

WINDSOR-ESSEX REGIONAL Chamber of Commerce

December 12, 2018

House of Commons Standing Committee on International Trade
House of Commons
Ottawa, Ontario K1A 0A6

Attention: Christine Lafrance, Clerk

RE: Submission from Windsor-Essex Regional Chamber of Commerce

Dear Committee Members:

We are presenting a Windsor-Essex perspective related to Federal Government support for the international trade activities of small and medium-sized enterprises. The comments below reflect what we are hearing from our key sector industry associations and the front-line business community.

Windsor-Essex is located at the heart of the richest consumer market in the world, where more than half of the North American population lives within a day's drive. The 10th largest market in the U.S., metropolitan Detroit, is less than one mile away, across the Detroit River. Windsor-Detroit is the busiest border crossing point between Canada and the U.S. with approximately 1/3 of all trade crossing the border here, averaging as much as \$500 million in trade per day. This unique geographical location places us at the very heart ("ground zero") of trade agreements, specifically the USMCA, impacting two of our key sector industries – manufacturing and agri-business.

Windsor-Essex boasts an industry profile of more than 1,000 manufacturers, all part of an integrated global value chain. Windsor-Essex has a significant auto cluster including OEMs (FCA and Ford) and many large Tier 1 suppliers (both domestic and foreign). Three of the five largest mold-making companies in North America are based in Windsor-Essex. The MTDM cluster employs more than 7,500 people in Windsor-Essex. This cluster represents more than one-third of Canadian MTDM employment, estimated to be 20,000 in 2016.

There are more than 2,900 acres of greenhouses in Ontario and approximately 2,300 acres (or 79%) are in Windsor-Essex. Ontario agriculture exports to the U.S in 2016 totaled \$683.5 million. Seventy-eight percent of Ontario's greenhouse produce is exported to the United States. This is a sector that is growing exponentially with expansion plans underway for the next 5 years.

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The following items address where we see the Federal government assisting SMEs with support for global competitiveness, innovation, a more business-friendly environment, and greater access to new markets:

Competitive Advantage:

We applaud the Federal government for the new equipment accelerated depreciation rules for manufacturers as presented in the recent FES. This helps our companies access more resources to reinvest capital into their businesses, thus driving economic activity. This was a significant move towards leveling the playing field with neighbouring competing jurisdictions.

Further support for a more business-friendly tax regime would certainly ensure our competitiveness. Manufacturers are seeking a gradual reduction of the federal and provincial general corporate tax rate to offset the recent U.S. tax changes, which reduced our 14-15% advantage from one year ago. Corporate tax reforms should focus on assisting SMEs and manufacturers to afford them a more favourable tax rate that would allow them the resources to scale-up and perform stronger domestically. This will allow them to be better positioned to expand internationally through increasing their capacity.

All businesses would benefit from an efficient and expedient program application approval and processing time - one that operates at the speed of business and its various industry sectors.

Support for Innovation:

SMEs would benefit from support programs that are structured for their easy access with lower thresholds, more inclusive categories, and less restrictive parameters. Most programs are structured for larger companies who have the resources to participate. The small companies are often disqualified from the application process due to limited thresholds. An example of this is the recent changes to the SIF program, resulting in missed opportunities for R&D and innovation. Furthermore, there needs to be a balance between the focus on job creation vs capital investment when developing criteria for support programs.

Support for Exporting:

Access to markets is critical for our manufacturing and agriculture sectors and central to trade. Our automotive parts manufacturing sector exports approximately 80% of what they produce. Thus, the domestic market is not a significant market for the industry which relies heavily on the NAFTA regions of U.S. and Mexico. Although CETA is providing some opportunity for access to new markets, support for reaching well-developed markets outside of these regions and diminishing existing commercial barriers there, would assist in the expansion of many of our manufacturing companies.

The establishment of long-term and structured programming to support new market development would align with sector growth and strategic investment by our agri-business sector, in both existing and

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emerging markets. Market expansion is often hindered by non-tariff barriers and would benefit from the help of government in navigating these processes, recognizing that the sales and business development cycle is often long.

SMEs suggest that they would benefit from export training that is accessible either locally or regionally. SMEs across all sectors are often new to exporting and lack the experience and market intelligence in cultural, legal, and business norms to be successful in reaching and doing business in global markets.

In summary, SMEs look for opportunities to strengthen their export foundations, increase their capacity to be export capable to gain access to markets, all in preparation for taking advantage of foreign trade deals.

Sincerely,



Rakesh Naidu
President and CEO
Windsor-Essex Regional Chamber of Commerce