Cement Association of Canada | Association Canadienne du Ciment

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Written Submission for the Pre-Budget Consultations in Advance of the 2019 Budget

CEMENT ASSOCIATION OF CANADA

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Recommendations:

Recommendation 1: That the Department of Finance work with industry and commit to a full review of the corporate tax system with the aim of restoring to Canada an internationally competitive business tax system that rewards entrepreneurship, encourages investment in the technologies, skills, and capacity businesses need to grow, and attracts capital and highly qualified people from around the world.

Recommendation 2: That the government establish an industry-government working group on regulatory competitiveness to address the cumulative regulatory burden.

Recommendation 3: As a priority during NAFTA negotiations, that the Canadian government must ensure that any new procurement market access commitments be truly reciprocal in nature, resulting in new foreign procurement market access for Canadian producers that is comparable in terms of both the size and scope of the market access commitments between the United States to Canadian and Mexican products. The processes for government procurement should be fair, transparent, and promote economic growth.

Recommendation 4: It is imperative that federal officials consider the impacts of carbon policy in the *Pan-Canadian Framework* and ensure that measures are in place to address the negative impact of EITE industries moving forward**.**

Recommendation 5: That the government provide access to funding mechanisms for investments in innovative technology and infrastructure that support achievement of Canada's climate change commitments; including through carbon capture and utilization technology, as well contributing to waste processing infrastructure to produce and use lower-carbon fuels in manufacturing.

Recommendation 6: The government should refocus efforts to identify and fully fund ready and available projects which are of the higher-productivity type of infrastructure, for example trade-corridor supporting projects. Efforts to achieve planned funding levels is critical. "Bricks and Mortar" projects have the most economic stimulative impact and enhance competitiveness.

Recommendation 7: That the federal government require the use of Contempra cement in federal procurement.

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August 3, 2018

House of Commons Standing Committee on Finance – 2019 Pre-Budget Submission

The Cement Association of Canada ("CAC") is pleased to submit the following comments to the House of Commons Standing Committee on Finance's pre-budget consultations in advance of the 2019 federal budget.

Following last year's theme of fostering productivity and competitiveness for Canadians, this year, the Standing Committee has requested input from stakeholders on specific recommendations to support economic growth and ensuring Canada's competitiveness, while recognizing a changing economic landscape both in Canada and with our major trading partners.

International events, trade concerns and relative competitiveness are all very important issues today for Canadians, however one of the most stable sources of jobs and productivity-boosting investments remains through infrastructure. It is important to note that these infrastructure investments can contribute to prosperous, low carbon, climate resilient communities at the same time. Our industry is constantly innovating to help build more resilient and lower carbon communities. We are focused on developing collaborative solutions for Canadians that help Canada reduce GHGs through better designed infrastructure and by being an active partner and champion of the clean economy transition. In this way, cement and concrete are arguably one of Canada's most important and strategic construction materials.

Canada's Cement Industry

The CAC is the voice of Canada's cement industry, and includes six (6) companies with major manufacturing facilities across the country: Ciment Quebec Inc.; CRH Canada Group Inc.; Lafarge Canada Inc.; Lehigh Hanson Canada; St Marys Cement; and Federal White Cement Inc. Canada's cement producers are important participants in the national and global marketplace and provide a strategic and reliable supply of the cement required to build Canada's national, provincial and municipal transportation infrastructure, buildings and homes, waterworks and dams, and to remediate contaminated sites.

Cement, concrete and aggregates facilities are located in communities across Canada. There are over 1,100 precast concrete, ready mixed concrete, concrete pipe, insulated concrete form and concrete masonry plants located from coast to coast. Collectively, our industry contributes over 158,000 direct and indirect jobs across the country, while contributing over $76 billion dollars in direct, indirect and induced economic impact into the Canadian economy. Infrastructure investments of all kinds including residential and commercial construction are important economic drivers in all Canadian communities - virtually all construction projects both above and below ground require concrete. Most importantly, concrete is produced locally, uses local resources and employs local Canadians - and is in fact the most used man-made commodity not only in Canada, but in the world.

Competitiveness & Taxation

At this time, it is clear that the continued economic growth and competitiveness of Canadian businesses is challenged. Canada now faces significant risks stemming from uncertainty about U.S. economic policies, notably on the North American Free Trade Agreement ("NAFTA") negotiations, relative tax policy and the U.S. regulatory environment. Canada's fiscal and regulatory policies must confront these challenges in order to maximize economic growth. It is extremely important that government reflect on all measures which impact the cost of doing business in Canada, which includes the regulatory environment in addition to such costs as tax, labour and energy. The result of all the changes south of the border have increased the appeal of investing in that country relative to Canada. Efforts to promote trade, simplify the tax system, and streamline the regulatory environment would encourage companies to grow and improve Canada's attractiveness as a place to invest.

Investment in new machinery, equipment and advanced technologies is the most important factor in improving manufacturing productivity and competitiveness, as well as reducing greenhouse gas emissions. Unfortunately, with the incentives introduced in the U.S., investment decisions are increasing moving away from Canada. Canada has an opportunity to reduce the tax and regulatory burden in a manner that helps prepare our industries for many opportunities that lie in a low-carbon future. The Government of Canada should enhance depreciation rates and provide tax credits to encourage investment in machinery and equipment, as well as environmental and emissions-reducing technologies.

Recommendation: That the Department of Finance work with industry and commit to a full review of the corporate tax system with the aim of restoring to Canada an internationally competitive business tax system that rewards entrepreneurship, encourages investment in the technologies, skills, and capacity businesses need to grow, and attracts capital and highly qualified people from around the world.

Recommendation: That the government establish an industry-government working group on regulatory competitiveness to address the cumulative regulatory burden.

Regarding the NAFTA negotiations, we believe that efforts to modernize the agreement must in no way compromise the existing benefits currently enjoyed by industries on both sides of the border, including the duty-free movement of cement and clinker across the U.S. - Canada border. The benefits to trade from the existing agreement plus billions of dollars of capital investments cannot be put at risk through the introduction of new barriers to trade on industries which have not been subject to them.

Recommendation: As a priority during NAFTA negotiations, that the Canadian government must ensure that any new procurement market access commitments be truly reciprocal in nature, resulting in new foreign procurement market access for Canadian producers that is comparable in terms of both the size and scope of the market access commitments between the United States to Canadian and Mexican products. The processes for government procurement should be fair, transparent, and promote economic growth.

Ultimately, the objective should be the determination of a pathway to completely eliminate of all national and sub-national government procurement restrictions across the region for NAFTA parties to allow for the free flow of goods, services and technologies.

Competitiveness, Climate Policy & Energy Intensive and Trade Exposed Industries

The cement industry is extremely proud that we have been at the forefront of policy development throughout the country on measures to mitigate and adapt to climate change. We have been at the table with the provinces in developing carbon pricing regimes and support the government's objectives outlined in the *Pan-Canadian Framework for Clean Growth and Climate Change*.

As governments have moved toward carbon pricing, they have had to consider the impact of carbon pricing on the competitiveness of Energy Intensive Trade Exposed sectors ("EITE"). Cement is among Canada's most exposed sectors, uniquely vulnerable to its competitors in import and export markets that don't have similar carbon pricing systems. Like many businesses in Canada, we understand the need to address climate change but to be mindful of the cumulative impacts of costs to keeping investments in Canada.

To date, provincial climate policies have recognized that a price on carbon has negative competitiveness consequence for EITE Industries such as cement. In short, because domestic manufactures face an additional cost on carbon emissions that manufacturers of products imported into Canada do not, Canadian firms are at a disadvantage, which leads not only to lost opportunities and sales, but to a relocation of production to other jurisdictions that allow greater carbon emissions (i.e. production "leakage"). As we move forward with the Output Based Pricing System Regulatory Framework, industry and government must work together to ensure carbon pricing incents real GHG reductions and protects the competitiveness of domestic manufacturers.

Recommendation: It is imperative that federal officials consider the impacts of carbon policy in the *Pan-Canadian Framework* and ensure that measures are in place to address the negative impact of EITE industries moving forward.

While concrete is known for its strength, durability, resiliency and versatility, our sector is also emerging as a massive clean-tech opportunity where Canada is well positioned to lead the transition to a low-carbon and climate resilient built environment. A great example is the role that concrete will play in the emerging and game-changing class of technologies known as CO2 Utilization. Concrete is a critical source and sink for captured carbon. By virtue of the sheer volume of concrete consumed every year - more than any other material on earth with the exception of water - our sector will be pivotal in developing, scaling and commercializing CO2U technologies.

A recent report by CO2 Sciences found that CO2U could provide $1.1 trillion in new market value, and reduce global greenhouse gas emissions by 15%, by the year 2030. In the concrete industry, these technologies have the potential to usher carbon neutral or even carbon positive concrete into the market in Canada and globally, avoiding some 11 Mega Tonnes of CO2 in Canada alone and creating countless jobs and investments in the country.

Recommendation: That the government provide access to funding mechanisms for investments in innovative technology and infrastructure that support achievement of Canada's climate change commitments; including through carbon capture and utilization technology, as well contributing to waste processing infrastructure to produce and use lower-carbon fuels in manufacturing.

Infrastructure Investments

Cement and concrete are a critical component of Canada's infrastructure today and strategic assets in sustainable infrastructure investments for the future. Strong, safe, durable, energy efficient and resilient in the face of Canada's diverse and changing climate, cement and concrete are used in projects ranging from concrete highways and bridges to green buildings, water infrastructure and countless others. In addressing the challenges of sustained economic recovery and creating quality employment opportunities, there is no question that investing in sustainable infrastructure is a significant part of the solution.

Governments at all levels have planned to spend billions of dollars over the next decade on infrastructure, although there have been some bumps along the way to getting the money out of the door. Throughout 2017 and into 2018, it came to light that a large portion of federally announced funds had not been allocated, largely a result on continued negotiations with the provinces. It has been a positive move that federal-provincial phase two funding agreements have been signed, but to date, our members have seen little evidence that the planned infrastructure projects are having an impact on construction activity across Canada. With continuing signs of weakness in the labour market, it is a good time to renew and perhaps accelerate infrastructure investments.

Recommendation: The government should refocus efforts to identify and fully fund ready and available projects which are of the higher-productivity type of infrastructure, for example trade-corridor supporting projects. Efforts to achieve planned funding levels is critical. "Bricks and Mortar" projects have the most economic stimulative impact and enhance competitiveness.

Infrastructure and Sustainable Construction

Governments, which procure more than half of all building materials consumed in Canada, are beginning to recognize the importance of aligning public infrastructure procurement with the need to reduce GHGs and adapt to climate change. British Columbia's climate plan, for example, prioritizes the use of Contempra, a cement product that costs and performs exactly as regular cement does, but reduces GHGs by 10 per cent. If adopted as a full replacement for all cement sold in Canada, Contempra could yield annual CO2 reductions of almost one megatonne, at no additional cost. Currently, the construction industry, codes and standards bodies and the public procurement agencies responsible for planning and commissioning infrastructure projects do not yet value or incentivize new innovations in low-carbon construction materials and design. But with this one policy direction, governments could address about 2% of the emissions gap that Canada needs to fill to realize its 2030 target.

Recommendation: That the federal government require the use of Contempra cement in federal procurement.

Conclusion

The cement and concrete industry shares responsibility for shaping prosperous, low carbon, climate resilient communities. We are part of the solution and, present in virtually every community in Canada, and we are we an active partner with all levels of government to build a better tomorrow.

We look forward to ongoing discussions with the Standing Committee on effective collaborative solutions to our shared objectives.

Cement Association of Canada

"Build it Once, Build it Right, Build it to Last".