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Resetting Priorities to Help Canada Compete

Speaking Notes for Hon. Perrin Beatty
President & Chief Executive Officer
Canadian Chamber of Commerce

Ottawa Chamber of Commerce Business Before 9

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I want to thank Ian and the Ottawa Chamber of Commerce for inviting me to join you here this morning. The Ottawa Chamber is a vital part of our national network and I am very grateful for your leadership.

This Sunday, we'll celebrate Canada's 151st birthday, so this is a particularly appropriate time to spend a few minutes taking stock of where we find ourselves both as businesspeople and as a country.

My starting point is that we are in uncharted territory. To quote Dorothy in the Wizard of Oz: "Toto, I've a feeling we're not in Kansas anymore."

These days, I suspect that even the people in Kansas may be getting the feeling that they're not in Kansas anymore, but my purpose today is to talk about Canada.

Simply put, we are no longer living in the world we inhabited even six months ago. Back then, we knew that there were serious tensions between Canada and our largest trading partner. The Trump administration had applied tariffs to Canadian softwood lumber and against our newsprint exports. It had taken a run at our aerospace sector and progress with the NAFTA renegotiations was slow. But few would have predicted that our closest ally, friend and trading partner would have launched an unprecedented attack on our economy, or that in just three days from now we would be reaching another critical moment in our relations as Canada's retaliatory measures come into effect.

I support our government's efforts to manage the Canada-US relationship. We should all understand that, in times like this, there are no more Liberals, Conservatives and New Democrats, federal and provincial governments, or public and private sectors. There are simply Canadians and, whatever our differences at home, we must speak to the outside world with one voice.

This should be a moment of profound sadness for all of us, because the world needs the United States to lead and to be successful. However irrational and destructive the actions of the current administration may be, the ties between Canada's citizens and their American counterparts remain strong. Our dispute is not with the American people, but with the policies of their government.

It's said that those who don't remember history are condemned to repeat it. Both the argument —that trading with the world was costing American jobs — and the proposed solution of building tariff walls were heard at the time Herbert Hoover, against the advice of over 1,000 economists, signed the Smoot-Hawley tariff act in 1930. Canada was the first to retaliate, and we were followed by the rest of the world. Smoot-Hawley did not cause the Depression, but it deepened it and lengthened it.

That painful lesson has apparently been forgotten. President Trump is wrong when he says that trade wars are good and are easy to win. The reality is that trade wars are usually disastrous, particularly for the most vulnerable. They are not easy to win, but they are very easy to lose. Usually, everybody loses.

Despite all the evidence of history, however, President Trump continues to threaten to impose further tariffs on Canada.

So where are we today and where do we go from here? Let me state this clearly in case anyone in this room or this city has any doubt: when Canada's economy is under siege from our largest customer and closest ally, it is no longer business as usual. The plans and policies that might have made sense even a few months ago are now obsolete. Governments and businesses must develop new strategies to

protect our economic interests, ensure the survival of our businesses, and protect the livelihoods of millions of Canadian families.

But identifying strategies to deal with the whims of a wildly unpredictable President, or preparing for the outcome of this week's Mexican election are only part of the solution. Both are important, but we are reacting to what others are doing instead of setting our own course.

In my opinion, we urgently need to focus on what we can control and what we can do to help our businesses survive and prosper in this new environment.

Last July, the Presidents of all of the provincial and territorial chambers of commerce and I wrote a letter to the Prime Minister and the provincial premiers. We pointed out that actions by governments at all three levels were driving up the cost of doing business in Canada and, as a result, companies were struggling to grow and to compete for investment and customers from abroad.

We noted that Canada is a high labour cost jurisdiction. We pointed out that we do not score well in terms of labour productivity and innovation. Other factors were hurting us too, including tax increases, the price of electricity in many jurisdictions, and the cost of complying with our increasingly burdensome regulatory regime, to name just a few.

That letter was written a year ago, before tensions between Canada and the U.S. multiplied, before the current stalemate in the NAFTA negotiations, before deregulation had gained momentum and tax reform had been passed in the United States, and before the government decided it had to buy the Trans Mountain Pipeline Expansion to keep that project alive.

These issues were important to business a year ago. Today, they are critical. For a growing number of businesses, they are existential.

In my work at the Canadian Chamber I get to hear from businesses in all sectors of the economy and from all parts of the country. I see Canada's enormous potential — we truly are the most fortunate people on the face of the Earth — but what I'm increasingly hearing about how we are capitalizing on that potential is not reassuring.

Much-needed investment is moving elsewhere. An article in yesterday's paper pointed out that, in 2017, Canada attracted about \$30B from abroad but invested \$100B outside our country. We need to reverse that trend .

The Canadian Chamber's message to governments at all levels is simple: now is not the time for idle tinkering or being distracted by nice-to-haves. This is a time for us – all of us – to be laser-focused on ensuring our businesses can compete and win at home and abroad. If we want the resources to create a more inclusive economy, it means means tackling the problems that sap our competitiveness and hurt those very businesses we count upon to create wealth and economic opportunity.

Our approach to regulation in Canada is a good place to start.

In its 2017-18 index, the World Economic Forum ranked Canada 38th out of 137 countries in category of "burden of government regulation." Our biggest trading partner and competitor, the United States, sits at 12th; Germany at 7th.

A recent study by the World Bank noted that when it comes to the length of time required to get a project permit through regulatory approvals, Canada ranks 34th out of 35 countries. That's in part because, in Canada, it takes almost 100 days longer than the OECD average to get a project off the ground.

If you ever doubted whether Canada's regulatory system has become dysfunctional, consider the Trans Mountain Pipeline project.

The federal decision to purchase Kinder Morgan's assets reflects the extraordinary circumstances in which we find ourselves. The Trans Mountain Expansion is a commercially viable project that met the test of a rigorous, scientifically-sound review process and received all of the approvals it required to proceed.

Notwithstanding this reality, an intransigent provincial government had the power to slow or even stop a project that a majority of Canadians, including a growing majority of British Columbians, believe is in the national interest.

Think about the message that sends investors around the world. If, after Kinder Morgan spent about \$1.5 billion of its own money, after an external consultation process involving thousands of people, after the National Energy Board approved the project, after the company accepted the more than 150 conditions imposed on it, and after the federal government declared the project to be in the national interest, we still couldn't get it done, the message we are sending to Canadian and foreign investors is clear: "Canada is closed for business."

That is not a message Canada can afford to send. We need to fix our broken regulatory regime. And, as we approach Canada Day, it's a good time to decide whether we are one country with one strong national market, or a collection of thirteen principalities that can't see beyond their provincial and territorial borders. Before we can truly be a mature nation, we need to dismantle the internal barriers to trade and to the movement of our citizens.

Late last month the Canadian Chamber released a major report on the the regulatory drag that afflicts our economy. It's entitled "Death by 130,000 Cuts: Improving Canada's Regulatory Competitiveness."

It tells a familiar story. Canada's complex network of overlapping and duplicative government regulations has created a costly and frustrating environment for businesses.

Consider some of the statistics we discovered. In 2015, the government reported an increase to nearly 132,000 federal requirements that impose an administrative burden on businesses. And don't forget Ontario: the former Chief Economic Analyst at Statistics Canada observed that this province has more than 380,000 regulations on the books!

Well-designed and well-implemented regulations support our health and safety, our prosperity and our environment. But not all regulations are created equal. Onerous administrative costs and inefficient regulatory processes divert resources away from more productive activities. And the increasing costs of regulatory compliance and uncertainty affects Canadian businesses across the spectrum.

Our report – which you can find at RegulateSmarter.ca – looks at how Canada stacks up against jurisdictions like the U.S. and the UK. It highlights ways to make our regulatory systems more efficient so they can serve the public good without unnecessarily penalizing job creators and businesses.

Similarly, our tax system has become too complex and burdensome. At the Canadian Chamber's 2017 AGM, delegates from chambers throughout Canada adopted a resolution calling upon the federal government to undertake a comprehensive review of taxing statutes guided by the principles of simplification, modernization, reducing compliance costs, and getting the tax mix right.

While the Department of Finance tries to avoid letting anyone else get their hands on the steering wheel, there is little doubt that our cut-and-paste approach to taxation is hurting Canadian competitiveness. It's been four decades since our last comprehensive review of our complex, cumbersome and costly tax system. The time has come for a fresh look at its fairness and efficiency.

Regulatory sclerosis and an outdated tax system are two key themes that come up whenever we discuss competitiveness. Earlier this week I met with representatives from a wide range of associations from different parts of our economy. While they all come from different sectors of our economy, the message I heard was remarkably consistent.

We don't have the time to go into the details, but I will touch on the highlights. As a start, they identified the need for government to remove obstacles to attracting immigrants to Canada and to helping them find job opportunities, particularly in areas where we don't have Canadians to do the work. They talked about the need for greater integration of workplace learning, which will help students gain valuable experience. They identified a requirement for skills training or retraining as automation and other technological advances threaten workers and even entire job categories with obsolescence.

While government has a role to play, business is not off the hook when it comes to securing the benefits of the digital economy. We, too, have a role to play in upgrading the skills of our employees and ensuring our primary and secondary school students develop the key skills required, including literacy, numeracy, teamwork and digital literacy. Additionally, we need greater coordination between business and educators on the specific technical skills required for particular jobs.

I recognize that it's always easier to diagnose a problem than to solve it, but everything I have proposed this morning is within the realm of the possible for government. Unlike Canada-U.S. relations, all that is required is a willingness by governments to work with industry to make the necessary changes.

To be fair to our current administration, they are showing encouraging signs that they recognize the challenges ahead for Canada and our economy. Finance Minister Morneau, for instance, has said that he knows competitiveness is a concern and that he will focus on the issue over the coming months. That's reassuring to hear, and we look forward to business helping identify some solutions to that challenge.

What, then, should be on the agenda when MPs return in the fall? When our elected representatives reconvene, Parliament will have just over a year until the next federal election. They need to use that time well. I believe the government should announce that it will present a new Speech from the Throne in the fall to set out an urgently-needed, focused response to the growing economic challenge. And that Throne Speech should be followed by a mini-budget that updates the economic projections for the coming year and lays out a clear strategy to help our businesses compete.

Canadian businesses and Canadian families need to know that the our leaders understand how serious the challenge is and that addressing it comes before all other priorities. We need to regain our competitive edge, diversify our markets, and encourage new investment in our country.

For our part, I give you this pledge: the Canadian Chamber will support any effort to address these challenges in a real, tangible way.

Let me conclude with the following: there is no greater priority today than improving Canada's competitiveness. Simply put, competitive companies are profitable companies. When businesses are profitable, they grow. When they grow, they invest in new technologies, new processes, and new products. They retrain their employees and they hire new staff. That is good for business, good for government and good for Canada.

The Canadian Chamber, the Ottawa Chamber and our network, of which you are a vital part, are here to create the conditions required for business and, ultimately, for Canada to succeed. I thank you for your commitment to this movement and to our country which, more than ever, remains a beacon of hope in a troubled world.

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