is comprised primarily of SMEs (98%) and representing about 51% of Canada’s GDP and that is reason for concern. By incentivizing the adoption of cyber security solutions, the federal government can ensure that small and medium-sized business is not only protected, but if attacked can recover quickly and effectively. The CCC report lays out the three main reasons criminals target smaller business:

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

According to StaySafeOnline.org, 71% of data breaches happen to small businesses, and nearly half of all small businesses have been the victim of a cyber attack (Cyber Security in Canada pg 25).

At the same time, the dollar value of [cyber security] incidents is also on the rise, according the CCC report. It goes on to say, in a recent PwC survey, business executives note the cost of cybercrime on the bottom line is increasing. These costs include downtime, compensation for breached records and loss of intellectual property. The Ponemon Institute



surveyed 24 companies across all sectors for IBM in a report called 2016 Cost of Data Breach Study. It noted that the average cost of a data breach was \$6.03 million.

Given the numbers and the three points above it's clear to see why helping SMEs protect themselves is important to the Canadian economy.

## **Recommendation**

That the federal government allow SMEs to write off 100% of their business investments in cybersecurity-related software, equipment and other costs (support services and outsourcing costs) in the year those investments are made.

## **Digital Broadband: Toward an Inclusive Digital Economy**

### **Issue**

As the digital economy continues to grow it is becoming imperative that all Canadians have access to broadband internet in order to effectively participate and compete in the world economy. With unique geographical challenges to overcome that competing jurisdictions do not face, it is critical that a national strategy be enacted to provide equitable broadband access to all Canadians.

### **Background**

#### Canada's Unique Challenges

According to the Canadian Radio-television and Telecommunications Commission (CRTC) a digitally well-connected nation is "vital to Canada's economic, social, democratic, and cultural fabric." Canada's bandwidth capacity growth has been on a downward decline for over 15 years while other countries are making significant progress towards faster and more extensive broadband internet access<sup>12</sup>. Many countries have declared internet access an essential service and have made it a priority to connect all citizens. Those without access are at a disadvantage.

The gap between the connected and the unconnected is commonly referred to as the 'digital divide,' a problem which plagues rural Canada where the return on investment is seldom high enough to convince private providers to invest in the necessary infrastructure. Canada's low population density is certainly a factor, but the lack of a national broadband strategy which incentivizes companies to expand their networks into low-profit regions is also part of the problem. In contrast, comparable low density countries such as the USA and Australia have comprehensive national broadband strategies and are working towards 100% digital inclusion<sup>1314</sup>.

Another challenge for Canada is that governing bodies have traditionally legislated low target internet speeds rather than aiming high to increase system potential. For example, the CRTC minimum standards of 5/mbps download and 1/mbps upload were set in 2011. In December of 2016 the CRTC finally proposed a new goal of 50/mbps download

<sup>12</sup> "Broadband: the essential utility." *ICF Canada*, Intelligent Community Forum Canada, <https://icf-canada.com/>. Accessed 16 May 2017.

<sup>13</sup> "National Broadband Plan." *Federal Communications Commission, FCC*, <https://www.fcc.gov/general/national-broadband-plan>. Accessed 16 May 2017.

<sup>14</sup> "National Broadband Network." *Australia Government: Department of Communications and the Arts, AG*, <https://www.communications.gov.au/what-we-do/internet/national-broadband-network>. Accessed 24 May 2017.

and 10/mbps upload as the new national standard for broadband access in Canada with the goal of reaching 90% inclusion within the next 5 years<sup>15</sup>. However, an implementation plan for reaching these targets is still lacking.

Achieving these speeds and inclusion level is problematic under the current system because developing scalable FTTP infrastructure is costly and current facilities-based service providers have naturally invested in geographic market areas that have high profitability rates and population densities. Consequently, many rural areas are excluded.

Undertaking a national broadband feasibility study that lays out minimum service levels, delivery models, cost structures, funding, regulatory models that support facilities and service-based competition, and implementation timelines for improved digital inclusion would help build the business case for underserved regions of the country.

### Digital Broadband: Toward an inclusive digital economy

If Canada aims to have 100% inclusion in the digital economy, the Government must have a clear strategy for the future. This strategy should seek to:

1. Examine the potential to provide equal opportunity for educational districts, removing the digital divide between young people in rural and urban areas and allowing all Canadians to learn and innovate in the digital space.
2. Quantify the extent to which digital resources offer significant productivity gains as they allow better communication, new tools, and open up avenues for the sharing and transfer of data and ideas. This is particularly relevant to Canada's agri-food sector which is poised to grow in importance as a major export sector and for which new digital productivity tools are continually being developed.
3. Identify ways to ensure that Canadians are connected to the global economy. A study by the Montreal Economic Institute shows that the development of the Internet of Things (IoT) is growing rapidly. This expansion will change the needs of citizens as more data is required to operate appliances, lights, medical devices, etc. Artificial intelligence (AI) studies show that it has the potential to add \$7.5 billion to the Canadian economy and create 170,000 jobs by 2025 in Canada<sup>16</sup>. These shifts will require a digitally skilled workforce and world-class digital infrastructure for Canada to take full advantage of their potentialities. Identify ways to incentivize the creation of digital infrastructure in the term that will act as an incubator for future innovation.
4. Quantify how digital broadband service has emerged as a critical tool in the attraction, retention and scalability of new entrepreneurial start-ups and SMEs in both rural and urban municipalities across Canada. Businesses are producing and consuming digital content at an unprecedented rate, with industry trends pointing to even higher demand on service providers<sup>17</sup>. Urban communities across Canada are also struggling to upgrade legacy internet utility infrastructure and service brownfield and infill developments.
5. Incorporate the concept of smart cities. The Federal government has also announced investment into the Smart Cities Challenge in Budget 2017. Smart Cities have the potential of creating billions in savings for municipal budgets across Canada in addition to improving socioeconomic outcomes for Canadians. In addition, it has an export market estimated at \$1 trillion per year in 2017 and \$3.4 trillion by 2026<sup>18</sup>. Smart City deployment and development is predicated on high speed broadband access.

<sup>15</sup> Jackson, Emily. "CRTC declares high-speed Internet a basic service, creates \$750-million fund." *Financial Post*, Financial Post, business.financialpost.com/fp-tech-desk/crtc-declares-high-speed-internet-a-basic-service-creates-750-million-fund. Accessed 16 May 2016.

<sup>16</sup> Dennis, Madonna. "Report: Canada has Unique Potential to Lead in AI []." *Betakit.com*, 12 Apr. 2017, betakit.com/report-canada-has-unique-potential-to-lead-in-ai-but-must-address-gaps-in-private-sector-funding-and-internet-access/. Accessed 20 May 2017.

<sup>17</sup> Cisco Global Cloud Index: Forecast and Methodology, 2015–2020.

<http://www.cisco.com/c/dam/en/us/solutions/collateral/service-provider/global-cloud-index-gci/white-paper-c11-738085.pdf>

<sup>18</sup> "Smart Cities Market 2016-2026". Persistence Marketing 2017. (<http://www.persistencemarketresearch.com/market-research/smart-cities-market.asp>)

## Recommendations

That the federal government:

1. Undertake a national broadband feasibility study that lays out minimum service levels, delivery models, cost structures, funding, regulatory models that support facilities and service-based competition, and implementation timelines for 100% digital inclusion and work with all jurisdictions and the private sector to determine action required and implementation staging plans. Furthermore, the strategy should also address ongoing operations.
2. Evaluate funding mechanisms to help realize the recent CRTC ruling declaring broadband<sup>19</sup> download speeds of at least 50 megabits per second and upload speeds of at least 10 Mbps, which will be considered a “basic telecom service.”

## Driving Innovation in Canada

### Issue

As the federal government embarks on the development of an “Intellectual Property Strategy” and building a nation of innovators, there should be a focus on ensuring a two pronged approach, through programs and tax based mechanisms, to encourage business investment in intellectual property and innovation to improve productivity, economic growth, and incomes for Canadians.

### Background

Canada currently sits 6<sup>th</sup> in the world for innovation quality and 16<sup>th</sup> in innovation overall in the Global IP Rankings. Another report, The Taylor Wessing 2016 Global Intellectual Property Index, ranks Canada as 4<sup>th</sup> overall in 2016 and at the top of Tier 2.

A number of countries (the U.K., Belgium, Luxembourg, France, Spain, Hungary, Ireland, Switzerland and China) have adopted a “patent box” tax approach which sharply reduced the normal corporate tax rate on income derived from the exploitation of patents. The Netherlands widened the policy to an “innovation box” to encompass a broader class of intellectual property.

Many of the countries with a patent box tax regime rank above Canada on the world rankings. The various programs have even caught the eye of several provinces. British Columbia has had such tax policy in place since 2006, Quebec included patent box policy in its 2016 budget, and Saskatchewan announced patent box tax policy in its 2017 budget.

The reference to “box” comes from having to tick a box on the tax form that indicates this type of revenue is being claimed.

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

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

<sup>19</sup> <http://crtc.gc.ca/eng/archive/2016/2016-496.htm>

For a number of years, the Canadian Chamber of Commerce and its network have been advocating for the implementation of an “innovation box” approach in Canada that would reduce the normal corporate tax rate for income derived from developing and commercially exploiting patented inventions and other intellectual property connected to new or improved products, services and related innovative processes to the benefit of Canada. These types of tax approaches support business investment in research and help bridge the commercialization gap.

An “innovation box” approach would encourage companies to locate intellectual property activity and the new high-value jobs associated with the development, manufacture and exploitation of innovation inside Canada. If properly designed, it would promote and enhance the innovation capacity of sectors that leverage science and technology innovations throughout Canada. Firms in all sectors across Canada will have a greater incentive to adopt, commercialize or otherwise exploit the output of the R&D process here in Canada.

This would drive new and sufficient economic activity and government tax revenue to more than offset the immediate revenue costs of the proposal. The government could also apply the savings that will be realized from streamlining the SR&ED tax incentive program to offset all the immediate revenue cost of this proposal.

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

Quebec also funds a “My First Patent Program”. Quebec SMEs with 250 or fewer employees that are able to demonstrate research and development efforts completed or in part can apply for a non-repayable contribution of up to 50% of eligible expenses, to a maximum of \$25,000 for patent application project, industrial design registration or integrated circuit topography.

## **Recommendations**

That the federal government:

1. Implement for 2018-2019 an “innovation box” approach to encourage more business investment in innovation processes in Canada.
2. Consult with senior business leaders/technologists to define what intellectual property would qualify, e.g. patents, copyright, industrial design
3. Ensure that any such regime adopted in Canada delivers the clarity and simplicity that encourages participation in innovation from both SMEs and large companies.
4. Develop a Canada-wide “My First Patent” program using the Quebec model as a guideline.

## **Engage SMEs in the Design, Testing and Communications of Federal Programs Designed for Them**

### **Issue**

The theme of innovation permeates the 2017 Federal Budget and several initiatives are announced in it in the name of assisting innovative Canadian businesses. The federal government states under the budget’s Skills and Innovation Plan that its objective is to, “Double the number of high-growth companies in Canada, particularly in the digital, clean technology and health technology sectors, from 14,000 to 28,000 by 2025.”<sup>20</sup>

These programs are welcomed and reflect the advocacy of the Canadian Chamber of Commerce and its members to provide Canadian companies with tools to grow here and abroad. However, aside from the financial commitments

<sup>20</sup> Building a Strong Middle Class, Budget 2017, March 22, 2017, pg. 44

associated with each, there are few – any – details on how these initiatives will be developed and when they will be implemented.

## **Background**

While innovation exists in firms of all sizes, Canada’s SMEs (firms with fewer than 500 employees) punch above their weight in their contribution to our economy. Just over 7 per cent of Canada’s SMEs (which provide nearly 90% of private sector jobs) are “high-growth” (measured by revenue, 3.4 per cent based on employment), yet Innovation, Science and Economic Development Canada found they created more than 95 per cent of new jobs from 2005-2015<sup>21</sup>.

In Budget 2017, the federal government acknowledges that its “vast array” of programs to support business innovation can be difficult to navigate. As recommended by the Advisory Council on Economic Growth in its February 2017 report, the federal government commits in the budget to “coordinate and simplify the support available to Canada’s innovators” under a new Innovation Canada platform falling under Innovation, Science and Economic Development (ISED) Canada. This has been a long-standing “ask” of the Canadian Chamber of Commerce. In addition to being a “one-stop-shop” for the federal government’s “simplified suite of innovation programs, the Innovation Canada platform promises to set growth targets for innovators, identify sector-specific<sup>22</sup> challenges and “bottlenecks” to innovation.

Innovative Solutions Canada – also recommended by the Advisory Council on Economic Growth and announced in the 2017 federal budget – was applauded by the Canadian Chamber of Commerce. This strategic procurement program will give more small, innovative companies that first, critical customer – the federal government no less – making it much easier to grow in Canada and abroad. Modelled on the U.S. government’s Small Business Innovation and Research (SBIR) program, Innovative Solutions Canada would set aside a yet-to-be determined percentage of federal procurement for early-stage research and development, late-stage prototypes and other goods and services from Canadian innovators and entrepreneurs. \$50 million has been committed to the administration of this program over the next five years.

These programs are but two of the announcements in Budget 2017 that have lofty ambitions, but little detail. On the positive side, given these programs have not yet taken shape, there is an opportunity for the businesses they are intended to assist to participate in their development. This would ensure that once they are launched, they are best positioned to meet their objectives.

## **Recommendation**

That the federal government engage – either directly or through associations – small and medium-sized companies in the design, testing and communications planning for the Budget 2017 initiatives targeted towards them.

## **Re-evaluate the Definition of Small Business**

### **Issue**

The federal government’s definition of small businesses (1- 99 employees) is too broad. A formal definition for businesses with fewer employees is required to address the challenges and barriers these businesses face. These smaller businesses make up our small towns and villages throughout rural Canada, or create that small-town community within large urban centres. When the federal or provincial/territorial governments address “small business” concerns, in many cases the solutions are not practical for the smallest of businesses. They often don’t have management or human resource departments to take advantage of grants, skills development programs or navigate

<sup>21</sup> Key Small Business Statistics, Innovation, Science and Economic Development Canada, June 2016

<sup>22</sup> The Innovation Canada platform will be focused on advanced manufacturing, agri-food, clean technology, digital industries, health/bio-sciences and clean resources.



government websites, regulations and red tape. Provincial/territorial governments use the current federal small business definition of 1 – 99 employees. With a new designation – or designations - for businesses fewer employees, opportunities will arise at the provincial/territorial level to advocate on their behalf.

Efforts must be made to provide programs and support that address the needs of very small businesses. In addition, data collection from this group would provide a more accurate picture of how they contribute to the Canadian economy.

## **Background**

According to the Key Small Business Statistics – June 2016, “While it is well understood that small businesses make up nearly the entirety of all firms, just how small these firms are is not common knowledge. Of the 1,167,978 employer businesses active in Canada, micro-enterprises (firms with 1 to 4 employees) constitute 54.1% of all private employers, which is the largest SME group. If the groups of employer businesses with 5 to 9 and 10 to 19 employees are included, they account for 86.2% of employer businesses.” *Source – Statistics Canada, Business Register, December 2015.*

The report goes on to say “...the contribution to net employment change between 2005 and 2015 (1.2 million jobs) was 87.7% attributable to small businesses. Medium-sized and large businesses, which account for 1.8% and 0.3% of all firms, respectively, created just 7.7% and 4.6% of net new jobs over the same period.” *Sources: Statistics Canada, Labour Force Survey; and Innovation, Science and Economic Development Canada calculations.*

Acknowledging these major contributors to Canada’s business demographic is vital to the Canadian economy, job creation, effective programming and data analysis that gives us an accurate picture of what is really happening in “small business” in Canada.

If the federal government were to take the lead and identify this category of businesses, it would open the door for the provinces/territories to follow suit and take the necessary steps to address issues, challenges and seek solutions for them.

## **Recommendations**

That the federal government re-evaluate the existing business categories identified by number of employees to determine if the current definition of small business is accurately reflected by fewer than 100 employees.

# FINANCE AND TAXATION

## Child Care Credits For Small and Medium Size Businesses

### Issue

Owners of small and medium size businesses are unfairly treated when it comes to child care expenses. Currently, child care expenses can only be deducted against employment income of the lower income earner of the family. However, often owners of small and medium size businesses choose to pay themselves dividends, generally non-eligible<sup>23</sup>, rather than a salary and are often the lower income earner which then prohibits the owner from deducting child care expenses. The current rules<sup>24</sup> don't help small and medium size business owners in their risky pursuit of creating business and wealth for the economy.

### Background

Child care expenses are generally deducted from the lower income earner of a family, based on employment income with only the following exemptions presently in place<sup>25</sup> and with no proposal to change.

- Lower income earner is in the hospital or medically unfit
- Lower income earner is in school
- Lower income earner is in jail

For a variety of reasons including managing cash flows, reducing the additional financial burden required of an employer in regards to the company portion of Canada Pension Plan contributions which would arise if the owner paid themselves a salary, adding an additional level of complexity in calculating the salary of the owner if they don't have employees or as a general rule of compensations, often times an owner of a small and medium size business will decide to take non-eligible dividends as compensation.<sup>26</sup> This is usually not a significant amount but is just enough not to go bankrupt or under capitalize the company but is enough to live personally. However, in doing so it generally prohibits the owner of the small and medium size businesses from deducting child care expenses because they are often the lower income earner and none of their income is eligible for the deduction of child care expenses.

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

### Recommendations

That the federal government:

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

<sup>23</sup> <http://www.taxtips.ca/dtc/smallbusdct.htm>

<sup>24</sup> <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/ncm-tx/rtrn/cmpltng/rprtng-ncm/lns101-170/120/menu-eng.html>

<sup>25</sup> <http://www.cra-arc.gc.ca/tx/tchncl/ncmtx/fls/s1/f3/s1-f3-c1-eng.html>

<sup>26</sup> <http://www.wolrigemahon.com/salary-dividends>

## Eligibility for Small Business Tax Rate

### Issue

Access to the small business tax rate has been effectively removed for small businesses working solely for large private corporations. This greatly reduces the tax incentive for small businesses to operate in Canada and loss of small business in Canada is detrimental to the entire economy.

### Background

Legislation was introduced in the March 21, 2016 federal budget and was intended to apply to year's beginning on or after the budget date, so it will apply to years ending March 20, 2017 or later. These rules affect corporate groups by removing access to the small business limit.

If you have two private companies and one company gets 10% or more of its taxable income from the other private company and there is a non-arm's length shareholder, then the income between the two companies is deemed to be "specified corporate income", (herein referred to as "SCI"). SCI is still considered active business income, but is no longer eligible for the small business deduction (i.e. gets the general corporate rate rather than the small business rate). There is no specified amount of the ownership the non-arm's length shareholder needs to own for these rules to apply as it's written. The company paying the other company is able to elect to share their small business limit with the other company to then have it taxed at the small business rate.

Example:

- Company A - Owned by Mr. A, say their taxable income is \$500,000.00
- Company B - Large private corporation in which Mr. A's cousin (not "related" for tax purposes, but "non-arm's length") owns 1 common share out of 100,000,000 common shares
- Company A gets 15% of its taxable income from Company B
- Since it's more than 10% and the other company has a non-arm's length shareholder, this income is considered SCI
- This means the \$75,000.00 ( $\$500,000.00 \times 15\%$ ) of income Company A receives from Company B is no longer eligible to get the small business rate of 13%, but gets bumped up to 26%.
- Company B can elect to give Company A some of its small business limit up to \$75,000.00, but Company B is very unlikely to do so since Mr. A's cousin only owns a single share in a large corporation.

The intent of these rules was to catch corporate structures that circumvent the existing association rules to share the small business limit among many otherwise non-associated corporations. Unfortunately, the legislators used too broad of wording and currently there is no percentage of ownership the non-arm's length shareholder needs to own for these to kick in and as a result they cast a much bigger net than it appears they were intending.

A simple solution is to have the share ownership for the non-arm's length party defined as a percentage so it will not affect most of the small businesses working for large private corporations.

### Recommendation

That the federal government define a share ownership percentage of 10% or higher for the non-arm's length party with respect to specified corporate income.

# Enhancing Access to the Registered Disability Savings Plan for Disabled Employees

## Issue

In Canada, it is estimated that 4.4 million Canadians suffer a disability, of which many are children and young adults under the age of forty-nine. Of these, only 442,241 Canadians ages 0-49 have applied for and received a Disability Tax credit, and of those, only 107,863 (or 24.3%) have opened a Registered Disability Savings Plan (Canada Disability Savings Program – Annual Statistical Review - 2015).

## Background

Based on many interviews with applicants, and industry experience in working with clients to apply for and get funding, the application process is what is impeding its use. The reason for that is the intense, cumbersome paperwork that is required throughout the process. To successfully complete the process, the applicants have to have a medical assessment done and file the paperwork to receive the federal Disability Tax Credit (DTC). During interviews at information seminars with potential candidates, it was discovered that most people with disabilities, as well as their caregivers, are in a low-income bracket and do not see the need to obtain a tax credit on taxes they don't pay. However, when learning of the bond portion of the program, there was renewed interest.

In an effort to assist in accessing the program, it was learned that there are similar income-tested provincial programs that are very similar to the DTC requirements and applications. Furthermore, there seems to be an appetite for government and community leaders to be more collaborative in finding ways to make access to the Registered Disability Savings Plan (RDSP) easier and more efficient. In BC, for example, there is an RDSP Action Group led by the Honourable Michel Stillwell, created by the BC government, which is focused on making the program more accessible to all of BC.

In reviewing the provincial program requirements, given the overlap, there is a strong possibility that upon acceptance to the provincial program, it could and should automatically grant access to the RDSP program.

Another strong supporter of the Canadian disability community is business. There is a real interest in employers making a point of including people with disabilities in their business wherever possible. Good employers also take an interest in the health and financial well-being of their work force. Studies have shown that employees who are offered financial education, support, and savings programs at work are more reliable, and become better, more engaged employees. Employers can assist and promote contribution to an RDSP on behalf of qualifying employees.

Finally, another part of the program that needs serious review is the ten-year rule. This rule stipulates that the beneficiary must wait ten years after the latest grant or bond is received to access further funds without penalties.

This also prevents the beneficiaries from receiving access to the full amount of funds in the program until ten years after they have made their final contribution at age forty-nine. The issue here is that many people with disabilities often have serious financial needs earlier in life that they may not be able to address without the program, such as the purchase or modification of a home, or the purchase of special equipment or vehicles.

## Recommendations

That the provincial/territorial and federal governments:

1. Investigate and implement a cross-linked application process to enable those with recognized disabilities to have access to both a provincial/territorial disability support program and the DTC under one application;
2. Review all existing recipients of a provincial/territorial disability support program to determine eligibility of the DTC based on timing of the last tested application; and
3. Create a national program to provide employers a workable linkage to the RDSP program for employees with disabilities.
4. Amend the 10-year rule for the clock to start when the RDSP is opened, from 10 years past the last grant installment.

## Federal Budget 2017<sup>27</sup> Policy

### Issue

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

### Background

#### Canada's Economy

The Canadian economy is beginning to recover, following weakened export activity and the full ripple effects of severe commodity price fluctuations. The OECD estimates that the Canadian economy will grow by a modest 2.4% in 2017. The national unemployment rate has dropped below 6.7% for the first time in two years.<sup>28</sup> While oil prices have rebounded slightly since their February 2016 low of \$16.30, Western Canada Select oil still sells for approximately 30% less than its five-year average price.<sup>29</sup>

The overall health of the Canadian economy is dependent on robust trade opportunities. Currently, three-quarters of Canadian exports remain destined for the United States. Canadian governments (federal and provincial) and industry leaders have long recognized and championed the merits of having diverse export opportunities and open markets. With the uncertainty created by the United States' current approach to trade (withdrawal from the TPP, application of North American border tariffs, NAFTA renegotiation, etc.), the need for Canadian businesses to extend their market reach beyond the United States is critical for their stability and ongoing sustainability. The ratification of a free trade agreement between Canada and the European Union<sup>30</sup> would be a major step toward diversifying Canada's export market opportunities. However, all orders of government (led by the federal government) together with businesses in all sectors must actively continue to explore trade opportunities worldwide to ensure the long-term growth of the Canadian economy.

#### Economic Diversification and Innovation

To spur innovation and economic diversification, the federal government has allocated \$950 million in *Budget 2017* for the Innovation Supercluster Initiative<sup>31</sup> over the next five years (2017–2022). This funding is intended to incent the creation of focused and innovative industry ecosystems as seen in regions such as Silicon Valley, Berlin and Tel Aviv.

Groups will compete for this funding, and eligible sectors include:

- Advanced manufacturing
- Agri-food
- Clean resources
- Clean technology
- Digital technology
- Health and bio-sciences
- Infrastructure

<sup>27</sup> <http://www.budget.gc.ca/2017/home-accueil-en.html>

<sup>28</sup> CANSIM Table 282-0087

<sup>29</sup> Alberta Economic Dashboard

<sup>30</sup> Canada-European Union Comprehensive Economic and Trade Agreement (CETA):

<http://www.international.gc.ca/gac-amc/campaign-campagne/ceta-aecg/index.aspx?lang=eng>

<sup>31</sup> <https://www.canada.ca/en/innovation-science-economic-development/programs/small-business-financing-growth/innovation-superclusters.html>



- Transportation

While \$950 million is a significant investment, the federal government will need to allocate these funds wisely to maximize future gains. If funding is spread too thinly, the results may be negligible. The federal government should instead target regions (e.g., multiple cities working together on a particular innovation theme) that are experiencing growth within those industries. By limiting the number of industries receiving funding, the federal government will realize greater returns through focused investment.

#### Investment Attraction

Canada also has much to gain by using the tax system optimally to promote employment, productivity and higher living standards. Reducing our heavy reliance on economically damaging income and profit taxes, broadening the tax base, creating a more neutral business tax system and reducing compliance costs for taxpayers will enhance Canada's international competitiveness.

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 behaviour that undermine the efficiency of the economy.
- **Simplicity:** The system should be simple, transparent and easy to understand and comply with.
- **Minimize Compliance Costs:** The *Income Tax Act* continues to become more complex and this complexity creates additional compliance burdens and costs to many privately held companies.

It is of crucial importance that the Government of Canada continue to closely monitor changes to taxation and the regulatory burden in the United States. If the United States applies significant cuts to corporate taxes and weakens environmental protections, Canada may find itself at a competitive disadvantage when attracting international investment.

#### Infrastructure

The Canadian Chamber of Commerce has been a strong supporter of Canada's investments in trade-enabling infrastructure. One such initiative, Canada's Trade and Transportation Corridors Initiative, seeks to upgrade aging trade-enabling infrastructure, which will spur Canada's economic growth. As part of this initiative, the federal government should work with provinces and municipalities to secure transportation / utility corridor (TUC) rights of way across Canada. A trans-Canadian TUC would also create future opportunities for high-speed transportation, transmission lines and new freight networks.

The announced development of a Canadian Infrastructure Bank (CIB) is a positive development for all orders of government. The CIB would allow provinces and municipalities to borrow for capital projects using the federal government's preferred interest rate. The CIB would also attract institutional investors, such as international pension funds, to provide a new stream of revenue to draw on for investments in public infrastructure. Alternate infrastructure funding models, like the CIB and public-private partnerships (P3s), will become increasingly important as they can provide opportunities to replace aging infrastructure without increasing levels of public debt across Canada. The federal government should work with all orders of government to promote the applicable use of these alternate funding models.

#### Fiscal Responsibility

While increasing capital funding is the right move during these difficult economic times, increasing operating costs is not. Considering global and local factors and the cumulative impact of policy decisions influencing business competitiveness, the Edmonton Chamber of Commerce believes it is imperative that the federal government re-

examine its fiscal priorities by focusing on long-term economic sustainability, while enabling businesses to remain competitive. One of the best ways to sustain business competitiveness is to show leadership with fiscal restraint and to foster investor confidence with a detailed plan to return to balance.

While the economy is beginning to recover<sup>32</sup>, weaknesses remain in the areas of business investment and international trade and increasing the long-term debt burden on Canada's economy will not encourage growth in either investment or trade.

## **Recommendations**

That the federal government:

### ***Economic Diversification and Innovation***

1. Distribute "supercluster" funding to a limited number of emerging industries, not limited by geographic location, ensuring funds are sufficiently focused to create significant economic spin-off.

### ***Investment Attraction***

2. Monitor tax changes and other investment attraction tools being undertaken in the United States, ensuring that Canada remains a strong competitor in global trade.

### ***Infrastructure***

3. Through Canada's Trade and Transportation Corridors Initiative, work strategically with other orders of government to secure transportation / utility corridor rights of way throughout Canada with the potential for rapid transit, freight networks, telecommunications, transmissions lines and pipelines, which will improve access to national and international markets for all Canadian products.
4. Promote and provide information on alternative infrastructure funding models for Canadian provinces and municipalities, such as public-private partnerships and the proposed Canada Infrastructure Bank.

### ***Fiscal Responsibility***

5. Establish a long-term plan to achieve a balanced budget by limiting operational expenditure growth. Maintain this policy until Canadian economic performance is generating sustained government revenues sufficient to support increased spending with overall rates of taxation and fee collection at levels similar to the existing regime.
6. Negotiate government labour agreements due for renewal with a target of no operational cost increase.
7. Achieve and maintain a debt-to-GDP ratio below 30% with financial contributions to debt reduction as necessary to sustain that position.

## **Fines and Penalty Reform for Businesses**

### **Issue**

For businesses, filing with CRA can be a complicated process. Many businesses are required to make over thirty payments per year with GST, Payroll Tax and Income Tax. The tax code is three thousand pages long with hundreds of rules and regulations, right down to the kind of form that can be used to file remittance vouchers. Not surprisingly, a significant portion of Canada's 5 million SMEs make mistakes every year when dealing with the Canadian Revenue Agency (CRA).<sup>33</sup>

The CRA has little or no forgiveness if a payment is missed and the penalties and fines are steep even if missed by one day. They do have an appeal process for penalties and charges for late payment, but it is a complicated, time-

<sup>32</sup> [http://www.conferenceboard.ca/press/newsrelease/17-05-08/improved\\_economic\\_outlook\\_for\\_canada\\_but\\_weaknesses\\_remain.aspx](http://www.conferenceboard.ca/press/newsrelease/17-05-08/improved_economic_outlook_for_canada_but_weaknesses_remain.aspx)

<sup>33</sup> <http://www.cra-arc.gc.ca/gncy/cmplnc/rtp-pipdr/cnslttnppr-eng.html#fmb2>

consuming and costly process for businesses. Regardless of the dollar value, type or frequency of incomplete or inaccurate tax returns, penalties and interest may be applied.

The federal government is currently examining some of its procedures as part of its “Red Tape Reduction Action Plan”, an initiative aimed at removing unjustified or undue burdens on small businesses and removing the complexities of dealing with government regulations.

Allowing businesses some margin of error for minor tax filing issues would also remove a significant weight for enterprises that occasionally overlook a detail, miss a deadline or misallocate CRA payments.

## **Background**

The office of the Taxpayers’ Ombudsman, an impartial and independent office to deal with complaints, reports that a significant number of calls to the CRA business enquiries line deal with misallocated payments. These are payments “not allocated according to its (CRA) procedures.”<sup>34</sup> For example, about two-thirds of all taxpayers use CRA remittance vouchers that are pre-printed with magnetic ink designed to be read by computers using Optical Character Recognition (OCR). Although CRA warns taxpayers that photocopies of these forms cannot be scanned electronically, many taxpayers still make remittance payments on photocopied forms. It’s a clerical mistake that can have costly consequences.

The result can be a late payment and “for the tax year 2013 penalties begin at 5 percent on the balance owing plus 1 percent on the balance owing for each full month the return is late to a maximum of 12 months. If CRA charged a late penalty in 2010, 2011, and 2012, the penalty escalates to 10 percent of the balance owing, plus 2 percent of 2013 balance to a maximum of 20 months.”<sup>35</sup>

Even tax preparers, hired to keep businesses from filing incorrect returns, routinely make mistakes that end up trimming dollars from the company’s bottom line. Given the difficulty in filing for the CRA, some leniency is in order.

## **Summary**

It is important for CRA to be fair and reasonable in dealing with small business and the complex remittance process. Mistakes do and will continue to happen. Penalties, fees and interest should be proportional to the amounts and escalating for non-payment. CRA should handle their receivables in the business model and charge business for late payments the way business charges their customers.

## **Recommendations**

That the Canada Revenue Agency, in conjunction with the Department of Finance:

1. Charge small business a modest flat late remittance for missed payment deadlines. Interest then accrues if payment is not made within 7 days of the due date, or 14 days for locations in prescribed northern zones.
2. After the “Late Remittance Fee” is applied, then subject businesses that consistently and repeatedly miss payment dates to increasing fines and/or stiffer penalties with every missed payment.

<sup>34</sup> <http://www.oto-boc.gc.ca/rprts/spcl/gtting-rght-eng.html#h114>

<sup>35</sup> <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/ncm-tx/ntrst/menu-eng.html>

## Fiscal Regime Beneficial to a Progressive Transfer of Companies

### Issue

Since many Canadian entrepreneurs will soon retire, a proper framework for company transfer is becoming a key pillar of entrepreneurial dynamism. Since the majority of Canadian SMEs are family-owned, the fiscal inequity contained in section 84.1 of the Income Tax Act undermines economic development. Beyond the sustainability of companies and the financing of entrepreneur retirement, transfer processes are greatly facilitated in family companies thanks to the identification of the buyer, while the long term vision, a characteristic of family-owned businesses, promotes strategic planning and investment.

### Background

Capital gains from the transfer of a business between related persons are considered as a dividend by the Income Tax Act. This prevents entrepreneurs who wish to transfer their business to a family member from using the Lifetime Capital Gains Exemption (LCGE). Fiscal rules encourage these entrepreneurs to transfer their business to external buyers, sometimes to foreign investors or competitors. Family business owners consider this as tax unfairness.

Family-owned businesses are particularly important for economic development; by nature, they seem more constant in their strategic orientations and benefit from an intergenerational culture and reputation favorable to long-term investment planning. Family-owned businesses are relatively independent financially and in terms of ownership, which a priori favours patient capital. Moreover, they developed their activities based on local roots, promoting the stability of regional activities.

The opportunity cost of unfavourable taxation for family transfer is measured by the level of deferred investments in the business. Entrepreneurs more interested in transferring their business to an unrelated buyer, choose to lower debt and raise liquidities. They tend to forego, several years before their departure, investments favorable to the growth of the family business. Yet, the new economic environment favours a quick adaptation to new technologies whose management is more accessible to new generations of entrepreneurs. The new economic context suggests accelerating all processes and business transfer planning.

Denied the LCGE, many entrepreneurs delay their retirement, particularly because it is difficult to find an unrelated buyer. When the entrepreneur has failed to make investments favorable to business performance, these delays translate into a loss of competitiveness potentially harmful to business valuation. This loss of value harms the financial situation of the transferor, whose delayed departure also translates into unrealized consumer spending. It is also important to consider the fiscal revenue aspect, due to the consequent reduction of capital gains.

In the case of sales to businesses outside Quebec, in addition to a possible relocation of activities sometime in the future, the repatriation of profits abroad translates into a lower investment capacity in Canada that is unfavorable to economic development.

Recognizing the urgent need to encourage business transfers, the Quebec government recently modified its fiscal rules to allow Quebec entrepreneurs to use the capital gains exemption in the context of a family business transfer. Although the Quebec government showed its willingness to tackle the issue, this improvement is not complete without full harmonisation with federal rules. Fiscal conditions are still considered unjust, and thus inadequate for a cession. Since the family transfer issue is common to all Canadian provinces, an amendment to section 84.1 of the Income Tax Act, as suggested by the Quebec government, will contribute to the vibrant entrepreneurial spirit all over Canada.

Although the economic importance of supporting business transfer is increasingly recognized, banks rarely finance the entire buyout while the progressive transfer of business shares seems to be an increasingly frequent financing model. It allows financial partners to share the risk, and the transferor to support the buyer during the transition period, to the benefit of the company's future.

Globally, if fiscal rules governing family transfer are calibrated to counter fiscal evasion, the demographic context and characteristic robustness of family SMEs favour reconsidering the parameters of the rules in order to reduce economic opportunity costs.

## Recommendations

That the federal government:

1. Remove any fiscal inequity for family businesses and introduce provisions allowing full capital gains exemption in the case of business transfers among related persons.
2. Adjust fiscal rules by taking into account financing constraints on business buyouts and, in particular, by facilitating progressive share transfers.

## Getting Canada Back to Fiscal Balance

### Issue

The latest federal budget released by the Department of Finance indicates that the federal government plans to run fiscal deficits every year to 2022, while long-term projections carry the deficit trend well into 2055. The largest deficit over the medium term is forecasted for the 2017-2018 fiscal year at \$28.5 billion.<sup>36</sup> While Canada holds a strong standing in fiscal management at the federal level compared to its G7 peers, consecutive deficits and an increased debt load is sending Canada down a precarious financial path. With the federal debt currently sitting at approximately \$691 billion, the financial burden to Canadians becomes \$1.3 trillion once the debt carried by the provinces has been tallied.

More worrisome is the lack of a plan to bring the federal budget back to balance as the proposed investments begin to stimulate economic growth and boost future revenues. It is imperative that the federal government rethink their current fiscal plan and create a clear strategy of targeted results aimed at eliminating deficits, and reducing the debt balance.

### Background

While running deficits in years of sluggish growth or recession is considered a reasonable fiscal approach, successive deficits and the lack of a clear strategy for future fiscal balance would be an imprudent fiscal tactic. As it stands, the medium and long-term outlooks released by the federal government forecast deficits - of up to \$38.8 billion annually - until 2051. In contrast, the fiscal deficit in 2016 was only \$1 billion, and a net surplus of \$1.9 billion was generated in the year prior.<sup>37</sup> Should the government follow its current plan, it would make it the longest period of consecutive deficits in Canadian federal fiscal history, followed only by "the period of the Great Depression and the Second World War, and by the period from 1970 to 1996 that saw an oil price shock, two recessions and a stagflation".<sup>38</sup>

Several factors and assumptions come into play to formulate the government's current fiscal plan.

- Global growth is expected to remain sluggish with a growth rate of 3.4% in 2017 as projected by the IMF. (In contrast, global growth during the five years prior to the Great Recession of 2008-2009 was an average of 5.1%.<sup>39</sup>)

<sup>36</sup> 2019: \$27.4 billion; 2020: \$23.4 billion; 2021: \$21.7 billion; 2022: \$18.8 billion - Department of Finance, Canada, "Budget 2017"

<sup>37</sup> [none]

<sup>38</sup> Fraser Institute, "Why federal deficits to 2055 really matter", <https://www.fraserinstitute.org/blogs/why-federal-deficits-to-2055-really-matter>

<sup>39</sup> Department of Finance, Canada, "Update of Long-Term Economic and Fiscal Projections"



- Canada's growth rate over the medium term 2017-2021 is expected to average 1.8% (behind the U.S. at 1.9%, but the second highest in the G7 and above its average of 1.4%).
- The decline in crude oil and other commodity prices have had a significant negative impact on Canadian personal income and business investment, particularly in Alberta. And despite the depreciation of the Canadian dollar export growth has been disappointing. Nevertheless, the contraction in investment activity in the oil and gas sector is expected to have run its course in 2017, and gains in jobs in the non-energy markets have surpassed the jobs lost in that sector. Furthermore, the recent increase in the Federal Reserve rate in the U.S. points to signs of growth in the U.S. economy which should benefit Canada.
- Over the long term, Canada's shifting demographics will put further pressure on costs related to supporting an aging baby boomer population while faced with a shrinking labor force.

In response to the new economic reality of slower national and global growth, the government plans to introduce a number of initiatives it hopes will stimulate economic development. One of the largest initiatives is the spending planned on infrastructure projects across Canada. Over the next 11 years the government plans to spend \$81 billion more than originally planned on projects related to "public transit, green infrastructure, social infrastructure, transportation that supports trade, Canada's rural and northern communities, and smart cities."<sup>40</sup>

Although it may be a while before Canada and the rest of the world return to the pre-recession levels of economic activity, modest levels of growth are still forecasted. The new reality means that we must learn to do more with less. Therefore, it would not be prudent to run large consecutive deficits during periods of positive growth. The government also needs to remain cognizant of the fact that provinces have also been running substantial deficits in recent years. The total debt including federal and provincial is estimated to be around \$1.3 trillion, or "\$35,827 for every man, woman, and child living in Canada."<sup>41</sup> According to the Fraser Institute, "collectively, the federal and local governments spent \$60.8 billion on interest payments in 2014/15, more than what is spent on pension benefits through the Canada and Quebec Pension Plans (\$50.9 billion), and approximately equal to Canada's total public spending on primary and secondary education (\$62.2 billion, as of 2012/13)".<sup>42</sup> The implications are clear, further increase in debt due to continuous deficits will promulgate the cycle of servicing the debt and divert funds from much needed essential programs such as pension, healthcare, and education. And as the labor force continues to shrink the burden of paying these debt servicing costs in addition to funding essential programs, will fall on the shoulders of fewer Canadians.

The questions that the government needs to thoroughly answer before spending public dollars are: (1) Is it right?; (2) Is it the right thing?; (3) Does it give results?; (4) What are we doing next door?

## Recommendations

That the federal government:

1. Maintain a level of debt of no more than 30% debt to the average GDP of the 5 preceding years if GDP is expected to grow over the forecasted period. In years of declining GDP, maintain a Debt/GDP ratio of no more than 30%. This will act to curb future deficits and maintain a much slower increase in the level of debt.
2. Apply more rigor to regularly mandated program reviews across all ministries and departments that re-examine the programs, services, and operations of government, ensuring that these are aligned with citizens' expectations of government. Furthermore, these reviews should begin with the mandatory questions: Should government be engaged in this activity? Is this policy accomplishing what we want? How do we know? Are there other programs across government that are duplicative? The conclusions of such reviews should be tied directly to any continued funding.
3. That the Ministry of Finance implement a cash pooling arrangement within and between all departments and ministries whereby any annual budget surpluses (or unspent money) could be allocated by the Finance Minister

<sup>40</sup> Department of Finance, Canada, "Update of Long-Term Economic and Fiscal Projections"

<sup>41</sup> Fraser Institute, "The Cost of Government Debt in Canada, 2016", <https://www.fraserinstitute.org/sites/default/files/cost-of-government-debt-in-canada-2016.pdf>

<sup>42</sup> Ibid.

to either pay down debt or re-allocated to other departmental/ministerial projects instead of borrowing to finance them. Departments/ministries would then be able to re-apply for that money in the following budget year.

## **Maintaining Tax Exemptions for Private Health and Dental Plans**

### **Issue**

The potential removal of tax exemptions from private health and dental plans could have serious impacts for employers and the national health care system.

### **Background**

A series of December 2016 – January 2017 media reports indicated the federal government was considering the taxation of private health and dental plans to generate \$3 billion in annual revenues.

A December 2, 2016 National Post article by John Ivison noted that government sources at that time confirmed 150 tax credits and exemptions were being reviewed to make the taxation system fair and efficient. The aforementioned instruments total \$100 billion annually in foregone revenue.

Approximately 24 million Canadians possess private health coverage that provides access to prescription medicines, dentists, optometrists, and other services not covered by provincial health plans. Over 90 percent of this coverage is provided through workplace health benefit plans.

On February 1, 2017, Prime Minister Trudeau announced in the House of Commons that his government would not tax employer plans in the upcoming budget, noting they are alternatively committed to protecting the middle class from increased taxes.

If employers were to cancel their workplace benefit plans, most Canadians would find they are unable to purchase equivalent individual insurance coverage. Both the type of coverage and coverage thresholds available to workplace benefit plans are not available as an individual product. The cost to purchase multiple unbundled products is also likely to be significantly higher, as it costs more to deliver a number of insurance policies to an individual than it does to provide a bundle of coverages to a group of employees.

Individuals who lose insurance coverage when the cost becomes excessive for their employers will either have to pay for their own medical treatment, forego treatment, or seek reimbursement from provincially funded programs. The additional federal revenue through a new tax will be offset by increases in provincial spending and force additional pressures on already strained provincial health care budgets.

The Canadian Chamber of Commerce and a coalition of service providers including the Canadian Dental Association, Canadian Association of Optometrists, Canadian Physiotherapy Association, and Dietitians of Canada organized highly effective campaigns in January of 2017 to inform MPs of the serious challenges to the health care system that would be presented if private plans were taxed. Maintaining opposition to this measure is warranted for future budget consultations.

### **Recommendation**

That the federal government maintain the current tax exemption on private health and dental plans.

# Make Loan Capitalization of Aboriginal Financial Institutions an Annual Federal Budget Item

## Issue

Assuring better access to capital for Indigenous entrepreneurs is one of the Canadian Chamber's *Ten Ways to Build a Canada that Wins* in 2017. In the cut and thrust of global competition, Canada cannot afford to have anyone lacking access to the tools to benefit from economic development. It is one of the building blocks of reconciliation; one of the federal government's top priorities.

Whether as proponents or as partners and service providers to proponents, Indigenous entrepreneurs need capital to invest in equipment, training and other tools that can translate the benefits of short-to-medium-term projects into the long-term benefits of jobs and wealth for communities. According to the Canadian Executive Services Organization (CESO), which provides free professional services (through its pool of retirees) to Indigenous communities in Canada, the number of Aboriginal SMEs is growing at 6 times the rates of non-Aboriginal small businesses. The Canadian Council for Aboriginal Business's 2016 survey found that more than one-third of Aboriginal businesses create employment for others.<sup>43</sup>

## Background

Aboriginal Financial Institutions (AFIs) were created in the late 1980s and 90s – and funded by the federal government – to provide capital to small businesses and lending support. AFIs specialize in developmental lending, which they conduct with more flexible security requirements, a higher risk tolerance than other lenders as well as including community social and environmental goals in their decision making.

Since their creation, Canada's 50+ AFIs have provided more than 41,000 loans – totaling \$2.3 billion – to First Nations, Métis and Inuit businesses. According to the National Aboriginal Capital Corporations Association, each dollar loaned returns up to \$3.60 in contribution to Canada's GDP.<sup>44</sup> In 2015-16, capital provided to Indigenous businesses by AFIs led to the creation of nearly 4500 jobs, \$257.8 million in labour income and \$264.3 million to communities throughout Canada.<sup>45</sup>

Like all entrepreneurs, Indigenous business people rely upon various sources of financing, including private sector lenders, cooperatives and others federal programs.<sup>46</sup> AFIs are an essential component of this mix given they are often staffed by Aboriginal peoples and located in the regions where the businesses operate.

Despite AFIs' demonstrated success, the federal government has not recapitalized them since 2011. Over the preceding decade, the federal government provided an average of \$4.1 million a year in capital contributions to the AFI network. The lack of new loan capital has constrained AFIs' ability to provide capital to Indigenous entrepreneurs<sup>47</sup>

In its 2016 budget, the federal government committed to lift the 2 per cent cap on programs delivered by Indigenous and Northern Affairs Canada that had been in place since the 1990s. It also announced \$8.4 billion (over 5 years) in funding to improve Indigenous peoples' socio-economic conditions. The federal government added \$3.4 billion (over 5 years) to this amount in the 2017 budget. None of this additional funding was directed toward loan capitalization of AFIs or Indigenous economic development more broadly.

Given the federal government's commitment to invest in Indigenous peoples includes their economic prospects, there is an argument for AFIs to receive some of this funding. While there is no denying the need to address the critical

<sup>43</sup> Promise and Prosperity: 2016 Aboriginal Business Survey, Canadian Council for Aboriginal Business

<sup>44</sup> Opportunities to improve the financial ecosystem for Aboriginal entrepreneurs and SMEs in Canada, Conference Board of Canada, 2017

<sup>45</sup> National Aboriginal Capital Corporations Investment Prospectus, Investing in the Strengths of Aboriginal Financial Institutions, 2017

<sup>46</sup> Other federally-funded programs include the Aboriginal Business Financing Program, Aboriginal Capacity Development Program, Interest Rate Buy-Down (IRB), Aboriginal Developmental Lending Assistance (ADLA) and Enhanced Access Loan Fund as well as the Business Development Bank of Canada's Aboriginal Banking Unit. There is also operational support provided through some federal regional economic development agencies.

<sup>47</sup> Promise and Prosperity: 2016 Aboriginal Business Survey, Canadian Council for Aboriginal Business

infrastructure and social services gaps many Indigenous communities face, providing AFIs with reliable annual loan capitalization would make a real difference to long-term economic prosperity of those communities.

## Recommendations

That the federal government:

1. Restore loan capitalization of Aboriginal Financial Institutions (AFIs) in the 2018-19 federal budget.
2. Make loan capitalization of AFIs an annual budget item thereafter with annual increases of no less than the rate of inflation.

## Private Campground Tax Classification Leaves Owners Out in the Cold

### Issue

The tax classification which considers private campground corporations a “specified investment business deriving income from property” by Canada Revenue Agency, coupled with a restrictive small business tax exemption, has put private campground owners in a gray area of corporate tax regulations, facing massive tax bills and possible closure as a result.

### Background

Tourism is a critical sector to so many regions throughout Canada, and campgrounds are a big part of what brings Canadians and international guests to rural areas. The currently unstipulated number of services a campground may offer in order to alter their “principal purpose” from property rental to that of service provider leaves private campground owners unsure how much tax they will be expected to pay. Most campgrounds offer services such as playgrounds, retail stores, refuse disposal, water hook-ups etc., but without knowing which, or how many, of these services qualifies a campground for a change in tax classification, campground owners are in a terrible position of uncertainty.

Exacerbating the issue, the small business exemption excludes the inherently seasonal campground industry by stipulating 5+ full-time employees who work all year long. Due to municipal zoning, many campgrounds are not even permitted to be open year ‘round.

These two issues together mean potentially very high tax bills for a grass roots, intrinsically seasonal businesses, which, in turn, generates a great deal of tourism-based spending in rural areas and supports many secondary tourist businesses. If campgrounds are unable to remain open due to the threat of excessively high tax bills, the rural, tourist-based economies they help to support will surely suffer as a result.

An example of the contribution private campgrounds make to the Canadian economy is as follows:

- The Campground and RV industry national economic impact: \$4.7-billion.
- Total jobs created: 60,000 in communities across the country.
- Total taxes collected from Canadian campground and RV industries: \$1-billion.
- Total wages/salaries generated by campground and RV sectors: \$2.9-billion.

## Recommendations

That the federal government change the classification of private campgrounds' "principal purpose" from "specified investment business deriving income from property" to that of "service provider".

## Renovation Tax Credits - Improving Canada's Housing Stock

### Issue

Renovations help provide stability in the housing market, create jobs, add to tax revenues, support local businesses, as well as contribute to local and higher governments' climate change goals. The federal and provincial governments have the opportunity to incentivize renovations that focus on energy efficiency and Greenhouse Gas (GHG) reduction.

### Background

Significant progress on greenhouse gas reduction has been accomplished through technology and systems innovation, voluntary adoption of higher standards of performance, and a uniquely Canadian research and development collaboration between the public and private sectors.

The Province of British Columbia is committed to reducing greenhouse gas emissions as a part of the Climate Action Plan. Many B.C. municipalities are following this lead. For example, the City of Kamloops aims to reduce its greenhouse gas emissions to 45 percent below its 2007 levels by 2020.<sup>48</sup>

Housing is responsible for 6.3 percent of direct GHG emissions in Canada. Today's typical new house uses 37 percent less energy than a similar one built in 1990.<sup>49</sup> Further, there are many houses in need of renovation. For example, in Greater Victoria, 87 percent of the housing stock was built before the year 2000, when significant improvements were made to the building code. The Canadian Mortgage and Housing Corporation (CMHC) estimates 84,550 occupied private dwellings in the region built prior to 2000 and are in need of repair.<sup>50</sup>

The opportunity is for the federal and provincial governments to incentivize renovations that focus on energy efficiency and GHG reduction. Such improvements in the housing stock help provide stability in the housing market, create jobs, add to tax revenues, support local businesses, as well as contribute to local and higher governments' climate change goals.

Such a tax credit can have a range of benefits over and above those flowing from the renovations alone. For example, home renovation tax credit programs:

- require use of qualified skilled labour,
- assist with the cost of the abatement of hazardous materials such as lead, asbestos, stucco, drywall mud, roof shingles, floor tiles, electrical wires, and cement,
- are an effective method for combatting underground "cash" operators, as to qualify homeowner require receipts, which helps keep both the contract value and revenue in the legitimate economy, and
- on older homes are the most affordable, effective way to increase energy efficiency in the overall housing stock as well as to reduce GHG emissions, allowing governments to demonstrate climate leadership.

<sup>48</sup> [City of Kamloops emissions targets on right track, but in the slow lane](#)

<sup>49</sup> Help Canadian Housing and Homeowners Continue to Lead the Way: CHBA's Submission to Canada's Approach to Climate Change (June 2016)

<sup>50</sup> CMHC, adapted from Statistics Canada data (Census of Canada 2011 and National Household Survey).



Presently, the only federal renovation tax credit is the [Federal Home Accessibility Tax Credit](#) (HATC), which is available to those who are 65 or older or eligible to claim the Disability Tax Credit. The HATC is available for the 2016 and subsequent tax years and applies to the total qualifying expenses up to \$10,000 per year, resulting in a maximum non-refundable tax credit of \$1,500 ( $\$10,000 \times 15\%$ ).

There are some provincial tax renovation credits, such as the [BC Home Renovation Tax Credit for Seniors and Persons with Disabilities](#). The maximum amount of the credit is \$1,000 per tax year and is calculated as 10% of the qualifying renovation expense (maximum \$10,000 in expenses).

Provincial and federal governments can build on these programs by introducing similar renovation tax credits that focus specifically on energy efficiency and GHG reduction.

Canadian homebuilders and homeowners need to continue to lead the way in climate change action. As the largest opportunity for energy efficiency lies in the existing housing stock, governments must help to encourage homeowners to retrofit existing homes.

## Recommendation

That the federal government:

1. Re-introduce the Home Renovation Tax Credit, allowing the provinces/territories to continue with their own GHG emission reduction initiatives.
2. Ensure that multi-family residential buildings are included in the program.

## Small Business Deduction

The largest financial tax incentive provided to privately held small business corporations in Canada is the small Business Deductions (“SBD”). The SBD allows these companies to pay taxes on their first \$500,000 of profit at a significantly lower rate of tax. This mechanism has been a long standing tool to promote growth of small businesses in Canada by allowing for more capital to be reinvested back into the business.

Small businesses are well known to be the drivers of employment and economic growth in Canada. Accordingly, both the Government of Canada and the provinces have recognized the sector’s importance and have provided the benefit of the SBD to maintain the sector’s health and encourage growth.

Commencing in 1994 the Large Corporations Tax (“LCT”) was enacted to generate additional revenues for the federal government. The LCT was a tax on a corporation’s “taxable capital” (essentially the value of a company’s debts and retained earnings) in excess of \$10 million. The taxable capital threshold established a clear division between small and large corporations in Canada. In 2004 the LCT was eliminated for all Canadian firms except for financial institutions and insurance corporations and the taxable capital was raised from \$10 million to \$50 million.

However, for the SBD purposes the \$10 million taxable capital threshold has remained unchanged and is still used as the upper limit for qualification. Once the threshold is exceeded the SBD benefit is reduced on a straight-line basis and is eliminated for corporations with taxable capital in excess of \$15 million.

This approach to limiting SBD is punitive and fosters inequality between business and industries in Canada. Corporations and/ or industries that are highly leveraged due to the cost of the equipment used in business or the high cost of inventory that must be maintained (e.g. an automobile dealership) are put at an unfair disadvantage. Accordingly, it would be possible for two similarly profitable companies in similar industries to have significantly different tax burdens entirely based on how they financed their growth.

Prior to 2016, the Government of Canada had laid out plans to further increase the benefits of the SBD by lowering the tax rate on that \$500,000 from 11% to 9% by 2019. As of 2016, this rate fell to where it currently sits at 10.5%<sup>51</sup> according to that plan, but has been frozen at this value by the current government since then.

In addition, with the introduction in 2006 of the Eligible Dividend regime and the General rate income pool, private companies retain more profits within the corporation. While this has been a positive change, it will have the unintended consequence of increasing a company's taxable capital and serve to only exacerbate the growth disincentive that is created by the current limitations of the SBD.

## **Recommendation**

That the federal government remove the \$10 million taxable capital limitation to the Small Business Deduction.

## **Stop the Harmful Tax Changes on Private Corporations**

### **Issue**

On July 18 2017, Finance Canada launched a consultation on proposals to stop "tax-planning strategies involving corporations which are being used to gain unfair tax advantages." These changes will have a significant impact, raising taxes and increasing the administrative burden on thousands of businesses across Canada. The following policy will lay out several of the primary issues these proposed changes will create and outlines a recommendation for moving forward.

### **Background**

First and foremost, it is very unfortunate that the federal government has chosen to position this in terms of "fairness" and "loopholes." The tax strategies being followed date back to the 1960s and have been refined and tested over many decades. The federal government has engaged in rhetoric that divides the country, directly stating that small business owners do not "contribute" to the wellbeing of the country and implying poor character on their part if they employ tax planning strategies that were established many years ago, to encourage the growth and sustainability of innovation and entrepreneurship and to compensate small business owners for the higher level of risk they undertake in their venture, compared to that of an employee.

In consultation with the business community as well as tax professionals across the country, the following issues have been raised:

- The "employment" of family members of small business owners is hardly comparable to that of a standard employee. The roles and responsibilities are dynamic and vary dramatically with the stage of the business, time or year, skill set of the owner/operator, etc. The number that CRA deems to be a "reasonable" level of compensation for a specific role may not be reasonable given the demands on the individual's time and capacity, and certainly do not take into effect the risk that the family is taking on, frequently having to pledge jointly owned assets to support the growth of the business.
- There is no established standard by which this "reasonable" test will be measured. In many cases, it will come down to the specific CRA employee who is reviewing a file. In areas such as taxation, clarity and consistency are essential. This subjective approach will lead to inconsistency, disputes, and excessive levels of appeals that will tie up valuable resources, both on the part of the business as well as with the CRA.
- The tax deferral on portfolio investment inside a corporate is essential to the health and growth of businesses. We have been told by many business owners that this "rainy day fund" was what saved their

<sup>51</sup> <http://www.taxplanningguide.ca/tax-planning-guide/section-1-businesses/the-small-business-deduction/>

businesses and their personal assets when they went through the inevitable downturn or has allowed them to make large capital investments to grow their business.

- In addition, this taxation on portfolio investment will result in a significant hit to those business owners who have already retired, with the intent of living off these funds for their retirement. To raise the tax to the level proposed by the government will, in many cases, cut retired business owner's income in half, putting their carefully planned retirement situation in jeopardy.
- We also note, with interest, that the proposed changes to taxation on portfolio investment only apply to privately owned corporations and do not extend to those publicly traded.
- Finally, the changes to tax planning strategies on capital gains is detrimental to those looking to sell their business, particularly to pass it along to their children. With an aging population, it is a well-established fact that a substantial wealth transfer is taking place, with many business owners actively pursuing exit strategies. The Chamber is also well aware that acquisition of these businesses is a substantial challenge for a number of reasons, but certainly due to challenges in accessing capital to acquire the business. Family based succession planning is one of the more obvious solutions to this issue, yet it seems to be the strategy specifically targeted by the federal government in the contemplated changes with a doubling of taxes in the event to transfer to children.

## **Recommendations**

That the federal government:

1. Extend the current consultation period beyond October 2, 2017 so as to ensure broad participation by Canada's SME community.
2. Establish a royal commission to undertake a comprehensive review of taxing statutes guided by the principles of simplification and modernization, as well as having the goal of reducing compliance costs to make Canada a competitive tax regime once again.
3. Establish a standing committee with active representation from the SME community to support the commission by continuously monitoring changes and publicly reporting progress at least annually.

## **The Locked-In Estate Trust - A Response to Canada's Retirement Income Challenges**

### **Issue**

The Canadian Chamber of Commerce recognizes the severity of the pension reform issue in Canada and at its 2010 AGM adopted a policy entitled, "The Base Principles of Pension Reform". There looms a pension crisis for Canadians in the near future. The federal government will be unable to fund the pension requirements of the baby boomer retirees let alone the requirements of subsequent generations.

### **Background**

A Locked-in Estate Trust (LIET) is one solution that would allow for individuals to privately fund LIET's with the money being held in trust for the future benefit of the named beneficiaries of the LIET. Our federal and provincial finance ministers are seeking solutions to protect older Canadians from income shortfalls during their retirement years, but there are few solutions on the horizon. At the same time, many older Canadians, through hard work and extraordinary windfalls in the housing market, find they have accumulated a great deal of wealth, but ironically, have little cash flow to supplement their own retirement.

According to Decima Research, it is estimated that as much as \$1 trillion dollars will pass to the next generation of Canadians through estate transfers. More than 50 per cent of the children of baby boomers expect to receive \$283,000 on average. Acutely aware of the value of their estates, many older Canadians have concerns about the wisdom of passing on such large lump sum estates to children and grandchildren.

Creating a new financial instrument could provide seniors with income now from their valuable estates and at the same time allow them to utilize family wealth to ensure that their children and grandchildren are able to receive private pension income when they retire. This could be fashioned similarly to the Charitable Remainder Trust which is widely used and promoted in the United States.

A LIET would provide a creative solution to our specific demographic quandary in which the size of the retired population will soon far outweigh the ability of the working population to adequately sustain it. It also has the potential to remove some of the well documented and anxiously anticipated strain on the government's ability to provide Old Age Security and Guaranteed Income Supplement funding to Canadian seniors as the baby boomer bulge exits the workforce. Furthermore, a LIET would provide an investment vehicle that could ensure financial independence for subsequent generations of Canadians.

In recognition of the importance of responsible federal fiscal policy, the federal tax revenue will actually be enhanced by this account on a deferral basis. Typically, contributions to the LIET will result in a deferral of capital gains tax of which only 50 per cent of the gain is taxed, whereas the subsequent withdrawal can and will be taxed as 100% regular income at the current marginal tax rate resulting in incrementally larger revenue tax stream.

Furthermore, this account could be used for the generational transition of small business interests similar to a "Family Trust" with this inclusion of limiting access to the revenue and pension income by the beneficiary until the beneficiary is at age 55.

Large pools of wealth in private portfolios transferred to a LIET would have the potential to significantly reduce the drain on government pension resources. It could also represent significant tax savings to individuals who make a decision to move wealth into a LIET.

The LIET would work similar to already available trust vehicles (e.g., the Charitable Remainder Trust) but with tax advantages to the donor or the settler, such as a non-refundable tax credit based on the amount transferred into the LIET. Funds inside the LIET would be allowed to accumulate tax free and be professionally managed and guided by a conservative investment strategy.

The donor would be permitted to access a percentage of the income generated by the LIET while they remain alive.

Named beneficiaries of the LIET would only be allowed to withdraw a legislated percentage of the capital and income of the LIET after age 55, similar to Locked-In Retirement Accounts (LIRAs). This would ensure the long term viability of the LIET for future generations.

Because of the tax advantages, the decision to create a LIET would be made by the donor before death and would be an irrevocable decision or the LIET could be created as a Testamentary Estate Trust (after death).

It is anticipated that the tax foregone (by the granting of a tax credit to the donor and by a deferral of a valuation of the donor's estate) is far outweighed by the reduction of costs related to pension benefits over the long term and the reduction in the benefits payable under Old Age Security and other government programs such as income tested health care and Guaranteed Income Supplement.

## **Recommendation**

That the federal government convene a special committee to determine the feasibility of implementing a Locked-in Estate Trust in the context of Canada's overall pension plan framework and that this study and review be completed within a 2- or 3-year period.

# Update Federal Small Business Financing Program to Better Serve Remote SMEs

## Issue

The federal Small Business Financing Program (SBFP) offers an incentive to financial institutions to provide loans to small and medium-sized businesses (SMEs) that might otherwise not be considered eligible due to their risk profile, e.g., lack of credit history. Through the SBFP, the federal government shares the risk with lenders.

However, there are some requirements of the SBFP that make it extremely difficult – sometimes impossible – for SMEs in remote locations to participate in the program when – if located elsewhere – they would be able to do so.

## Background

The SBFP is available to for-profit businesses in Canada with annual revenues of less than \$10 million. The maximum eligible loan amount is \$1 million. Under SBFP, the federal government will underwrite financial institutions' losses (e.g., for re-payment defaults, damaged equipment, etc.) only if the financial institution conducts a site visit within 90 days of the final disbursement of funds. While the loan could technically be advanced without a site visit by the financial institution, under the [Canada Small Business Financing Act](#), any associated claim for loss would not be payable should the security not be enforceable. For example, should financed equipment be destroyed, the financial institution would have no right of claim if it hadn't completed a site visit. The Act states:

"If the primary security taken by the lender on an asset is not enforceable, the Minister will pay the associated claim for loss, provided the following conditions are met:

- o The lender or its agent performed an on-site visit of the borrower's small business premises between the date that the loan was approved and 90 days after the final disbursement under the loan agreement.
- o The lender or its agent confirmed that the financed assets under ss. 5(1) were delivered to and installed at the borrower's small business premises."

These conditions pose a roadblock to SMEs in remote locations and the financial institutions that might otherwise provide much needed capital to them to start and/or grow their businesses.

An example is Nunavut. The requirement to complete an on-site visit within 90 days of final disbursement is not viable in the few communities where financial institutions have staff on the ground, let alone the dozens where they do not. This is because of the fact that equipment – which must be paid for when it leaves the manufacturer – is shipped from southern Canada during the annual sea lift (July-September). This means the financial institution could well have to forward the funds a lot more than 90 days before the equipment can be delivered to the business. Given the distances involved (thousands of kilometers in Nunavut), it is not feasible for financial institutions to have qualified and independent agents available in all communities to verify delivery on their behalf. The result has been that the SBFP has all but ground to a halt in Nunavut. The same is true for other remote locations throughout Canada that do not have financial institutions located in or near their communities. The Canada Revenue Agency CRA defines remote locations in its list of prescribed zones for each province and territory (<http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lms248-260/255/zns-eng.html>).

The barrier posed by the site visit requirement is a potential roadblock for SMEs in remote locations throughout Canada where the distances and logistics can make the SBFP on-site visit requirements a deal-breaker. Given the digital tools, e.g., bar code tracing, photographs, videos and e-mails available to businesses and financial institutions to verify such things as equipment deliveries, this requirement is unnecessary.

## Recommendations

That the federal government amend the Canada Small Business Financing Act by:

1. Eliminating the requirement for on-site visits by financial institutions to SMEs in remote locations as defined in the Canada Revenue Agency's list of prescribed zones for each province and territory and permitting the use of bar codes, photographs, videos and e-mails.
2. Extending the verification timeline following the final disbursement of funds to 180 days for SMEs in remote locations to allow for sufficient time for the shipping / transportation of equipment/materials and their installation.

# HUMAN RESOURCES AND IMMIGRATION

## Attracting and Retaining International Students through Canadian Work Experience

### Issue

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

### Background

Canada needs to grow its population, lower its average age, and increase the number of skilled workers to fill key positions that enable business growth. Indeed, the latter has been a Canadian chamber priority for several years and is an issue in every province and territory. Per the chamber's 2015 Top 10 Barriers to Competitiveness: "Currently Canada is not producing enough graduates with the skills needed for its economy. Canada has shortages and high demand forecast in a wide range of occupations, from heavy equipment operators to information technology professionals, and its immigration policies are hindering employers' abilities to meet those needs in the short term."

Immigration has long been identified as a key component to present and future growth. This was borne out in the latest census data: Canada added approximately 1.7 million people between 2011 and 2016, with two-thirds of this increase attributable to immigration<sup>52</sup>.

The timing of a renewed Canadian effort to become a destination of choice for international students may never be better. With nationalist sentiments emerging and anti-globalist governments assuming control in some of Canada's top competitors for international students, we are in a position to capitalize on the increasingly attractive quality of Canadian post-secondary education. Post-secondary institutions have recognized this opportunity and are redoubling their efforts to attract more international students to their schools<sup>53</sup>. The Advisory Panel on Canada's International Education Strategy states "International students in Canada provide immediate and significant economic benefits to Canadians in every region of the country." The panel advocates for a doubling of the number of international students studying in Canada over the span of a decade, from just under 240,000 in 2011 to over 450,000 in 2022<sup>54</sup>.

Bill C-6, An Act to amend the Citizenship Act and to make consequential amendments to another Act<sup>55</sup>, which passed the Senate (with amendments) on 3 May 2017, will partially address some of the pertinent issues for international students, for example:

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

<sup>52</sup> Statistics Canada. *Population size and growth in Canada: Key results from the 2016 census*. February 8, 2017. Accessed online: <http://www.statcan.gc.ca/daily-quotidien/170208/dq170208a-eng.htm>

<sup>53</sup> The Globe and Mail. *Canadian Universities See Surge of International Students*. May 15, 2017. Accessed online: <https://www.theglobeandmail.com/news/national/education/international-admissions-to-canadian-universities-see-significant-increase/article34984977/>

<sup>54</sup> *Canada's International Education Strategy: Harnessing our Knowledge Advantage to Drive Innovation and Prosperity*. 2014. Accessed online: <http://international.gc.ca/global-markets-marches-mondiaux/assets/pdfs/overview-apercu-eng.pdf>

<sup>55</sup> <https://openparliament.ca/bills/42-1/C-6/?tab=mentions>



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

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

- Ineligible for the Canada Summer Jobs program
- Co-op terms and internships require a separate work permit for international students
- After graduation, international students have only 90 days to find employment before requiring a cumbersome bridge extension study limit outside of Atlantic Canada
- Bill C-6 will count the time spent as an international student count towards citizenship eligibility at a rate of one half day for each full day of studies (previously this was zero)

International students are particularly desirable immigrants because of their age, skills and their economic impact (as students). Global Affairs Canada estimates that international students spent \$11.4 billion on tuition, accommodation and discretionary spending in 2014, creating almost 125,000 jobs across the country<sup>56</sup>. At this time they represented about 9% of the college student population and 8.8% of the undergraduate student population in Canada - leaving room for significant growth<sup>57</sup>.

That international students are allowed to work at all in the country is a relatively new development. Following a pilot program offering a work permit to international students at select institutions in Alberta, the Government of Canada formalized this work permit option in 2006. As a result, international students were allowed to work up to 20 hours per week while in-study and full-time during study breaks, such as winter or summer holidays<sup>58</sup>. However, these rules only apply to full-time students; part-time international students are still ineligible to work in Canada.

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

## Recommendations

That the federal government:

1. Allow international students to qualify for the Canada Summer Jobs program.
2. Modify student permits to allow international students to participate in co-op terms and internships without obtaining a separate work permit.
3. Extend post-graduate job-search period from 90 days to 6 months, thereby eliminating the need for a 'bridge' extension study permit.

<sup>56</sup> Government of Canada (Global Affairs), *Economic Impact of International Education in Canada - 2016 Update*. July 2016. Accessed online: <http://www.international.gc.ca/education/report-rapport/impact-2016/index.aspx?lang=eng>

<sup>57</sup> *International students in tertiary education and distribution of international enrolments, by level of tertiary education, Canada and provinces, 2014* (Ottawa: Statistics Canada, 2014). Accessed online: <http://www.statcan.gc.ca/pub/81-604-x/2016001/t/tblc1.1-eng.htm>

<sup>58</sup> Citizenship and Immigration Canada, *Backgrounder - Off-Campus work permit program*. September 12, 2007. Accessed online: <http://www.cic.gc.ca/english/department/media/backgrounders/2007/2007-09-12.asp>

<sup>59</sup> Government of Canada (Immigration and Citizenship), *Work off campus*. February 3, 2015. Accessed online: <http://www.cic.gc.ca/english/study/work-offcampus.asp>

4. Count all time spent in Canada as an international student towards citizenship eligibility (i.e. increase from half time to full time).
5. Change the length of time for which a post-graduation work permit can be valid to five years (from the current three years), regardless of the program of study, so long as it was at a recognized Canadian academic institution.
6. Expedite the process for international students to receive visas as well as the processing times for their permanent residency applications so long as they graduated from a recognized Canadian institution and are currently employed within Canada.

## Creating a National Employer-Driven Immigration System

### Issue

Several areas of Canada outside the major urban centres are facing a demographic challenge that is resulting in a critical labour skills shortage. The federal government can address this issue by creating a permanent, national expedited immigration system modelled after the Atlantic Immigration Pilot that meets the needs of business.

### Background

Statistics Canada 2016 Census data show that many non-major urban areas of the country are struggling to grow their population. The four Atlantic Provinces, Quebec and British Columbia all have more than 18 per cent of their population over the age of 65. Based on a medium-growth scenario, StatsCan forecasts the percentage of citizens older than 65 will grow to close to 25 per cent by 2036.<sup>60</sup> A stagnant and aging population poses a significant challenge to economic growth – fewer new businesses are created and existing businesses have a more difficult time recruiting labour talent.

With several provinces facing a declining birth rate and an aging population, these jurisdictions are increasingly looking abroad to bolster their population and meet labour force needs.

The federal government, with support from the provinces and territories, has responded in recent years by attempting to create an expedited demand-driven entry system for newcomers. This has included development of an Express Entry program in 2015 under which skilled workers seek permanent residency.

The federal government launched a new program in March 2017 called the Atlantic Immigration Pilot. This program will allow an additional 2,000 immigrants to settle in the four Atlantic Provinces in 2017. All applicants arriving under the Pilot must have a job offer from a designated employer and an individualized settlement plan (created by the employer and an accredited settlement agency) for them and their family. Employers who extend a job offer to immigrants under this program do not require a LMIA. The Pilot has a three-year term.

The Pilot program has achieved some early and substantial success. By the end of June – three months after the Atlantic Immigration Pilot was launched – 454 employers in the four Atlantic Provinces had been designated under the program with 2,830 positions identified to be filled.<sup>61</sup> Atlantic Canada is not alone in requiring such an expedited immigration system to meet population and labour skill needs.

<sup>60</sup> Statistics Canada 2016 Census: <http://www12.statcan.gc.ca/census-recensement/2016/rt-td/as-eng.cfm>

<sup>61</sup> New Brunswick Department of Post-Secondary Education, Training and Labour – Population Growth Division, Nova Scotia Office of Immigration, Prince Edward Island Department of Economic Development and Tourism – Office of Immigration, Newfoundland and Labrador Department of Advanced Education, Skills and Labour – Office of Immigration and Multiculturalism

## Recommendations

That the federal government address the demographic and labour skills needs of Canadian business by:

1. Building upon the early success of the Atlantic Immigration Pilot by extending the pilot on a national basis in 2018;
2. Applying lessons learned from these pilot programs nationally to help develop permanent flexible and streamlined employer-driven programs that meet immigration and labour skills needs on a provincial/territorial basis;
3. Including provisions in the program to further partner with business when establishing settlement plans, and to expedite financial support for integration services and other retention programs to match demand to ensure the long-term success of immigration efforts in all provinces and territories.

## Improving the Canada Summer Jobs Grant

### Issue

The Canada Summer Jobs Grant has been put in place to provide funding to further assist employers to create summer job opportunities for students. It is intended to focus on local priorities, while helping both students and communities. Canada Summer Jobs supports local organizations, including those that provide important community services. The program recognizes that local circumstances, and community priorities wildly vary. It is designed to create summer jobs for young people aged 15-30 who are full time students intending to return to their studies in the following school year.

While the program is well utilized, many employers are facing issues with late notice of approval, decreased participation due to funding for inadequate number of weeks, and vacant positions because of the age of eligibility for the program.

### Background

The Government of Canada announced on February 12, 2016 that it would double the number of summer jobs from over 34,000 in 2015 to nearly 70,000 in 2016, 2017, and 2018. The new funding was to be allocated to Canada's 338 constituencies based on the most recent Labor Force Survey and Census. Communities with higher rates of unemployed students were meant to receive a greater allocation than constituencies with lower levels of unemployed students. The yearly budget for Canada Summer Jobs increased by up to \$113 million for three years, beginning in 2016-17.

The program allows applicants to apply for students from 6 to 16 weeks, however since 2016, employers are only being approved for 9 week placements. This is making it difficult for employers to find students, specifically those enrolled in post-secondary programs, to fill the spaces, and for students to consider taking positions that would give them field related experience because they would have to find further employment after the placement is over. In some cases, employers approved for funding for 9 weeks requested the placement be increased to 16 weeks and were told that this is not possible.

The Canada Summer Jobs program is a valuable program and well worth the effort for businesses and organizations to participate in. The application process is relatively straight forward, however the amount of time it takes for a response also creates challenges in hiring students. Prior to 2016, the application deadline was March 11th, 2016 and applicants were informed of the outcome in April. By this time, many eligible students had already secured summer employment, leaving businesses scrambling for staff for their summer programs or hiring and training students during their peak busy season. In 2016, the application deadline was moved to January 20, 2017, presumably to

resolve this issue but the deadline was then extended to February 3, 2017 and businesses were once again left waiting as late as May 2017.

Employers approved for funding must agree to hire youth who are:

- Between 15 and 30 years of age at the start of employment,
- Registered as full-time students in the previous academic year and intending to return to school on a full-time basis in the next academic year,
- Canadian citizens, permanent residents, or have official refugee protection status under the Immigration and Refugee Protection Act,
- Legally entitled to work in Canada in accordance with relevant provincial or territorial legislation and regulations.

Applications are assessed and participating Members of Parliament ensure that local priorities are reflected, using a variety of criteria. Many employers have no trouble finding students who fit the criteria for eligibility but in some areas, there are many students that fit all but the age requirement and there are no students that do, leaving students without jobs and employers without staff. There are currently no programs for employers to employ mature students looking for work experience.

## **Recommendations**

That the federal government:

1. Align the amount of approved weeks of funding with the needs of the employer.
2. Make the current application submission in December and inform businesses in February of the result of their application.
3. Allow the criteria for eligibility to include any full-time student of any age, returning to full time studies in the following year.

## **References**

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- <http://news.gc.ca/web/article-en.do?nid=1180449>
- <http://pm.gc.ca/eng/news/2016/02/12/doubling-canada-summer-jobs-program>
- <https://www.theglobeandmail.com/news/national/trudeau-gives-big-boost-to-canada-summer-jobs-program/article28740799>

## **Improving the Temporary Foreign Worker Program**

### **Issue**

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

The Chamber network has watched, with growing concern, moves by the federal government to restrict businesses' ability to utilize the TFWP. Restrictions introduced under the previous government have been partially rolled back, such as the 4 in 4 out rule, but other issues such as the lengthy LMIA process have been kept or expanded.

## **Background**

### Modernizing LMIA applications

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

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

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

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

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

### Implementing the September 2016 TFW Review Recommendations

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

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

Further, the committee recommended that employers and employees be allowed to change the responsibilities and scope of employment, if both parties consent and those do not negatively impact the employee. This change would permit increased flexibility, and job advancement for workers which would benefit both employees and employers alike. The committee recommended that high-wage employees should be exempt from the transition plan requirements of the TFW program, which would lighten the regulatory burden.

Lastly, the committee recommended that IRCC and the federal government review pathways from the TFW program towards permanent residency. Temporary foreign workers are a valuable source of potential future Canadians, and facilitating their transition towards permanent residency and citizenship is a key step to growing Canada's economy and the nation as a whole.

### Retain flexibility for LMIA exemptions

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

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

## **Recommendations**

That the federal government:

1. Ensure that any further changes to the TFWP reflect the needs of the economy on both a regional and a sectoral basis.
2. Modernize LMIA applications and feedback by:
  - a. Increasing the use of online applications with streamlined forms.
  - b. Instituting an appeal process for denied LMIA applications.
  - c. Giving clearly detailed explanations to applicants when LMIA applications are denied.
  - d. Removing restrictions for full-time employment on the LMIA application.
  - e. Setting a maximum processing time for all LMIA applications.
3. Implement Recommendations from the September 2016 HUMA TFW Report by:
  - a. Reviewing the LMIA process to increase speed and efficiency.
  - b. Implementing a “Trusted Employer Program” to reduce processing times for applications.
  - c. Permitting contract modifications for TFWs if both parties consent, to alter agreed-upon wages or change duties.
  - d. Exempting high-wage TFWs from the Transition Plan requirement.
  - e. Reviewing pathways to permanent residency for any TFW fulfilling a permanent labour market need.
4. Expand the use of Global Skills Strategy categories for occupation-specific work permits for TFWs that are excluded from the requirement to apply for an LMIA.
5. Include industry representatives in TFW Working Groups prescribed in the Annex Agreements.

## **Increase Apprenticeship Completions in the Skilled Trades**

### **Issue**

Canada requires a talented community of skilled trades workers to drive our economic growth. As older skilled workers retire in increasing numbers over the coming years it is essential that younger skilled workers are trained and ready to replace them.

### **Background**

Canada needs to increase the number of certified skilled trades workers if it is to avoid shortages in the skilled trades. Older skilled workers, including journeypersons who train apprentices, will start to retire in rising numbers over the

coming years as the boomer generation ages and exits the labour market. For the apprenticeship system to replenish itself, more apprentices must become certified and move into journeyman roles, to begin training the next generation of apprentices.

While the percentage of registered apprentices increased in nearly all age groups between 2008 and 2013<sup>1</sup>, completion rates in apprenticeship programs were only 57.5% between 2011 and 2013 according to Stats Canada's National Apprenticeship Survey interviews conducted over this time period<sup>2</sup>.

The low completion rates are the result of at least two broad realities. "To some extent, this reflects people deciding the path isn't a good fit, something we also see with university and college students," notes Sarah Watts-Rynard, Executive Director, Canadian Apprenticeship Forum.<sup>19</sup> "Apprentices, however, also face the unique requirement to find and maintain employment. When contracts come to an end or the economy turns, apprentice training can quickly be derailed." It is worth noting that in Canada, as many as 77% of apprentices are employed by small firms who may lose their apprentice-employees to other larger firms, once apprentices achieve their certification.<sup>20</sup>

The issue of incomplete apprenticeships warrants attention for a few reasons. For sectors facing potential skilled shortages over the coming decade, the necessity for a higher completion rate and an increased pool of qualified workers is evident. In Alberta, Saskatchewan, and Newfoundland and Labrador, increases in job vacancy rates since 2009 have reflected high labour demand in certain occupations in the skilled trades.<sup>21</sup>

For the individual workers, completion matters to their income and economic outcomes. Statistics Canada researchers found that apprentices who complete their training and obtain certification earn wages that were 25% higher than those who had not completed their apprenticeship programs. These vacancies could expand as rising numbers of older workers retire in the next several years. Skilled labour shortages are a risk to the greenlighting of major projects and to overall economic activity across sectors.<sup>22</sup>

Over the past several years, the federal government has introduced a number of tax and financial measures to support apprentices directly. It also provides a tax credit to employers who hire apprentices in the first two years of an apprenticeship program.

To improve completions, the focus must extend to the later years of apprenticeship training. Among the policy options available to the federal government is the extension of the existing Apprenticeship Job Creation Tax Credit to the later years of apprenticeship training and increasing its value for these years. In the report *Economic Opportunities for Young Apprentices*, the House of Commons Standing Committee on Human Resources recommended the government explore whether to provide a grant to employers when apprentices complete their apprenticeship program.<sup>23</sup>

Whatever the financial incentive, the government will realize higher income tax revenues as increased numbers of certified skilled workers achieve higher taxable incomes and tax revenues offset the introduction of incentives for employers. Another simplified tax option for small business employers would be a payroll break. Any incentive for SMEs to seek innovative solutions for their businesses, including the retention of apprenticeships, would be important given their integral role in training skilled trades workers.

## **Recommendation**

That the federal government create a financial incentive for those employers who retain apprentices in their third or fourth year of training, to support the policy goal of increasing the number of certified trades workers. This incentive should be in addition to (and not in lieu of) the existing tax credit for employers for their level 1 and 2 apprentices.



## Invest in Labour Market Information to Close the Skills Gap

### Issue

The skills gap and mismatches in Canada are challenging employers, educators and governments to respond. As they navigate skills shortages, changes in skills requirements and the future of the labour force, each are coming up against shortfalls in the utility and accessibility of labour market information (LMI). Employers continue to report significant skills shortages, and hard evidence is needed to critically analyze the basis of these shortages, determine areas of concern, and develop related strategies. Unfortunately, Canadian employers and policymakers currently lack sufficiently granular and reliable LMI in several areas, especially at the local level. Despite steps taken, there is remains more work to be done.

### Background

The inadequacy of LMI is a critical gap for policy makers who depend on this information to help inform their decision-making on programs such as the Temporary Foreign Worker Program or Employment Insurance. Besides policymakers, accurate and accessible labour market data is also a vital tool for employers, job seekers and educational institutions for planning their education, future careers and geographic region to work in. Employers are interested in LMI for a number of different reasons: to understand the availability of workers in their community, to find the people that match the skills they need and for their human resources planning.

Stakeholders continue to cite the lack of good LMI as a challenge, such as the feedback from the 2016 pre-budget consultations<sup>62</sup>, where stakeholders called for better LMI, the need for sustainable funding and better data on learning outcomes. The Advisory Panel on Labour Market Information led by economist Don Drummond in 2009<sup>63</sup>, the 2012 report on labour and skills shortages by the House of Commons Human Resources Committee, Colleges and institutes Canada<sup>64</sup>, Polytechnics Canada<sup>65</sup>, and Universities Canada<sup>66</sup>, and others have recommended the introduction of better and more user-friendly LMI. The current government has made clear commitments to evidence-based policy<sup>67</sup>, and fulfilling that promise requires better data.

The lack of localized context and sector-specific information makes it extremely difficult for employers such as SMEs to get an accurate picture of the trends across their respective sectors. According to the 2014 auditor general's report, Canada requires more specific job classification categories so as to identify vacancies for individual occupations.

Other federal resources related to LMI are in need of greater detail and timeliness. Currently, the National Occupation Classification (NOC) is only fully reviewed every 10 years, with limited updates every five years. As a result, it is often outdated and unable to provide consistently reliable data. This could be further enhanced by examining the benefits of a competency-based occupational measurement system, or skills-based systems, such as that detailed in the Canada West Foundation report of 2017, similar to those systems such as the European Qualifications Framework<sup>68</sup>.

Measurements that monitor the employment outcomes of different programs could be expanded, and make use of existing datasets such as tax filing, student loans, and post-secondary institution records, as well as non-governmental sources of data such Magnet, Linkedin, or Burning Glass. Examples of projects in this area include the

<sup>62</sup> <http://www.parl.gc.ca/content/hoc/Committee/421/FINA/Reports/RP8137950/finarp02/finarp02-e.pdf>

<sup>63</sup> Drummond, Don. "Wanted: Good Canadian Labour Market Information." Institute for Research and Public Policy. June 11, 2014. <http://irpp.org/research-studies/insight-no6/>

<sup>64</sup> <https://www.collegesinstitutes.ca/policyfocus/advanced-skills/>

<sup>65</sup> <http://www.polytechnicscanada.ca/media-centre/news/ahead-budget-2017-nobina-robinson-calls-better-labour-market-information>

<sup>66</sup> <http://www.univcan.ca/media-room/publications/mobilizing-people-ideas-innovative-inclusive-prosperous-canada/>

<sup>67</sup> <https://www.liberal.ca/realchange/making-decisions/>

<sup>68</sup> Lane, Janet and Jeff Griffiths, Matchup: A Case for Pan-Canadian Competency Frameworks, Canada West Foundation, Feb 2017, Calgary AB, Canada, [http://cwf.ca/wp-content/uploads/2017/02/HCC\\_Matchup\\_Report\\_11FEB2017\\_WEB.pdf](http://cwf.ca/wp-content/uploads/2017/02/HCC_Matchup_Report_11FEB2017_WEB.pdf)

EPRI project at the University of Ottawa<sup>69</sup>, and the US-based “College Scorecard”<sup>70</sup>, showing the potential insight offered through a larger dataset. These programs could be further refined by examining the diversity of learning pathways that students are taking and accounting for all qualifications they receive (degrees, certificates, post-graduate diplomas, and others) and the order they receive them in.

The government has announced initiatives around using the Forum of Labour Market Ministers (FLMM) to improve LMI data<sup>71</sup>, and budget 2017 also contained reference to the suggestion from the Advisory Council on Economic Growth’s plan for the “Future Skills Lab”<sup>72</sup>, investing \$225 million over four years on initiatives around skills development<sup>73</sup>. However, the outcome of these announcements has yet to be seen. Considering the importance of this issue, and the need for a rapid response to the changing demands of the labour market, these initiatives should be supported and continue, but with close supervision to ensure that they are making progress and having an impact on the creation and dissemination of LMI.

## Recommendations

That the federal government, in collaboration with the Forum of Labour Market Ministers (FLMM):

1. Continue to expedite the planned creation of a new organization, such as the proposed Future Skills Lab, focused on collecting and analyzing Labour Market Information (LMI) so that it is operational no later than December 2018.
  - a. The business community should continue to be consulted throughout its development, as well as involved in overseeing the operations of this organization and providing ongoing direction.
2. Through the Future Skills Lab (or equivalent), and other existing organizations, expand national understanding of the supply side of the labour market and educational attainment relative to employment demand by leveraging the data that already exists within post-secondary institutions. This would be achieved by:
  - a. Reviewing and sustaining the National Graduate Survey and the Five-Year Follow-up of Graduates on a longer-term basis, and extending data on work-integrated learning, and better tracking alternative pathways to education.
  - b. Expanding Projects such as the Educational Policy Research Institute’s methods of linking student records to tax data<sup>74</sup>
  - c. Working with provincial and territorial governments to request additional student survey and employment data from publicly funded post-secondary institutions
  - d. Investing in timely, careful analysis of this education data, with a particular focus on learning outcomes, pathways, and quantity of students/graduates in high demand occupations
  - e. Invest in applying and expanding tools that are currently available to the government, namely:
    - i. The Job Vacancy Survey which could be improved to reflect vacancies by occupation at the local level, and/or supplemented by means of job bank data, with an aspirational goal of reaching “real time” job vacancy data.
    - ii. The Workplace and Employee Survey, which could be reintroduced and upgraded
    - iii. The Youth in Transition Survey, which could also be renewed and run on a regular predictable schedule.

<sup>69</sup> Educational Policy Research Initiative, EPRI-ESDC Tax Linkage Project, <http://www.epri.ca/tax-linkage>

<sup>70</sup> <https://collegescorecard.ed.gov/>

<sup>71</sup> Forum of Labour Market Ministers, <http://www.flmm-fmmt.ca/english/View.asp?mp=909&x=927>

<sup>72</sup> Advisory Council on Economic Growth, Building a Highly Skilled and Resilient Canadian Workforce through the FutureSkills Lab, February 2017, <http://www.budget.gc.ca/aceg-ccce/pdf/skills-competences-eng.pdf>

<sup>73</sup> Budget 2017, “Investing in Skills and Innovation”, March 22<sup>nd</sup> 2017, Ottawa ON, <http://www.budget.gc.ca/2017/docs/plan/chap-01-en.html#Toc477707312>

<sup>74</sup> Educational Policy Research Initiative, EPRI-ESDC Tax Linkage Project, <http://www.epri.ca/tax-linkage>

- f. As a matter of priority, reviewing and reporting publicly within one year.
3. Improve the relevance of the National Occupation Classification (NOC) by reviewing it comprehensively every five years rather than every 10 years.
  - a. Further, examine the potential impact of competency-based and skill-based occupational measurement systems, to better examine the skills available in Canada's labour force and the requirements of various jobs, separate from formal qualifications.
4. Improve the dissemination and marketing of all available data, including those available from provincial, territorial and local sources, and integrate existing data from employers, educators and jobs banks.
  - a. Ensure that the data be made accessible/available/public to Canadians, especially Canadian employers, but also to learners, parents, career development practitioners (CDPs) in public schools, post-secondary institutions and career and employment centres. Local Chambers of Commerce can have a potential role in explaining the benefits of these resources and helping businesses navigate through them.
5. Establish formalized partnerships between provinces, business, industry, academic institutions and the public sector to share labour market data, avoid duplication and to collaboratively strategize on labour market challenges. The Forum of Labour Market Ministers should have a role in facilitating this coordination.
6. Require either ESDC and/or Statistics Canada to begin collecting and publishing more localized and regionally based labour market information. Specifically, ensure labour market indicators are collected at the census metropolitan area (CMA) level.

## Manufacturing a Skilled Workforce

### Issue

In the Canadian Manufacturers & Exporters (CME) Industrie 2030 report, 35% respondents to a Management Issues Survey indicated that attracting or retaining skilled labour was one of their three most pressing challenges.<sup>75</sup> This topped the list of all possible responses. Further, CME reports that close to 60% of businesses anticipate skilled labour shortages in 5 years. There are multiple strategies to attract youth to trade programs and to attract skilled immigrants. A third approach may be required to meet the growing skills gap: a flexible, easily accessible incentive program for employers to upgrade the skills of existing employees and potential hires to meet their specific skill requirements.

### Background

A Google search for "Canadian skills gap" yields about 349,000 results, mostly news-media and "grey" literature articles. Anecdotally, employers decry the lack of skills, which leave positions unfilled. Unemployed or underemployed university graduates decry the lack of opportunities in their fields. Industry associations, such as CME, advocate for developing a stronger skilled workforce in Canada as part of their Industry 2030 reports.<sup>76</sup>

Loosening immigration and temporary foreign worker regulations to assist employers access skilled labour or introducing the trade careers earlier in the education stream to foster a change of perceptions regarding employment prospects are often proposed. One concept that has yet to be brought forward in any substantive form is using tax credits to provide incentives for personal or in-house training.

<sup>75</sup> Industrie 2030, Manufacturing Growth, Innovation and Prosperity for Canada, CME, CMC. 2016. P.15. [www.industrie2030.ca](http://www.industrie2030.ca)

<sup>76</sup> Industrie 2030, Manufacturing Growth, Innovation and Prosperity for Canada. CME, CMC. 2016. P.20. <http://www.industrie2030.ca/>

Despite a variety of programs, grants and tax incentives there is no over-arching flexible opportunity to encourage employers and employees to work together to fill any skills gap. Employers spend less on training than in previous decades<sup>77</sup> and attracting good workers has become challenging since wages have stagnated.<sup>78</sup>

There are a number of programs that provide some incentives through grants and other tax credits, however they are limited in various ways to specific demographics and circumscribed circumstances. The Canada – BC Job Grant provides up to \$10,000 to employers per employee. However, the grant only applies to certain demographics, is available for a certain period of the year (April through August), must be applied for well in advance of that training period, and it comes in the form of a reimbursement for only two-thirds of the cost requiring the employer and/or employee to pay for tuition up front.<sup>79</sup> There are tax credits available through WorkBC for very specific industries and activities.<sup>80</sup> There is a federal wage subsidy program for youth only.<sup>81</sup> And for older workers, there is an employment assistance program for re-training – but only if the worker is unemployed, in a community experiencing high unemployment or economic downturns.<sup>82</sup> The best program by far is the Training Tax Credit for apprenticeships through ITA.<sup>83</sup>

The targeted nature of grants and credits are very helpful to employers to onboard minorities and the sometimes hard to employ. However, if an employer requires a very specialized skill set and has an employee who, with a bit of training, could fill the gap, there is little to support either party, particularly for small to medium sized entities.<sup>84</sup>

Employees, whether full or part-time, in their chosen career or underemployed based on their degree attainment bear some responsibility for their own training, but many are caught with student debt and minimum wage positions.<sup>85</sup> Workers cannot gain experience because employers are reluctant to take on those who may require additional skills mentoring. Full time workers with families are unable to shoulder the high cost of tuition that is required for them to keep up with the changing nature of their employment. This is particularly true for positions that are becoming more vulnerable with the rapid advances in technology.<sup>86</sup> Further, employees and/or students are eligible for a small tax deduction for tuition fees,<sup>87</sup> but effective January 1, 2017, related education and textbooks deductions were eliminated.<sup>88</sup>

Employers in Ontario were asked why they are reluctant to train, especially the small and medium enterprises who are not training their employees in any substantive manner. The Ontario Chamber of Commerce and Essential Skills Ontario (2014) concluded:

Employers are not training due to a couple of key factors, including cost, risk of turnover and ‘poaching,’ and a lack of human resource capacity. The success of employer-driven training programs is contingent on employer engagement. *It is vital that government design training and employment programs so that they overcome these barriers. Training and employment programs should be easy to access for businesses, offer flexible*

<sup>77</sup> Ontario employers spent \$1,200 in 1993 decreasing to \$700 in 2010. <http://www.conferenceboard.ca/infographics/skills-gap-info.aspx>

<sup>78</sup> Morissette, Rene, et al. The Evolution of Canadian Wages over the Last Three Decades. Statistics Canada – Analytical Studies Branch Research Paper Series. 11F0019M-No.347. <http://www.statcan.gc.ca/pub/11f0019m/2013347/part-partie1-eng.htm>

<sup>79</sup> <https://www.workbc.ca/Employer-Resources/Canada-BC-Job-Grant.aspx>

<sup>80</sup> Training Tax Credit <https://www.workbc.ca/Employer-Resources/Funding-and-Programs/Incentives-and-Tax-Credits.aspx>

<sup>81</sup> “Get Youth Working” for BC, 15-29 years old, provides a \$2,800 hiring incentive. <http://canadabusiness.ca/grants-and-financing/government-grants-and-financing/wage-subsidies/>

<sup>82</sup> Funding for Employment Assistance for Older Workers

<https://www.canada.ca/en/employment-social-development/programs/training-agreements/older-workers.html>

<sup>83</sup> <http://www2.gov.bc.ca/gov/content/taxes/income-taxes/corporate/credits/training/employer>

<sup>84</sup> Employer/employee tax deductions for scholarships, etc., “In this situation, the amount of the scholarship or bursary is considered to be employment income for the employee or former employee.” <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/dctn/ttn-eng.html>

<sup>85</sup> Dehaas, Josh. “Entry-level” jobs are getting harder to find. Macleans. April 5, 2014. <http://www.macleans.ca/work/jobs/entry-level-jobs-are-getting-harder-to-find/>

<sup>86</sup> Hennessy, Angela. “As well or better than humans”: Automation set for big promotions in white-collar job market. <http://www.cbc.ca/news/business/automation-jobs-canada-computers-white-collar-1.3982466>. February 28, 2017.

<sup>87</sup> Eligible tuition fees: <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lns300-350/323/lgbl-eng.html>

<sup>88</sup> Effective January 1, 2017, the federal education (a \$ amount x #of months) and textbook tax credits will be eliminated. <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lns300-350/323/menu-eng.html>

*training options to the workers who need it, and make room for not-for-profit and private service providers to play an intermediary role in the new training and employment system. [Emphasis added]*

Similarly, employers need to get more engaged in building the skills of their employees. Ontario's population is aging and our workforce is shrinking. Some 28 percent of OCC members are having trouble filling job vacancies....<sup>89</sup>

BC's situation of aging workers and the need for specialized skills would, no doubt, be similar to what the researchers for Ontario found. And, as listed, programs for BC employers are limited and at times difficult – more a challenge and a barrier than an incentive. Streamlining opportunities and simplifying application processes would greatly enhance the ability of employers, particularly the small and medium sized entities, to engage in developing their own workforce.

Employers no longer have the luxury of hiring a made-to-order employee as the nature of the labour force has changed; and, employees no longer have job security as the nature of their work is rapidly changing due to advances in technology. An over-arching strategy of incentives for skills-upgrading on the job would encourage employers and employees to fill their own gaps with their own resources, particularly when employees have the opportunity to tailor their skills sets to the need at hand.

## **Recommendations**

That the federal government:

1. Develop an easily accessible and understood portal to the tax credits and grants currently available for individually-funded and employer-sponsored education expenditures,
2. Expand tax credits and grants and be more flexible to assist businesses fill diverse and specific skills gaps as they emerge.

## **Marijuana and the Workplace: Ensuring the Safety of Workers and Businesses**

### **Introduction**

Drug impairment on the job is a complex challenge for employers at the best of times. With the pending legalization by the Federal government of recreational marijuana usage, employers are reviewing what they know and what they need to know to be prepared. With that purpose at the forefront, these recommendations encompass general and specific requests for clarity and guidance for employers large and small, unionized or not, safety-sensitive or not.

### **Background**

A preliminary review of recent (within the past 5 years) and relevant (Canadian) literature (including peer reviewed academic literature) reveals three general foci: adolescent usage concerns, non-alcoholic drug-impaired driving, and accommodation for medical marijuana usage. Workplace research is minimal and tends to be reliant on case law findings arising from appealed dismissals.

The recently released report of the Task Force on Cannabis legalization and Regulation, "A Framework for the Legalization and Regulation of Cannabis in Canada," likewise concerns itself with adolescence and impaired drivers. The section on workplace safety is 1½ pages and from which, three of the Task Force's 83 recommendations are relevant:

<sup>89</sup> Holmes, Andrea and Josh Hjartarson. Moving Forward Together: an Employer Perspective on the Design of Skills Training Programs in Ontario. Ontario Chamber of Commerce. 2014.

- Facilitate and monitor ongoing research on cannabis and impairment, considering implications for occupational health and safety policies,
- Work with existing federal, provincial and territorial bodies to better understand potential occupational health and safety issues related to cannabis impairment, and
- Work with provinces, territories, employers and labour representatives to facilitate the development of workplace impairment policies. (P. 29)

In April the Federal government introduced Bill C-45 respecting cannabis and set out the purpose of the Act to protect public health and public safety but does not specifically refer to the workplace.

In B.C., both the B.C. Human Rights Code<sup>90</sup> and WorkSafe BC have bearing on employment guidance. In the Human Rights Code, there is no specific definition for impairment; however, Section 13 (1) states “A person must not (b) discriminate against a person regarding employment or any term or condition of employment because of ... physical or mental disability...; nor can any person discriminate in regard to accommodation (Section 8) based on physical or mental disability without reasonable justification.” This is relevant to marijuana usage as drug dependence (addiction) is considered a disability.<sup>91</sup> Accommodation is required up to the point of undue hardship, where the cost of reasonable and practical steps are too difficult or expensive.<sup>92</sup> The bar for employers to prove this is very high.<sup>93</sup>

Worksafe BC regulations provides some guidance:<sup>94</sup>

#### 4.20 Impairment by alcohol, drug or other substance

- (1) A person must not enter or remain at any workplace while the person's ability to work is affected by alcohol, a drug or other substance so as to endanger the person or anyone else.
- (2) The employer must not knowingly permit a person to remain at any workplace while the person's ability to work is affected by alcohol, a drug or other substance so as to endanger the person or anyone else.
- (3) A person must not remain at a workplace if the person's behaviour is affected by alcohol, a drug or other substance so as to create an undue risk to workers, except where such a workplace has as one of its purposes the treatment or confinement of such persons.

Note: In the application of section 4.20, workers and employers need to consider the effects of prescription and non-prescription drugs, and fatigue, as potential sources of impairment. There is a need for disclosure of potential impairment from any source, and for adequate supervision of work to ensure reported or observed impairment is effectively managed.

While various guidelines exist and templates can be found for employers to use to develop onsite alcohol and substance use policies, (with caveats in the literature regarding which ones would be better), what is lacking in all the literature is clarity in definitions and clear guidelines for employers.

There are two separate issues to consider: medical marijuana users and recreational usage on the job. For medical marijuana, the rules are quite clear regarding accommodation. Insofar as an employer can, those with appropriate medical documentation are accommodated and only actual impairment at work, not usage, would be grounds for further action up to dismissal. The challenge is determining what constitutes impairment.<sup>95</sup> Under current Federal

<sup>90</sup> BC Human Rights Code [http://www.bclaws.ca/Recon/document/ID/freeside/00\\_96210\\_01](http://www.bclaws.ca/Recon/document/ID/freeside/00_96210_01) and <http://www.bchrt.gov.bc.ca/human-rights-duties/index.htm>

<sup>91</sup> Lynch QC, Jennifer. Human Rights and Employer Responsibility to Accommodate Disability in the Workplace, *Visions: BC's mental Health and Addictions Journal*, 2009, 5 (3), pp 9-10. <http://www.heretohelp.bc.ca/visions/workplaces-vol5>

<sup>92</sup> <http://www.bchrt.gov.bc.ca/glossary/index.htm#undue-hardship>

<sup>93</sup> Bhalloo, Shafik, and Alisha Parmar. Medical Marijuana in the Workplace – Don't Weed Out Your Employees Just Yet! *The Advocate*. 74, 2016. Pp 687-696

<sup>94</sup> <https://www.worksafebc.com/en/law-policy/occupational-health-safety/searchable-ohs-regulation/ohs-regulation/part-04-general-conditions#SectionNumber:4.20>

<sup>95</sup> Brown, Shelley. Road Map to Weed in the Workplace: legal Considerations as Legalization Approaches. *Canadian HR Reporter*; Oct 31, 2016. 29, 18 ProQuest. P.16



criminal law, the Access to Cannabis for Medical Purposes Regulations (ACMPR), medical marijuana patients must have a medical document from a health care practitioner to legally purchase and consume marijuana:

- 8 (1) A medical document provided by a health care practitioner to a person who is under their professional treatment must indicate
  - a) The practitioner's given name, surname, profession, business address and telephone number, facsimile number and email address, if applicable, the province in which the practitioner is authorized to practise their profession and the number assigned by the province to that authorization and, if applicable, their facsimile number and email address;
  - b) The person's given name, surname, and date of birth;
  - c) The address of the location at which the person consulted with the practitioner;
  - d) The daily quantity of dried marijuana, expressed in grams, that the practitioner authorizes for the person; and
  - e) The period of use.<sup>96</sup>

For medical marijuana usage, therefore, the challenge for an employer is to determine whether the documentation and allowable amounts can lead to impairment up to the point, as expressed by WorkSafe BC, of undue risk. This does not address potential decreased productivity, the impact of usage and/or accommodation on other employees, and the overall costs of accommodation even if not up to point of undue hardship. What employers and employees need is a workable definition of impairment, and a tool to assist in determining impairment, such as a universally applicable checklist for non-medically trained supervisors. Further, employers and employees, particularly those without an in-house Human Resources department – such as small and medium sized entities – would greatly benefit from having a readily identifiable regulatory authority that could provide consistent, standardized documentation and up to date information.

Recreational users (legalized or not) would be treated as other substance users and potential abusers, according to the literature.<sup>97</sup> However, again, it is the level of impairment, rather than usage itself, that provides grounds for employer action up to and including dismissal. Key to whether employers have any sway is the existence of written policies outlining a clear statement of drug usage on the job, the levels of graduated disciplinary steps, and an invitation for disclosure with accommodation considered. Recreational users may or may not be addicted – a determination that is difficult without self-disclosure; and addiction is considered a disability requiring accommodation. Until that point, an employer's "duty to accommodate does not extend to the point of accommodating an employee that is not properly medically authorized."<sup>98</sup>

### **Safe Workplaces**

In safety-sensitive workplaces, drug use can lead to serious injury or death. In its submission to the Task Force, national oil and gas safety association Enform stated that, "marijuana use is incompatible with working in a safety-sensitive environment."<sup>99</sup> Employers have both a legal and a moral obligation to provide safe workplaces. This legal requirement is enshrined in provincial occupational health and safety legislation, and in Section 217.1 of the Criminal Code. Ensuring workers in safety-sensitive roles are not impaired by legal or illegal substances is a key component of fulfilling that obligation.

### **Limitations on Testing**

Marijuana is a substance with complicated effects on the body, and legal substances like alcohol do not provide useful comparisons. Testing for alcohol impairment is straightforward – the quantity of alcohol in the bloodstream is a reliable indication of how intoxicated an individual is at the moment of testing. THC, the primary psychoactive component of marijuana, can remain in the bloodstream of users for days or weeks after the intoxicating effects have worn off. Furthermore, there is no "breathalyzer" equivalent for marijuana, which would provide a clear indication of

<sup>96</sup> <http://laws.justice.gc.ca/PDF/SOR-2016-230.pdf>

<sup>97</sup> Brown, Road Map. P.16

<sup>98</sup> Bhallo and Parmer, The Advocate. P.691

<sup>99</sup> [http://www.psc.ca/wp-content/uploads/Ltr-Marijuana\\_legalization\\_commission.pdf](http://www.psc.ca/wp-content/uploads/Ltr-Marijuana_legalization_commission.pdf)



current intoxication and impairment. Complicating matters further, there is no “.08” for marijuana, no standard legal limit or cutoff that can be used in impaired driving cases, for example.

The limits of testing technology have significant impacts on Canadian workplaces. *Entrop v. Imperial Oil* allowed random alcohol testing for safety-sensitive positions, but not random drug testing, because a breathalyzer can reliably prove current impairment, whereas drug testing techniques cannot.<sup>100</sup> This is further confirmed by the Canadian Human Rights Commission’s (CHRC) Policy on Alcohol and Drug Testing, which considers random drug testing an unreasonable infringement of privacy rights, as it cannot reliably determine current levels of impairment.<sup>101</sup> Under these guidelines, drug testing can only be carried out as a bona fide occupational requirement in safety-sensitive positions, with reasonable cause or after an accident has occurred.<sup>102</sup> As the federal government has not yet established a legal limit for marijuana impairment, or the necessary testing protocols, the validity of workplace testing has largely been left to the courts to decide. Federal legislation includes new provisions which would allow Cabinet to set *per se* limits for marijuana-impaired driving, similar to a 0.08 BAC for alcohol impairment. This is consistent with the advice of The Task Force, which recommended further investment and research into both a *per se* impairment limit and the development of a roadside testing protocol.<sup>103</sup> These innovations would serve as a major step towards rationalizing the conflicts that currently exist between an employer’s obligation to provide a safe workplace, and an employee’s right to privacy. We recommend that the research and development of impairment limits and roadside testing protocols be used to develop legal limits and testing protocols for safety-sensitive workplaces.

There are many guides and helpful suggestions available online. What is lacking, however, is clarity for employers along with guidance that provides assurance that the information by which they operate is best practice and in line with legislation in existence and anticipated.

## Recommendations

That the federal government:

1. Create a standard testing protocol to detect marijuana impairment, with legal limits for both traffic safety and workplace safety prior to the legalization of marijuana.
2. Work with provinces and territories to ensure consistent regulation across Canada.
3. Provide clarity for employers by developing regulations concerning the use of medical marijuana in the workplace and its impact on health and safety procedures in conjunction with relevant provincial and territorial regulators,
4. Consult with industry, business and their representative associations to identify standardized policies and processes to deal with medical marijuana requirements and recreational usage that may lead to impairment in the workplace, in a manner that balances the rights and responsibilities of employers with the privacy and rights of employees.
5. Allow a two-year implementation window to address the workplace safety recommendations contained within the Framework for the Legalization and Regulation of Cannabis in Canada.

<sup>100</sup> <http://www.canlii.org/en/on/onca/doc/2000/2000canlii16800/2000canlii16800.html>

<sup>101</sup> [http://publications.gc.ca/collections/collection\\_2009/ccdp-chrc/HR4-6-2009E.pdf](http://publications.gc.ca/collections/collection_2009/ccdp-chrc/HR4-6-2009E.pdf)

<sup>102</sup> *Ibid.*

<sup>103</sup> <http://healthy Canadians.gc.ca/task-force-marijuana-groupe-etude/framework-cadre/index-eng.php>

# Restoring Secret Ballot Voting for Union Certification

## Issue

The federal government has passed Bill C-4, legislation that restores the previous card check model for union certification for federally regulated work instead of a mandatory secret ballot vote. Moving back to card-based certification is a major step backwards in democratic processes and is inconsistent with almost every jurisdiction in Canada and the United States.

## Background

In June 2015, Bill C-525 came into force. This legislation required secret ballot voting for any certification or decertification of unions. This applied to employees in federal undertakings or business, parliament, and the federal public service.<sup>104</sup> This legislation ensured that any union certification would happen through a fair and democratic process that allowed all employees to have a say free from intimidation. What is more, this legislation brought federal regulations into greater consistency with provincial regulations and those in the United States.

On January 28, 2016, the Honourable Maryann Mihychuk, Minister of Employment, Workforce Development and Labour introduced Bill C-4, *An Act to Amend the Canada Labour Code*.<sup>105</sup> This legislation received Royal Assent and became law on June 19, 2017. This legislation is a step backwards from the progress made through Bill C-525 by bringing a return to card-based union certification for federally regulated workers.

There are a number of concerns with moving away from secret ballot voting. In particular, secret ballot voting prevents unions from using pressure tactics or misinformation to secure the support of employees. Under card-based certification, employees may end up signing a card without being advised of the implications of that signature; for instance, the employee may believe that they will still have the right to vote against the union when in fact the signature constitutes their vote. Pressure tactics may also mean that even if employees were well-informed, they may still end up signing cards under duress contrary to their own wishes.

A secret ballot vote by contrast ensures that all employees have a right to a free vote on whether or not they unionize. Secret ballot voting safeguards employees from intimidation or pressure from union organizers and employers alike and helps ensure that their true opinion is represented. A secret ballot vote is also conducted in a neutral environment by the Labour Relations Board, which means the process is less vulnerable to abuse and fraud from union organizers.

In short, card-based certification shifts a careful balance of power unfairly in the favour of union organizers and is in the interests of neither employers nor employees. Card-based certification is vulnerable to abuse and forms of intimidation and undermines the ability of employees to express their true opinions in a legitimate and democratic form. Almost every other jurisdiction in Canada and the United States has recognized this and requires secret ballot voting. Since there is no evidence to suggest that secret ballot voting does not allow employees to express their wishes, and significant risk that card-based certification would do just that, the federal government should ensure that secret ballot voting is required for union certification among federally regulated workers.

## Recommendation

That the federal government ensure transparency and fairness in the union certification process by requiring secret ballot voting for union certification by introducing legislation to repeal the provisions of Bill C-4 and restore the provisions of Bill C-525.

<sup>104</sup> Library of Parliament. Research Publications. *Legislative Summary of Bill C-4: An Act to amend the Canada Labour Code, the Parliamentary Employment and Staff Relations Act, the Public Service Labour Relations Act and the Income Tax Act*. Accessed 4 April 2017.

<sup>105</sup> Ibid.

# Supporting the Labour Needs of Today and Tomorrow - Provincial Nominee Programs

## Issue

While immigration is a federal matter, provinces and territories have received a growing role in the selection of immigrants over the past two decades by way of bilateral agreements with the federal government. These bilateral agreements create Provincial Nominee Programs (PNPs) under which each provincial government has an annual nomination limit for the selection of foreign applicants best suited for that specific province/territory. Such applicants, if nominated, are provided expedited processing of their work permit and permanent residency applications. In some provinces, such as B.C., the PNP allotments are continually over-subscribed, while in others it is under used. Further, the majority of settlement tends to be in large urban cores, which can lead to the stagnation/decline of rural areas and ongoing difficulty attracting workers to smaller centres.

## Background

Two key factors will determine long-term growth in provincial economies: productivity performance, and the extent to which the labour force expands over time. The hurdles to achieving long-term growth include an ageing population, a low natural birth rate, and intense global competition for talent. For example, a 2016 report found that B.C. will need an extra 20,000 to 32,000 skilled workers annually between 2017 and 2025 to fill projected job vacancies. As the natural birth rate declines, increasingly employers must look to foreign sources to expand the talent pool.

Immigration, Refugees and Citizenship Canada (IRCC) handles large volumes of permanent and temporary resident applications across its extensive global processing network. The process of managing immigration files includes protecting the health, safety and security of Canadians. In collaboration with partners in the Public Safety portfolio as well as the Department of Justice and Health Canada, IRCC works to identify applicants who could pose security or health risks to Canadians.

Every foreign worker must obtain a work permit to legally work in Canada. The process by which a work permit is issued involves a complex employment confirmation scheme involving Employment and Social Development Canada (ESDC) and IRCC. As a general rule, an IRCC visa and immigration officer is not authorized to issue a work permit to a foreign worker unless, in the opinion of the officer, there are insufficient Canadians or permanent residents who can fill the potential position.

Involvement of ESDC is a convenient way for visa and immigration officers to determine whether the employment of the foreign worker is justified given current labour market conditions. With a confirmation of a valid job offer and a favourable opinion known as the "labour market impact assessment" (LMIA) from ESDC - provided security and medical qualifications have been met - the visa and immigration officer will then issue a work permit to the foreign worker. The process generally requires consultation with the employer and ESDC, national advertising and/or recruitment efforts, substantial documentary support and possible involvement of other government agencies.

IRCC manages the permanent entry of foreign workers under the category of Economic Class, including programs such as Federal Skilled Workers, Live-in Caregiver, and Provincial Nominee (PNP).

According to IRCC, the PNP has four main objectives:

1. Increase the economic benefits of immigration to provinces/territories based on their economic priorities and labour market conditions,
2. Distribute the benefits of immigration across all provinces/territories,
3. Enhance Federal-Provincial-Territorial collaboration, and
4. Encourage the development of official language minority communities.

Provincial/territorial governments are responsible for: designing their PNP program and establishing the program requirements, recruiting and nominating the immigrants who will apply to their PNP, and monitoring, evaluating and reporting on their PNP.

The nomination allocation often does not meet with program demand and provincial labour market needs. For example, B.C.'s nomination allocation has been increased upon request, being set at 3,800 for 2013, 4,150 for 2014, 5,800 for 2015 and 6,000 for 2016. The provincial government requested an allocation of 9,000 nominations from the federal government for 2017, and has been approved for 6,000.

Further, projects of strategic importance to Canada have the potential to create a large surge in applications to the program, as experienced skilled overseas workers apply to immigration programs like the PNP to both train and work alongside Canadian workers for the construction and operations of the projects.

This inability to expand the labour pool to sustain and grow economies creates a risk of long-term stagnation/decline for some communities. Three solutions help to align opportunities with applicants and to mitigating regional disparities.

1. Presently, not all provinces/territories and territories are able to fully utilize their allocation. As has been done in the past, when it appears a full allocation may not be used, it makes practical sense that the forecasted unused allocation be transferred to another province/territory that is over-subscribed. This enables the provinces/territories and Canada to be responsive to global as well as regional conditions.
2. Provinces/territories already have innovative programs such as the provincial Health Match BC, which - through BC PNP - provides physicians and allied health care professionals with a direct and expedient route to obtain permanent residency status in Canada. There could be similar matching programs, such as for skilled technology workers, that could build on the momentum in key in-demand sectors and that can be distributed throughout the provinces/territories and Canada.
3. PNP applicants tend to cluster around high profile urban areas. For example, the vast majority of new immigrants in B.C. choose to live in the already capacity-stretched lower mainland. For example, since 2010, the Lower Mainland has received between 28,650 and 36,040 immigrants each year, while the rest of B.C. received between 2,906 and 2,283. Secondary migration is not specifically recorded, so it is unknown how mobile this population is over time. With such data, programs could be expanded/enhanced to attract applicants and/or landed immigrants to smaller centres in the province.

## **Recommendations**

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

1. Ensure PNPs' annual nomination limit is aligned with labour requirements,
2. Allow unused allocations to be transferred between provinces/territories,
3. Develop streams for other sectors, such as technology, engineering, and skilled trades,
4. Collect data on secondary migration patterns to support the attraction and mobility of immigrants to smaller centres throughout provinces/territories, and
5. Promote immigration in non-urban regions.

# INTERNATIONAL AFFAIRS

## 24-Hour Commercial Border Crossing Access

### Issue

Transportation and logistics plays a critical role in our economy, as it supports a variety of industries across the country. It is in the best interest of Canada to expand trade linkages with the United States through transportation crossings and corridors that link Canada to the United States to facilitate a growing trading market. A renewed effort is needed to eliminate the obstacles that continue to prevent the expansion of commercial port facilities.

### Background

Canada and the U.S. enjoy one of the most prosperous relationships in the world, with a staggering volume of bilateral trade totaling \$886 billion (CDN) in 2015<sup>106</sup> as well as close to 400,000<sup>107</sup> people crossing our shared border each day.

Total trade to the United States by province was as follows for 2016<sup>108</sup>:

| Province                | Total Exports to US | Total Imports from the US |
|-------------------------|---------------------|---------------------------|
| Ontario                 | \$206,516           | \$189,243                 |
| Alberta                 | \$68,041            | \$16,386                  |
| Quebec                  | \$57,067            | \$23,770                  |
| British Columbia        | \$21,253            | \$19,651                  |
| Saskatchewan            | \$12,871            | \$7,562                   |
| New Brunswick           | \$9,732             | \$4,097                   |
| Manitoba                | \$9,189             | \$15,269                  |
| Newfoundland & Labrador | \$4,972             | \$1,286                   |
| Nova Scotia             | \$3,649             | \$1,032                   |
| Prince Edward Island    | \$926               | \$30,087                  |

- *Value in millions of Canadian Dollars*

Even with this important trading relationship and the importance of border services and customs via all modes of transport, a current disparity in the relationship between trade, population, gross domestic product and the number of border crossing in each province currently exists across our country. Ontario, Canada's largest provincial exporter to the U.S. has 13 24-hour border crossings, while Alberta, the second largest, only has one.

<sup>106</sup> [http://can-am.gc.ca/relations/commercial\\_relations\\_commerciales.aspx?lang=eng](http://can-am.gc.ca/relations/commercial_relations_commerciales.aspx?lang=eng)

<sup>107</sup> [http://can-am.gc.ca/relations/border\\_frontiere.aspx?lang=eng](http://can-am.gc.ca/relations/border_frontiere.aspx?lang=eng)

<sup>108</sup> Statistics Canada & US Census Bureau - Trade Data Online: <https://www.ic.gc.ca/>

|                  | <b>24-Hour Crossings</b> | <b>Total Crossings</b> | <b>Population (2016)</b> |
|------------------|--------------------------|------------------------|--------------------------|
| British Columbia | 8                        | 19                     | 4,751,600                |
| Alberta          | 1                        | 6                      | 4,252,900                |
| Saskatchewan     | 2                        | 12                     | 1,150,600                |
| Manitoba         | 3                        | 16                     | 1,318,100                |
| Ontario          | 13                       | 14                     | 13,983,000               |
| Quebec           | 21                       | 30                     | 8,326,100                |
| New Brunswick    | 12                       | 18                     | 756,800                  |

In addition to limited hours, another barrier to our border crossings is a lack of an Electronic Data Interchange (EDI) at key ports of entry, which facilitates the electronic transmission and interchange of cargo, release and accounting data issued by customs brokers.

It is critical that we encourage the government to remove any barriers or encumbrances on imports and exports of our key sectors between Canada and the U.S. and work to improve international trade by removing pressure and congestion on our 24-hour commercial ports and corridors. Additionally, we must ensure that we can expedite legitimate and vital cross-border trade and travel through the implementation of efficient and effective security and technology measures.

Transportation access is fuel for economic development. Regions with flexible, efficient transportation networks can access product markets, suppliers, vendors, workers and customers more efficiently and more cost effectively than those that do not. Investment leads to trade, as companies' activities increasingly become part of the global value chain, necessitating not only clear and open investment rules, but also ensuring that goods and services produced in our region can be transported easily to market. To be part of this chain, Canada and the United States must not only be open to these cross-border opportunities, but also must ensure that the goods and services produced have easy access to markets in both countries and internationally.

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

## **Recommendations**

That the federal government:

1. Accelerate dialogue with U.S. counterparts to provide support for border initiatives and ensure that the hours and services of our border crossings consistently match the U.S. in both traveler and commercial services.
2. Ensure that provinces with high volumes of bilateral trade and corridor traffic have access to sufficient commercial border services and that all provinces have more than a single 24-hour full service commercial port of entry.
3. Ensure border crossings are equipped with efficient and effective security and technology measures, such as full Electronic Data Interchange (EDI) equivalency.

## **Establish a New Proactive Trade Policy in Canada**

### **Issue**

Since 2009, the long-standing Canadian trade balance shifted to deficit as imports value increased more than exports. The United States is by far Canada's largest trading partner, accounting for about 75% of exports and 66% of imports as of 2015 (Trading Canada). Canada has experienced a 15-year slump in exports, among the worst track records within developed economies (Financial Post December 5, 2016). In order to restore trade balance, Canada needs a new proactive international trade policy that works for businesses.

### **Background**

Canada is one of the most trade-dependent nations in the world but our performance is weakening. As a percentage of GDP, trade has fallen from a record 84% in 2000 to about 66% in 2016. The country's export growth rate is averaging just below 1% in volume terms since 2000, the worst in the Group of 20 and second-worst among developed economies. During the same period, Canadian exports as a share of GDP fell by 14 % to about 31%.

According to available data, Canada is struggling to improve its international trade balance and its 15-year exporting slump. Canada's overall international trade performance, including the two-way trade with the U.S., is a threat to long-term economic stability. Canada's trade with the U.S. was more than eight times our trade with the European Union, more than 12 times our trade with China, and more than 36 times our trade with Japan

Moreover, the uncertainty resulting from the extensive renegotiation of the North American Free Trade Agreement poses an added risk to Canada with potential disruption to our largest trading relationship.

Canada's business community must be aided by a more proactive trade strategy at the Federal level and in better alignment with the Provinces and Territories. Policy development must prioritize boosting the ability of our businesses to export, compete within global trade regulations and as a principle they must enjoy equal privileges afforded to imported goods.

The business community is looking for immediate actions that will take a closer look at our industrial strategy, our international trade standing and that would produce a detailed plan for addressing any deficiencies that have been identified as critical in improving our trade performance. Concurrently, the government must also facilitate the current and future participation of Canadian goods within global supply chains. For example, within the NAFTA agreement, sectors including auto and resource based manufacturing rely on efficient transportation of goods within North America.

Canada can only prosper if we embrace and improve our international trade competitiveness and this must be an urgent priority for the Canadian government.

### **Recommendation**

That the federal government, in the model of the Trade Estimates Report by the U.S., conduct an annual inventory of the most important foreign barriers affecting Canadian exports of goods and services, foreign direct investment by residents, and protection of intellectual property rights. Such an inventory will improve awareness and transparency of these trade barriers and allow the business community to collaborate towards improving competitiveness.



# Renegotiate a NAFTA Suited for Modern Business and Trade

## Introduction

NAFTA is Canada's single most important international free trade agreement. On May 18, 2017, the United States formally notified the U.S. Congress of its intention to initiate negotiations related to NAFTA with Canada and Mexico.

Canada must be prepared to renegotiate a NAFTA that reaffirms our commitment to free and open trade and that reflects the needs of modern business.

## Background

According to the US Chamber of Commerce the value of NAFTA is \$1.3 trillion (US) annually, impacting 125,000 American businesses and 15 million jobs.

*U.S. goods and services trade with Canada totaled an estimated \$627.8 billion in 2016. Exports were \$320.1 billion; imports were \$307.6 billion. The U.S. goods and services trade surplus with Canada was \$12.5 billion in 2016.<sup>109</sup>*

This trade agreement is critical for all three NAFTA partners, affecting each and every Province, Territory and State across North America.

In recent months, NAFTA has been oversimplified to emphasize trade deficits in what is too often portrayed as isolated bilateral import-export product exchanges. This view is misguided. North America's trade flows in fact demonstrate the extent of our highly integrated and globally competitive supply chains.

78% of imports from Canada to the United States are raw materials, parts and components and services used to make other goods and services in the United States. In a wide range of instances those raw materials, parts and components are moved up the value chain, sold domestically and/or exported abroad, including back to Canada.

Canadian inputs represent around 3% of the value of US exports to the rest of the world while U.S. inputs represent 10% of the value of Canadian exports to the rest of the world.

The above figures attest to the valuable contribution that international trade, regional and global, has to job creation, sustaining the livelihoods of millions of Canadians, Americans and Mexicans.

There is little doubt that NAFTA needs to be modernized. Our smart phones, nowadays crucial to day to day business, did not even exist when the agreement was originally signed. GPS and internet-enabled cars did not either. Correspondingly, the calculation methods for NAFTA's rules of origin are no longer suited for today's trade.

More and more, business is impacted by the rapid growth of digital trade and trade in services.

*"...the economy has undergone a radical transformation in the nearly 25 years since the North American free-trade agreement was signed... Cross-border flows of goods, and even services, have slowed in recent years. But data-based trade is exploding. Cross-border data flows already contribute more to the global economy than trade in goods, according to a recent McKinsey Global Institute study."<sup>110</sup>*

A new NAFTA must reflect the needs of modern business exchange. Moreover, it can serve as a reaffirmation of North America's commitment to free and open trade. A blueprint for multilateral trade agreements two decades ago, NAFTA can once again provide that standard for trade in the 21<sup>st</sup> century.

<sup>109</sup> Office of the United States Trade Representative, Executive Office of the President

<sup>110</sup> McKenna, Barrie, "Is Ottawa ready for a New Economy version of NAFTA?"; The Globe and Mail, 4 06, 2017; <https://www.theglobeandmail.com/report-on-business/rob-commentary/is-ottawa-ready-for-a-new-economy-version-of-nafta/article35199086/>

## Recommendations

That the federal government:

1. Ardently opposes any move toward greater protectionism within NAFTA.
2. Work to modernize NAFTA, recognizing modern business practices and the important contributions of the knowledge economy to Canada's GDP and exports.
3. Seek more, not less trade liberalization among the NAFTA partners.
4. Look to relieve administrative burdens to North America's businesses, with regulatory cooperation and trade facilitation being two important areas for improvement.

## Securing North American Steel Production and Products through a Unified Position on Section 232 of NAFTA

### Issue

The United States review of Section 232 of the Trade Expansion Act of 1962 and the potential result of the investigation of the Steel Industry as a "core industry" and "critical element" to U.S. national security could have a crippling effect on the Canadian steel industry and the 22,000 direct jobs that it generates.

### Background

On April 20, 2017, the Trump Administration announced the initiation of an investigation under Section 232 of the Trade Expansion Act of 1962 to assess the impact of steel imports on U.S. national security.

Should the Trump administration take significant action, Canada would need to adjust accordingly. Otherwise, we stand to become a potential recipient of those steel imports previously destined to the U.S. market. The resulting economic impact would be devastating to many communities throughout Canada.

Under Section 232, Secretary of Commerce Wilbur Ross will have 270 days to determine whether steel is being "imported into the United States in such quantities or under such circumstances as to threaten to impair the national security." Based on the Commerce Secretary's findings, the President must issue a report to Congress and may take such actions as he deems necessary to "adjust" steel imports "so that such imports will not threaten to impair the national security."

Regarding the Investigation Pursuant to Section 232 (B). What it will include is consideration of, "one, the domestic production needed for our projected national defense requirements; two, the domestic industry's capacity to meet those requirements; third, the related human and material resources; fourth, the importation of goods in terms of their quantities and use; fifth, the close relation of national economic welfare to national security; sixth, the loss of skills and investment, substantial unemployment and decrease in government revenue; and finally, the impact of foreign competition on specific domestic industries and the impact of displacement of a domestic product by excess of import. "

Canada has been a participant in addressing global steel issues, the Previous U.S. Action on Global Steel Issues by the Obama Administration also sought to address global steel trade issues. Last November, government officials discussed steel issues with their Chinese counterparts during the Joint Commission on Commerce and Trade ("JCCT") meetings in Washington, D.C. A press report of that November 21-23 meeting states that "[e]xcess capacity and structural problems in steel and other industries is a global challenge which requires collective responses." Pursuant to these JCCT discussions, the Global Forum on Steel Excess Capacity was launched in December 2016.

Even before the JCCT, U.S. agencies had engaged in fact-finding with respect to global steel trade issues. In April 2016, U.S. agencies convened public hearings concerning "Policy Recommendations on the Global Steel Industry

Situation and the Impact on U.S. Steel Industry and Market.” The United States has also engaged internationally on steel capacity issues. On April 11, 2016, the U.S., Canada, and Mexico released a joint statement calling for effective and immediate commitments to address “global steel excess capacity.” Shortly thereafter, on April 18, 2016, the Belgian government and the OECD hosted a meeting in Brussels of senior officials and private sector representatives from the U.S., China, and around 30 other countries to address excess capacity in the steel sector. The United States has issued 125 (26 outstanding) disputes at the WTO and Canada to a far less degree, with currently none outstanding.

Implications for Canada are severe.

- The Trump administration’s emphasis on trade enforcement and increased willingness to seek flexibility in tariffs will require companies reliant on U.S. exports to seek alternate domestic sources of goods.
- Operating companies may need to budget for changes in suppliers and vendors, and investors should closely examine the import profiles of target companies.
- While the investigation does not target a particular country, the impact is likely to be felt most strongly with respect to steel from China, especially steel that has been further manufactured into value-added products in third countries such as would be the case with Canada. Indeed, the plurality (28) of the 152 steel-related AD/CVD orders in place have been imposed on Chinese steel products.
- Sourcing from China or exporters in third countries that rely on Chinese steel in particular will continue to entail heightened risk of elevated duties and U.S. import compliance concerns, in addition to the existing Foreign Corrupt Practices (“FCPA”) and other international risks that often accompany business in China.
- While the current investigation relates to steel imports, the presidential memorandum notes that steel is one of several “core industries,” including aluminum, vehicles, aircraft, shipbuilding and semiconductors.
- Operating companies and sponsors doing business with a nexus to these sectors should similarly consider how the Trump administration’s international trade priorities may affect their bottom line.

Canadian and U.S. trade relations are the key to deriving the future benefits of steel production in North America, particularly in those communities in which production, fabricating and manufacturing businesses are located.

Between Canada and the United States, wages in the steel industry are relatively comparable, as are other costs of production on a relative basis. The carbon footprint of steel production in both countries is also comparable. The relative market share of each other’s markets generally reflect the size and capacity of each country’s market. In some cases, non-market countries of origin actually have a greater share of the U.S. market than does Canada (as is the case with China).

Canada and the U.S. share many similar trade concerns related to steel and time is of the essence to ensure that the trade relationship between Canada and the United States is not collateral damage from “Buy America” policies. With the U.S. initiating the investigation pursuant to Section 232 (B) of the Trade Expansion Act,, Canada has 270 days or less in which to ensure the future of the steel industry and many of its related businesses.

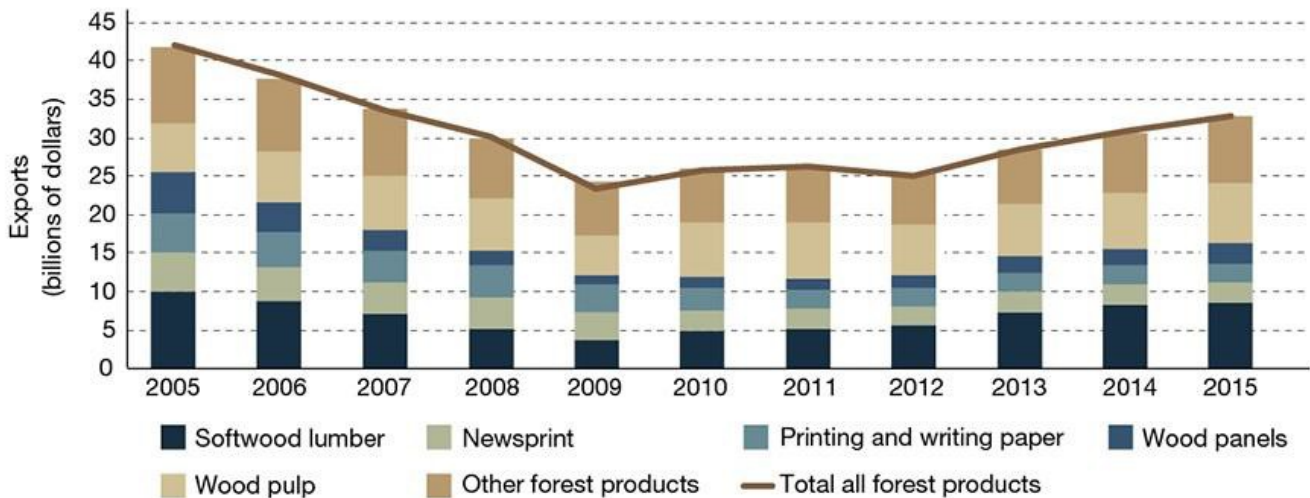
## **Recommendations**

That the federal government:

1. Under NAFTA section 232, stress that free and full access to each other’s markets is the key to avoid reciprocity of a “Buy America” trade stance.
2. Stress to all levels of U.S. Government that a disruption to Canadian markets creates uncertainty in the U.S. market.

## The Crucial Necessity to Negotiate a Renewed Softwood Lumber Agreement - Supplemental to the 2016 Policy “The Need for a Renewed Softwood Lumber Agreement”

Negotiating a renewed softwood lumber agreement with the United States is an imperative and vital necessity to Canada’s forest industry and overall economy. Having the Canadian government work in conjunction with provincial/territorial governments and related forestry and lumber industry associations, such as the British Columbia Lumber Trade Council and the Forest Products Association of Canada, is a key strategy towards securing a successful agreement. In 2015, the value of Canada’s forest exports increased by 6.3% over 2014, rising to \$32.7 billion from \$30.8 billion. On the wood product side, the U.S. housing recovery continued to drive Canadian softwood lumber exports. In 2015, softwood lumber exports totalled \$8.6 billion, a 3% increase over 2014. The value of wood panel exports increased by 18%, to \$2.68 billion with significant increases in all panel types, especially plywood (29%) and fibreboard (28%). Exports of Canadian forest products, 2005-2015 Statistics Canada. Merchandise trade data. (April 20, 2016)



In 2015, direct employment in the Canadian forest industry, as measured by Statistics Canada’s System of National Accounts, increased by 1.5% from 2014 levels, to 201,645 jobs. The job gains are in line with other positive indicators, such as increasing forest sector contribution to Canada’s gross domestic product (GDP) and financial metrics. But employment did not improve in all forest sub-sectors: employment in the pulp and paper sector decreased as a result of poor market conditions for newsprint and other paper products, which has caused several mill closures. Within Canada, wood product manufacturing and forestry and logging employment is concentrated in BC and Quebec. Statistics Canada.<sup>111</sup>

The Canadian forest sector provides well-paying jobs for thousands of Canadians, many of them in rural and indigenous communities, and contributes taxes for important services across the country. As an integrated sector, it is made up of many interconnected and interdependent sub-sectors so it can make the most efficient use of all the fibre harvested.

One of these is the value-added or secondary wood manufacturing sub-sector. The value-added sub-sector includes innovative and entrepreneurial companies across Canada. In alignment with the aforementioned Statistics Canada Systems of National Accounts statistic, is its 2015 Labour Force Survey

<sup>111</sup> [CANSIM table 383-0031: Labour statistics consistent with the System of National Accounts \(SNA\), by province and territory, job category and North American Industry Classification System \(NAICS\).](#) (June 17, 2016)

which reported that the wood product manufacturing sector had 148,817 jobs, leading the remaining three sub-sectors (forestry and logging; pulp and paper manufacturing and support activities for forest industry) which had a combined total of 110,333 jobs.<sup>112</sup>

The previous Softwood Lumber Agreement expired October 2015. A new agreement must be in place or there will likely be a protracted and aggressive trade action on Canadian lumber similar to what was experienced before the last agreement which was in effect from 2006 to 2015.

The U.S. Lumber Coalition is expected to ask for export duties starting in Q2, 2017. It is anticipated that these duties could be in the 25 to 30% range. The softwood lumber dispute is designed to impact commodity, structural, construction lumber as it is a dimensional/structural lumber concern.

Within the lumber industry, high value, specialized products remain a key component of exported lumber. These value-added, specialty products consist of finger-jointed lumber, decking, siding, plywood, OSB (oriented strand board) and veneer; cabinets and components; household, commercial and outdoor furniture; windows and doors; architectural millwork; log homes and packaged homes; pallets, boxes, poles and posts; musical instruments; shakes and shingles and wood crafts. Although the key focus of this dispute is not about high value, specialized products, these products still represent an integral component of any future softwood lumber agreement and should not be downplayed or overlooked. The high value producer position is consistent with industry messaging being given to the federal negotiators. An additional duty on high value products could be devastating to those companies that have invested in and have created a business that extracts maximum value possible from the public resource.

## **Recommendation**

That the federal government:

1. Work closely with provincial/territorial governments to carry through and include the high value (value added) product recognition as part of any negotiated settlement.
2. Must take into account the specificities of the forestry regimes of each province in the context of a possible softwood lumber agreement.

### <sup>112</sup> Labour Force Survey

- **Source:** Statistics Canada, Labour Force Survey (special extraction).
- **Note:** *Employment*—includes jobs held by people employed directly in the following industries: forestry and logging, industries involved in support activities for forestry, pulp and paper product manufacturing, and wood product manufacturing. Data are sourced from Statistics Canada's Labour Force Survey (LFS). The LFS data are used to capture the level of self-employment in the forest sector.

# NATURAL RESOURCES AND ENVIRONMENT

## A National Competitiveness Strategy for Canada's Natural Resources Industries

### Issue

The federal government should coordinate with provincial and territorial governments and indigenous peoples to support the competitiveness of Canada's natural resource industries.

### Background

Canada's natural resource industries – forest product, metals and minerals, agriculture, fisheries and energy – are the cornerstone of Canada's economy. Directly, these industries account for 12% of Canada's GDP, but this figure understates the true impact of this sector.<sup>113</sup> Including businesses that transform resources into commodities or transport natural resource goods and the impact of natural resources rise to almost one fifth of GDP.<sup>114</sup> Often the main source of income for Canadians in remote areas, the resource sector's rich supply chains also support jobs in industries important to Canada's major urban centers, such as finance, engineering, and other professional services.

Given natural resource industry's crucial importance to Canada's prosperity, governments must actively work to ensure a competitive regulatory and policy environment to attract investment. Two key barriers to competitiveness are challenging businesses across the resource industries:

1. *An uncertain regulatory system:* The federal government is currently in the process of reviewing its major environmental assessment processes with new legislation expected in 2018. For the energy and mining sector, creating one process that leads to certain results and complies with the principal of one project, one review will be crucial to attracting investment.
2. *Escalating costs of doing business:* Businesses face a range of government-imposed costs, many of which are necessarily to achieve important social priorities. The challenge is that governments are not taking a holistic view of these costs or their impact on Canada's competitiveness. This is particularly concerning given the introduction of climate pricing policies, which will disproportionately impact some types of natural resource producers. Working with the provinces and territories to design climate policies with a minimal impact on competitiveness, as well as taking a pan-governmental view of the cost of doing business, will be required to help Canada move forward on addressing climate change without crippling industry.

These two issues are not the responsibility of any single government, but will require coordination between federal and provincial/territorial governments to address.

### Recommendations

That the federal government work with the province and territories to establish a national strategy for the competitiveness of Canada's natural resource industries. This strategy should include:

<sup>113</sup> Statistics Canada. Table 379-0031 - Gross domestic product (GDP) at basic prices, by North American Industry Classification System (NAICS), monthly (dollars)

<sup>114</sup> Statistics Canada Table. Table 379-0031

1. Ensuring that regulatory efficiency and the principle of one project, one regulator remain core to any new federal environmental assessment legislation and processes.
2. Conducting a Pan-Canadian assessment of the costs of doing business in Canada and working with provinces to find areas to reduce costs.
3. Launching discussions on competitiveness impacts of the Pan-Canadian Framework on Clean Growth and Climate Change with provinces, business and other stakeholders before 2020.

## **Carbon Pricing: An Urgent Need to Balance Competitiveness for Future Sustainability**

### **Issue**

Industry has long recognized the need to reduce carbon emissions, and have consistently applied new research in effort to minimize environmental impacts. However, some industries, particularly Emissions-Intensive and Trade-Exposed (EITE), will be put at a competitive disadvantage from carbon pricing. The provincial and federal governments have identified (EITE) industries as mining, smelting and refining, pulp and paper, iron and steel, cement, lime and gypsum as well as chemicals and fertilizers. Several reports – including work done by the Eco fiscal Commission and the Alberta Government have argued that EITE will require measures to remain competitive.

### **Background**

On December 9, 2016 the Government of Canada announced the “Pan-Canadian Framework on Clean Growth and Climate Change”<sup>115</sup> which outlined a national strategy to combat climate change and reduce carbon emissions. It lists carbon pricing as the chief method of reducing Canada’s carbon emissions. This report lists measures that are already underway to reduce GHG emissions that include:

- Federal measures for increasing energy efficiency of equipment in buildings;
- Ontario’s commitment to join the Western Climate Initiative cap-and-trade systems
- Alberta’s coal phase-out, carbon levy, and oil sands emissions cap;
- Quebec’s regulations for new high-rise buildings; and,
- British Columbia’s low carbon fuel standard”

Due consideration must be given to the measures that many provinces have already put into motion, particularly considering the additional effects that raising the benchmark of carbon pricing to \$50 per tonne by 2022 may have on their economies. With that in mind, we urge the Canadian government to refer back to the guiding principles of the Pan-Canadian approach to carbon emissions that states that “pricing policies should minimize competitiveness impacts and carbon leakage, particularly for emissions-intensive, trade-exposed sectors”.

Provinces have the opportunity to adopt an output-based allocation system whereby facilities should be allowed to emit a certain amount of greenhouse gases free of charge from a carbon price. This approach protects low emission industries from competitiveness impacts that could shift production to other jurisdictions. Free emissions may be determined based on product-specific emissions benchmark. Benchmarks may be set relative to high-performing industry peers or competitors who produce the same or similar products.<sup>116</sup>

<sup>115</sup> <https://www.canada.ca/en/services/environment/weather/climatechange/pan-canadian-framework.html>

<sup>116</sup> <http://www.sciencedirect.com/science/article/pii/S0921800915305395>

Canadian industry must compete with imports of product from outside of the country where there is no carbon pricing mechanism in place. Canadian jurisdictions will be paying one of the highest costs for carbon anywhere in North America, yet, all manufactured products that are imported are not subject to the costs of their carbon footprint. This gap could lead to a competitive disadvantage for local producers and carbon leakage where the GHG emissions are merely shifted elsewhere. As an example, after the B.C. government implemented a price on carbon, imports of cement products rose from 6% to 42% between 2008 and 2014.<sup>117</sup>

## Recommendations

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

1. Establish a threshold of no-cost emissions based on industry and product specific benchmarks in order to assist in preventing a shift of production to other jurisdictions outside of the country.
2. Implement the study of the rate of carbon leakage by region and sector in order to assess the global impact of our carbon policies.
3. Ensure, interim to the above, that measures to reduce carbon output, put into motion, are supported by a mechanism that relieves industry of carbon costs.

## Fair Competition Among Canada's Certified Forests in Green Building

### Issue

Many governments across the country have adopted the US Green Building Council and Canada Green Building Council's *Leadership in Energy and Environmental Design* (LEED) rating system to evaluate the environmental impact of a building project. The certified wood credit in LEED's rating system, however, only offers certified wood credits for Forest Stewardship Council (FSC) certified wood and excludes all other certifications, including Canada's two other forest certification programs: the Sustainable Forestry Initiative (SFI) and the Canadian Standards Association (CSA). Because this gives FSC a monopoly on sustainable wood in any building that seeks the LEED credit for certified wood, action by the federal government can level the playing field for responsibly-managed certified forests in Canada.

### Background

Forest certification provides independent assurance that forest products are legally sourced from sustainably managed forests. Canada leads the world in forest certification. Seventy-five percent (75%) of Canada's managed forest lands are third-party certified to one or more schemes, compared to only 10% of the world's forests.

Canadian forest managers certify their lands to one of three internationally recognized forest certification programs – Canadian Standards Association (CSA), Forest Stewardship Council (FSC) and Sustainable Forestry Initiative (SFI). All three certifications set high thresholds that forest companies must clear – above and beyond Canada's tough regulatory requirements. The three programs have subtle differences, but all promote principles, criteria and objectives that are viewed as the basis of sustainable forest management around the world.<sup>118</sup>

Many forestry experts, including the Forest Products Association of Canada (FPAC) and the Competition Bureau of Canada recognize these certification standards and their role in promoting responsible forestry. The Canadian

<sup>117</sup> <https://www.biv.com/article/2015/12/lifting-carbon-tax-freeze-could-burn-bc-industries/>

<sup>118</sup> Forest Products Association of Canada, [http://certificationcanada.org/english/what\\_is\\_certification/](http://certificationcanada.org/english/what_is_certification/)



Council of Forest Ministers issued a statement on forest certification standards in Canada, noting that “Governments in Canada accept that these standards [CSA, FSC and SFI] demonstrate and promote the sustainability of forest management practices in Canada.”<sup>119</sup>

#### *Green building and our economy*

Natural resources play a key role in Canada’s economy. Within our national economy, the gross domestic product (GDP) of the Canadian forest products industry is approximately \$24 billion – more than motor vehicles, aerospace, chemical, mining and rail transport.<sup>120</sup> The forest and paper sector provides Canadians and the world with superior forest and paper products made of wood fibre sourced from responsibly-managed forests. These sustainable practices by the industry protect the environment, conserve forests, protect jobs and strengthen local communities.

Green building programs used in new construction or renovations can improve energy efficiency, reduce waste and deliver long-term cost benefits in buildings. Within North America, there are a number of green building programs that are inclusive of credible, third-party forest certifications (including CSA, SFI and FSC).

Using taxpayer dollars in green buildings promotes sustainable development and reduces the economic and environmental costs of the building.

### **Recommendations**

That the federal government continue to support the use of green building principles and criteria in the construction of new federal buildings, renovations, additions or such projects funded by the federal government (in whole or in part).

## **Improving Federal Environmental Assessment Processes**

### **Issue**

As it is currently structured, the *Canadian Environmental Assessment Act* 2012 (CEAA) is creating considerable regulatory duplication and delays, which complicate the federal environmental assessment (EA) process and pose a risk to the attraction of new investment. However, many of the changes recently proposed by a government-appointed expert panel to reform the CEAA by 2018 threaten to exacerbate these issues and further hamper the ability of industry to navigate the EA process with reliability and predictability.

### **Background**

The economic prosperity resulting from Canadian natural resource development – estimated at nearly one-fifth of the nation’s GDP and 1.7 million jobs<sup>121</sup> -- is dependent on industry’s ability to pursue new projects; for decades, these have been subject to environmental assessments (EAs) at the provincial/territorial level as well as at the federal level through the Canadian Environmental Assessment Act (CEAA). Coordination of assessments required at both levels has been problematic for most of this period, with the need for two separate and often duplicative processes resulting

<sup>119</sup> Canadian Council of Forest Ministers Statement, [http://www.ccfm.org/pdf/CCFM\\_Statement\\_FRandEN.pdf#page=2](http://www.ccfm.org/pdf/CCFM_Statement_FRandEN.pdf#page=2)

<sup>120</sup> Based on 2011 data.

<sup>121</sup> Natural Resources Canada, “10 Key Facts on Canada’s Natural Resources”, October 2016

in considerable regulatory overlap, delays and uncertainty that have in many cases led to weakened project economics, fragmented consultations, and reduced business competitiveness.<sup>122123</sup>

### CEAA 2012 reforms

In an attempt to address these challenges, the federal government introduced a series of changes to the CEAA in 2012 aimed at attempting to harmonize the provincial-federal regulatory overlap and shorten the duration of the overall process through the introduction of specific timelines. However, some elements of these reforms have instead had the opposite effect: since its implementation, the mining industry has seen a duplication of provincial processes, federal intrusion into provincial jurisdiction, and a deterioration in federal and provincial coordination and among federal government departments and agencies. Combined, these have resulted in “inefficient and costly impacts to project economics.”<sup>124</sup>

The 2012 legislative amendments also exacerbated the growing delays associated with EAs.<sup>125</sup> While the process introduced specific timelines, it also added various means to stop and extend timelines within the process itself, which have further complicated the federal processes’ ability to align with provincial processes; in practice, this – along with a significant decline in federal scientific support for EAs<sup>126</sup> -- has in fact lengthened the overall duration of federal EA processes.<sup>127</sup>

### Expert panel recommendations 2017

It is against this backdrop that the Government of Canada is looking at further reforming the federal EA process via legislation likely to be introduced 2018, to be informed in part by the recommendations of an expert panel as released April 2017. As a whole, the recommendations suggest a significant overhaul of the system, and generally threaten to further complicate matters by encouraging greater intrusion into provincial/territorial jurisdiction by expanding the scope of effects to be considered, increasing the number of projects that would be subject to a federal EA, and introducing additional delays to the process.

These delays will be further increased through panel recommendations that urge rolling back a 2012 change to the EA review process that restricts public hearing participation to “interested parties,” a designation that applies to those who are directly affected by the proposed project or who have specific and relevant knowledge. This ensures that project-specific reviews are focused on the individual merits of said projects by the appropriate stakeholders, rather than enabling potentially tangential discussions of broader policy topics such as climate change or resource development in general by unaffected or obstructionist parties.

However, some of the panel’s recommendations stand to have a positive impact: in particular, the recommendation to create a public database of all data collected for EAs stands as an opportunity to improve public confidence in the process by providing greater transparency. This library of assessment data would also allow for successes and failures to be better understood amongst industry peers, thereby allowing for greater industry practices, and improve the use of EAs as effective planning tools.<sup>128</sup>

Additionally, the panel’s recommendation to improve Indigenous peoples’ capacity to participate in the process is crucial, given the fundamental importance of promoting good relationships and understanding between industry and Indigenous communities, and the need to ensure that the economic benefits of natural resource development are shared. Frequently inadequate funding or expertise to meaningfully participate in EA reviews have posed many barriers, however, resulting in many instances of limited involvement and a resulting lack of confidence in the

<sup>122</sup> Mining Association of Canada, “MAC Submission to the Expert Panel of Environmental Assessment Processes,” November 2016

<sup>123</sup> Canadian Energy Pipeline Association, “Submission to the Expert Panel of Environmental Assessment Processes,” December 2016

<sup>124</sup> Mining Association of Canada, “Facts and Figures of the Canadian Mining Industry”, 2016

<sup>125</sup> Expert Panel: Review of Environmental Assessment Processes, “Building Common Ground: A New Vision for Impact Assessment in Canada”, April 2017

<sup>126</sup> Ibid.

<sup>127</sup> Ibid.

<sup>128</sup> Enbridge, “Expert Panel Review of Environmental Assessment Processes”, December 2016

process.<sup>129</sup> Addressing these issues at the government level would appropriately reflect the Crown's responsibilities within this process and would complement industry's ongoing efforts to proactively develop meaningful, open, and effective relationships.

#### Related federal reforms

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

#### **Recommendations**

That the federal government:

1. Develop a framework fully supporting a "one project, one assessment" approach, that recognizes equivalency when appropriate, for projects that trigger environmental assessment requirements at both the federal and provincial/territorial levels.
2. Respect provincial/territorial jurisdiction by maintaining the current scope of effects considered within federal environmental assessments, and preventing new federal environmental assessment requirements from being created for categories of projects already captured by provincial/territorial assessment requirements.
3. Improve timelines and reduce duplication for environmental assessments by:
  - a. enhancing coordination with provincial/territorial governments,
  - b. working with industry to identify potential efficiencies, and
  - c. adequately resourcing federal scientific support for provincial/territorial governments and federal departments as required throughout the process.
4. Make all information generated during environmental assessments accessible to the public through an online library or registry, which should also provide information about post-assessment monitoring and enforcement.
5. Ensure Indigenous peoples have the capacity to participate in the environmental assessment project review process by enhancing funding for participation and by developing strategies to build longer-term capacity within communities.
6. Engage potentially impacted Indigenous communities as early in the process as possible and jointly determine desired outcomes for consultation and participation.
7. Retain the *Canadian Environmental Assessment Act* 2012 definition of "interested parties" of public hearing participants as being those directly affected by a given project or those with relevant information or expertise.
8. Coordinate efforts to reform the *Canadian Environmental Assessment Act* with ongoing efforts to reform the National Energy Board, *Fisheries Act*, and *Species at Risk Act* so as to ensure appropriate integration between the various reforms, avoid duplicate or conflicting regulatory changes, and prevent harm to Canada's investment environment.

<sup>129</sup> Expert Panel: Review of Environmental Assessment Processes, "Building Common Ground: A New Vision for Impact Assessment in Canada", April 2017

# Modernizing the National Energy Board

## Issue

The federal government mandated an expert panel to consult various parties interested in the modernization of the National Energy Board (NEB). The panel's consultations were held during the winter of 2017. On May 15, 2017, the expert panel published its report, which is now subject to a comment period. The revision of the NEB mandate gives the government an opportunity to develop a coherent communication strategy for large energy transport projects.

## Background

The NEB's mandate is to promote the safety and security of Canadian energy infrastructures and markets. It acts in the Canadian public interest. Its main function is to regulate the construction and operation of interprovincial oil and gas pipelines as well as power lines between provinces. Its regulatory surveillance mandate also applies to more than 73,000 kilometers of pipelines across the country and almost 1,400 kilometers of power lines.

The NEB is a recognized authority on energy infrastructures and it examines projects leading to a national dialogue on energy, due in part to the economic advantages and the trade and job creation opportunities they propose.

The revision of its mandate must be an opportunity to re-examine and tighten the criteria for participation in its consultation process.

Updating investment project evaluation procedures should also be an opportunity for the government to rigorously limit the power of the government or the opposition to delay decisions. This power creates uncertainty and increases risk for investors.

These changes would offer guarantees to investors who would be more willing to invest appropriate resources for economic development projects.

## Recommendations

That the federal government:

1. Re-examine the role and decision-making criteria of project assessment bodies, in order to update them according to new economic realities.
2. Create an efficient regulator, benefitting from access to technical expertise and industry knowledge, by keeping the headquarters of the NEB in Calgary.
3. Ensure that the NEB's authorization scheme is known, standardized, coherent and, mostly, predictable;
  - a. That it minimizes the number of intermediaries the promoters must contact within various ministries and organizations and avoids duplicating existing processes;
  - b. That it guarantees access to credible data based on fact that do not take into account ideological and minority positions;
  - c. That it makes it possible to support promoters through the life cycle of the project;
4. That it does not focus on the Canadian government's social engagements and fight against climate change within federal authorization procedures for particular projects.

## Protecting Canada's Fresh Waters from Zebra and Quagga Mussels

Quagga and zebra mussels pose a serious and costly threat to aquatic ecosystems, salmon populations, tourist destinations, hydro power stations and other infrastructure facilities throughout Canada. Native to Eastern Europe and Western Asia, quagga and zebra mussels have already caused millions of dollars in damage to the Laurentian Great Lakes area and have cost the North American economy billions of dollars to control. The damage these species cause is diverse; among other things, quagga and zebra mussels:

- Disrupt native ecosystems by altering food webs, concentrating pollutants in their wastes, and inducing bird and fish kills;
- Attack infrastructure by clogging water intakes and distribution systems, and by damaging pumps and hydroelectric power generating facilities;
- Injure tourism (and tourists) by fouling beaches with razor sharp shells and decay odour; and
- Hurt marine industry by impairing the structural integrity of steel and concrete (such as are found in marinas and port facilities), and causing damage to watercraft.

Zebra and quagga mussels typically migrate from one body of water to another on or in watercraft, but can also be transported on boat trailers, fishing gear, recreational equipment and float planes. In addition to adults that attach themselves to hard surfaces, larvae, which are invisible to the naked eye, are easily transported to new waters in ballast tanks and bilges. Once introduced to a body of water, there is no known way of eradicating zebra and quagga mussels. Their unwelcome presence is permanent, and the damage they cause perpetual.

The advance of these species reached the lakes and waterways of Western Canada in 2013, specifically in Manitoba, and invasive mussel species continue to hitchhike westward through the United States reaching Montana just last year. Provinces in central Canada, including Manitoba, Ontario and Quebec, are constantly battling to contain and remediate the damage caused by invasive mussel species in their waters.

The federal government has already taken commendable action since the Canadian Chamber of Commerce first adopted a policy position on this issue in 2014. By enacting the Aquatic Invasive Species Regulation, the government has provided a full suite of regulatory tools to prevent the introduction of aquatic invasive species into Canadian waters and to control and manage their establishment and spread, once introduced.

The federal government has begun to train some Canada Border Services Agency agents to recognize and inspect potential carriers of zebra and quagga mussels. However, anecdotally reports suggest that border inspections and enforcement remains inconsistent, and therefore inadequate.

There is more that can be done. As was the case with legislation, Canada should follow the lead of the United States, and provide matching federal funds for provincial inspection stations.<sup>130</sup> Our federal government should also do more to ensure that invasive mussels do not cross our national and inter-provincial borders, and should take on a larger role in inter-governmental efforts to stop the spread of invasive mussels.

If the federal government does not act to neutralize the threat of invasive mussels, the cost of zebra and quagga mussels infesting western Canadian waters is likely to be in the hundreds of millions of dollars over the next decade.<sup>131</sup> Virtually every industry that interfaces with freshwater will be affected, including the pacific salmon

<sup>130</sup> The U.S. Senate approved the Water Resources Development Act (WRDA) in September 2016 authorizing up to \$20 million to be administered by the U.S. Army Corps of Engineers to match state spending for watercraft inspection stations protecting the Columbia River Basin, including those in Washington, Oregon, Idaho and Montana, from aquatic invasive species. See [http://www.pnwer.org/uploads/2/3/2/9/23295822/wrda\\_passes\\_federal\\_funding\\_for\\_mussel\\_defense\\_slow\\_to\\_reach\\_states.pdf](http://www.pnwer.org/uploads/2/3/2/9/23295822/wrda_passes_federal_funding_for_mussel_defense_slow_to_reach_states.pdf)

<sup>131</sup> Damages from an infestation of Lake Okanagan has been estimated at \$42 million per year (Self, J., Larratt, H. 2013. Limiting the Spread of Aquatic Invasive Species into the Okanagan. Prepared for the Okanagan Basin Water Board and the Glenmore-Ellison

fishery, hydroelectric power generation, tourism, and marine shipping. The federal government must act forcefully to stop zebra and quagga mussels from causing severe damage to the Canadian economy.

## Recommendations

That the federal government:

1. Fully engage in the Pacific NorthWest Economic Region's Invasive Species Working Group to help implement the recommendations in the framework for Advancing a Regional Defense Against Zebra and Quagga Mussels in the Pacific Northwest.
2. Institute mandatory inspections of all watercraft entering Canada from the United States.
3. Establish full-time seasonal inspections at major provincial crossings in Banff and Jasper National Parks.
4. Support provinces that are already mussel-infested (Quebec, Ontario and Manitoba) to develop and implement a containment-at-source strategy for invasive mussels.
5. Match provincial spending on invasive mussel inspection stations dollar for dollar.
6. Prioritize research and education in relation to invasive-mussel prevention, containment, control and eradication methods.

## Species at Risk: Canadians Working Together to Strike a Balance

### Issue

Woodland caribou are a threatened species in Canada. By October 2017, the federal government will require impacted provinces and territories<sup>132</sup> to develop caribou range plans to restore and protect 65 percent of their habitat. This is a dramatic increase in habitat protection, and will have a significant impact on industries that operate in the ranges, the communities they support, and the Canadian economy. Currently, range plans are evaluated based on ecological or environmental criteria, and do not provide for a socio-economic impact analysis prior to submission to the federal government.

### Background

In 2003, Woodland caribou were federally listed as a threatened species in the Species at Risk Act (SARA). Under the federal "Recovery Strategy for the Woodland Caribou," all provinces and territories are required to produce range plans that outline how 65 percent of boreal woodland caribou habitat will be restored to undisturbed habitat and maintained as such over time, and how the land and activities within the range will be managed for habitat protection. These range plans are due by October 2017.<sup>133</sup> The range plans are intended to support a landscape where species at risk and industrial activity co-exist.

Improvement District., available online [http://www.obwb.ca/fileadmin/docs/2013\\_obwb\\_ais\\_report.pdf](http://www.obwb.ca/fileadmin/docs/2013_obwb_ais_report.pdf) ; damage to BC generally has been estimated more conservatively at \$21 million annually (Robinson, D. et al. 2014. Preliminary Damage Estimates for Selected Invasive Fauna in B.C. Prepared for Ecosystems Branch, B.C. Ministry of Environment.); damage to Alberta has been estimated at more than \$75 million annually (Neupane, A. An Estimate of Annual Economic Cost of Invasive Dreissenid Mussels to Alberta. ESRD. November 2013)

<sup>132</sup> Forest Products Association of Canada, <http://www.fpac.ca/>, Provinces and territories impacted directly are: British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Newfoundland, Northwest Territories and the Yukon.

<sup>133</sup> Environment Canada, Recovery Strategy for the Woodland Caribou (*Rangifer Tarandus Caribou*), Boreal Population, in Canada, Update, 2012, doi:10.2307/3796292

Forestry allocations, by way of land and volume based tenures, are present in every boreal woodland caribou range. As the range plans are being developed, it is clear that there is potential for sustainable timber supply in each region to be significantly impacted. For example, according to a 2015 Montreal Economic Institute analysis of the economic impacts of implementing the recovery strategy in Quebec, the forest industry would lose 2,931 jobs and \$367 million of economic activity.<sup>134</sup>

The combination of additional species at risk plans, as well as a new structure retention directive and other government policies, all have the potential to decrease wood supply, increase costs and result in lost mill production or even closures. Carbon pricing systems place an additional burden on the forestry sector.

Even if all logging in the caribou's range of distribution completely ceased, it is entirely possible that downward population trends would continue because of factors like climate change, forest fires, insect epidemics, and hunting.<sup>135</sup> Indeed, as noted by Natural Resources Canada, climate change has already altered the geographical range of certain tree species. This affects where and how caribou use the forest. In the Northwest Territories, for example, warmer weather, declining snowfall and permafrost thaw have been observed. More ice-on-snow events make travel and foraging difficult for boreal caribou.<sup>136</sup> Forestry activities are but one factor among many others.

Range plans developed under the current federal process are evaluated based on ecological or environmental criteria, as the process does not allow for a socio-economic analysis to be conducted concurrent to plan development; rather, this analysis occurs after plan submission to the federal government. As such, range plans submitted to the federal government are missing key social and economic considerations about impacts to industry, local municipal governments and Canadian communities and families – considerations that, if known earlier, could lead to different, more balanced solutions.

Forestry, and other industries such as oil and gas, mining, and hydroelectric – also situated in caribou ranges – are a vital source of jobs for Canadians as well as economic activity in our communities and our provinces. Canada's 347 million hectares (ha) of forest (nearly nine percent of the world's forest) not only support local economies, but help to maintain a healthy environment, clean water, diverse wildlife habitat and a backdrop for tourism. The forest sector in Canada employs over 230,000 people, operates in over 200 communities from coast to coast, and provides a wide range of economic, social and environmental benefits to Canadians.<sup>137</sup> In 2015, production in the forest sector contributed \$22.1 billion – or 1.2% – to Canada's nominal gross domestic product (GDP).<sup>138</sup> The industry is committed to the protection of the environment and wildlife species, and has already invested millions of dollars into research and measures around the protection of caribou.

An additional concern is that the current process takes a one-species approach. A multi-species approach, such as the strategy being deployed in Southern Saskatchewan, recognizes that these species do not exist in isolation of one another and, as such, makes for a more practical and efficient path for planning.<sup>139</sup>

The Canadian Chambers of Commerce firmly believes that endangered species can co-exist successfully with industry, development and land use. We are confident that by adopting a collaborative approach drawing from the expertise of a range of stakeholders across the country, Canada will be able to strike a balance between the protection of critical (extirpated, endangered, and threatened) species, and the viability and sustainability of Canadian industry, jobs and communities.

<sup>134</sup> The Montreal Economic Institute: The Economic Costs of the Boreal Caribou Recovery Plan, August 2015 [http://www.iedm.org/files/note0615\\_en.pdf](http://www.iedm.org/files/note0615_en.pdf)

<sup>135</sup> The Montreal Economic Institute: The Economic Costs of the Boreal Caribou Recovery Plan, August 2015 [http://www.iedm.org/files/note0615\\_en.pdf](http://www.iedm.org/files/note0615_en.pdf)

<sup>136</sup> Recovery Strategy for the Boreal Caribou (*Rangifer Tarandus* Caribou) in the Northwest Territories, 2017, [http://www.nwtspeciesatrisk.ca/sites/default/files/nwt\\_boreal\\_caribou\\_recovery\\_strategy\\_2017\\_final\\_0.pdf](http://www.nwtspeciesatrisk.ca/sites/default/files/nwt_boreal_caribou_recovery_strategy_2017_final_0.pdf)

<sup>137</sup> Forest Products Association of Canada, <http://www.fpac.ca/>

<sup>138</sup> Natural Resources Canada <http://www.nrcan.gc.ca/forests/report/economy/16556>

<sup>139</sup> [http://www.sodcap.com/Docs/EnvironmentCanada\\_MarkWayland\\_2016.pdf](http://www.sodcap.com/Docs/EnvironmentCanada_MarkWayland_2016.pdf)

## Recommendations

That the federal government:

1. Complete a socio-economic impact assessment prior to listing the species and in conjunction with a scientific assessment being conducted.
2. Ensure stakeholder interests are understood and considered, and inform the development of the plan and its implementation. Stakeholders include all those impacted, including, but not limited to: industry, ENGO's, First Nations and Metis, municipal governments and community-based organizations.
3. Consider a multi-species approach to planning.
4. Include climate change projections within range plans.
5. Include in evaluations and assessments, factors related to population trends including predators, disease and other natural environmental impacts.

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

### Issue

Energy and its related products are a significant part of Canada's annual exports. Along with metals and mineral products, they represent the largest positive annual contribution to Canada's balance of trade. Through development of expanded pipeline infrastructure, such as Trans Mountain Expansion Project (TMEP), Canadian oil resources can create exceptional opportunities for Canada's small and medium-sized enterprises (SMEs), serve as an important source of near-term and long-term job creation and generate lasting benefit for the province, municipal governments and their communities. TMEP's benefits include thousands of short-term and long-term jobs, economic activity and tax revenue to support communities and government programs.

### Background

It is clear that our oil pipeline infrastructure has national economic significance. This infrastructure is critical to the Canadian economy, with the ability to transform Canadian oil producers from price takers to price makers in international markets. Due to the lack of infrastructure to markets other than the U.S., Canadian producers are forced to sell their products at a discounted price, which can cost our economy up to \$50 million a day.<sup>140</sup> 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.

The \$7.4 billion Trans Mountain Expansion Project is a key to unlocking that wealth. Through the expanded pipeline, oil producers gain increased access to tidewater, and see their product transported to new markets that would pay world rather than domestic prices.<sup>141</sup> Despite a fallback in oil prices, the NEB estimates oilsands output will double between 2015 and 2020, demonstrating the ongoing need for the Project.

<sup>140</sup> 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](http://www.chamber.ca/media/blog/130917-50-Million-a-Day/1309_50_Million_a_Day.pdf)

<sup>141</sup> Referenced by Kinder Morgan Canada



TMEP will generate \$3.3 billion in labour income across Canada. Aboriginal residents stand to benefit from consideration for hiring and the initiation of an Aboriginal employment and training program to increase access to Aboriginal employment opportunities to meet the demands of projects such as Trans Mountain.

The project will generate large demands for goods, services and workers, with an emphasis on local hiring, procurement, and sourcing. In addition to direct construction work for British Columbians, there are indirect or supply chain job opportunities across the country in:

- Rail transportation;
- Marine transportation;
- Equipment rental and leasing;
- Truck transportation;
- Steel products;
- Transportation support activities;
- Computer services;
- Engineering;
- Machinery and equipment wholesalers.

In December of 2013, Kinder Morgan applied to the National Energy Board (NEB) to expand its existing Trans Mountain pipeline system, increasing daily capacity from 300,000 barrels to 890,000 barrels. Following a 29-month review, the NEB concluded that the TMEP is in the Canadian public interest and recommended that the federal Governor-in-Council approve the expansion. The NEB's review was rigorous, involving a record 404 intervenors and more than 1,200 commenters, resulting in 157 conditions to address: public safety; economic benefits; local job creation; emergency preparedness and emergency response; Aboriginal interests; environmental protection; safety; and the marine tanker transport routes.

On November 29, 2016, the Government of Canada accepted the NEB recommendation, noting that Canada needed to expand the markets for its oil products and saying that the Trans Mountain Expansion Project "will make that possible."

On January 11, 2017, the Province of British Columbia announced that the Project had received its environmental certificate from the BC's Environmental Assessment Office subject to 37 Conditions and has met the Requirements for British Columbia to Consider Support for Heavy Oil Pipelines, known as B.C.'s 5 Conditions.

Through the extended pipeline, oil producers gain increased access to tidewater, and see their product transported to new markets that would pay world rather than domestic prices. Despite a fallback in oil prices, the NEB estimates oilsands output will double between 2015 and 2020. This demonstrates the ongoing need for the Project.

Economic benefits generated during construction and 20 years of operations from the Trans Mountain Expansion Project include:

- \$46.7 billion in federal/provincial taxes, including \$19.4 billion to Alberta and \$5.7 billion to B.C.;
- \$23 billion and \$45 billion in GDP effects for B.C. and Alberta respectively;
- 800,000 person years of work for Canadians from project development and operations;
- excluding construction, 7,600 jobs per year (e.g. 1,100 full time marine sector jobs in the Lower Mainland due to an increase from one tanker call per week at Westridge Marine Terminal to one per day);
- \$3.3 billion in labour income across Canada from project development.

The Trans Mountain Expansion Project is important and timely. The economic benefits are substantial and will be available to fund core government projects and services including health care, education, roads and infrastructure, as well as support local economic activity in municipalities and Aboriginal communities along the route. Operators of small and medium businesses can also expect to benefit from the economic expansion the Project creates.

### **Recommendations**

That the Federal Government, working with the Government of British Columbia and the Government of Alberta:

1. Continues to support the Trans Mountain Expansion Project to ensure that the project meets its commitment to deliver jobs and economic benefits and fulfills its regulatory requirements during the construction and operation of the pipeline; and
2. Engages Chambers and other organizations from communities hosting the pipeline to maximize opportunities for Canadian businesses during construction and operation of the project, including increased opportunities for First Nations participation.

# SOCIAL POLICY

## A Focus on a National Youth Entrepreneurship Strategy

### Issue

Given persistently high rates of youth unemployment in Canada, recently measured at 12 percent,<sup>142</sup> preparing Canadian youth to follow an entrepreneurial path is not only an acceptable choice, but also a strategic decision. Not enough of the available programs in Canada that introduce youth to career pathways, focus on developing practical entrepreneurial skills. It will take the combined support and involvement from all sectors, including businesses, to address the need for more support to develop Canada's future business owners.

#### An example of what can be done in Canadian Communities

Surrey is a young, rapidly growing city with one third of its population under the age of 19. While this is a source of strength, it creates strains in key areas such as programs and services, housing and the job market. Vital Signs 2015, a Coast Capital Savings sponsored survey of Surrey youth aged 12 to 24, showed that older youth overwhelmingly felt they had not received adequate life skills training in their elementary and secondary years and were unsure of their ability to successfully transition out of school into stable fulfilling employment. Statistics show that youth unemployment and underemployment is rising and entry-level wages do not cover the cost of living.

The Surrey Board of Trade (SBoT) has focused on entrepreneurial strategies for youth for the past 10 years, and in 2016 launched a Youth Entrepreneurship and Advocacy Action Plan led by a team of youth and business leaders. The goal of the Action Plan is to combat unemployment, promote entrepreneurship and improve economic prospects for Surrey youth through targeted services, events, programming and mentorship. Part of the action plan is to work with PowerPlay Young Entrepreneurs, a curriculum-based program for grades 4-8 classrooms. Each student creates a real business by developing a business plan, product and marketing materials. Students develop practical entrepreneurial skills such as creativity, critical thinking and communications that can support them in all areas of life. They also discover that entrepreneurship is a viable career path.

Surrey Board of Trade also leads a PowerPlay program called Project Enterprise in secondary school classrooms. Similar to the elementary program, students develop real social enterprises and discover their ability to be change makers and redefine success in business from an exclusive focus on profits to one that prioritizes people, the planet and profits.

A real-world approach to learning within the school setting and supported by businesses helps young people develop an entrepreneurial mindset that is needed in a highly competitive marketplace. Together the Surrey Board of Trade and PowerPlay Strategies have created a model that can be easily adopted in other Canadian communities.

#### Supporting the Current Workforce

With half of all owners of small and medium-sized business in Canada retiring in the next decade and youth unemployment more than double the rate of older age groups, youth entrepreneurship is an opportunity to create jobs for young people and others, generating tax revenue, and producing the products and services that will play a vital role in our economic success. Governments and corporations need to incubate entrepreneurial talent.

On a global scale, there are 73 million people between the ages of 15 and 24 who are currently unemployed: 15 to 18 per cent of youth in Brazil, Russia and the USA; 21 to 23 per cent of youth in France and the United Kingdom; and, 30

<sup>142</sup> The national youth (15-24) unemployment rate for May 2017 was 12% <http://www.statcan.gc.ca/daily-quotidien/170609/dq170609a-eng.htm>

to 52 per cent of youth in Italy, Spain and South Africa. These unemployment figures are set to climb higher, according to findings from the G20 Youth Entrepreneurs' Alliance.<sup>143</sup>

Giving young people a real opportunity to gain control over the direction of their lives can reduce the crippling malaise and hopelessness that permeates communities with vast numbers of unemployed youth. With basic business education and access to microloans, the economic ecosystem of whole communities can change drastically: small businesses create local jobs and keep capital circulating in communities.<sup>144</sup>

The United Nations Conference on Trade and Development (UNCTAD) developed a Policy Guide on Youth Entrepreneurship.<sup>145</sup> The report builds on previous work by UNCTAD and recognizes the specific needs of young people. In summary, the five recommendations include<sup>146</sup>:

1. **Optimize the regulatory environment** – Ensure that regulations do not in themselves present barriers, the recommendations are to balance regulation and standards with development objectives, introduce transparency and ease of access through “one stop shop” bundling of business registration, etc. Overall, the purpose is to simplify regulations where it makes sense.
2. **Enhancing entrepreneurship education and skills development** – The recommendation is to begin introducing entrepreneurship awareness from the beginning of the school experience. (Similar to the program that SBOT uses, educational programming from kindergarten through to post-secondary, would provide experiential, hands-on training that incorporates external mentors and would include a variety of opportunities including trades, apprenticeships, innovation, and other extra-curricular programs. Some of this has been included in the language for the new BC K-12 curriculum; however, there is opportunity to expand.)
3. **Facilitating technology exchange and innovation** – Information and communication technologies (ICT) are critical for any new business venture, and is a particular challenge for marginalized young people (socio-economic barriers, remote locations, etc.). Incubators, research and development labs, knowledge hubs, education-industry collaboration and business mentorship are but a few ways that ICT challenges can be overcome. An appropriate policy would also include a mechanism to facilitate youth-led businesses connecting with potential clients/customers.
4. **Improving access to finance** – Challenges such as age restrictions and low financial literacy levels can be overcome by developing youth-friendly financial products, including flexible loans or a credit bureau, increasing financial inclusion, and recognizing public-private partnerships as a means of collateral for a start-up. Business mentoring should be seen as an invaluable resource for young entrepreneurs and should be encouraged.
5. **Promoting awareness and networking** – The hardest challenge for a young entrepreneur is to overcome negative attitudes and to connect with a supportive environment to foster their development. Businesses, along with governments, can jointly elevate the value of entrepreneurial programs, encourage and support peer networks, utilize media platforms to celebrate success, and to promote investments. Much of this is incorporated in the SBoT programs described above.

The recommendations through the UN report encompass provincial, territorial and federal jurisdictions and will require collaboration between those governments and businesses to ensure that the business owners and employers of tomorrow are given the best tools to succeed.

<sup>143</sup> G20 Young Entrepreneurs' Alliance <https://www.g20yea.com/>

<sup>144</sup> [http://business.financialpost.com/entrepreneur/fp-startups/the-incoming-government-should-be-looking-to-entrepreneurship-to-cut-youth-unemployment?\\_lsa=6793-e31d](http://business.financialpost.com/entrepreneur/fp-startups/the-incoming-government-should-be-looking-to-entrepreneurship-to-cut-youth-unemployment?_lsa=6793-e31d)

<sup>145</sup> United Nations, UNCTAD, Policy Guide on Youth Entrepreneurship, 2015.

<http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1404>

<sup>146</sup> Ibid, P.11

## Recommendation

That the federal government work with provincial and territorial governments to create a comprehensive national youth entrepreneurship strategy, using best practices such as those recommended by the United Nations Conference on Trade and Development (UNCTAD) Policy Guide.

## Enabling and Protecting the Next Generation of Entrepreneurs

### Issue

While there is no minimum age for owning shares in a business, individuals under the age of majority (19-years of age in Canada) cannot incorporate, meaning they can't sign contracts or legal documents on behalf of the company, and they cannot be an officer or director of their own company. These youth must rely on multiple guardians, parents and/or trusted advisors willing to do so on their behalf. By limiting the ability for budding young entrepreneurs to guarantee certain protections for their ideas and businesses, these restrictions are at odds with the provincial and federal emphasis on promoting entrepreneurship and small business as an economic driver.

### Background

Today's youth are an increasingly likely group for entrepreneurship as they look towards self-employment as a viable career option. With a significant chunk of future businesses starting out of apartments, basements, or garages at a very young age, particularly as technology facilitates the accessibility and ease with which individuals can start their own company, there is a need to ensure that Canada stays at the forefront of the industry and opens doors where possible for innovation to thrive.

Taking their cue from the Mark Zuckerbergs of their generation, more and more entrepreneurial-minded youth are taking risks to start their own companies. In B.C., at the age of 16 based out of Burnaby, Milun Tesovic established himself as one of Canada's youngest entrepreneurs by starting the online music website Metrolyrics, which soon became the #1 online lyrics website in the world with 126 million page views per month and eventually sold to American media conglomerate CBS. But first, he had to bring onside a trusted family friend as a business partner because he couldn't legally do it on his own. At the age of 15, Albert Cherng started the Tech Easy Foundation, a non-profit society that provides technology education for seniors. Albert recently received the BC Youth Social Innovation Award and Tech Easy has helped over 1000 senior citizens across 40 communities and recruited over 200 high-school volunteers. Yet in order for all this to take place, Albert had to convince his parents to start and govern a society on his behalf. How many other brilliant youth are we excluding by not making a more accessible and protected mechanism for youth to create great organizations such as these?

In a survey conducted by EY, 65% of young people aged 18-25 indicated their desire to start their own business.<sup>147</sup> The 2017 Expert Panel for the Federal Government's Youth Employment Strategy (ages 15-29) found an increasing trend towards recognizing entrepreneurship as a viable career path. In order to help our youth succeed as entrepreneurs, there is a growing movement of initiatives and organizations supporting youth entrepreneurship projects in high school and elementary. These programs create real-world projects for youth to help them learn entrepreneurial skills and competencies at an age when they readily develop curiosity, courage, an ability to overcome fear of rejection, critical and creative thinking, resiliency, and more. Examples in Canada include Young Entrepreneur Leadership Launchpad (YELL Canada), Junior Achievement, Tinypreneur, PowerPlay, and StartupSkool. Combined with recent shifts towards project-based learning for students, we will see more youth designing business ideas at a young age and hungry to get them going in real life. This is a problem that

<sup>147</sup> <http://www.ey.com/gl/en/services/strategic-growth-markets/center-for-entrepreneurship-and-innovation---job-creation-youth-entrepreneurship-survey-2015>

organizations like YELL Canada come across frequently, with innovative and visionary 15-19 year olds hungry to start a business, but feeling frustrated because they can't do so.

Despite the growing momentum, youth under the age of majority can't incorporate, and are limited from participating in the strategic direction, governance, and management of a company. The only option they have is through limited participation as a shareholder (where they pick their own boss and directors), or by registering as a sole proprietorship (usually after the age of 15) and taking on full liability and risk. Workarounds leave youth exposed to various risks and/or decrease their ability to set the direction of a company. Parents can become a director but they may lack the requisite understanding of how the business works, in which case a professional who does understand the business would need to be brought on board. But either option leaves youth and their ideas vulnerable due to a lack of IP/patent protection and the risk that the company is stolen, sabotaged, or participation is hindered. The option of not incorporating or operating as a sole proprietorship under the age of majority is similarly challenging, since, without the ability to enter into contracts, other business owners and customers are dangerously exposed financially and legally.

Evidently, it is time to come up with a viable solution that allows business owners under the age of majority to participate meaningfully in their own company while also ensuring that the proper protections are in place for these youth and the general public. There are a number of options that could be considered:

- Establishment of a national foundation or shared-platform entity that assumes sign-off responsibilities for all activities while temporarily absorbing a youth-led organization or initiative until full transfer is given to the youth upon reaching the age of majority (e.g. the shared platform process pioneered by Tides Canada Foundation that temporarily absorbs new projects that cannot yet support a full stand-alone charitable structure);
- Separate incorporation structure under the Corporations Act for a full or partial youth-led corporation (e.g. Community Capital Corporation in B.C.);
- Provision for up to a certain percentage of board of directors seats to be controlled by youth under the age of majority;
- Lowering the age of majority for incorporation with certain levels of oversight and protection put in place; OR
- Trustee takes on a proxy role as director or signing officer until such time as the youth reaches the age of majority.

Despite a growing emphasis on spurring entrepreneurship and creating opportunities for Canadian youth, self-employment among individuals aged 15-24 stood at 11,400 in 2015, representing a decline of 9.5% from 2010 levels.<sup>148</sup> If more billion dollar companies are to be started by young entrepreneurs here in Canada, and if we want to retain young entrepreneurial talent, we need to ensure our youngest and most ambitious youth are given the tools and protections to succeed.

## Recommendations

That the federal government, working with the provincial and territorial governments:

1. Create a vehicle to allow entrepreneurs under the age of majority to more fully participate in the management and governance of a company;
2. Investigate options to ensure the appropriate level of protections are put in place for youth and the public, with an emphasis on working with insurance providers on D&O insurance options;

<sup>148</sup> [http://www2.gov.bc.ca/assets/gov/employment-business-and-economic-development/business-management/small-business/sb\\_profile.pdf](http://www2.gov.bc.ca/assets/gov/employment-business-and-economic-development/business-management/small-business/sb_profile.pdf) (see: page 37)

3. Based on level of participation and protection (if not full participation), a mechanism to transition at age of majority.

## **First Nations Land Title Initiative**

### **Issue**

An antiquated and cumbersome land “ownership” system for Indigenous lands has limited the ability of First Nations to leverage the value of their property, hindering them from achieving their full economic potential and highest and best use of their lands. With many municipalities and regions looking for opportunities for developable lands, this inability to fully utilize potential partnerships with First Nations is hindering the growth of business.

### **Background**

There are a number of issues hindering the ability of Indigenous communities in accessing the available potential of their lands. Firstly, First Nations are constrained by high transaction costs, nearly four to six times higher than on non-First Nations lands. These high transaction costs arise because the legal and administrative framework to facilitate investment on First Nations land is largely missing. Whereas the legislative and administrative frameworks for federal and provincial/territorial governments have evolved responsively over the last 140 years, the Indian Act has remained virtually unchanged.

Secondly, with respect to land tenure, the current methods for securing title on First Nations lands and the Indian Lands Registry are inadequate and they do not provide sufficient title certainty. This is true regardless of who invests (First Nations and non-First Nations) and regardless of the type of investment (commercial or residential). The consequences of poor land title have been profound. Land certainty is the bedrock of the investment and financial markets. Its absence has deterred investment and greatly lowered land values on First Nations lands. It has resulted in valuable lands being put to very low value uses, as low as 10% of comparable land governed by a Torrens-based system.

During the last 30 years, First Nations have begun to legislate their way back into the Canadian economy. It started in 1988 with the first change to the Indian Act ever led by a First Nation – the Kamloops amendment. This allowed First Nations to collect property tax on their lands. Once First Nations governments derived revenues from economic activity, they began to pursue more economic activity on their lands. This meant pursuing other legislation to fill the legal and administrative gaps created by the Indian Act which include:

- The First Nations Land Management Act
- The First Nations Goods and Services Tax Act
- The First Nations Fiscal and Statistical Management Act
- The First Nations Oil and Gas Management Act and
- The First Nations Commercial and Industrial Development Act

Missing in these legislative initiatives is an institutional framework to improve First Nations land tenure certainty.

For several years First Nations, the federal government, and the First Nations Tax Commission (FNTC) have worked on developing land title legislation under the Indigenous Land Title Initiative (ILTI). This initiative is designed to enable First Nations who wish to choose this option to move beyond the debilitating Indian Act land tenure system, to a more modern Torrens-based system which facilitates certainty and economic growth. Continued support from

the federal government and eventual passage of the legislation for interested First Nations will lead to greater First Nation integration in the market economy.

The FNLC estimated in 2011 that based on 68 BC First Nations opting into ILTI over 15 years, \$3.8 billion in increased real estate values, 27,000 FTEs in new employment opportunities, 2,700 new homes built, approximately \$240 million in property and sales tax revenues, and about \$160 million in infrastructure will be generated. According to the FNLC, this will result in a \$1.1 billion reduction in the cost of poverty.

## Summary

Conditions of the First Nations Land Title Initiative (FNLTI) would be as follows:

- The FNLTI would allow First Nations to opt into a land title legislative framework as an alternative to the Indian Act following a positive vote of their memberships;
- Participating First Nations would have the option to hold legal title to the land currently held by the Crown as “reserves” under the Indian Act, and the power to enable all types of land tenure, including (if they choose) individual ownership without any loss of jurisdiction over their lands;
- Participating First Nations would have expanded jurisdiction to implement a Torrens title system and to manage, develop, and protect their lands;
- A ready-to-use legal framework of regulations and sample laws would allow FNLTI First Nations to implement the legal framework for their jurisdictions efficiently and effectively;
- The ITLI would have a profound impact in stimulating investment, reducing poverty, and strengthening First Nation participation in regional economies; and
- First Nations (including T’kemplup te Secwepemc, Shuswap, Skowkale, Aitchlitz, Klahoose, Upper Nicola and others) have passed Band Council resolutions supporting the initiative.

## Recommendations

That the federal government collaborate with First Nations to develop:

1. Land Title Initiative legislation in which they would have the option to improve land tenure certainty for their undisputed lands; and
2. Systems to support First Nations choosing to opt into the legislation.

## References

- <http://news.nationalpost.com/news/canada/allowing-private-home-ownership-on-reserves-could-be-key-to-improving-well-being-for-natives-report>
- <http://news.nationalpost.com/full-comment/jesse-kline-private-property-rights-are-key-to-the-future-prosperity-of-first-nations>
- <http://news.nationalpost.com/full-comment/michael-lebourdais-ravina-bains-let-first-nations-thrive>



## **RCMP the Line of First Defence and Resource of Last Resort**

### **Issues**

It is a fact that RCMP costs are the highest line item cost in most municipal budgets across the northern half of the provinces and the territories. These costs have become onerous on small communities and at the same time the members in small town detachments are overwhelmed and overworked, resulting in RCMP detachments that can no longer provide a safe community that allows businesses to operate without threat.

In order to seek a solution as to how we can support RCMP detachments we need to examine a number of factors contributing to the stresses on the RCMP today.

### **Financial Resources**

Putting more money into the system would help but cannot be sustained by the municipalities given the funding system that exists in the country today.

Communities are expected to make the following contributions to the overall cost of the RCMP services.

Rural and unincorporated areas pay less than 50% of the cost, small towns (5,000 to 15,000) have to pay 70% of their costs and communities over 15,000 have to pay 90%. The remainder is paid for by the provincial/territorial and federal governments.<sup>149</sup>

Weaknesses in this formula include:

- Municipalities support the RCMP by taxing property. These taxes become a huge drain on property owners and businesses, especially in towns where there is no industrial base. This is not sustainable.
- This formula does not address the actual policing capacity needed in a community.
- There is no equality in who pays how much. Unincorporated areas only have to pay 50% of their policing costs. There is no desire for rural areas to amalgamate with adjacent larger communities as the tax hike for policing is so high.
- An integrated detachment then has to track costs for three different agencies.
- The RCMP has seen a growing protest across the country amidst calls for fair compensation, with officers speaking out against the pay discrepancies between the RCMP and municipal forces.

In northwest British Columbia where 40% of the population is First Nations, there is only one RCMP member assigned as a liaison person to address First Nations issues. The federal government needs to ensure that our First Nations have the support they require. When your region's population is 40% First Nations, having members specifically focused on First Nations issues and relationships is important.

### **Productivity**

Enforcing the rule of law is fundamental to sustaining the safety of our communities. Rising costs have to be examined to determine that delivery of the service that is expected of the RCMP today is done in a productive manner. Examination of in-house bureaucratic requirements needs to take place and the interaction of the RCMP and social services needs to be more closely harmonized and streamlined.

While staffing levels have not changed for many years, demands on staff time have increased exponentially; more paperwork, more training to meet new standards, but particularly more time spent to fulfill the social needs of our changing communities.

Examining the productivity of the force is necessary.

<sup>149</sup> Royal Canadian Mounted Police: <http://www.rcmp-grc.gc.ca/ccaps-spcca/contract-eng.htm>

This productivity is eroded by a myriad of forces, such as the tangled contractual system amongst federal, provincial/territorial, municipal and rural models of delivery and funding.

### **Role of the RCMP in communities today**

What was in the past a role to be played of enforcing the law has now expanded to support the social needs of a community. There is an expectation today that the RCMP is to be there for those in our society who desperately need support but have fallen through the cracks of the myriad of unintegrated social service agencies.

Due to a lack of resources devoted to the social sector, in particular social services targeting mental health, the RCMP has become the resource of last resort when people cannot find support from social services, medical systems, or the courts. The RCMP is there to deal with the cases that no one wants. To do this they require increased funding and staffing.

This departure from the intended purpose of the RCMP, which was enforcing the law, has put stress on the members and has demanded time away from the job they were meant to do. It has reduced productivity and, at the same time, overwhelmed the already limited resources they have at hand.

The two responsible agencies are the corporate RCMP themselves (in that they have not supported the men and women on the street who live through these struggles on a daily basis) and the provincial/territorial governments which have not recognized that such a crucial service to the health of our communities needs their continued and urgent support.

Without adequate funding, productivity gains, support for the members as they do their jobs, how can we expect the RCMP to meet such demanding challenges today such as the opioid crisis?

Many reports, as posted on the RCMP website, have been written about this situation. It is time that concrete steps are taken to correct it.

### **Recommendations**

That the federal government:

1. Conduct a thorough analysis to ensure that funding of the RCMP is adequate, fair and equitable for rural, municipal and Indigenous communities;
2. Together with the RCMP and the provincial/territorial governments, work diligently and with urgency to examine and alleviate those issues that have an impact on the productivity of the Force as well as the wellbeing of their members; and
3. Collaborate with the provinces managing provincial forces – Quebec, Newfoundland and Labrador and Ontario – on addressing operational issues within the RCMP, Sûreté du Québec, Ontario Provincial Police and Royal Newfoundland Constabulary.

## SPECIAL ISSUES

### Attracting International Tourists to Benefit Canada's Regions and SMEs

Tourism is a growing industry around the world and an essential part of Canada's economy, accounting for \$127.3 billion or 6.3 per cent of national GDP in 2016.<sup>150</sup> 99.9% of Canada's tourism businesses are SME's.<sup>151</sup> It is of serious concern, therefore, that Canada has had trouble attracting international tourists in recent years. The success of this important sector and its SME operators depends on a strong Canadian brand that it is the mandate of Destination Canada to market internationally. The global tourism market place is extremely competitive with each country investing heavily to attract international tourists. Making it easier for tourists to travel to Canada is also important.

#### Background

The global tourism market continues to increase and is forecasted to reach 1.8 billion international tourist arrivals worldwide by 2030.<sup>152</sup> Many jurisdictions are vying for market share because the sector "provides significant potential for economic growth and development".<sup>153</sup>

Revenue generated from international travellers represents new dollars for the Canadian economy and the primary growth opportunity for the Canadian tourism industry. Domestic travellers spend on average \$149 per trip, while international travellers spend \$1,651 per trip on average.<sup>154</sup> Dependence on the domestic market is a concern given the limited growth potential available from Canada's relatively small population. In 2012, 81% of Canada's tourism revenues came from the home market, leaving significant potential to expand sales to international travellers.<sup>155</sup>

#### The Barriers

The global tourism marketplace is increasingly competitive. Despite increases in tourist arrivals in 2015, Canada's market share has dropped from 8th in 2000 to 18th in 2015 for overall visitation globally, and the travel deficit will continue to weaken if some key gaps are not addressed.<sup>156</sup> We've seen year-over-year visitation declines for six of the past ten years when the aggregate global change in visitation only declined once in 2009.<sup>157</sup> This performance is at odds with Canada's renowned natural beauty, vibrant cities, unique history, and cultural attractions.

One reason for this marked decline in competitiveness was the significant decrease in investment in tourism through cuts to the budget of the former Canadian Tourism Commission (CTC), now Destination Canada. Attracting international tourists depends on the strength of the Canadian brand abroad, but Canada's local communities and

<sup>150</sup> World Travel and Tourism Council: Economic Impact 2017 Canada. <https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2017/canada2017.pdf>

<sup>151</sup> SME Profile: Tourism Industries in Canada, March 2015, Small Business Branch Research and Analysis Directorate, Industry Canada

[https://www.ic.gc.ca/eic/site/061.nsf/vwapj/SMEPTIC-PPMEITC\\_2015\\_eng-V2.pdf/\\$file/SMEPTIC-PPMEITC\\_2015\\_eng-V2.pdf](https://www.ic.gc.ca/eic/site/061.nsf/vwapj/SMEPTIC-PPMEITC_2015_eng-V2.pdf/$file/SMEPTIC-PPMEITC_2015_eng-V2.pdf)

<sup>152</sup> UN World Tourism Organization - Tourism Highlights 2014 Edition, Page 2. <http://mkt.unwto.org/publication/unwto-tourismhighlights-2014-edition>

<sup>153</sup> World Economic Forum, The Travel & Tourism Competitiveness Report 2009: Managing in a Time of Turbulence. [https://members.weforum.org/pdf/TTCR09/TTCR09\\_FullReport.pdf](https://members.weforum.org/pdf/TTCR09/TTCR09_FullReport.pdf)

<sup>154</sup> <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=4260025&&pattern=&stByVal=1&p1=1&p2=31&tabMode=dataTable&csid=> and Tourism Industry Association of Canada (TIAC), 2016 Annual Report, page 28

<sup>155</sup> Tourism Industry Association of Canada, 2013 Annual Report, pages 6, 9.

[http://tiac.travel/\\_Library/TIAC\\_Publications/2013\\_TIAC\\_Annual\\_Report\\_WEB\\_FINAL\\_EN.pdf](http://tiac.travel/_Library/TIAC_Publications/2013_TIAC_Annual_Report_WEB_FINAL_EN.pdf)

<sup>156</sup> TIAC, 2016 Annual Report, page 11.

<sup>157</sup> TIAC, 2017 Annual Report, page 12.

SMEs often do not have the capacity to market themselves outside of Canada. Destination Canada therefore coordinates branding and marketing activities with provincial/territorial, regional and municipal Destination Marketing Organizations (DMOs) and the private sector to drive visitation to Canada. The tourism industry strongly supports Destination Canada and the well-researched strategies it employs. In 2013, the CTC produced a return on investment of 38:1 on its core marketing activities.<sup>158</sup>

Despite the proven success of tourism marketing, the CTC's core funding declined by almost 50 per cent from a high of nearly \$100 million in 2001 to \$58 million in 2013/2014.<sup>159</sup> This has since improved, with Budget 2016 proposing to provide \$50 million to Destination Canada over two years starting in 2016-2018. Budget 2017 also made temporary funding of \$37.5 million permanent starting in 2018-2019. Yet funding for Destination Canada has not been restored to the CTC's 2001 levels at a time when international tourism is growing and Canada is facing increased competition from both traditional and exotic market entrants.

The gradual restoration of funding may be starting to pay off already. Canada's travel deficit shrunk in 2015 for the first time in over a decade (the travel deficit reflects the difference between spending by Canadians outside the country and spending by international visitors to Canada).<sup>160</sup> Additional investment in tourism by increasing the Destination Canada's budget would provide the long-term stability needed to enhance its marketing and sales strategies, encourage further partner contributions, and implement phased campaigns that would help meet the national tourism revenue target.

### **The Way Forward**

Canada urgently needs to continue taking action to improve its attractiveness as an international tourist destination. Expanded investment in tourism marketing abroad will help Canada's regions and SMEs compete on an even footing with other markets. Furthermore, given the natural alignment between Destination Canada and Global Affairs Canada's (GAC) globally-oriented mandates, Destination Canada should be moved from Innovation, Science and Economic Development Canada (ISED) to GAC as a means to maximize international marketing results.

### **Recommendations**

That the federal government:

1. Review the market efficiencies between Destination Canada, provincial/territorial and local/regional organizations in order to maximize the returns on total funds invested.
2. Move Destination Canada from Innovation, Science and Economic Development Canada to Global Affairs Canada to ensure a better focus on tourism as an export commodity.
3. As a result of the review, establish a globally competitive tourism budget that encourages private sector investment, public private partnerships and leverages provincial/territorial, regional and local public monies invested in advancing tourism.

<sup>158</sup> Canadian Tourism Commission, 2013 Annual Report, page 23.

<sup>159</sup> Canadian Tourism Commission, 2013 Annual Report, page 53. [http://encorporate.canada.travel/sites/default/files/pdf/Corporate\\_reports/final\\_2013\\_annual\\_report\\_en.pdf](http://encorporate.canada.travel/sites/default/files/pdf/Corporate_reports/final_2013_annual_report_en.pdf)

<sup>160</sup> TIAC, 2016 Annual Report, page 13.

# Improving Regulatory Processes to Support the Growth of Agribusiness

## Issue

Current federal legislation does not allow for meat, poultry, eggs, dairy products, fruits and vegetables to cross provincial/territorial borders, or to be exported out of Canada unless these products are processed in a federally licensed facility.

## Background

The new Safe Food for Canadians Act will expand this to include all foods shipped out of each province/territory. The Canadian government claims that this is required to ensure that Canada fulfills its commitments under current world trade agreements. The Safe Foods for Canada Action Plan presents an opportunity to not only improve food safety in Canada but to improve the environment in which food processors in Canada operate within.

Currently, implementation of Canadian Food Inspection Agency (CFIA) regulations and licensing requirements is cost prohibitive to many small to mid-sized processors, and therefore constitute a major barrier to interprovincial/territorial and international trade, particularly for Small and Medium Enterprises (SMEs). Furthermore, the processor's share of these costs is excessive when compared to costs incurred by their competitors for similar services in other jurisdictions, notably in the USA. This places Canadian processors at a potential disadvantage to some domestic and foreign competitors.

SMEs advise that current CFIA food safety regulations are outdated and need to be revised to remove unnecessary regulations that lack adequate scientific validation of enhancing food safety outcomes, but constitute significant impediments to sound business interests. CFIA inspection and testing services have inadequate capacity and prevent significant volumes of trade from occurring. There is also a need to minimize duplication of administration costs between provincial/territorial and federal regulators.

Facility construction requirements, along with steep inspection, licensing and testing fees all constitute major obstacles for processors that want to trade interprovincially or internationally. Unified provincial/territorial standards and regulations, with increased accessibility to federal licensing would be of significant financial benefit to small and medium sized processors that want to increase their business through interprovincial/territorial or international trade. Easy to implement, cost-competitive, and uniform food safety standards and regulations, for both interprovincial/territorial and export markets, are required, without compromising food safety standards

With the current CFIA modernization in progress under the Safe Food for Canadians Act (SFCA), it is important to protect the competitive advantage of Canadian businesses by reducing these barriers to trade and business growth opportunities. This is especially important with the impending impact of the Comprehensive Economic and Trade Agreement (CETA) that will put Canadian and European processors in direct competition.

Canadian processors trading interprovincially/territorially or internationally operate at a disadvantage to international competitors. For example, the United States Department of Agriculture Food Safety and Inspection Service (USDA FSIS) does not levy licensing and inspection fees on their food processing plants (up to the first 40 hours per week<sup>161</sup>.) As a comparison, the Province of Alberta charges \$4 per hour for the first 7.25 hours per day<sup>162</sup>. CFIA inspection stations cost from \$9,855 per year for one red meat station to \$16,218 per year for a poultry station. If

<sup>161</sup> United States Department of Agriculture. (2013). *Applying for a Grant: General Information*. Retrieved from [http://www.fsis.usda.gov/wps/wcm/connect/01ede099-849e-4ed5-bb9b-f6759b0d5487/Grant\\_of\\_Inspection.pdf?MOD=AJPERES](http://www.fsis.usda.gov/wps/wcm/connect/01ede099-849e-4ed5-bb9b-f6759b0d5487/Grant_of_Inspection.pdf?MOD=AJPERES) on May 29, 2017.

<sup>162</sup> Province of Alberta, *Meat Inspection Act 2009*. Web. 29 May 2017. [http://www.qp.alberta.ca/1266.cfm?page=2009\\_116.cfm&leg\\_type=Regs&isbncIn=9780779740383](http://www.qp.alberta.ca/1266.cfm?page=2009_116.cfm&leg_type=Regs&isbncIn=9780779740383)

an abattoir is processing more than 25 cattle/hogs per hour or 28 birds per minute, they must purchase an additional table. There is also the requirement to pay for inspection fees and various tests for *Listeria*, *Salmonella*, and *E.Coli*.

Before food products are imported into Canada, the CFIA conducts an initial inspection of the processing plant from which these products originated, and then conducts random inspections of the imported products. This same oversight and outcome-based approach should be applied to all interprovincial/territorial and international trade.

Interprovincial/territorial trade of agriculture and food products comprises a major portion of the Canadian agrifood business. "From 2000 to 2005, interprovincial exports of agricultural and food products were higher than Canada's agri-food exports to the United States. Interprovincial exports of agri-food products rose by 20% during this period, increasing from \$21 billion to \$25 billion in value. During this period, the value of agri-food exports to the United States was between \$16 billion and \$20 billion.<sup>53</sup>

While the exact cost of interprovincial/territorial trade barriers caused by differing food regulations is not known, the Standing Senate Committee on Banking, Trade and Commerce estimates that internal barriers to trade cost Canada's gross domestic product in the range of \$50 billion to \$130 billion<sup>163</sup>. While much of this loss can be attributed to the limited potential customer base, there is also a 55% overlap of administrative and regulatory service between Canada and Alberta<sup>164</sup>.

Despite numerous efforts to reduce interprovincial/territorial trade barriers such as the Agreement on Internal Trade (AIT) and regional trade agreements such as the New West Partnership Trade Agreement (NWPTA), the Atlantic Procurement Agreement (APA), the British Columbia – Alberta Trade, Investment, and Labour Mobility Agreement (TILMA), and the Agreement on the Opening of Public Procurement for Ontario and Quebec (AOPPOQ), the problems persist and are an obstacle to the growth and profitability of Canadian businesses.

## Recommendations

That the federal government work collaboratively with provincial/territorial and federal inspection agencies to effect positive changes to food safety outcome inspections, enabling processors to compete more efficiently in both domestic and international markets:

1. To support a single industry food-safety outcome that can be implemented with consistency and cost effectiveness across Canada by the provinces/territories, with each provincial/territorial regulator subject to Canadian Food Inspection Agency oversight.
2. The food safety regulations need to be reviewed for relevancy and modified/broadened if current criteria are unnecessarily restrictive and insensitive to sound business interests.
3. The implementation must be consistent and cost-effective throughout the food distribution chain, without compromising Canada's reputation for high food safety standards.
4. To encourage the Canadian Food Inspection Agency and provincial/territorial agencies to shift away from a rules-based regulatory regime to an outcomes-based food safety discipline.
5. Reassess inspection and regulatory costs and how they are allocated, to enable processors to trade across provincial or national borders, without being at a competitive disadvantage.

<sup>163</sup> Aïcha L Coulibaly. "Does the Agreement on Internal Trade Do Enough to Liberalize Canada's Domestic Trade in Agri-food Products." *Library of Parliament*. 26 August 2010. Publication No. 2010-25E

<sup>164</sup> Senate of Canada. (2016). *Government must tear down the walls created by internal trade barriers to free Canada's economy, senators say*. Retrieved from <https://sencanada.ca/en/newsroom/government-must-tear-down-the-walls-created-by-internal-trade-barriers-to-free-canada-s-economy-senators-say/> on 29 May, 2017.



# Revisit the 30-Year Old Health Act to Address Looming Crisis

## Issue

The Canada Health Act is now more than 30 years old and the impact of changing demographics and funding relationships warrants fundamental change before it is too late.

## Background

There is no more ingrained symbol of our national identity than universal health care. The majority of Canadians cannot remember a time when medical care was not intended to be universal, portable, comprehensive, publicly-funded, and accessible.

Times have changed since 1966 when Medicare was conceived and 1984 when it was consolidated under the Canada Health Act (CHA), most notably in the form of an older population and access to new life-saving therapies. The baby boomer cohort is now reaching retirement, promising additional strain on an illness care system that has increased exponentially in cost, now in some cases, representing more than 40% of provincial program expenditures.

Over the past 50 years, the health system in Canada has changed. It is no longer universal, completely comprehensive, nor 100% publicly funded and it is more and more difficult to access on a timely basis. The perennial response to address problems in the system has been to increase funding, a solution that is blatantly unsustainable and threatens the fiscal stability of many provincial/territorial governments.

To achieve sustainability requires that healthcare be affordable in relation to public finances. And affordability is a function of both the price of and demand for services. The price of services is actively managed on our behalf by government, but must be done better. A critical development that should concern both citizens and politicians is the explosion in demand for continuing care of seniors that is inevitable in the coming decades. It is clear that we need to manage access to our healthcare system and deliver services more efficiently.

Further increasing health budgets is not a solution and in fact exacerbates the situation, allowing system managers to avoid the use of efficiency measures. In 2010, the OECD declared that Canada as a whole “wasted” \$40.6 billion of the \$136.9 billion that the public sector spent on health<sup>165</sup>. An essential first step to managing patient-flow and costs is the acceptance of accountability measures.

A renewed CHA will need to define and focus on the drivers of increasing health costs and implement measures to manage service usage. For example, a large percentage of emergency room services are employed in providing primary care. One option to improve the appropriate use of services would be to expand access to primary care in community health centres<sup>166</sup> beyond normal business hours, diverting patients to comparable care at a fraction of the cost. Increasing home care resources could free up hospital beds that are currently occupied by individuals who lack support services.

In support of actively managing system costs, our governments need to recognize that as a nation we are paying some of the highest costs in the world for drugs. For instance, New Zealand has a much smaller population than Canada, but negotiates brand-name drug prices that are about 40 per cent lower and generic drug prices that are 90 per cent lower than Canadian prices because it buys medications as a country. Initiatives such as the Council of the Federation’s Pan-Canadian Pharmaceutical Alliance<sup>167</sup> need to be expanded to maximize the benefits available through bulk purchasing.

<sup>165</sup> Organization for Economic Co-operation and Development. “Healthcare Systems: Efficiency and Policy Settings 2010,” [http://www.oecd.org/document/39/0,3343,en\\_2649\\_33733\\_46491431\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/39/0,3343,en_2649_33733_46491431_1_1_1_1,00.html).

<sup>166</sup> Community Health Centres <https://www.aohc.org/community-health-centres>

<sup>167</sup> Pan-Canadian Pharmaceutical Alliance Fact Sheet

[http://www.canadaspremiers.ca/phocadownload/newsroom\\_2014/apr3\\_fact\\_sheet\\_pan\\_canadian.pdf](http://www.canadaspremiers.ca/phocadownload/newsroom_2014/apr3_fact_sheet_pan_canadian.pdf)

Governments need to recognize that a solution is required now before the system implodes. We need to fix the public system by employing private sector rigor. Creation of a parallel private system will neither reduce costs nor control demand, only add to inflation and siphon resources from the public system.

## Recommendations

That the federal government in partnership with provinces and territories:

1. Renew the Canada Health Act to provide an up-to-date framework that will support a sustainable and modern health system including expanded treatment options, access to private sector services, and the possibility of an income-based health services deductible.
2. Review accountability measures, defined and designed to reduce or eliminate inappropriate or excessive use of health services in the Canadian system. There must, however, be no barrier to access and defined exceptionality to reduce exposure to catastrophic cost.
3. Collaborate on purchasing and regulation to reduce prescription drug costs in an effort to ensure that all patients can benefit from the full therapeutic effects of pharmaceutical treatment, irrespective of income levels or province/territory of residence.

## Selection Criteria for Federal Offices

### Background

All Canadians require the services of the federal government at one time or another, and they expect high-quality service. At the same time, the government must balance clients' service needs with policy requirements and available resources.

Canadians fully appreciate the need for government efficiency in operations and the delivery of services to residents throughout the country. The federal government has quite rightly worked hard to ensure delivery is more client-focused, developed service standards and targets to measure and report on performance. The Treasury Board of Canada Secretariat regularly audits and reports on performance of departments in meeting their mandate.<sup>168</sup>

The location of federal offices in both urban and rural communities helps ensure important programs are delivered effectively and provide an important economic stimulus throughout the country. When the federal government closes a federal facility there are real and substantial direct impacts on Canadians and the communities which host these facilities. In cases where a facility is located in a rural community, the challenges are even more acute.

With shrinking tax bases, limited revenue sources and rapidly aging infrastructure, rural municipalities are struggling to provide the basic services and community facilities their communities need to attract and retain residents and businesses.

As noted in the Canadian Chamber of Commerce report *The Business Case for Investing in Canada's Remote Communities*, Canadians living in rural/remote communities differ from those in urban areas in several ways: they generally earn lower incomes (particularly Aboriginal peoples); often, they do not have access to the infrastructure Canadians living in urban locations take for granted including educational facilities; reliable year-round transportation links; high-speed internet;... and they are older overall (with the exception of Aboriginal peoples).<sup>169</sup>

<sup>168</sup> Treasury Board of Canada Secretariat, Policies Directives, Standards and Guidelines; <http://www.tbs-sct.gc.ca/pol/index-eng.aspx>

<sup>169</sup> *The Business Case for Investing in Canada's Remote Communities*; Canadian Chamber of Commerce, September 2011



Yet rural communities face an ongoing challenge as federal government offices in communities across the country are being closed.

In 2014, the federal government announced the closure of nine regional Veterans Affairs Canada offices. A decision that was eventually reversed in 2015 after veterans throughout the country protested.<sup>170</sup> Last year, the federal government indicated the RCMP operations centre in Truro, NS could close. Questions around the rationale for the closure has resulted in much opposition from communities and elected officials.<sup>171</sup>

More recently, the federal department of Immigration, Refugees and Citizenship Canada (IRCC) announced a decision to close the Case Processing Centre (CPC) in Vegreville, AB and move up to 280 employee positions to Edmonton, AB in December 2018.

The federal government has never provided a clear business case demonstrating the benefits of moving the facility to a major urban centre and there was no economic impact assessment of the decision, no consultation with the community, and no opportunity to provide input prior to or after this decision.

The only criteria provided for relocating the CPC to the nearest major city was necessary due to, *“the proximity to universities, the availability of public transit and housing options, and career growth opportunities within the federal government will make it easier to recruit and retain both qualified and bilingual employees and to meet our growing needs.”*<sup>172</sup>

The application of this criteria means most rural communities would not be able to accommodate a federal government facility.

It is particularly frustrating that according to the latest available IRCC Performance Report for 2015-2016<sup>173</sup>, the Vegreville CPC is extremely efficient. At the IRCC, a total of 93% of new applications and 97% of applications for extensions were finalized within the established service standard. These results are well above the department’s service standard targets of 80%. In fact, the staff at Vegreville CPC are often asked to process files from other processing centres. Furthermore, access to information requests show that the move will cost taxpayers up to an \$11 million.<sup>174</sup>

The impact on the Town of Vegreville of this decision is significant. By removing 8% of the community’s workforce, the IRCC is eliminating \$15.9 million in labour revenue and more than \$1.2 million in municipal taxes. As noted by Mayor Myron Hayduk, “the government’s decision to close the CPC means Vegreville will be older, smaller and poorer.” By comparison, this is the equivalent to losing 110,000 jobs in Toronto or 68,000 jobs in Montreal and is at odds with the federal government’s campaign commitment to “strengthen our communities by investing in the things that make them good places to live”.<sup>175</sup>

It is difficult to understand why this level of impact is being forced on a community when the government’s own publicly available information demonstrates the move makes little sense in terms of service enhancement or benefit to the taxpayer. The lack of transparency on the benefits means other communities in the country which host federal facilities are equally at risk from a flawed decision-making process on office closures or relocations. Steps must be taken now to ensure future office closures are determined on clear and appropriate criteria.

If adopted by the government, the resolution would ensure the government has appropriate data from a business case to support a decision to close or move an office. The government would also be in a position to clearly explain the benefits to the local community and stakeholders as part of the consultation process.

<sup>170</sup> <https://www.thestar.com/news/canada/2016/11/10/trudeau-to-meet-with-veterans-in-nova-scotia-reopen-veterans-affairs-office.html>

<sup>171</sup> <http://www.trurodaily.com/news/local/2017/5/25/rcmp-report-backs-claim--says-cumberland-colchester-mp.html>

<sup>172</sup> Letter from IRCC ADM Robert Orr to Vegreville Mayor Myron Hayduk, March 17, 2017

<sup>173</sup> <http://www.cic.gc.ca/english/resources/publications/dpr/2015/index.asp>

<sup>174</sup> <http://globalnews.ca/news/3458943/moving-federal-immigration-processing-centre-in-central-alberta-will-cost-millions-extra/>

<sup>175</sup> Liberal 2015 Campaign platform <https://www.liberal.ca/realchange/stronger-communities%E2%80%A8%E2%80%A8%E2%80%A8%E2%80%A8/>

## Recommendations

That the federal government:

1. Direct Public Services and Procurement Canada (PSPC) to establish clear performance criteria for federal facilities in rural communities.
2. Submit an economic impact analysis to PSPC and consult with impacted communities prior to any decision by a federal department on relocating a federal facility.

## Supporting Canadian Agri-Food to Meet Global Demand

### Issue

Targeted and coordinated support between the federal government, Canadian provinces and the private sector is required for optimal productivity across the Canadian agri-food industry.

### Background

A February 2017 report from the Advisory Council on Economic Growth<sup>176</sup> and a subsequent April 2017 document from the Canadian Agri-Food Policy Institute/Public Policy Forum<sup>177</sup> both recognized significant short and long-term prospects for the national agri-food sector.

The Advisory Council believes that while public policy should promote growth in all areas of the economy, certain sectors possess “untapped potential” that require specific actions to address on-going barriers. These obstacles generally include excessive regulations, unnecessary interprovincial trade barriers, inefficient subsidies, inadequate trade-enabling infrastructure, and skilled labour shortages.

The Canadian agri-food sector has immense global economic potential originating from leading domestic research facilities, stable private sector organizations, a growing global middle class, and changing consumer trends to higher-value foods. These factors provide the potential for Canada to become a global leader in safe and sustainable food production into the 21<sup>st</sup> century.

Canadian agri-food, defined broadly, is one of Canada’s largest employers and economic engines contributing 2.1 million jobs and 6.7 percent of GDP. Exports have averaged annual growth of 9.5 percent during the past five years and Canadian companies operate in relatively favourable domestic business and economic conditions. Organizations have access to capital, inputs, and strong research/ development capabilities in a network of institutions across Canada.

According to the Advisory Council on Economic Growth, global food demand is expected to increase 70 percent by 2050. The world needs to produce as much food in the next 45 years as the previous 10,000. A significant share of this increasing demand will originate from emerging markets where some three billion people are expected to enter the middle class from 2010 to 2030 and consume considerably more protein.

Global markets are looking for food produced through safe and environmentally sustainable methods. Land degradation, water scarcity, urban sprawl, climate change and political/economic instability could present challenges

<sup>176</sup> Unleashing The Growth Potential of Key Sectors. Advisory Council on Economic Growth. February 2017

<sup>177</sup> Canada as an Agri-Food Powerhouse. Strengthening our Competitiveness and Leveraging our Potential. The Canadian Agri-Food Policy Institute and Public Policy Forum. April 2017

for many countries to produce food for domestic requirements and importing from nations such as Canada becomes a necessity.

In March of 2017, the Public Policy Forum and The Canadian Agri-Food Policy Institute conducted a series of meetings across Canada to formulate recommendations for making the national agri-food sector a global leader. The April 2017 report from these meetings recommended that:

- a) The federal government should establish an Agri-Food Growth Council to move the highly diverse industry from its many silos and galvanize around a growth agenda;
- b) A regulatory system should be constructed to formulate science-based, risk-based and balanced regulations. Current rules are out of date and unnecessarily impede investment, innovation and competitiveness;
- c) Improved alignment and modernized regulations are required for increased innovation and research capacity;
- d) Canada must pursue preferential trade agreements with high-potential markets in Asia. Currently, we lack deals with three of our five highest potential markets – China, India and Japan.

The Advisory Council on Economic Growth has also proposed that:

- a) The Federal government should establish nation and sector-wide goals for growth;
- b) Canada's share of global agricultural exports should increase from 5.7 percent to 8 percent and food exports from 2.8 percent to 5.6 percent;
- c) Exports of technology/equipment should be increased from \$3 billion to \$5 billion over ten years. The increase would be achieved by transferring the advanced manufacturing expertise of other domestic economic sectors;
- d) R&D efforts should be focused on areas with promising commercial applications.

## **Recommendations**

That the federal government:

1. In cooperation with the provinces/territories, construct a science-based, risk-based and balanced regulatory regime across the national agri-food sector;
2. Establish an Agri-Food Economic Growth Council to formulate a national agenda for economic growth with representation from the provinces and territories;
3. Ensure alignment with the provinces, post-secondary institutions and other related agencies to optimize research capabilities and maintain consistency with domestic and global priorities;
4. Increase exports of food processing technology through advanced manufacturing processes applied in other sectors of the Canadian economy;
5. Adopt the recommendation of the Advisory Council on Economic Growth that the Canadian agri-food sector work to become a global leader in providing trusted safe, nutritious food to the world while minimizing impact on national capital;
6. Establish a mechanism to facilitate private sector leadership and align it in support of this vision;
7. Conduct a review of the regulatory process of the Canadian Food Inspection Agency and Health Canada with a view to improving timeliness of reviews of new products without compromising health and safety of citizens.

# TRANSPORTATION AND INFRASTRUCTURE

## **Empower Municipalities to Maintain Essential Infrastructure and Link Investments to Economic Growth**

### **Issue**

Municipally-owned infrastructure represents nearly 60% of all public infrastructure in Canada. It is the backbone of safe, healthy and prosperous communities in which businesses grow and prosper. Infrastructure investments must be sustainable and support the long term growth of our economy and quality of life.

### **Background**

Research shows that modern, safe and efficient infrastructure, like roads, bridges and sewers, increases productivity and competitiveness<sup>1</sup>. It gets us to work, helps us communicate and provides safe, clean drinking water.

In recent years the federal government has doubled its infrastructure investments to \$10 billion in 2016 and 2017 and committed \$20 billion to public transit, green and social infrastructure. Furthermore, in 2017 the government committed \$35 billion over 11 years to the Canada Infrastructure Bank which would help fund new or transformative infrastructure projects that have the potential to generate revenue. These new projects are expected to create jobs and economic growth.

As more than half of Canada's public infrastructure, valued at \$1.1 trillion, is owned by municipalities<sup>2</sup>, they will receive a large portion of this funding through partnerships, grants and loans. In distributing these funds, the federal government has a responsibility to find the right balance between ensuring the funding supports the long term growth of our economy while meeting the needs of local communities.

According to the Federation of Canadian Municipalities<sup>3</sup>, one third of municipal infrastructure is reported to be in fair, poor or very poor condition. Many smaller, more remote communities must choose between maintaining existing core infrastructure and building "incremental" or new, accelerated projects. While Asset Management Plans are helping communities identify their priorities, accessing funding that meets their needs can be a real challenge. Application-based funding programs are onerous, provide no guarantees and may not be applicable to smaller communities.

The Gas Tax Fund is an example of a successful funding program that is formula-based, permanent, predictable and reliable. The administrative burden is minimal and communities can use the funds on their priority infrastructure projects that may not directly align with federal priorities, but will benefit the local economy. This program should be expanded so that municipalities can tackle priorities as identified in their asset management plans.

At the same time, Canada needs a long term sustainable infrastructure plan that invests in productivity-enhancing projects and adopts an outcomes-based approach rather than a project-based approach. The new infrastructure demands coupled with the maintenance and future rehabilitation will further strain our resources. This will only be compounded by further population growth.

### **Recommendations**

That the federal government:

1. Develop an infrastructure strategy that ensures that the criteria for Phase 2 funding is evidence based so that core infrastructure investments are linked to productivity performance and enhancement, economic growth and job creation;
2. Deliver an increased share of the existing federal infrastructure funding through programs like the Gas Tax Fund so municipalities can invest in local and evidence-based priority projects;
3. Recognize the many years of critical capital planning and prioritization work already undertaken by municipal asset management plans and work with both the provincial and municipal governments on a flexible approach by not imposing “incrementality” requirements for project eligibility;

## Facilitating the Development and Deployment of Autonomous Vehicles in Canada

### Issue

Autonomous vehicles have the potential to transform Canadian transportation networks and fundamentally change how Canadians live and work. To maximize the Canadian benefits from the development of this transformational technology the federal government should help foster autonomous vehicle research and development in Canada and prepare Canada’s policy and regulatory frameworks for the eventual adoption of self-driving vehicles.

### Background

Advances in computer processing, cameras, sensors, GPS and other technologies are accelerating the development of autonomous vehicles. These advances are expected to result in the progressive introduction of automated vehicles in the coming years, beginning with partially autonomous vehicles and eventually fully autonomous vehicles requiring no human intervention. Recognizing the potential of autonomous transportation, auto manufacturers and technology companies are investing billions of dollars in the technology. GM is already testing more than 50 autonomous electric vehicles on public roads in multiple U.S. cities.<sup>178</sup> Tesla is including all the hardware required for self-driving in all of the vehicles they produce and plan to test the company’s software through a fully autonomous U.S. coast-to-coast trip (Los Angeles to New York) by the end of 2017. Uber is already offering customer trips in self-driving cars in Pittsburgh. Google’s autonomous fleet has self-driven over 3 million test miles, mostly on city streets and in 2017 started public trials in Arizona.<sup>179</sup>

Despite uncertainty about when and the extent to which autonomous vehicle will be deployed and utilized by consumers and businesses, there is an emerging consensus that in the long-term they will significantly alter how people and goods are transported and transportation networks. Some of the potential impacts include:

- **Improved safety:** Studies and surveys have shown that 90 to 95 percent of vehicle crashes are the result of human error.<sup>180</sup> Autonomous vehicles can significantly reduce collisions that result in nearly 2,000 fatalities, 10,000 serious injuries and 150,000 injuries in Canada every year.<sup>181</sup>
- **Productivity gains:** Supply chains will become more efficient as autonomous vehicles help address some of the ‘last mile’ problems of connecting airports, seaports and rail lines to road transportation. Freight trucks may be able to travel 24/7 by not requiring driver rest time, or favouring overnight travel when roads are

<sup>178</sup> GM Corporate Newsroom, [GM Announces More Than 1,100 Jobs to Expand Cruise Automation Self-Driving Operations in California](#) (April 13, 2017)

<sup>179</sup> Waymo, [On the Road](#) (May 2017)

<sup>180</sup> United States Department of Transportation National Highway Traffic Safety Administration, [Traffic Safety Facts, Critical Reasons for Crashes Investigated in the National Motor Vehicle Crash Causation Survey](#) (February, 2015)

<sup>181</sup> Transport Canada, [Canadian Motor Vehicle Collision Statistics](#) (2014)

less congested (and when drivers are typically less interested in driving). Commuters will be freed up to do other personal or work tasks instead of focusing on driving during their daily commute and there will be improved mobility for those currently unable to drive.

- **Improved road capacity utilization:** While the convenience of autonomous technology could increase the number of Canadians travelling by vehicle, congestion may be reduced through new mobility models that include less ownership and more ride-sharing and on-demand travel – resulting in better utilization of existing transportation infrastructure. Autonomous vehicles are likely to improve traffic flow by interacting with the vehicles and environment around them. They may also improve multi-modal connectivity by simplifying the movement of people to and from transportation hubs.

Engineering, research and innovation capabilities in Canada have positioned this country to become a centre for autonomous vehicle development and attract a greater share of investment in these technologies. Canada's large automotive manufacturing base, highly skilled workforce, and IT clusters make this country a logical research and development magnet. However, the development of autonomous vehicle technology is outpacing the regulatory frameworks that govern motor vehicles in Canada. There are a number of public policy issues that the federal government should start addressing to ensure Canada can attract increased investment and accelerate the adoption of the technology in Canada where appropriate. These include:

**Regulatory coherence:** Appropriate federal and provincial regulatory frameworks are needed to allow testing and adoption of autonomous vehicles. Without consistent regulatory approaches between Transport Canada and provincial governments, the testing and operation of autonomous vehicles across provincial borders will be challenged, hindering research, development and eventual deployment. Inconsistent regulations can also increase the cost and slow the pace of research and development in automated vehicles. Consultation with industry can help inform new regulations that provide investors the flexibility and guidance to test their technologies. Ontario launched an automated vehicle pilot project in January 2016 that allows companies and researchers to test self-driving technology on public roads as long as they receive a permit and have someone in the driver's seat ready to take over if something goes wrong. While first steps are welcome, nearby U.S. states are being more hands-off. Michigan passed a law in 2016 that will allow automakers to operate networks of self-driving vehicles (with no backup driver) in the state.<sup>182</sup> In 2016 the U.S. Department of Transportation also released a [Federal Automated Vehicles Policy](#) which sets performance standards for self-driving cars and offers guidelines for how states can legislate autonomous vehicles.

**Federal Innovation Programs:** Autonomous vehicle development should be prioritized in the federal innovation agenda including as part of Innovation, Science and Economic Development Canada's *Innovation Superclusters Initiative*. Federal innovation programs can provide a strong incentive for domestic and global companies to choose to innovate in Canada. Federal innovation support could result in more investments like the BlackBerry QNX Autonomous Vehicle Innovation Centre opened in Kanata in December 2016.

**Smart infrastructure:** Autonomous vehicles will require a re-think in the design of public and private transportation infrastructure. Fully autonomous vehicles will be adopted more quickly where 'smart' or connected infrastructure will allow vehicles to communicate with roads, bridges and rails and other infrastructure in real-time. Given the length of time transportation infrastructure assets are used in Canada, governments should start including a forward looking lens on current investments, and do so in tandem with leading smart infrastructure jurisdictions, the automotive industry, and academic and other research institutions.

There are numerous other public policy issues that will need to be addressed with the development of autonomous vehicles. For example, the connected nature of the technology will open up complex privacy issues that will need to be addressed before vehicles are commercialized. Increasingly connected vehicles will also be vulnerable to new to cyber threats. The federal government should proactively initiate dialogues on these issues with industry, other jurisdictions in Canada and with other countries.

<sup>182</sup> Government of Michigan, [News Release: Gov. Rick Snyder signs landmark legislation to allow operation of autonomous vehicles on Michigan roadways](#) (December 9, 2016)

## Recommendations

To support the development and deployment of autonomous transportation technologies in Canada, the Canadian Chamber of Commerce recommends that the federal government:

1. Work with provinces and territories, municipalities, and industry to develop a national regulatory and standards framework that provides flexibility for the testing and deployment of autonomous vehicles in Canada. The Framework should provide a platform for cross-jurisdictional discussions about emerging policy issues related to autonomous transportation including, but not limited to, privacy and Canada's preparedness and response to cyber threats.
2. Prioritize autonomous transportation in the government's innovation agenda to help coordinate research initiatives, guide Canada's long-term investments in transportation technologies and create smart incentives to private sector investment in transportation innovation and technology.
3. Include an innovation lens in federal infrastructure programs to inform public and private infrastructure investment decisions that will facilitate the introduction of innovation and technology in the transportation sector, including but not limited to autonomous vehicle deployment.

## First Nations Infrastructure Institution

### Issue

The development of infrastructure is critical to the health and sustainability of our First Nation communities. However, preliminary research suggests a gap in this development. As a result of the current approach applied to First Nation infrastructure development, this development is generally more expensive, takes more time and is less durable than that of other governments. A proactive approach is needed to ensure that projects are suitable, that best practices and industry standards are followed, and that value received is commensurate with the expenditure made.

### Background

Canada and First Nations both have an urgent need to develop a joint strategy to increase First Nation productivity with infrastructure development representing one of the most critical elements in achieving this. Unfortunately, First Nations face many challenges in this process and have been unable to fully achieve value for investments made.

A preliminary review of First Nation infrastructure by the First Nations Tax Commission (FNTC) has identified that there are gaps in planning (lack of integration between plans), project management (insufficient experience or expertise), financing (underutilization or inaccessibility of fiscal tools or insufficient fiscal capacity), and supporting legal frameworks (missing or inadequate laws) facing many First Nations.

The federal government has committed to a series of significant investments in infrastructure to support a better future for Indigenous Peoples with almost \$4.7 billion in planned infrastructure investments over the next five years to include education infrastructure (\$969 million), social infrastructure (\$1.2 billion), green infrastructure (\$2.2 billion), and community infrastructure (\$255 million).

Taking the example of provincial precedents and models such as Infrastructure Ontario, which provides similar services and support to health, education and local government infrastructure projects in that province, First Nations are working with the First Nations Tax Commission (FNTC) to advance the concept of a First Nations Infrastructure Institution (FNII) as a new element of the *First Nations Fiscal Management Act* (FMA).



In concept, FNII could provide the following services:

- **Support Projects with Standards and Laws** – Help with implementing standards and laws required to support infrastructure projects and improve economic development. This will save participating First Nations time and money and help ensure First Nation infrastructure is at national standards.
- **Assessment and Development Support** – Assess infrastructure project readiness and develop infrastructure development plans so First Nations can build the legal and administrative capacity to manage the infrastructure cycle from planning to construction to operation, maintenance and replacement.
- **Infrastructure Planning Support** – Support integrated infrastructure planning (economic, capital, financing) and provide capacity to complete these planning elements of infrastructure development. This will help interested First Nations to access available federal resources.
- **Project Management** – Help First Nations build capacity to efficiently project manage and build infrastructure projects. In some cases, FNII could also provide project management services.
- **Training and Certification** – Offer certified training and systems for First Nation administrations to support the operation of sustainable infrastructure systems through the Tulo Centre of Indigenous Economics.
- **Advocacy** – Advocate for and develop new FMA revenue streams within an improved fiscal framework to finance infrastructure projects.
- **Risk Assessment and Management** – Assess infrastructure risks and develop risk management strategies to improve access to financing.

## Recommendation

That the federal government collaborate with First Nations to develop legislation for a First Nations Infrastructure Institution dedicated to improving the process of developing infrastructure on First Nations lands.

## Keep Pacific Gateway Business Moving

### Issue

BC is Canada's Pacific Gateway, the preferred gateway for Asian trade to North America and the world. A unique alliance of government and the private sector ensures seamless and reliable movement of containers, bulk and break-bulk, and air cargo. Transportation is a key support for economic growth and development, and that's why it is singled out for special focus in the 2012-2020 Pacific Gateway Transportation Plan. More than any other sector, it serves the dual purpose of generating direct employment and underpinning job creation, development and progress throughout BC.<sup>183</sup> While significant progress has been made in some parts of that strategy, a major deficiency exists in B.C.'s Fraser Valley which requires re-consideration of priorities from the Provincial and Federal governments.

### Background

From semi-trucks and trailers hauling freight, to logging and industrial trucks serving the resource industries, to smaller trucks serving local businesses, trucking supports our economy and helps to maintain a high quality of life for

<sup>183</sup> [http://www.pacificgateway.gov.bc.ca/documents/120402\\_Gateway\\_Strategy.pdf](http://www.pacificgateway.gov.bc.ca/documents/120402_Gateway_Strategy.pdf)



all British Columbians. The trucking industry accounts for 2 percent of BC's GDP, employs about 40,000 people, and is larger than other major industries, including forestry, pulp and paper, and oil and gas.<sup>184</sup> There is tacit acknowledgement of the importance of our industry to BC's economy in the 10-year plan, which embeds a trucking strategy.

Each year, more than \$3 billion in goods are trucked between our gateway ports and the rest of Canada, and over one million trucks cross to/from the U.S. via the three Lower Mainland border crossings. For many communities and transportation stakeholders, increasing the economic efficiency and safety of the commercial trucking industry is critically important.

In 2015 the provincial government presented its 10-year Transportation Plan - BC on the Move<sup>185</sup> that looked to initiate design for the construction of six-laning on Highway 1 from Langley to Abbotsford. Construction of a new Port Mann bridge, widening of Highway 1 to 200th Street and addition of the South Fraser Perimeter Road had already been completed. Consultation recently wrapped up this spring on a [\\$59-million project in Langley](#) to build a new interchange at 216th Street and widen the highway between there and 202nd Street. Construction on that project is expected to take 18 months.

On March 28, 2017 the BC government announced commitment of \$113 million in its share of funding for Phase 2, a federal-municipal project to six-lane the highway from 216th Street to 264th Street. The full project is estimated to be \$235.5 million and the provincial government is seeking funding from the Government of Canada and the Township of Langley. Design work is expected to start in the fall of 2017.

The 2016 Census indicated that Abbotsford's population grew by 5.9% in the last five years, above the national and BC average. Abbotsford's neighbours have been growing quicker with Mission up by 6.6% and Chilliwack up by 7.5%. Lower housing prices, compared to Metro Vancouver, will continue to bring even more population growth in the future.

A recent report on industrial land supply in the Lower Mainland, completed for the City of Abbotsford<sup>186</sup>, indicated that strong BC provincial economic performance has helped drive development and leasing interest in the region. However, a lack of new supply has created a very supply-constrained market characterized by extremely low vacancy rates. Conversion of industrial land in Metro Vancouver to residential use also added to this shortage.

The Fraser Valley has long represented a primary supply of industrial zoned land and the scarcity of land options in Metro Vancouver and rising values in recent years have accelerated the migration of industrial owner-occupiers eastward toward more affordable options in the Fraser Valley. The Abbotsford market is among the fastest growing with an annual inventory growth of 6.4% and Chilliwack is at 4.8% compared to Surrey (4.2%) and Langley (3.1%).

Meanwhile, ministry stats show both the amount of traffic and number of accidents on the Hwy. 1 corridor through Abbotsford is only getting worse. Traffic is growing at 1.4 per cent per year, and the increased congestion is slowing median traffic speeds, which can drop to 60 km/h near intersections during peak periods. Figures provided by the Insurance Corporation of BC (ICBC) show the number of crashes has risen from a low of 140 in 2011 to highs of 190 in both 2012 and 2013 (the most recent year Abbotsford figures were available) – an average of roughly one crash every two days. ICBC statistics for the Lower Mainland overall indicate that from 2013 to 2015 crashes increased by a further 18%.<sup>187</sup>

Completion of the South Fraser Perimeter Road, replacement of the Port Mann Bridge, adjacent improvements to Highway 1 to 200th Street and the recently announced Phase 2 construction will have all put an increased burden on Highway 1 in the Fraser Valley. While the highest priority of need is the improvement in the section from 264th Street to Whatcom Road, consideration needs to be given to future needs to extend the six-laning to Hope where Highway 1 provides an entry to three main provincial highway routes.

<sup>184</sup> <http://www.bctrucking.com/news/bc-move-road-map-gets-it-right-trucking>

<sup>185</sup> <http://www2.gov.bc.ca/gov/DownloadAsset?assetId=6BDC5827613C454E81820AE9792CCB72&filename=bconthemove.pdf>

<sup>186</sup> <https://abbotsford.civicweb.net/filepro/documents/?preview=51140>

<sup>187</sup> <http://www.icbc.com/about-icbc/newsroom/Documents/quick-statistics.pdf>

Highway 1 congestion, accidents and daily stoppages and delays have become a way of life for commuters, students and business traffic on the Highway 1 section between Langley and Abbotsford. Alternative routes are limited to local rural and residential roads or the two-lane Fraser Highway, which is already highly congested and not suitable for commercial traffic.

While commuters get a lot of the media attention it is important to remember that the movement of goods and services from the Pacific Gateway is a critical part of the economy in the rest of Canada. Commercial trucks account for approximately 8.5 per cent of the total traffic on the Abbotsford section of the Trans-Canada Highway.<sup>188</sup> With the increasing volume of cargo through Port Metro Vancouver, continued growth of the Vancouver Airport and the migration of logistic facilities eastward into the Fraser Valley the demands by commercial traffic on current Highway 1 road infrastructure are reaching crisis proportions.

BC's economy depends on a safe, reliable and efficient transportation network. It's only a short leap of logic from that statement to recognition that a strong and healthy BC economy relies heavily on a vibrant, thriving, efficient trucking industry to keep that economy moving.

## Recommendations

That the federal government work with the provincial government to:

1. Recognize the priority of the Fraser Valley portion of Hwy. 1 as a major economic enabler and establish a higher priority timetable for necessary widening and upgrades from 264th Street in phases to Whatcom Road in Abbotsford and then to Hope.
2. Ensure that a funding commitment is made by both levels of government to ensure timely project completion.
3. Revise and update the Pacific Gateway Transportation Plan to reflect the shifting base of industrial and commercial activity into the Fraser Valley.

## Obsolescence of Canadian Icebreakers

### Issue

Some vessels are stuck in the ice for more than the five-hour duration benchmarked by the Canadian Coast Guard (CCG), in certain cases for more than one week, because of the unavailability of icebreakers. The obsolescence of Canadian icebreakers could have important economic consequences and it must be addressed.

### Background

Every winter, more than 1,500 merchant vessels of all types cross the Saint Lawrence River or the Saguenay to link aluminum smelters, mines, refineries and other types of plants with their sources of supply or their clients.

In 2013 and 2014, several vessels stayed stuck in the ice for more than the five-hour duration benchmarked by the CCG. In certain cases, the vessels were immobilized for more than one week because of the unavailability of icebreakers.

This is detrimental to businesses and communities waiting for inputs essential to their operations and survival or having promised to deliver their production to clients within the contractual time limits. For example, in 2014, a Rio Tinto Alcan plant was within 24 hours of running out of alumina. Similarly, in 2015, the CTMA *Vacancier*, linking the

<sup>188</sup> <http://www.abbynews.com/news/387000041.html>

Îles-de-la-Madeleine and Prince Edward Island during the winter, was stuck in the ice for three days because no icebreaker was available.

Another example illustrates the consequences of our icebreakers' obsolescence. In June 2017, the Canadian Coast Guard's research vessel Amundsen had to interrupt a scientific expedition to the Arctic on climate change to perform its icebreaker function. Because of this, the University of Alberta had to cancel the first leg of the \$17 million research project involving 40 scientists from five universities across Canada.

Canada's icebreaker fleet is obsolete. The average age is 36 years, and the CCG has already extended its life expectancy. This obsolescence jeopardises the provision of icebreaking services. Poor service on the part of icebreakers could have important economic and social consequences for the industries and communities involved, whether the Saguenay region, the Côte Nord area, the Îles-de-la-Madeleine and other parts of the country.

In the long term, the possibility of reduced accessibility of ports or mobility of vessels in the gulf, on the river or the Saguenay will harm Quebec's reputation and its capacity to attract major industrial investments. Projects such as Ariane Phosphate's apatite mine at Lac à Paul or GNL Québec's natural gas liquefaction plant depend on the reliability of maritime transport. The risk of icebreaker unavailability could cause promoters to reconsider important investments.

The Canadian government does not seem to properly manage the risk of unavailability. Despite its stated intention to build new icebreakers, no new vessel will be built before ten years. Until then, the CCG intends to extend the useful life of its fleet again with a maintenance and refurbishment program. According to the Deputy Commissioner of Operations of the CCG, "in fact, the fleet is very reliable". But is it reliable enough? In view of the recent experience, there are grounds for doubt.

A fundamental mission of the State, with regards to economic development, is to offer businesses quality transportation infrastructures. Icebreaking services on maritime routes are a good example of this mission, all the more so as the services are financed by its users.

## **Recommendations**

That the federal government:

1. Meet the interim needs of the CCG while awaiting the construction of new vessels by ensuring that its next budget includes enough money to allow the CCG to raise the availability level of the icebreaker fleet across the nation so that the actual service level meets the standard.
2. Secure the icebreaker services of European countries, an interim solution relatively fast to deploy.

## **Port and Major Airport Share Capitalization**

### **Issue**

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

## Background

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

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

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

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

### Major Airports

Currently, non-profit airport authorities operate Canada's major airports. Their major capital investments have already been paid for by passengers, airlines, and the airport authorities. If these airports are sold, it will essentially amount to re-financing previous investment at a much higher cost in order to finance shareholder return and cost of acquisition.

Through the process of commercialization in the 1990s, Canada's airports have already reaped the benefits of privatization including; transferring capital and operating expenses from taxpayers to private operators; access to capital markets at relatively low rates of borrowing; market discipline and increased efficiency; customer service focus; and striving for innovation. Under the current governance system, Canadian passenger and freight services have thrived and recently globally ranked 16th out of 140 in terms of quality of infrastructure.<sup>189</sup>

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

The Federal Government continues to collect land and infrastructure lease payments and profit from the operation of passenger screening services. Due to fees, taxes, and charges, including after-tax fuel costs, Canadians face some of the highest air-travel costs in the world, negatively impacting our economic competitiveness. In 2013, Canada ranked 136th out of 140 in terms of competitive cost structure.<sup>190</sup> Share capitalization does not offer a solution to this situation and would only exacerbate these issues and move future decision-making outside of the public interest.<sup>191</sup>

Australia has already gone through this process with its airports and it has been found that airports collect significantly more aeronautical revenue per passenger than before their airports were share capitalized, meaning that passengers and airlines are paying more to access the airports.<sup>192</sup> Despite these increases in revenues, ratings of service quality have not substantially changed. The Australian Competition and Consumer Commission (ACCC) suggests that airlines and passengers in Australia have paid up to \$1.6 billion too much for airport access due to this

<sup>189</sup> World Economic Forum, Global Competitiveness Rankings 2015, <http://reports.weforum.org/global-competitiveness-report-2015-2016/competitiveness-rankings/>

<sup>190</sup> World Economic Forum Index of Cost of Access [http://www3.weforum.org/docs/TTCR/2013/TTCR\\_DataTables10\\_2013.pdf](http://www3.weforum.org/docs/TTCR/2013/TTCR_DataTables10_2013.pdf)

<sup>191</sup> <http://www.theglobeandmail.com/report-on-business/rob-commentary/the-model-is-not-broken-only-dented-the-trouble-with-canadian-airport-privatization/article33359029/>

<sup>192</sup> [https://www.accc.gov.au/system/files/2015-16%20AMR%20revised%206%20March\\_0.pdf](https://www.accc.gov.au/system/files/2015-16%20AMR%20revised%206%20March_0.pdf)

model.<sup>193</sup> The chair of the ACCC, Rod Sims, recently claimed that while privatization often enhances efficiency and economic activity, the move toward share capitalization was “severely damaging” to Australia’s economy.<sup>194</sup>

### Canada Port Authorities

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

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

Canada Port Authorities already operate in a quasi-commercial manner, and would have little to gain in terms of efficiency if they were to be privatized. Further, much of the revenue earned by port authorities is reinvested in infrastructure (in the case of Canada’s largest port, the Port of Vancouver, an average of \$90 million per year). If privatized, a material proportion of that capital investment cash flow would likely be redirected to service debt and ultimately provide a financial return to private owners.

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

### **Recommendations**

That the Federal Government:

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

## **Protecting the National Economy by Managing the Lower Fraser River**

The Fraser River (the ‘River’) is a vitally important resource for the Greater Vancouver region, the province of British Columbia, and the entire country of Canada. Port activity on the Lower Fraser River rivals Canadian traffic on the St. Lawrence Seaway as well as supporting a myriad of other economic activities vital to the region and beyond.

The Lower Fraser River is crucially important to the 2.7 million people of the Fraser Valley and Metropolitan Vancouver, and is one of the prime economic generators in B.C., and a significant contributor to the national economy.

<sup>193</sup> <https://yow.ca/en/media-center/cta-review/accc-suggests-airport-regulation-says-flyers-pay-16b-extra-fees-due-privatisations>

<sup>194</sup> <https://www.theguardian.com/australia-news/2016/jul/27/acccs-rod-sims-says-privatisations-severely-damaging-economy>

Port Metro Vancouver (PMV) is the largest port by tonnage in Canada, and its principal ocean gateway to the Pacific. Given that all of the developable port lands to accommodate PMV expected growth are on the River, it is destined to play an increasingly important role in overall port activity and future growth of the Canadian economy.

Although the Lower Mainland ports were amalgamated in 2008, if the Lower Fraser River port existed as a stand-alone port, it would still be a significant port for Canada. Prior to the amalgamation, the Fraser River Port Authority was the third largest port in Canada, based on domestic, export and import tonnage. The impact of the port function of the Lower Fraser is comparable in importance to the impact of Canadian traffic on the St. Lawrence Seaway both, in terms of tonnages and employment:

|              |                  | <b><u>Lower Fraser River*</u></b> | <b><u>St. Lawrence**</u></b> |
|--------------|------------------|-----------------------------------|------------------------------|
| <b>Cargo</b> | (Million Tonnes) | 25.7                              | 36.5                         |
| <b>Jobs</b>  | (FTE's)          | 52,900                            | 63,000                       |
| <b>Wages</b> | (\$ Billions)    | \$2.62                            | \$2.88                       |

\* The Lower Fraser River impact shown above is for 2008, prior to the amalgamation of the three regional port authorities into Port Metro Vancouver in that year; the St. Lawrence Seaway impact is for 2010

\*\* St. Lawrence data covers Canadian cargo carried on the Montreal – Lake Ontario section of the Seaway and the Welland Canal between Lake Ontario and Lake Erie

In addition to the integral role to the operations of PMV, there are nine federal government Small Craft Harbours located on the Lower Fraser River. In addition to supporting the commercial fishing industry, these Small Craft Harbours enable a variety of fishing, aquaculture, recreation, tourism, shipping and other marine activities to occur.

#### **Other Major Industries of the Fraser River:**

- Fisheries: Commercial and sport fishing are key economic contributors
- Agriculture: The Fraser River valley and delta agriculture production in 2011 was \$1.6 billion (the majority of the agricultural output for British Columbia)
- Forest Products: Approximately 47 forest industry facilities operate in and along the river

#### **The Risk**

The positive economic growth and development of the region seems unstoppable. However, the security of much of the agriculture and industrial lands, as well as the road and rail infrastructure that connects Canada to the port, are vulnerable to flooding primarily, as well as earthquakes.

Each year during the spring freshet, approximately 32 million m<sup>3</sup> of sediment is transported by the River, with roughly 10 per cent of this material settling in the navigation channels of the lower reaches. To ensure continued navigation, and flood prevention, regular maintenance dredging is required. Dredging increases flow capacity which is a crucial flood prevention measure to keep the river below dyke levels during periods of increased flow.

In 2007 the River came perilously close to overtopping the dykes in the Fraser Valley during the spring freshet. Record snow packs on the mountains in the Fraser River catch basin began melting, and combined with heavy rainfall resulted in water levels not reached since 1972. If the dykes had been breached, a national railway and highway would have been cut off, impacting the movement of goods with the rest of Canada, resulting in significant economic losses.

Presently, the adjacent lands of the Lower Fraser River are home to over 50% of British Columbia's population, and in the actual flood plain, \$50 billion dollars' worth of development, which are increasingly vulnerable to frequent extreme weather events that are projected to impact the River.

## **Ensuring Future Prosperity**

According to recent studies, sea levels at the mouth of the River could rise in excess of one metre by the end of the century. In order to protect the businesses and livelihoods of those dependent on the river, residents and public facilities (including the highway and rail transportation infrastructure), an ongoing, coordinated program of investment in improved diking, dredging and other protective features is imperative. Preliminary estimates place the cost of this program during this century at nearly \$9 billion for the tidal areas of the River and adjacent coastal reaches.

The Fraser River is tidal up to Mission, B.C. and these influences coupled with rising sea levels in the coming years pose the threat of storm surges, which could overtop and defeat the diking system. There is an urgent need to revitalize the dikes and increase their height to protect the tidal areas as well as the upstream agricultural lands.

In addition to the threats from sea level rise and potential earthquake damage, storm surge combined with high tides in El Nino years (and 2014 is one of those) could overtop existing flood protection infrastructure even without additional sea level rise.

The results could be severe. The economic damage of losing one or more of the rail links to the port, as well as the major highways through the valley would be significant to the national economy. Damage could be similar to that seen in New Orleans, and require lengthy reconstruction periods, likely costing in the billions of dollars, combined with billions in lost revenue. In order to mitigate this potential, we must act with some urgency to ensure the appropriate preparations are made.

## **Coordinating the Administrative Challenge**

One of the main challenges to managing the Lower Fraser River is coordinating the many government and non-government stakeholders that maintain the River. There are currently 15 municipal governments and 29 first nations groups along the banks of the Lower Fraser. There are also over 20 Provincial and Federal ministries involved in the River's administration.

As authority and oversight is vested with a myriad of various government departments, work on the Fraser River is often done in isolation and not part of a comprehensive and coordinated plan to address ongoing maintenance and safety requirements.

Resolving these issues will require long-term management and funding with substantial financial obligation. Plans and commitments need to be made that extend well beyond the political mandate of any currently elected government. Compounding the problem is the fragmentation which requires compromise among various jurisdictions and authorities.

All levels of government and other key stakeholders must come together to manage the Lower Fraser River as an interconnected system in which the interests of the economy, the population, navigation, public safety, and the natural environment are managed holistically as one system. This will require the leadership of the Federal Government, the ultimate authority over the river.

## **Recommendation**

That the federal government bring together relevant stakeholders to develop a collaborative strategy to address the long term funding and management requirements, to maintain the continuous flow of commerce to and from foreign markets and maintain, protect and further improve the sustainability of marine transportation resources, such as the Lower Fraser River and other nationally significant port authorities.



## Reduce Costs to Improve Canadian Aviation Competitiveness

High fees and government taxes on the Canadian aviation industry represent significant challenges for Canadian businesses, governments and citizens and have resulted in an uncompetitive travel and tourism industry. This has led to lost GDP and government revenue, and the decision made by millions of Canadians to seek cheaper flight options at U.S. border airports.

The Canadian Chamber of Commerce has listed 'uncompetitive travel and tourism strategies' as one of the Top 10 Barriers to Competitiveness for two consecutive years. The Conference Board projects that certain policy improvements could bring two million or more passengers per year back to Canadian airports, along with over \$1 billion in Canadian GDP, 10,000 direct jobs, and approximately \$200 million in tax revenue.

### Background

Until the early 1990's, Canada's airports were managed by the federal government with taxpayers responsible for all capital investments and operational costs not covered by airport charges. During this time, the annual cost to taxpayers for operations alone was \$135 million a year (with minimal investment in facilities). Today, major airports in Canada are operated by not for profit, non-share capital corporations that are fully responsible for self-funding all operating and infrastructure costs and must invest any profits back into the airport. Under this system, the federal government retains legal title to the land and collects payments from airports in the form of ground lease payments or 'airport rent'. Since 1992, this model has resulted in airports paying the Government of Canada \$4.4 billion for ground lease payments and investing more than \$19 billion in airport improvements with virtually no funding from taxpayers. In 2013 Canada's airports paid \$291.72 million in airport rent to the federal government.

Passengers in Canada also pay an Air Travellers Security Charge (ATSC), which ranges from \$14.96 on a domestic round trip to \$25.91 on an international round trip, making security screening part of the "user pay" model. ATSC revenue is growing annually due to an increase in passenger volume. According to Transport Canada, ATSC revenues for 2014-15 are projected to have grown by \$132 million since 2010-11. However, the Canadian Air Transport Security Authority's budget was frozen in 2010 in order to "balance" aviation security costs. As such, there are growing concerns about the future financial stability and resourcing of security screening at Canada's airports resulting in longer and longer security lines and wait times for passengers.

Meanwhile, over the years the federal government has continued to off load costs onto the aviation sector, including in areas traditionally delivered by government in other countries around the world, such as regulatory compliance costs for certain infrastructure improvements (e.g. Runway End Safety Areas), the aforementioned 'user pay' approach to security screening, and the imposition of various taxes and levies that take money out of the system. This, of course, adds to airline ticket prices and other airport-related charges to consumers, not to mention costs associated with the movement of cargo. This inhibits Canada from becoming a true Gateway into North America.

### Cost Structure

Canada's airports and airlines have been severely impeded in their efforts to compete for the cost-conscious air travel consumer with their well-funded U.S. counterparts largely because of the fees imposed on the industry by the federal government. As a result, the Canadian aviation industry's cost structure poses a burden on travellers where it matters most – their wallets: 21% of Canadians say they travel to U.S. airports, where the cost of a ticket can be between half and three quarters the price at home and that number is growing rapidly.<sup>195</sup>

The high cost of aviation in Canada renders Canada's air transport sector less competitive relative to other countries. In fact, out of 140 countries the World Economic Forum's 2017 Travel and Tourism Competitiveness Report ranks

<sup>195</sup> Deveau, S. (2017, 02 16). More Canadians Crossing The Boarder To Fly. *Financial Post*.

<http://www.ottawacitizen.com/travel/More+Canadians+crossing+border/4294832/story.html>



Canada 68 out of 136 countries in ticket taxes and airport charges and 97th in overall travel and tourism price competitiveness.<sup>196</sup>

According to the Canadian Air Transport Security Authority's (CATSA) 2015-16 budget, they forecast that half the passengers at Canadian airports would wait longer than 15 minutes for screening, whereas airports like London Heathrow and Hong Kong International screen 95 per cent of passengers within five minutes. "Canada is dramatically behind global best practices," the CGCC report says. "Better transit would free up roads for high-value commercial goods, reduce greenhouse gases and contribute to increased air-passenger traffic and economic development," it argues.<sup>197</sup>

The Canadian Airports Council 2015 report states "...travellers shoulder 100% of aviation security costs (which) has a negative impact on cost competitiveness and is not typical in the world. It continues, "...with one of the worst passenger screening processing rates in the world, poor customer services, limited ability to innovate, and unstable funding levels, the need for a different governance structure for the provision of airport security screening services in Canada is glaringly apparent."<sup>198</sup>

### Regional airports

The airport self-funding policy has even more dire consequences for regional airports that do not attract a sufficient number of travellers to finance the maintenance and improvement of their infrastructure. The fees charged to passengers become prohibitive. On top of providing air service to travellers, business people and tourists, certain airports play a fundamental role in providing essential services such as fighting forest fires, rescuing people at sea or shipping food and other basic commodities to remote communities. These airports also play an essential role in the operation and development of some remote resources. Access to an airport therefore becomes a determining factor for investors when deciding whether to operate a mine or develop an energy source.

The federal government has an Airports Capital Assistance Program that can provide infrastructure improvement assistance. The Conference Board of Canada analyzed this program, which has not been revised in close to 20 years, and offered the following critical remarks:

- This program does not meet the needs of small airports
- Many regional airports do not have access to the program (mainly those that do not provide regular air service)
- This program's funding has decreased continually since the Québec Air Transportation Policy was adopted in 1994
- Access to available funds is difficult, the administrative burden is high and a number of small airports are unable to meet all of the requirements
- A few complementary provincial programs exist, but they are underfunded
- In the past years, emphasis has been placed on investing in safety, which may have contributed to improving basic infrastructure

A competitive air transportation system is vital for business, government and Canadians. The federal government must begin to view airports as an economic engine rather than a tax grab. Fees and taxes must become competitive with the U.S in order to reduce passenger leakage and support the growth of a strong travel and tourism industry.

<sup>196</sup> World Economic Forum. (2017). *The Travel & Tourism Competitiveness Report 2017*. Geneva: World Economic Forum. [http://www3.weforum.org/docs/WEF\\_TTCR\\_2017\\_web\\_0401.pdf](http://www3.weforum.org/docs/WEF_TTCR_2017_web_0401.pdf)

<sup>197</sup> Owram, K. (2016, 12 08). Canada's airports are falling behind global competitors and need major government investments, cities group says. *Financial Post*. <http://business.financialpost.com/transportation/canadas-airports-are-falling-behind-global-competitors-and-need-major-upgrades-cities-group-says/wcm/c51d4b3d-be75-42b0-af33-4b45c45ad947>

<sup>198</sup> Bruno, G. (January 2015). *CONNECTING CANADA: An Aviation Policy Agenda for Global Competitiveness and Economic Prosperity*. Canadian Airports Council. [http://www.cacairports.ca/sites/default/files/CAC\\_CTA\\_Review\\_Submission.pdf](http://www.cacairports.ca/sites/default/files/CAC_CTA_Review_Submission.pdf)

## Recommendations

In order to improve the competitiveness of Canada's aviation sector, the federal government must:

1. Immediately examine the cost structure of government-imposed fees on the airlines and airports in Canada with the goal of reducing costs and stimulating the aviation sector.
2. Halt the offloading of additional costs onto Canada's aviation sector and its travellers.
3. Develop policies designed to mitigate the impact of the transportation surcharges and fee differentials in Canada by incorporating the results of the examination (as per recommendation number one).
4. Move immediately to eliminate airport rents where they still exist.
5. Revise the Airports Capital Assistance Program with a view to improving the quality of regional airport services, expanding air service to regions and ensuring economic development.

## Supporting Bill S-229: Underground Infrastructure Safety Enhancement Act

### Issue

Over the years, pipelines and other underground utilities have been built throughout the country on public and private land. Unfortunately, there is no one over-arching database or geo-located comprehensive inventory that has tracked the location of these pipes – both actively used and long abandoned. Senator Grant Mitchell has put forward a bill to require registration of underground infrastructure on federal grounds, to assist in building that necessary inventory for the safety of future users and developers who may need to dig in such areas.

### Background

Senator Grant Mitchell introduced Bill S-229, the Underground Infrastructure Safety Enhancement Act on September 29, 2016. After being studied by the Senate Energy, the Environment and Natural Resources Committee, the bill had Third Reading in the Senate on May 2, 2017. The bill has now moved to the House of Commons. Lloyd Longfield, Member of Parliament (Guelph) is now the sponsor of the bill in the House.

The purpose of the bill is to require owners and/or operators of underground infrastructure (pipes carrying a range of materials, cables, ducts, services, etc.) that is federally regulated or located on federal land to register the location of same with a notification system, such as the One Call<sup>199</sup> program that exists in BC. Currently, registration of underground infrastructure is predominantly voluntary.<sup>200</sup> There are over \$30 Billion of pipelines in the Lower Mainland carrying oil, water, sewage and more with no common map of all the pipes. Metro's Greater Vancouver Water District (GVWD) and the Greater Vancouver Sewerage and Drainage District (GVS&DD) are good resources for One Call as is FortisBC. However, not all owner/operators have registered their infrastructure and accidents happen, as in 2007 Burnaby/Chevron pipeline incident.

<sup>199</sup> <https://www.bconecall.bc.ca/>

<sup>200</sup> Provincially regulated pipelines in BC (BC Oil and Gas Commission) and Alberta (Alberta Energy Regulator) are required to register with BC One Call and Alberta One Call respectively (roughly since 2006 and 2010). NEB regulated pipelines are required to register with a One-Call centre, where those centres exist, since June 2016. Despite that, awareness to "Click" (or call) Before You Dig remains low in some areas and near hits continue to occur due to the lack of a locate request.

The bill proposes:

- Owner/operators register all underground infrastructure, even historically unused systems
- Require those undertaking work resulting in ground disturbance on federal land or in the vicinity of federally regulated underground infrastructure to first place a locate request with a notification system
- The notification centre would be required to inform registered owners / operators of the underground infrastructure in the vicinity of the excavation of the proposed ground disturbance o
- In response, Owners/operators would be required to respond to the notification by either:
  - o Marking on the ground the location of the underground infrastructure
  - o Providing an accurate and clear description of the location of the underground infrastructure in relation to the proposed ground disturbance; or
  - o Providing an “all clear”; meaning the proposed ground disturbance activity is safe to proceed without any of the above.
- Various necessary amendments to related Acts.

Further, the bill proposes:

- The notification centre be a non-profit corporation that would be a single point of contact for registration, requests and notifications
- The Minister may appoint a “Damage Prevention Organization” within individual provinces to be the notification centre for that province under the proposed act
- Ministry pay each provincial government specified amounts for the contracting of a non-profit organization to be the notification centre for that province

Subsequent sections of the bill detail the contract and the roles of various government agencies (federal and provincial), plus the amendments to the various Acts for alignment purposes.

## **Benefits**

There is broad support from industry associations for Bill S-229 including the Canadian Common Ground Alliance, Canadian Gas Association, Canadian Energy Pipeline Association and the digging community represented by the Canadian Construction Association.

The bill would:

- Enforce registration of all infrastructure on federal property, with incentives for private owners (large) to register as well
- Provide incentives for provincial governments to support a non-profit notification corporation to be that conduit of information (e.g., BC One Call Corporation)
- Foster collaboration across industry and various government agencies to ensure infrastructure is registered and notification is responsive
- Provide a comprehensive inventory and geo-location of infrastructure both current and historic.

With the concerns raised of cross-Canada pipelines, this would help assuage fears of inadvertent leaks due to not knowing where utilities are under ground. Further, by creating non-profit entities that will be self-funding, this alleviates the burden

## Recommendation

That the federal government support Bill S-229: Underground Infrastructure Safety Enhancement Act.

## Supporting New Investment in Infrastructure to Enhance Canada's Asia Pacific Gateway Initiative

### Issue

In 2007 the Government of Canada, in cooperation with the Government of British Columbia and the three Prairie Provinces, developed and embarked on an ambitious program of capital and legislative infrastructure investments to create the Asia Pacific Gateway Canada Initiative (APGCI). The investments were focused on the "Gateway" corridors linking the Port of Prince Rupert and Lower Mainland regions of British Columbia with the inland supply chain of Western Canada and the rest of the continent.

Over the past ten years the APGCI has been transformational towards enabling the growth of the economy for the benefit of all Canadians through increased and enhanced trade. As the Gateway Initiative is now a decade old it is time to reflect upon its successes; analyze its impacts (positive and negative; both intended and unintended); and, most importantly, encourage innovative and coordinated investments in various new potential strategic infrastructure, systems and marketing initiatives towards achieving continued growth, improvement and evolution of the APGCI. This notion is also supported by the Canadian Chamber of Commerce in its 2017 Infrastructure Report that identifies "insufficient coordination of public-private trade-enabling infrastructure investment in Canada's vital Asia-Pacific transportation networks" as a problem affecting the capacity and efficiency of the Asia Pacific Gateway and Corridor

### Background

The APGCI sought to

- Boost Canada's commerce with the Asia-Pacific region: China, India, Japan, South Korea and Southeast Asia;
- Increase the Gateway's share of North America bound container imports from Asia; and
- Improve the efficiency and reliability of the Gateway for Canadian and North American exports

These goals were to be achieved under development and implementation of key strategies within the following five priorities:

1. Build a global identity for Canada's Pacific Gateway;
2. Strengthen trade and investment relationships;
3. Develop a world-class supply chain and gateway infrastructure;
4. Develop and attract a skilled labour force; and
5. Position the West Coast of Canada as North America's Asia-Pacific destination.

According to Transport Canada, federal funds of \$1.4 billion leveraged \$3.5 billion in total project funding and the investments had a spinoff effect in private investments exceeding \$14 billion.

To date, 47 strategic transportation infrastructure projects valued at more than \$3.5 billion have been announced by the federal government in partnership with all four western provinces and other public and private sector partners.

Specific examples in British Columbia include almost \$6 billion committed to support the objectives of improving both the capacity and efficiency of the country's transportation system, and advancing the competitiveness of the Canadian economy. Specific infrastructure investment examples include the South Fraser Perimeter Road and the Roberts Bank Rail Corridor.

Canada and participating Gateway provinces have also invested in non-capital improvements to enhance the Gateway. According to these governments: improvements have been identified and implemented to reduce policy, regulatory and financial barriers, to improve the business environment for trade growth, and to enhance freight operations at key facilities by way of company-level agreements, application of new technology and establishment of innovative operational practices. While investments towards achieving the strategic priorities of the Gateway were the direct catalyst for these improvements all businesses in all sectors have had the opportunity to receive the net positive results.

The APGCI continues to be a significant driver of economic growth throughout Western Canada. However, the growth rate has begun to slow and other challenges have arisen from its early success. This is evident in British Columbia which has started to become a victim of its own success related to unintended consequences of rapid Gateway-related growth. The growth has exacerbated the worsening and extremely expensive congestion problems in the Lower Mainland of BC. This congestion is being seen at shipping terminals, distribution centres and commuter roads. General examples of congestion related negative impacts include:

- Inefficient and ineffective delivery of imports from ship to shelf
- Increased wear and tear on already over-stressed municipal road networks
- Lost time to commuters in vehicles and public transit
- Worsening environmental impacts to air sheds and waterways
- Further threats to agricultural land from the insatiable appetite for expansion of road networks and industrial warehouse developments
- Real threat of the Gateway no longer being the “gateway of choice” in the Pacific region of North America as shippers lose confidence in our resiliency and ability to fulfill the needs of the supply chain
- Continued stifling of economic growth to the point of potential no real net gains

Furthermore, and even with the investments and success of APGCI to date, “Canada’s port infrastructure has slipped from 14th place in the World Economic Forum’s Global Competitiveness Index in 2010-11 to 21st place in 2014-15” according to Alex Brinkley. The looming threats to the Gateway’s continued positive contribution demonstrate that it is time the initiative be reinvigorated through strategic investments to catalyze its evolution. The Canadian Chamber of Commerce notes in its July 2017 Infrastructure Report, that: “despite the success and strong industry support for the initiative, no additional funding was provided for APGCI when a new a federal infrastructure framework was announced in 2013-14. The value of the program was reaffirmed in the 2016 report of the Canadian Transportation Act Review which found that, “the gateway approach of linking trade and transportation together in an integrated, multi-modal and public-private strategy was widely recognized as a Canadian best practice.”

## **Recommendations**

Therefore, this Resolution proposes that the Gateway be reinvigorated by the following action items:

1. That the following recommendation from Chapter 3, Linking Trade and Transportation, of the 2016 Canada Transportation Act Review (known as The Emerson Report) be implemented: “the Government of Canada renew the Ministerial mandate for Gateway and Corridor strategies in order to provide leadership on efforts to link trade and transportation and consider budgetary allocations to support investment in transport corridors”
2. That the Government of Canada review the past ten years of the APGCI and strategic investments to reinvigorate the Asia Pacific Gateway Canada Initiative from the perspective of leveraging opportunities

outside of the existing corridor to provide resiliency, mitigate environmental impacts and create wider-reaching economic impacts.

3. That the Governments of Canada and British Columbia invest in key strategic infrastructure improvements and developments related to inland ports and multimodal hubs that offer opportunities to attract investment such as the proposed new Port Alberni Transshipment Hub (“PATH”) located south of Port Alberni BC.
4. That the Governments of Canada and British Columbia develop a reinvigorated and revitalized new APGCI Strategy to meet the evolved needs of the Gateway and international trade.

## Trucking Disruption of Terminal Operations at Port of Vancouver

Container operations at Port of Vancouver were disrupted in 2014 by a 28-day withdrawal of services by non-union and unionized container truck drivers. A similar 47-day work stoppage occurred in 2005 and pertained to escalating fuel prices, practices of undercutting driver pay by some container drayage (transport) carriers and operational delays encountered by truckers at marine container terminals.

The 2014 stoppage affected the regional, provincial and national economies with an approximate economic impact of \$750 to \$885 million per week, for a total of \$3.5 billion. The B.C. provincial government and the federal government mutually agreed to a deal, known as the *Joint Action Plan*, with truck drivers to get them back to work. Federally-appointed facilitators Vince Ready and Corinn Bell were also involved in facilitating the agreement and its implementation. It is important to note that the container drayage sector is provincial jurisdiction, marine ports are federal, and marine terminal container operators are privately held.

The Port of Vancouver is the third largest port in all of North America, and handles close to 20 per cent of all Canada’s trade by value, including more than half of the total containers that go through Canadian ports.<sup>201</sup> Approximately three million TEUs (twenty-foot equivalents) were handled during 2016 according to Vancouver Fraser Port Authority statistics.<sup>202</sup> The approximately 4,500 ILWU longshore personnel employed in local port operations work under an unprecedented multi-year negotiated contract intended to provide labour stability in the gateway.

The Vancouver Fraser Port Authority is the landlord of federally-owned port land, leasing it to independent container terminal operators. The mandate of the port authority is to safely facilitate the movement of goods and passengers through the port while protecting the environment and considering local communities. The port authority does not directly operate marine terminals, but does control access to port lands. Shipping lines contract with terminals, and shippers contract with trucking companies, who in turn run their own operations, negotiating service contracts with customers and employment contracts with their driver base.

After the 2005 disruption, the federal government created a task force to provide recommendations to prevent further disruptions. Two key recommendations were the implementation of a mandatory truck licensing system (TLS) and a container terminal reservation system wherein the trucking industry is required to secure a reservation to pick-up or deliver laden or empty containers. Both recommendations were implemented with some success, though problems that caused the earlier disruption persisted, particularly undercutting of rates and not enough work for the drivers licensed to work at the port.

Although not directly in control of operations, the port authority has an interest in container trucking and service reliability at the Port of Vancouver to ensure the port’s international competitiveness and reputation for reliability in the interests of Canada’s trade. In December 2011, the port authority launched a stakeholder engagement process to develop a broadly supported, long-term vision for the container trucking sector that would enhance the port's global

<sup>201</sup> Shipping in Canada, *Statistics Canada*

<sup>202</sup> [www.portvancouver.com](http://www.portvancouver.com)

position as a sustainable and competitive supply chain leader. In February 2013, the port authority announced its Smart Fleet trucking strategy, an action plan to achieve excellence in the local container trucking sector. Smart Fleet continues to guide work with industry and government to drive performance, accountability, sustainability and transparency within the container drayage supply chain. Despite those efforts, the 2014 disruption by truck drivers took place due to the perceived failure of the port community to address driver complaints about delays and waiting time at port container terminals, among other concerns.

After the 2014 disruption, and as part of the *Joint Action Plan*, immediate efforts were made to reform and improve the TLS and reservations programs, including introduction of night gates and a directive to implement a common reservation system.

The Province of B.C. gained responsibility, through the new *B.C. Container Trucking Act*, for issuing trucking companies a “Container Trucking Services License” to access the Port of Vancouver, while the Vancouver Fraser Port Authority issues commercial access agreements to B.C. Container Services License holders. Further to the new *Container Trucking Act*, the Province of B.C. passed legislation to regulate competing owner-operators and employee drivers’ earnings through creation of the Office of the BC Container Trucking Commissioner (OBCCTC), with responsibility to enforce compensation and oversee the TLS and the management of truck “tags” for individual truck access to the port.

With respect to the common reservations system, the intent is to provide a shared platform for users accessing any of the container terminals. There are four container terminals run by three operators. In addition to GPS truck tracking which is already in place, the shared platform would provide industry with greater transparency into operational performance metrics, including reservation slot availability, and facilitate more round trips for Port of Vancouver users. The reservation system is not yet in place. It is being developed by terminals through upgrades to their software operating systems and involves agreement among stakeholders on the shared interface.

The outcome of the work directed by the *Joint Action Plan* has been generally successful with driver turn times at the Port of Vancouver leading in North America, and drivers now being compensated for exceptional delays.

However, despite enhancements to container operations, including the addition of a second eight-hour shift for trucks to ease congestion and increase fluidity, challenges remain on a number of administrative issues including rate undercutting and non-compliant pay practices. Since the 2014 disruption, there is still unrest in the sector and a widely held view that the container drayage industry is oversubscribed with too many parties competing for the existing business, limiting the earnings available for many drivers.

Issues remain that need to be addressed in order to bring greater stability to this sector.

The current reservation protocol has inefficiencies that have resulted in unintended consequences, including challenges to efficiently coordinate the pick-up and drop-off of containers at the container terminals.

Additionally, restrictions in the TLS program’s licensing component of truck tag management by the OBCCTC, initially in place to manage the supply of trucks against the number of containers, has unintentionally posed a barrier that is preventing TLS trucking companies from free market competition. They cannot secure new tags, nor can they surrender them when business is slower for fear of not being able to regain them in the future.

Although the Port of Vancouver has stringent environmental requirements for container trucks in the TLS program, inefficient truck moves and excess wait times between reservation windows to achieve the efficient utilization of trucks, plus frequent elongated turn times at the port, pose a negative impact on air emissions, the need for drayage companies to deploy larger fleets of trucks, and overall increased traffic congestion.

The container supply chain and trucking industry is complex and resolving supply chain inefficiencies is very challenging. However, it is clear that all stakeholders seek solutions for a reliable container sector, including stabilization of container trucking.

## **Recommendations**

That the federal government with the relevant provincial/territorial governments:

1. Undertake a comprehensive rapid review of the 2014 *Joint Action Plan* to develop a long-term sustainable solution;
2. Ensure that revisions incorporate relevant data transparency and mutual accountability of supply chain participants to optimize efficiency and improve cost competitiveness for the entire supply chain; and
3. Include relevant industry representation throughout the review and implementation process in order to provide the necessary context and help ensure the resulting revisions are practical and will achieve long-term stability.