



GREATER KITCHENER WATERLOO
CHAMBER OF COMMERCE
BUSINESS BUILDING COMMUNITY

Pre-Budget Submission by:

The Greater Kitchener Waterloo Chamber of Commerce, Kitchener, Ontario

List of Recommendations

Regulatory Reform

Recommendation 1: That the federal government convene a government-business working group to reduce the cumulative regulatory regime for Canadian business.

Recommendation 2: That the federal government include economic impact assessments in the mandates of health, safety and environmental regulations.

Recommendation 3: That the federal government escalate efforts to modernize all rules governing interprovincial trade through the *Canadian Free Trade Agreement*.

International Trade

Recommendation 1: That the federal government focus on NAFTA renegotiation and conclude a deal.

Recommendation 2: Manufacturing inputs should be excluded from retaliatory tariffs.

Recommendation 3: That the federal government introduce safeguards to protect the domestic market against third-country dumping.

Recommendation 4: That the federal government provide emergency funds for distressed industries.

Recommendation 5: That the federal government reinvest tariff revenue into an investment support program.

Support for the Canadian Agri-Food Sector

Recommendation 1: That the federal government work with the industry to develop a long-term vision and strategy.

Recommendation 2: That the federal government formulate a more integrated approach with provincial governments in the development, coordination and implementation of policies and programs to enable the growth of successful and sustainable agri-food businesses.

Recommendation 3: That the federal government eliminate unnecessary regulatory obstacles to industry growth, leverage global standards and expand international trade opportunities.

Background

The Greater Kitchener Waterloo Chamber of Commerce supports over 1700 members representing all sectors of the Waterloo Region economy. Our membership includes small, medium, and large employers in one of Canada's most progressive and innovative regions.

Waterloo Region is designated as Canada's tenth and Ontario's fourth largest urban area, with a 2016 year-end population of 583,500 expected to reach 725,000 by 2031. Population growth is relatively consistent across the Region's seven lower-tier municipalities at 1-2 percent in both the cities and rural townships.

Our local economy is among the most diverse in Canada, with concentration across advanced manufacturing, financial services, post-secondary education, food processing/primary agriculture, and information technology. Industry analysts have frequently cited this diversity as the fundamental strength of Waterloo Region's globally successful and entrepreneur-driven business sector.

Regulatory Environment for Canadian Business

In May of 2018 The Canadian Chamber of Commerce (CCC) released their report *Death by 130,000 Cuts: Improving Canada's Regulatory Competitiveness* in response to growing concerns from business on current regulatory regimes at all levels of government.

The report notes that in recent years, federal and provincial/territorial governments have initiated regulatory policy reforms. Individually, these efforts have improved certain processes and reduced some administrative burdens. However collectively these measures have been outpaced by the increasing number and complexity of new regulations. This escalation has reduced the productivity and competitiveness of Canadian firms while making Canada less attractive to foreign investment.

The Canadian Chamber has asserted that the solutions to Canada's regulatory problems are within the federal government's control. A united effort to

modernize our regulatory frameworks can improve environmental, social and economic protections while increasing investment, growth and job creation.

Regulations impose costs on business that impact their behaviour including capital investment, productivity, and innovation. They also result in opportunity costs by directing employee time to administration and other compliance responsibilities.

The report further notes that Canada's largest self-imposed constraint on economic growth is the massive number of regulatory differences between the provinces. The fragmentation of rules between the provinces and territories leads to Canada's interprovincial trade barriers, which are estimated to reduce national GDP by \$50 to \$130 billion annually.

Interprovincial regulatory misalignment extends into almost every sector, including portfolios such as trucking and transportation standards, food packaging and labelling, and professional certification and securities regulation. The CCC uses the example of the current regulatory regime governing the sale, transportation, storage, disposal and use of pesticides. Ontario and Quebec restrict the use of some federally approved products after a rigorous review process. These restrictions place farmers at a competitive disadvantage to their counterparts domestically and internationally.

Post election, the Ontario government has appointed Gilles Gherson as Deputy Minister, Red Tape and Regulatory Burden Reduction in the Cabinet Office. Mr. Gherson previously served in a series of senior economic development positions. The Ontario Chamber of Commerce, in a July 16, 2018 media release, indicates this appointment is "an excellent start in lowering the administrative burden felt by Ontario businesses."

While Canada has historically been a reliable destination, declining foreign investment has revealed that some of the past advantages of doing business here no longer exist. A significant corporate tax reduction and accompanying regulatory reforms passed by the United States in late 2017 is one prominent concern.

International Trade

The priority trade portfolios for Waterloo Region include auto manufacturing, agriculture/food processing, financial services and IT. We support the federal government's continued efforts to achieve a modernized North American Free Trade Agreement (NAFTA), and Canadian negotiators should remain at the table and not allow illegal and unjustified U.S. steel and aluminum tariffs to derail negotiations for an agreement that meets 21st century business needs.

A June 18, 2018 report from TD Economics¹ forecasted that a U.S. imposition of tariffs on motor vehicles and parts combined with corresponding retaliatory measures by Canada would have a deleterious effect on Canadian output, leaving the economy at a standstill for half a year. The impact on Ontario would be markedly worse given the sectoral concentration.

Mathew Wilson of the Canadian Manufacturers and Exporters, in a deputation before the Parliamentary Standing Committee on International Trade (June 26, 2018), noted that manufacturing is the largest economic sector in Canada, directly accounting for 11 percent of GDP, 67 percent of exports and 1.7 million employees in high wage, high skilled jobs in nearly every community across Canada.

Mr. Wilson forwarded a series of recommendations to the International Trade committee, cited above in our list of recommendations, which originated from a survey of their membership. Our Chamber members in the manufacturing sector support this approach to dealing with the current trade predicament.

Growth of the Canadian Agri-Food Sector

The 2018 Canadian Chamber of Commerce report *Ten Ways to Build a Canada That Wins* notes that Canada is well-positioned to be a world leader in the production and export of food products for global market demands.

Over the next decade, there will be an unprecedented expansion in middle class consumers around the world. Preferences are shifting to a greater demand for

¹ Potential U.S. Auto Tariffs: Canadian Scenario Analysis. TD Economics. June 18, 2018

higher value food processing and placing a value on food safety, traceability and the link between food production and health – all part of Canada’s brand in international markets.

Furthermore, the development of new technologies will provide greater opportunities for domestic producers and processors to enhance productivity and commercialize new products and services.

The Canadian Chamber asserts that in order to make Canada a global leader in high-value food production and exports, we require:

- A national vision and clear objectives for an agri-food cluster development strategy;
- A regulatory environment that maintains food quality and supports innovation and business growth;
- Policies and programs that support innovation and business development in our agri-food sector and enable our producers to expand exports in international markets; and
- Trade infrastructure that allows Canadian agri-food businesses to get their products to market efficiently and safely while assuring high quality standards.

We thank the House of Commons Standing Committee on Finance for the opportunity to advance our recommendations for the 2019 federal budget.