



ACADA SUBMISSION TO

THE HOUSE OF COMMONS STANDING COMMITTEE ON
FINANCE

Re:

PRE-BUDGET CONSULTATION IN ADVANCE OF 2018
BUDGET

OCTOBER 20, 2017



Thank-you for the opportunity to submit our input to the Standing Committee (FINA) pertaining to Government of Canada measures to increase productivity and improve competitiveness. This paper will highlight ACADA's perspective relevant to Canadian business, particularly focused on the Small and Medium Enterprises (SMEs) and labour force resident in Atlantic Canada.

ACADA Introduction

The Atlantic Canada Aerospace and Defence Association (ACADA) is a collaborative non-profit member-focused industry organization representing the interests of the aerospace, defence, security and marine firms in Atlantic Canada. ACADA is comprised of approximately 170 (tbc) plus members and organizations across Canada whose Mandate is to promote and facilitate the growth of our Atlantic industries, functioning as the regional voice and expediter for strategic industry engagement. ACADA's membership delivers products and services to the global marketplace in land, marine, security and the air/space domains for both commercial and defence applications. The Association is an effective vehicle for harmonizing national and global promotion and advancement of our sectors.

Partnerships exists with the respective Provincial Governments in the Region, The Government of Canada, Academic Institutions, Training facilities and National Industry counterparts. ACADA's activities are made possible in part by support through the Regional Development Authority (RDA) - Atlantic Canada Opportunities Agency (ACOA). These affiliations are leveraged to enhance those areas of common interest and engage on behalf of the region while promoting the Atlantic Canada brand locally, nationally and internationally.

The ACADA focus on key initiatives and priorities on behalf of our membership including Advocacy, Collaboration, Marketing/Promotion, Business Development /Supply Chain Engagement, SME Development and Innovation and Commercialization.

Atlantic Canada Overview

Atlantic Canada constitutes 6% of the national population and is positioned at the Western end of the North Atlantic trans-oceanic air and sea routes. The Global Advantage of Atlantic Canada as an industrial hinge into Europe and to North Eastern US is highly important. This is particularly evident when considering the potential for development of manufacturing and service capabilities in the aerospace and marine sectors sector which service both the North American and European markets. This geographic benefit can be seen – along with the available highly skilled workforce - as one of the key drivers in the success of some of the major industrial companies based in the region.

Research and Development is well positioned across a wide range of highly focused applied research which has seen a significant increase in demand from the aerospace, security and marine sectors in the recent past. Of key note is the highly acclaimed work which is focused on Cyber-Security, Advanced Manufacturing, Human Factors, Materials Development (particularly focus on harsh environments) and Clean Tech solar cells.

Access to innovation in the region is enabled through closely aligned support structures which promote the development of Small and Medium Enterprises (SMEs) with end-user defined capabilities.

The diverse and skilled talent pool in Atlantic Canada is of key note, with excellent training for aerospace, marine and skilled trades through all five Community Colleges, and highly regarded undergraduate and graduate courses at the Region's universities. The quality of training and skill sets is

heightened by the quality of living, job satisfaction and stability amongst the Atlantic workforce. The connectivity of skilled professionals in academia with industry contacts drives new collaborations and supports research commercialization in Atlantic Canada.

The pre-budget consultations asked two questions: What federal measures would help Canadians to be more productive? and What federal measures would help Canadian businesses to be more productive and competitive? Examples referenced pertained to measures to help businesses to undertake research, innovation and commercialization, purchase advanced technology and equipment, invest in employee training and development, participate in global value chains and increase their international market share. Given Canadian employees are one of Industry's most important assets our response will pertain to question two.

Government of Canada Programs – Business Productivity and Competitiveness

In Canada there are over 1.16 million small and medium sized businesses. These businesses account for 99% of all firms, and employ over 90% of the labour force in the private sector. Within ACADA 84% of the Industry Membership is comprised of under 100 employees.

It is important to indicate there are numerous Government of Canada progressive and enabling platforms initiated through the respective Departments of significant benefit to Atlantic Canadians. Some of the most noteworthy are referenced below -

Innovation, Science and Economic Development Canada (ISED) specifically the Innovation Supercluster Initiative (ISI), the Strategic Innovation Fund (SIF) and Accelerated Growth Services delivered through the RDA- Atlantic Canada Opportunities Agency (ACOA).

The Trade Commissioner Service (TCS), CANEXPORT, The Canadian Technology Accelerators and the Canadian International Innovation Program have been key to the success for fostering and supporting export growth, market penetration, collaborative industrial research and development projects for numerous Atlantic firms.

Public Works Canada's Build in Canada Innovation Program (BCIP) to assist SMEs and other progressive firms. Currently, the number of innovations that have pre-qualified under the BCIP from Atlantic Canada is 65 and this is one of the most results orientated initiatives our members can access.

Immigration, Refugees and Citizenship Canada (IRCC) 's Atlantic Immigration Pilot is reflective of the partnership on behalf of the Government of Canada and the four Atlantic Provinces to help Atlantic Businesses of all sizes attract international graduates and skilled foreign workers to fill job vacancies. A Labour Market Impact Assessment is not required to hire employees under the pilot.

The Department of National Defence – The Aerospace & Defence sector engagement through the launch of Canada's Defence Policy – STRONG, SECURE, Engaged.

Impediments to Productivity and Competitiveness

There are conversely numerous challenges impacting the current to intermediate success of our sectors. ACADA members ranked those obstacles as –

- Workforce/Skills – inclusive of recruitment (access to skilled/experienced workers Trades/BD/IT, programmers/developers/software engineers, Scientists, and youth retention re: mobility and

urban/rural split, methodologies for training and employment/industry cycle stability in the form of working; Those areas of training are categorized as Technical & operation specific (45%), Management and Leadership (15%), Workplace Safety (13%) and Business and Supply Chain Development (10%);

- Access to Capital – working, expansion, financing and research and development dollars;
- Regulatory and Permitting (including Carbon tax);
- Market and Export Related – access and related entry costs, conditions and foreign partner linkages; and
- Complexity and number of programs can be daunting for Small and Medium Enterprises (SMEs).

Recommendations:

There are federal actions that would assist Canada's businesses to meet the expansion, innovation and productivity goals in the country. In summary the Government of Canada is encouraged to –

- Increase/operationalize Defence procurement processes as a lever to accelerate the industrial growth and enhance innovation;
- Continue to advance and coordinate existing policies, programmes and funding mechanisms across Federal departments, particularly in relation to alignments for commercialization, research and development and technological advancement;
- Ensure that sufficient predictable annual and long-term funds are allocated to surpass sustainment budgets for the Transport Canada Civil Aviation (TCCA) branch to support the commercial sector as it advances its manufacturing processes of its global product offerings through increased exporting activities. TCCA in consultation with its partners could investigate efficiencies pertaining to labour market recruitment and training, capacity management and advancement of aligned principals, common tools and procedures;
- Promote the right conditions by removing as many barriers as possible and allowing the decisions for private business and entrepreneurs, investors and customers to choose what is best within their economic context while avoiding favouring any one economic sector to the detriment of others;
- Continue to expand the collaborative relationships and agreements between Governments (Federal and Provincial) to support the ongoing improvements to the quality and accessibility of labour market information, reduction of barriers to labour mobility and foreign qualification recognition;
- Provide stable Government financing and continue to monitor the tax regimes. The Recent announcement of the two-year incremental reduction of the Federal small business tax rate to 9% (effective 1 January 2019) is welcome by all businesses. Recognizing innovation, potentially through lowering the income tax rates applied to the fruits of innovation, through the mechanism of an innovation box, would be a commendable initiative. The model exists in the U.K. and in Saskatchewan through its Commercial Innovation Incentive or patent box; and
- Foster flexibility and streaming of programmes and funding initiatives in support of Small and Medium Enterprises (SMEs).

The Government of Canada budget measures and activities to meet and elevate mechanisms to improve these barriers could be aligned under the various Federal actions referenced on page 3 of this document.

In conclusion, The Atlantic Canada Aerospace and Defence Association (ACADA) would be extremely supportive of any measures reflected in the 2018-2019 Federal Budget to elevate individual and corporate productivity and competitiveness at both the domestic and international level.