GREATER KITCHENER WATERLOO
CHAMBER OF COMMERCE
BUSINESS BUILDING COMMUNITY

2018 PRE-BUDGET SUBMISSION

TO THE

HOUSE OF COMMONS

STANDING COMMITTEE ON FINANCE

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The Greater Kitchener Waterloo Chamber of Commerce and Waterloo Region – A Profile

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 from last year's census, 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.

We are forwarding the following recommendations to assist key sectors of the national economy with elevating their levels of productivity and competitiveness.

Regulatory and Productivity Challenges in Canadian Agri-Food

The Region of Waterloo is located on the eastern side of the 519 area of southwestern Ontario extending from Greater Toronto to Windsor. The primary agriculture and food processing sectors continue to generate significant economic activity within both the urban and rural areas of Waterloo Region.

Livestock production and meat processing are the dominant local sector through Piller's Fine Foods, DC Foods, and Conestoga Meat Packers, a rapidly expanding farmer owned co-operative in Woolwich Township. Improved access to international markets, particularly the European Union (EU), has greatly assisted with growth across this industry.

Also, the local Canada's Technology for Food (CTFF) initiative connects industry and academic partners with the objective of identifying challenges and opportunities for improvement in food processing. It matches industry partners with a consortium of solution providers to commercialize technology, optimize processes, and grow the local and national food industry.

The Waterloo-Guelph-Toronto corridor is the largest food manufacturing region in Canada and the third largest in North America. Supported by an advanced transportation and logistics infrastructure, local manufacturers and producers are within one day's drive of over 150 million consumers across the North American market.

The domestic agri-food sector presents significant opportunities for job creation and economic growth. A February 2017 report from the Advisory Council on Economic Growth[1] and a subsequent April 2017 document from the Canadian Agri-Food Policy Institute / Public Policy Forum[2] both recognized major short and long-term prospects for the industry.

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[1] Unleashing the Growth Potential of Key Sectors. Advisory Council on Economic Growth. February 6, 2017

[2] Canada as an Agri-Food Powerhouse. Strengthening our Competitiveness and Leveraging our Potential. The Canadian Agri-Food Policy Institute and Public Policy Forum. April 2017

The Advisory Council under Chair Dominic Barton believes that while public policy should promote growth in all areas of the Canadian economy, certain sectors possess ñuntapped potentialò that require specific actions to address on-going barriers to expansion. These obstacles generally include excessive regulations, unnecessary interprovincial trade barriers, inefficient subsidies, inadequate trade enabling infrastructure, and skilled labour shortages.

The Canadian agri-food sector has immense global economic potential originating from leading domestic research facilities, stable private sector organizations, a growing global middle class, and changing consumer trends to higher-value foods. These factors provide the potential for Canada to become a global leader in safe and sustainable food production into the 21st century.

Canadian agri-food, defined broadly, is one of Canadaœs largest employers and economic engines contributing 2.1 million jobs and 6.7 percent of GDP. Exports have averaged annual growth of 9.5 percent during the past five years and Canadian companies operate in relatively favourable domestic business and economic conditions. Organizations have access to capital, inputs, and strong research/ development capabilities in a network of institutions across Canada.

According to the Advisory Council on Economic Growth, global food demand is expected to increase 70 percent by 2050. The world needs to produce as much food in the next 45 years as the previous 10,000. A significant share of this increasing demand will originate from emerging markets where some three billion people are expected to enter the middle class from 2010 to 2030 and consume considerably more protein.

Global markets are looking for food produced through safe and environmentally sustainable methods. Land degradation, water scarcity, urban sprawl, climate change and political/economic instability could present challenges for many countries to produce food for domestic requirements, and importing from nations such as Canada becomes a necessity.

In March of 2017, the Public Policy Forum and The Canadian Agri-Food Policy Institute conducted a series of meetings across Canada to formulate recommendations for making the national agri-food sector a global leader. The April 2017 report from these meetings recommended that:

a) The federal government should establish an Agri-Food Growth Council to move the highly diverse industry from its many silos and galvanize around a growth agenda;
b) A regulatory system should be constructed to formulate science-based, risk-based and balanced regulations. Current rules are out of date and unnecessarily impede investment, innovation and competitiveness;
c) Improved alignment and modernized regulations are required for increased innovation and research capacity;
d) Canada must pursue preferential trade agreements with high-potential markets in Asia. Currently, we lack deals with three of our five highest potential markets ï China, India and Japan.

The Advisory Council on Economic Growth has also proposed that:

a) The federal government should establish national and sector-wide goals for growth;
b) Canadaœs share of global agricultural exports should increase from 5.7 percent to 8 percent and food exports from 2.8 percent to 5.6 percent;

c) Exports of technology/equipment should be increased by $3 billion to $5 billion over ten years. The increase would be achieved by transferring the advanced manufacturing expertise of other domestic economic sectors;
d) R&D efforts should be focused on areas with promising commercial applications.

Recommendation:

The federal government review the reports of the Advisory Council on Economic Growth and Canadian Agri-Food Policy Institute with concentration on:

1) **Implementing, in cooperation with the provinces/territories, a science-based, risk based and balanced regulatory regime across the national agri-food sector;**
2) **Establishing an Agri-Food Growth Council to formulate a national agenda for the industry;**
3) **Ensuring alignment with the provinces, post-secondary institutions and other related agencies to optimize research capabilities and maintain consistency with domestic and global priorities;**
4) **Increasing exports of food processing technology through advanced manufacturing processes applied in other sectors of the Canadian economy.**

Maintaining the Accelerated Capital Cost Allowance for Manufacturers

The 2015 Budget provided a ten-year extension of the accelerated capital cost allowance as an incentive for Canadian manufacturers to invest in productivity enhancing technology.

From 2007 to 2014, more than 28,000 businesses in the manufacturing sector across all Canadian provinces utilized the incentive which helps companies to invest in the required machinery and equipment to increase productivity and generate jobs and economic growth. The ten year time frame allocated in the 2015 Budget also provides manufacturers with the planning certainty for larger projects where the investment may not be completed until several years after the initial decision is made by management.

Recommendation

The federal government maintain the accelerated capital cost allowance to assist Canadian manufacturers with the purchase and application of new technology to elevate productivity and global competitiveness.

Tax on Employer Health and Dental Benefits

A series of December 2016 ï January 2017 media reports indicated the federal government was considering the taxation of private health and dental plans to generate $3 billion in annual revenues.

A December 2, 2016 National Post article by John Ivison noted that government sources at that time confirmed 150 tax credits and exemptions were being reviewed to make the taxation system fair and efficient. The aforementioned instruments total $100 billion annually in foregone revenue.

Approximately 24 million Canadians possess private health coverage that provides access to prescription medicines, dentists, optometrists, and other services not covered by provincial health plans. Over 90 percent of this coverage is provided through workplace plans.

On February 1, 2017, Prime Minister Trudeau announced in the House of Commons that his government would not tax employer plans in the upcoming budget, noting they are alternatively committed to protecting the middle class from increased taxes.

If employers were to cancel their workplace benefit plans, most Canadians would find they are unable to purchase equivalent individual insurance coverage. Both the type of coverage and coverage thresholds available to workplace benefit plans are not available as an individual product. The cost to purchase multiple unbundled products is also likely to be significantly higher, as it costs more to deliver a number of insurance policies to an individual than it does to provide a bundle of coverage to a group of employees.

Individuals who lose insurance coverage when the cost becomes excessive for their employers will either have to pay for their own medical treatment, forego treatment, or seek reimbursement from provincially funded programs. The additional federal revenue through a new tax will be offset by increases in provincial spending and force additional pressures on already strained provincial health care budgets.

The Canadian Chamber of Commerce and a coalition of service providers including the Canadian Dental Association, Canadian Association of Optometrists, Canadian Physiotherapy Association, and Dietitians of Canada organized highly effective campaigns in January of 2017 to inform MPs of the serious challenges to the health care system that would be presented if private plans were taxed. Our Chamber and the national business sector would caution Finance Canada of the serious issues related to taxing workplace plans and not consider the measure for 2018 or beyond.

Recommendation:

The federal government maintain the current tax exemption on private health and dental plans and build the appropriate regulatory climate to allow more employers to secure access to group plans for the benefit of their employees.

We thank the House of Commons Standing Committee on Finance for the opportunity to advance our recommendations for the 2018 federal budget.