



**REMARKS TO THE HOUSE OF COMMONS  
FINANCE COMMITTEE**

**PRE-BUDGET 2018 CONSULTATIONS**

**WINDSOR, ONTARIO**

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**CHECK REMARKS AGAINST DELIVERY**

**MARK P. FISHER  
PRESIDENT AND CEO  
COUNCIL OF THE GREAT LAKES REGION**



Thank you for the opportunity to appear before you today.

As the record shows, my name is Mark Fisher and I'm the President and CEO of the Council of the Great Lakes Region.

We were established in 2013 with the help of Canada's Ambassador to the U.S., Gary Doer, and his U.S. counterpart, David Jacobson.

Our goal is to bring government, business, academia and the nonprofit sector together to find new ways of growing the Great Lakes economy while protecting the environment.

We achieve this mandate by conducting insightful public policy research, convening dialogues with diverse interests, and serving as a strong voice on regional matters.

My introductory remarks today will focus on the importance of the Great Lakes economy and what more we can do to strengthen our long-term competitiveness and sustainability.

I'll begin with a number - USD\$6 trillion. This is the estimated value of the region's economic output in 2016.

This is big number, right!

But did you know that if the Great Lakes were a country it would be the third largest economy in the world?

Only the U.S. and China would rank ahead in terms of economic activity and output.

Home to 107 million people, this region directly supports 51 million jobs, or a third of the combined Canadian and U.S. workforce.

Over 50% of Canadian and one-fifth of U.S. manufacturing is based in the region, including over half of Canada's SMEs (650,000).



Ontario and Quebec account for 58% of Canada's \$22B agriculture and agri-food trade to the U.S.

The Great Lakes Region is an important energy hub, from clean natural gas, to nuclear energy and hydropower.

20 of the world's top 100 universities are Great Lakes institutions, which help attract three-quarters of Canadian and a quarter of U.S. R&D spending.

And there is a growing services sector in the areas of health care, education, engineering, legal services, banking, etc.

In fact, though manufacturing employment is down 15% from pre-recession levels in the Great Lakes, education & healthcare is up 21% and professional services is up +16% according to BMO.

What's more, education, healthcare and professional services have added 2.5 million jobs over the last 10 years, dwarfing the near 1.0 million manufacturing job losses.

So, contrary to popular belief, the Great Lakes Region is thriving and serves as the economic engine of the U.S. and Canadian economies.

But the global economy is changing at an accelerated rate and in unimaginable ways.

We need to keep pace, and figure out a way to get ahead of the curve.

Where do we go from here?

First, we need to continue to support advanced manufacturing and invest in technology advancements, as well as ensure that our SMEs get export ready.



Second, we need to build smart, energy efficient transportation systems and increase our connectivity to global markets through supply networks and value chains.

Third, we need to accelerate investment in public and private sector R&D, as well as the backbone infrastructure that drives innovation, such as data science, analytics and computing.

Fourth, we need to build a skilled and mobile workforce to respond to short-term labour gaps and longer-term demographic headwinds.

Fifth, we need to double down on protecting and restoring the Great Lakes and investing in Great Lakes science and monitoring.

Securing a clean environment, as well as innovative and connected economy, will be our competitive advantage.

And sixth, we need to investment high-growth sectors, such advanced manufacturing, sustainable food production, and services like tourism.

If we can make these investments, and do so by leveraging provincial and city investments in these and other areas, we'll be positioning the Great Lakes to compete and win in the new economy.

Thank you. I'm happy to take your questions.

(Backgrounder attached)



## BACKGROUND

### Enhancing Collaboration

- **Establishing and deepening critical relationships in the Great Lakes Region.** The Council of the Great Lakes Region (CGLR) is a bi-national nonprofit organization that is focused on deepening the Canada – U.S. relationship in the Great Lakes Region, the engine of the Canadian and U.S economies and a global environmental resource. Our mission is to bring government, business, academia and the nonprofit sector together to find new ways of growing the Great Lakes economy, safely and sustainably. It achieves this mandate by conducting insightful, multi-disciplinary public policy research, convening policy dialogues with diverse interests via roundtables and the Great Lakes Economic Forum, and serving as a strong voice on regional matters. Similar to other government-funded organizations, such as the Asia Pacific Foundation of Canada, CGLR is requesting a one-time grant of \$50 million from the Government of Canada, or \$5 million per year for 10 years, to support its activities and develop a more predictable funding stream. Funding is also provided to CGLR through the organization's members and sponsors.

### Manufacturing and Small Business

- **Investing in the future of manufacturing today.** The federal government should adopt faster depreciation rates for technology, hardware and software, purchased to support advancing manufacturing and plant modernization. It should also recognize corporate R&D and incentivize foreign direct investment through tax credits. Finally, the Government of Canada needs to consider game changing tactics if it wants to compete for manufacturing investment and jobs. To this end, the government should consider creating a Great Lakes Free Trade Zone to connect key corridors in Ontario and Quebec, which would establish favorable tax and regulatory environments for export/import businesses and lead to greater flexibility in how companies store and transport goods.
- **Getting our small and medium-sized enterprises (SMEs) export ready.** Almost 60% of all SMEs in Canada, many of them manufacturers, are based in Ontario and Quebec, supporting 6.4 million Canadian jobs. The destination for their exports is the U.S., which accounted for 88.1% of total exports of small businesses and 96.2% of exports of medium-sized businesses. However, only 21.3% of Ontario's and 21.5% of Quebec's SMEs exported in 2014. Capacity constraints limit SMEs ability to tackle border regulations, and participate fully in cross-border trade. The Government of Canada should work with CGLR to help them scale up and get them export ready.

## Transportation and Logistics

- **Get more productivity from existing transportation infrastructure.** Infrastructure owners and investors should focus on asset preservation and modernization before expansion, and improve asset management practices. Regional jurisdictions and stakeholders (private sector, universities, etc.) should collaborate in identifying productivity enhancing technologies and innovations and share related experiences and lessons on implementation through organizations like the Council of the Great Lakes Region. Moreover, regional governments must explore demand management options before making investment in new physical capacity. However, in the area of new capacity, with growing container traffic, the federal government should consider partnering with the rail industry to invest in expanding the Detroit-Windsor rail tunnel so it can accommodate double-stacked containers.
- **Enable more transportation options.** Senior leaders from federal, state-provincial and municipal transportation agencies should work with industry to address known barriers to the competitiveness of underutilized regional transportation options, including but not limited to the maritime mode in the Great Lakes and St. Lawrence River (the Seaway is currently running at 50% capacity and could be used to relieve truck traffic on our highways). Government and industry leaders should collaborate in identifying long-term strategic transportation/ utility corridors and industrial lands in the Great Lakes and St. Lawrence Region and develop a plan to preserve and protect these for future development. Also, we must collaborate to identify strategic multimodal hub locations in the Great Lakes, favoring hubs where multiple modes can converge and develop, and define a process to preserve and expand these in the longer term.
- **Realize the benefits of transportation technology and innovation.** The federal government, state-provincial and municipal governments could pilot a bi-national, multi-jurisdictional “smart” corridor, with focus on compatible standards and testing for the gradual introduction of driverless vehicles in the Great Lakes. Furthermore, government at all levels should look to develop smart regulations that don’t unduly represent a barrier to the introduction of transportation technologies and innovations. Finally, regional municipalities should develop a formal mechanism to share learnings about the introduction of smart city infrastructure, technologies and approaches.

### Innovation

- **Public sector procurement of innovative technology must become a matter of policy and practice.** Major industrialized economies like the U.S. help de-risk R&D and commercialization by acting as both an investor in the innovation cycle, but also as a first adopter and buyer of promising technology products and services. The Government of Canada should therefore consider how it could use its buying power to spur innovation and help scale up promising Canadian companies.
- **Fully harness the Great Lakes innovation ecosystem.** The federal government has invested heavily in public-private research consortiums like SOSCIP in Toronto to help encourage collaborations between industry and academia in the areas of data science, analytics and cognitive computing. These initiatives are beginning to produce significant results and dividends in the creation of new technologies and companies. However, keeping up with changing and more costly computing technology is a challenge. As a result, the government should consider ongoing funding to build and maintain the backbone infrastructure that allows our universities and innovators to innovate.
- **Leveraging big data.** The Great Lakes 4.0 initiative is a promising initiative led by CGLR in collaboration with IBM Canada and SOSCIP that will activate stronger relationships between producers of big data and those in academia and industry that have expert knowledge and capabilities in the areas of data science, analytics, and cognitive computing. This will accelerate the development of next generation innovations and applications in response to a number of regional and global challenges, such as building smart transportation systems and borders, shifting to a cleaner economy, encouraging sustainable food production, accelerating production innovation, and adapting to a changing climate. This initiative will also create a platform for government, business and academia in the Great Lakes to study the economic and social impacts of disruption and consider the infrastructure, workforce requirements, and government policies that will be demanded by the digital economy and industry 4.0. The Government of Canada should support this effort.

### Workforce

- **Build a skilled and mobile workforce to respond to short-term labour gaps and longer-term demographic headwinds.** Instead of duplicating efforts, the federal government should work collaboratively with Ontario and Quebec, as well as cities, to align and leverage investments in skills training and attracting talent. Under the Canada Free Trade Agreement and other trade agreements, we also need to facilitate the mobility of professionals and skilled labour within Canada, across the Canada-U.S. border, and across the globe.

### Agriculture

- **Forging a Regional Food Economy with Global Reach.** Agriculture is one of the primary land uses in the Great Lakes, and has always been a critical component of the region's economy. In fact, this basin is responsible for nearly 25% of Canadian agricultural production. What's more, Ontario and Quebec account for 58%, or \$12.8B, of Canada's \$22B agriculture and agri-food trade to the U.S. There's an incredible opportunity to develop a strategy for increased food production to meet the world's growing demands, as well as an opportunity to develop and market a Great Lakes brand for sustainable and safe food.

### Great Lakes Science and Restoration

- **Doubling down on Great Lakes protection:** The Great Lakes are vital resources, providing drinking water to over 40 million Canadians and Americans and supporting some 3,500 species of plants and animals. They also contain about 20% of the world's surface freshwater. The Government of Canada spends about \$50 million annually on Great Lakes programming plus additional investments in the clean-up of contaminated sites. The U.S. on the other hand, earmarks roughly \$300 million per year through its Great Lakes Restoration Initiative. If the federal government is truly committed to growing the country's economy, safely and sustainably, it should consider doubling its investments for Great Lakes science, monitoring, protection, and restoration. In addition, funding in amount of \$1.5 million is required to support an innovative collaborative between the Council of the Great Lakes Region, the Great Lakes and St. Lawrence Cities Initiative, Freshwater Future and Strategie St. Laurent to help identify Great Lakes programming and investment priorities alongside the federal, provincial and municipal governments.

### Tourism

- **The path to realizing tourism growth in the Great Lakes.** Tourism is an important facet of the Region's economy. Although the Region does have strengths in tourism employment and visitation, there is opportunity for growth of tourism-related revenue and GDP. To improve performance, a unified strategy and associated marketing plan for Great Lakes tourism, such as the collaborative efforts between Vermont and Quebec, may help to spread awareness and increase visibility to new and underdeveloped tourist groups, such as international visitors.





- **Grow the overnight passenger cruise shipping industry.** Small to mid-sized cruises on the system have grown steadily from the time Hapag-Lloyd's 400-passenger luxury ship the C. Columbus, which transited this inland sea in the late 1990's, to 1,500 passengers in 1997 to 5,000 in 2015. However, in recent years, a number of restrictive security and transportation policy issues have had a considerable impact on the growth of this industry in the Great Lakes. If these issues were addressed, research has shown that we could achieve 16,000 passengers per season on the Great Lakes.
- Restrictions imposed under the *Coasting Trade Act*, for example, were no doubt designed to protect Canadian built and Canadian flagged overnight passenger cruise ships, but no such ship has sailed on the lakes since 1965. Therefore, the following amendments to the Act should be considered with respect to the treatment of foreign flag overnight passenger cruise ships on inland waters:
  - Removing customs duties of 25% for vessels less than 129 metres.
  - Easing cabotage regulations for overnight passenger cruise ships on inland waters to better rationalize itineraries and site seeing opportunities.
  - Reducing exceedingly high pilotage expenses for small to mid-sized cruise ship vessels.
  - Treating the operations of overnight passenger cruise ships on inland waters of Canada in the same fashion as coastal waters of Canada.
  - Creating one site for customs and security inspection in Canada and the United States at the point of embarkation with data sharing capabilities between government border agencies.