Ranked as the third most innovative company in the world behind only Apple and Alphabet, 3M remains focused on utilizing technology to meet Canada's current and future needs in key areas such as energy, health care, safety, automotive, aerospace and general industrial.

Research and development is at the very heart of 3M. That is why we reinvest 5.8 percent of sales annually into science. This investment helps 3M produce more than 3,000 patents each year. In collaboration with our customers, 3M is helping solve the world's toughest challenges by leveraging the power of 46 technology platforms to create better, safer and more economical solutions for different market spaces.

Supporting 3M innovation and technologies are its people, including 8,500 scientists around the world. As a science company that prides itself on the diversity of their team, 3M understands the importance of inspiring and attracting the next generation of scientists, innovators and inventors.

While 3M continues to invest in science, research, innovation and talent, there are several federal measures that would help Canadian businesses become more competitive and productive, particularly in the highly competitive global technology industries. One of the most powerful levers any government has at its disposal is taxation. Taxation can, and should, be used as a tool to incent investment in Canada and drive innovation. It is crucial for the Government of Canada to ensure our tax regime remains competitive compared with other nations especially our close neighbors, USA and Mexico.

As stated by the Canadian Chamber of Commerce President Perrin Beatty, "The cost of doing business in Canada is rising and companies are deeply worried about their ability to both grow their businesses within Canada or compete for investment. A cocktail of new regulations, taxes, climate measures and pension changes are having a 'serious cumulative impact'. High labor costs expected in Ontario, electricity rates and employment insurance changes are also raising costs."

The current renegotiation of the North American Free Trade Agreement poses both an opportunity as well as a risk for Canadian companies, like 3M Canada, who are net exporters. The freedom of movement of goods across the Canada-US border has been key to 3M Canada's growth and investment over the past two decades. While the renegotiation of NAFTA creates an opportunity to improve and update this decades old agreement by strengthening rules of origin and IP enforcement, covering new technologies and new ways of doing business, and further promoting Canadian exports, it also raises some concerns. These concerns relate to

Canada's competitiveness, as well as to the price of exports and the impact these changes could have on Canadian industries.

More specifically, 3M Canada recommends:

Recommendation 1 – Implement tax measures to incent manufacturing and commercialization of technologies developed in Canada.

The federal government plays a major role in assisting Canadian businesses in meeting expansion and innovation goals. Tax reform is the single most important policy tool the government has to positively impact economic growth and create jobs. In an increasingly globally competitive environment, both manufacturing and research and development investments are subject to competition when it comes to choosing one jurisdiction over another. Business investment decisions within 3M and many other global companies will factor in taxation as a major driver in determining which jurisdictions to invest in manufacturing or research and development activities.

Investment is increasingly used by multinational corporations to expand production in foreign markets. Increasing global investment in Canada will drive innovation, productivity and competitiveness. It is crucial for the government to ensure Canada's tax regime remains competitive compared with other nations especially our close neighbors, USA and Mexico.

After a decade of progress in reducing the tax burden on business investment, Canada has recently fallen behind in tax competitiveness. In 2012, the Global Tax Competitiveness Report ranked Canada the 19th highest tax burden on new business investments among 34 OECD countries. By 2014, Canada ranked in 14th place, in large measure because other countries had instituted significant reforms.

Research shows that inward Foreign Direct Investment positively impacts a host country's tax base and government revenues as well as productivity performance through technical knowledge, intra-industry spillover and supply chain effects. Large companies typically employ highly-skilled and well-paid employees. In addition, large companies support an ecosystem of businesses in the communities they are located, including high value services and small and medium sized businesses that support operations and form an integral part of the corporate supply chain.

To be globally competitive requires having a tax and regulatory structure in place that attracts domestic and foreign investment and that encourages small companies to grow into large companies. Unfortunately, Canada's business tax and regulatory competitiveness is eroding. As countries like the US are planning to lower taxes and reducing the regulatory burden to stimulate investment, Canada is moving in the opposite direction.

To make Canada a more attractive place to do business, we recommend committing to a full review of the corporate tax system to ensure that it is competitive and attracts new investment to Canada. Through this review, we encourage you to create a globally competitive business tax and regulatory structure that supports growth and investment and includes:

1. Establishing a national manufacturing and processing tax credit that reduces the effective federal corporate tax rate on manufacturers from 15 percent to 12 percent;
2. Changing the corporate tax structure so that business income that is retained for the purpose of re-investment into new capital is made tax-exempt.

Half of 3M Canada's sales are generated by our nine Canadian manufacturing facilities. The great majority of which (80%+) are exported to the United States. In that context, we must compete with 3M operations in other countries, as well as other competitive companies around the world. Winning in that environment depends on our ability to efficiently deliver high quality, cost effective products.

Investment in new machinery, equipment and advanced technologies is the most important factor in improving manufacturing productivity and competitiveness. For this reason, we also recommend the government enhance depreciation rates and provide tax credits to encourage investment in machinery, equipment and advanced manufacturing technologies.

This can be achieved through two specific initiatives:

1. Introduce a permanent accelerated capital cost allowance tax structure for advanced manufacturing technologies that allows manufacturers to claim an immediate first-year write-off of all qualifying capital expenditures on advanced technologies, including software; and
2. Extend the current Atlantic Investment Tax Credit program across Canada and raise the credit level from 10 per cent of eligible expenses to 25 per cent.

To help accelerate the commercialization of Canadian intellectual property, we echo the recommendations set out by the Advisory Council on Economic Growth in February 2017 to create a "patent box".

Several jurisdictions have introduced the idea of a patent box tax incentive that provides relief from corporate tax on income generated from the commercialization of technological innovations. Patent boxes generally target the commercial or manufacturing activities that follow development rather than R&D activities themselves. A patent box tax incentive will support companies at a critical point in their product development and financing cycle, while encouraging them to manufacture and commercialize new products in Canada.

The idea of patent box has been successful in other jurisdictions such as Italy, the UK, Netherlands, Spain, and France. In Canada, we are seeing the introduction of patent box legislation at the provincial level in Quebec and in Saskatchewan. While action at the provincial level is needed and most welcome, action is also required at the federal level to develop a truly effective and compelling Canadian patent box system that gives national manufacturers flexibility in production.

Recommendation 2 – Renegotiate a successful NAFTA trade agreement avoiding trade retaliations measures that could impact integrated supply chains.

3M believes free and fair trade energizes worldwide economic growth which, in turn, creates jobs, improves standards of living, and enhances human status and dignity. We recognize the solution to trade imbalance is to expand exports, not to close a country’s markets with protectionist tariffs and quotas. We have seen firsthand how shielding industries and markets invites retaliation and jeopardizes reciprocal access to markets.

Trade is essential to the success of Canadian manufacturers. As a net exporter, we value open markets and strong trading partnerships. We also recognize that trade agreements need to be enforced and modernized, accounting for the ever-growing ways in which global commerce operates.

An effective North American Free Trade Agreement (NAFTA) and the absence of any trade retaliation or border adjustability measures is vital for 3M Canada operations.

More specifically related to the renegotiation, 3M supports the following positions:

- The governments should do no harm;
- Modernization is a positive step and should incorporate disciplines to facilitate less “red tape” and remove barriers to North American trade;
- A new rules of origin regime should remove all two-prong tests, remove Regional Value Content, and move to tariff shift alone to reduce administrative costs; and

- Customs procedures should be streamlined, automated, and shared across the three countries.

3M Canada is a net exporter from Canada and more than a thousand of our Canadian employee's jobs are dependent on our ability to sell globally. In fact, 3M is net exporter to Canada's top trading partners.

From its beginnings, 3M has pursued a "region for region" foreign investment policy, which means we invest in manufacturing regionally for regional consumption. Trade policy changes should be carefully developed and introduced to allow for company supply chains and distribution channels to adjust.

About 3M Canada

3M Canada was established in 1951 as one of the parent company's first international subsidiaries. With a head office in London, Ontario, 3M Canada has manufacturing facilities in London, Brockville, Mississauga and Perth Ontario, and Morden, Manitoba. Continuous investments keep 3M Canada manufacturing at the leading edge of efficiency and competitiveness.