

# Cement Association of Canada's submission to the House of Commons Standing Committee on Finance 2018 Pre-Budget Public Consultations

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August 4, 2017

## **House of Commons Standing Committee on Finance**

Sixth Floor, 131 Queen Street  
House of Commons  
Ottawa ON K1A 0A6  
Canada

And via [Website Submission](#)

The Cement Association of Canada (CAC) is pleased to submit the following comments to the House of Commons Standing Committee on Finance regarding public consultations for Budget 2018.

This year, the Standing Committee has requested input from stakeholders on specific issues to address and improve Canadian productivity and competitiveness. There is nothing more central to both these issues than the role of public and private infrastructure.

Given the critical importance of our nation's infrastructure in maintaining jobs and promoting economic growth; and given the growing importance of sustainable construction today and in the future, cement and concrete are arguably one of Canada's most important and strategic construction materials. In fact, concrete is the most used man-made commodity not only in Canada, but in the world.

## *Canada's Cement Industry*

The CAC is the voice of Canada's cement industry, and includes seven (7) companies with major facilities across the country: Ciment Quebec Inc.; Colacem Canada; 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. Collectively, our industry is estimated to contribute billions of dollars in direct, indirect and induced economic impact to the Canadian economy, and while the direct employment in the cement industry is small, the indirect employment in the concrete and related construction industry is enormous. Infrastructure investments of all kinds including residential and commercial construction are important economic drivers in all Canadian communities.

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## *Infrastructure Investments and Sustainable Construction*

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 too, 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. Concrete not only serves this objective well, it is also emerging as a massive clean-tech opportunity where Canada is well positioned to lead – and profit from – the transition to a low-carbon and climate-resilient built environment.

Infrastructure investments today are the foundation of tomorrow's economy and as such we need to think not only how, and how fast infrastructure investments are spent, but also how well they are spent. For example, numerous municipalities, provinces and federal policies now incorporate "green" procurement or policies for new or renovated buildings – attempting to extract environmental value from these public expenditures. This is a good start, but not enough. Powerful tools now exist that allow us to go beyond "lowest cost" or even "smallest environmental impact" decision making toward more holistic, triple bottom line decision making that maximizes the economic, social and environmental benefits of our infrastructure. The motto of such an approach is "*build it once, build it right, build it to last*". In this way, we will be ensuring that new projects contribute to achieving Canada's sustainable development objectives – a strong economy, a safe, secure and productive society and a healthy environment.

As a major purchaser, directly and indirectly through transfers to provinces and municipalities, the federal government must also shape procurement decisions to favour low-carbon products. Doing so will have three key benefits:

- It will reduce GHGs across the economy;
- It will incent export and domestic markets (rather than lag behind them) for these products as well as the technologies that support them; and
- By ensuring that all infrastructure projects that receive public dollars are required to account for the full economic *and* carbon lifecycle impacts, it will allow governments to align their environmental priorities with the objective of ensuring value for money invested.

In order to accomplish the third key benefit, government should embed a life-cycle assessment ("LCA") based procurement process that integrates the concept of sustainability and cost effectiveness to maximize value. In other words, decisions around infrastructure investment should integrate up-front construction costs, long term maintenance costs as well as the environmental and societal value of these investments over the life-span of infrastructure projects.

To further this objective, the cement and concrete industry has teamed up with a variety of infrastructure, environmental, clean-tech and other leaders to promote a "three screen" lifecycle decision approach to

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all government infrastructure decisions. Our proposal advocates that infrastructure decisions should be subject to three critical planning criteria:

1. A full economic lifecycle cost assessment rather than the initial cost framework that guides most infrastructure decisions today;
2. A full carbon cost assessment, including embodied carbon, operational carbon, end of life carbon and sequestered carbon impacts; and
3. A “Best Available Solutions” assessment that considers whether the need associated with a given infrastructure project can be met using new approaches, technologies or designs that perform better under one or both of the first two criteria.

The growing attention to Canada's infrastructure deficit is a tremendously positive development. All levels of governments face enormous challenges in managing public debt and investing in infrastructure. By utilizing investment decision tools like LCA and this three-screen approach, all levels of government will benefit by having more money available for other infrastructure priorities and having better quality projects completed. As infrastructure needs impact all Canadians, our proposal would have positive impact on all Canadians using such infrastructure as well as more jobs in the construction industry, and more GHG emissions avoided.

## *Productivity and Emissions Reduction in the Transportation Sector*

Canada is a vast and expansive country requiring an extensive network of roads and highways to connect our communities and facilitate commerce. The transportation sector is the largest contributor of GHG emissions in Canada, with a majority originating from road transportation. Appropriately applied, concrete pavements offer the opportunity for investment in durable, sustainable infrastructure while also achieving the additional objective of enhancing sustainability.

Traditionally, governments have used a “lowest initial cost” approach to infrastructure projects, roadways in particular. In addition, many transportation departments specify their roads in asphalt simply because that is the way it has always been done. But research and real-world data show that a procurement process that encourages competitive bidding between paving materials lowers prices, spurs innovation and improves quality. A recent study showed that governments could pave 15% more road with the same budget by introducing alternative concrete and asphalt pavement design bids. Today, the impact of increased competition between paving industries represents the most significant opportunity for agencies looking to extend the purchasing power of their infrastructure dollars.

Wherever highways are constructed or remediated, the choice to build in concrete will result in benefits in all areas where these choices can be made. There will be no loss or gain in jobs, the investments in roads will still be made. The transportation sector will receive the primary benefits through lower fuel consumption and roads that require less maintenance, last years longer and result in greater productivity.

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Concrete highways represent a sustainable infrastructure solution to the transportation emissions policy debate. Concrete highways are cost-effective and environmentally responsible, and should be the first choice for public highway investments.

### *Enhanced Competitiveness & Energy Intensive and Trade Exposed Industries*

Given the current context on negotiations with our North American Free Trade Agreement ("NAFTA") counterparts in the U.S. and Mexico, 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 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*.

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, all provincial climate policies in place also recognize that a price on carbon has negative competitiveness consequence for Energy Intensive and Trade Exposed ("EITE") Industries such as cement. In short, because domestic manufacturers 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"). 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.

We expect that the North American Agreement on Environmental Cooperation ("NAAEC"), one of the side agreements signed together with NAFTA, is likely to be considered during the NAFTA renegotiations. There are climate policies in place in all three NAFTA countries and in place in various sub-national jurisdictions, and CO2 emissions reduction policies are now viewed as legitimate policy tools. How to consider the adoption of trade-levelling border adjustments must be considered as part of the overall framework of trade in the renewed NAFTA agreement or side agreements. We understand this is a very politically sensitive topic and we urge Canada's negotiators at Global Affairs Canada to engage with our industry and other energy-intensive, trade-exposed sectors during discussions of these issues.

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.

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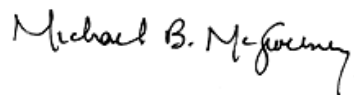
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## *Conclusion*

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.

Yours truly,

A handwritten signature in black ink that reads "Michael B. McSweeney". The signature is written in a cursive style with a large initial 'M' and a long, sweeping tail on the 'y'.

Michael McSweeney

President & Chief Executive Officer  
Cement Association of Canada