



**Written Submission for the Pre-Budget Consultations in
Advance of the 2020 Budget**

By: Associated Equipment Distributors

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Recommendations

Recommendation 1

AED recommends that the federal government create a system that ensures year-over-year consistency in infrastructure investment.

Recommendation 2

AED recommends that the federal government continue to focus on apprenticeships and public awareness campaigns to encourage Canadians to seek careers in the skilled trades, such as diesel service technicians.

Recommendation 3

AED recommends that the federal government create a study on the economic impact of introducing one hundred percent depreciation for new and used equipment purchases to ensure the competitiveness of Canadian businesses after the United States enactment of the Tax Cuts and Jobs Act.

Introduction

Associated Equipment Distributors (AED) is the international trade association representing companies that sell, rent, service and manufacture construction, mining, farm, energy, forestry and industrial equipment and related supplies. AED's Canadian members account for more than \$8.7 billion in annual sales and services and employ over 27,000 workers at 400 locations across the country.

The Canadian equipment industry continues to grow and create jobs in Canada. However, there are numerous challenges facing AED members, including:

- While the federal government's unprecedented infrastructure spending is supporting hundreds of projects across the country, inconsistency in delivering funding for projects has caused uncertainty in the construction industry that impedes growth;
- Canada continues to face a large skilled labour shortage, which is expected to worsen year-after-year, hindering the ability of AED members to hire service technicians to meet customer repair and service demands; and,
- The Tax Cuts and Jobs Act in the United States allowed for 100 percent depreciation for new and used equipment purchases, which has spurred robust growth and job creation in the U.S. construction equipment industry, incentivized upgrades to more efficient, environmentally-friendly machinery and placed Canadian companies at a competitive disadvantage.

Infrastructure Spending Consistency

Investing in Canada's infrastructure improves the quality, accessibility and sustainability of services that Canadians use every day while contributing significantly to Canada's economic prosperity, job creation and international competitiveness. Consequently, AED strongly supports the federal government's Investing in Canada Plan (ICP) to invest \$180 billion to fund infrastructure projects across Canada. However, predictability of funding and the efficiency of getting funds from the federal government to projects remains a concern. In fact, a Parliamentary Budget Officer (PBO) report found that of the total \$14.4 billion budget for ICP Phase 1, federal organizations have identified \$7.2 billion worth of approved projects that were initiated in either 2016-17 or 2017-18. Thus, \$7.2 billion of Phase 1 funding is yet to be attributed to projects.¹

Year-over-year consistency in funding will allow the planning of long-term projects and provide certainty, allowing construction contractors and other customers to accurately assess future workloads to invest in new equipment. Without infrastructure funding certainty, contractors are reluctant to invest in new machinery, reducing the economic benefits and job creation potential of these critical projects.

Recommendation 1: AED recommends that the federal government create a system that ensures year-over-year consistency in infrastructure spending to allow for long-term certainty for the construction sector.

¹ Status Report on Phase 1 of the New Infrastructure Plan:

http://www.pbodpb.gc.ca/web/default/files/Documents/Reports/2018/Infrastructure%20update/Status%20Report%20on%20Phase%20of%20the%20New%20Infrastructure%20Plan_EN.pdf

Skilled Labour Shortages

A recent BuildForce Canada assessment found that the Canadian construction industry will have 300,000 job vacancies over the next decade.² The research forecasts that 261,000 current workers will retire over that period and that increasing labour demands will account for 44,100 new positions. Retirement rates and increased demands compared against predicted recruitment, leaves a shortage of more than 80,000 workers across the construction sector.

The labour shortage encumbers the ability of AED members to service customers, hindering growth and delaying the completion of infrastructure projects. While the federal government has made targeted investments in apprenticeships, more must be done to encourage all Canadians to consider careers in the skilled trades.

Recommendation 2: AED recommends that the federal government continue to focus on apprenticeships and public awareness campaigns to encourage Canadians to seek careers in the skilled trades, including as dealer service technicians.

Growth Through Tax Policy

A recently released PBO report examined the budgetary impact of 100 percent expensing for depreciable assets purchased by a corporation, similar to the United States following the Tax Cuts and Jobs Act.³ Depreciable property are assets that wear out or becomes obsolete over time. In 2015, corporations in Canada invested more than \$200 billion on new acquisitions of depreciable property. One of the largest components of depreciable property is machinery and equipment. The PBO report found that the net cost to the government over five years from 100 percent bonus depreciation is \$36.7 billion.

Unfortunately, the report does not examine the benefits of one hundred percent depreciation. While it is too early to quantify the economic impact of 100 percent bonus depreciation in the United States, anecdotally, equipment dealers and manufacturers have attributed favorable economic growth in the sector in part to increased capital investment incentives from the Tax Cuts and Jobs Act. Furthermore, 100 percent bonus depreciation incentivizes contractors to replace older machines with newer, more environmentally-friendly equipment.

Recommendation 3: AED recommends that the federal government study the positive economic impact of full expensing for new and used equipment purchases, similar to the policy enacted in the Tax Cuts and Jobs Act.

² Canadian Construction Labour Markets Stable Over the Coming Decade, Though Provinces Tell Individual Stories <https://www.buildforce.ca/en/media/press-release/canadian-construction-labour-markets-stable-over-coming-decade-though-provinces>

³ Cost Estimate of Full Expensing for Depreciable Property: https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2019/Full_Expensing_for_Depreciable_Property/Cost_Estimate_of_Full_Expensing_for_Depreciable_Property_EN.pdf