



GREATER KITCHENER WATERLOO
CHAMBER OF COMMERCE
BUSINESS BUILDING COMMUNITY

2014 PRE-BUDGET SUBMISSION

TO THE

HOUSE OF COMMONS

STANDING COMMITTEE ON FINANCE

August 6, 2014

80 Queen Street North, Kitchener, Ontario N2H 6L4

Tel: (519) 576-5000

Fax: (519) 742-4760

admin@greaterkwchamber.com

www.greaterkwchamber.co

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

The Greater Kitchener Waterloo Chamber of Commerce serves over 1700 members representing all sectors of the local economy. Our membership includes small, medium, and large employers in one of Canada's most progressive and economically diverse regions.

Waterloo Region is designated as Canada's tenth and Ontario's fourth largest urban area, with a current population of 540,000 expected to reach 729,000 by 2031.

Our local economy is among the most diverse in Canada, with concentration across advanced manufacturing, financial services, automotive, 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 and proposals as priorities for the 2015 federal budget.

Balancing the federal budget to ensure fiscal sustainability and economic growth

A Quarterly Economic Forecast from TD Economics (June 23, 2014) notes that a particularly harsh winter stalled the entire North American economy for the first quarter of 2014, leading to slight downward adjustment in GDP growth to 2.2 percent for 2014. Conditions for acceleration to 2.6 percent remain intact for 2015.

Weak economic conditions in Europe and slower growth in emerging markets has impacted Canadian exports, resulting in a 4 percent drop from 2013. Fortunately, according to TD Economics, our exports should get some assistance from a weaker domestic dollar. A report from CIBC Economics¹ noted that Canada's trade position improved in May however a trade deficit is anticipated for the second quarter.

Recent export gains have been driven in large part by the automotive sector, where the volume has exceeded 2013 by 20 percent and the prospect for future increases, particularly from the US, is strong.

Business investment is expected to increase over the next few years driven by stronger balance sheets, profits and exchange rates. Of considerable interest to the national business sector, TD Economics predicts a series of positive quarters of growth in machinery and equipment investments. Higher capital spending will subsequently boost both productivity and wages.

In response to the costs of economic stimulus packages, all levels of government have been scaling back their expenditures for debt and deficit reduction. Restraint is expected to continue for 2014 however spending is expected to increase very modestly in 2015.

Recommendations:

- a) The federal budget should be balanced by 2015-16;**
- b) The debt-to-GDP ratio should be below 30 percent by 2016-17.**

¹ Economics Flash. CIBC Economics. July 3, 2014.

Increasing the competitiveness of Canadian businesses through research, development, innovation and commercialization

Our Chamber is supportive of the federal government's direction on investments for business innovation, research, and productivity.

In our submission to this committee in 2012, we proposed the extension of the five year FedDev Ontario program which was originally announced in the 2009 Budget. The 2013 Economic Action Plan confirmed an additional five-year mandate commencing in 2014. FedDev Ontario delivers the Advanced Manufacturing Fund, a \$200 million program to support new technologies, improve processes, increase productivity and build research capacity through collaboration among businesses and post-secondary institutions.

The Automotive Investment Fund, established in 2008, assists strategic and large-scale research projects in the domestic auto sector. In January of 2013, Toyota Motor Manufacturing of Canada received funding from this program for a new Lexus hybrid sport utility vehicle assembly line at their Cambridge facility. The company estimated this allocation along with support from the Ontario government will create over 400 skilled manufacturing jobs.

The food manufacturing sector remains a vital component of the Ontario and national economies. In 2011, the industry employed 236,000 people, exceeding total employment in transportation equipment which includes motor vehicles.

The recent closures of the Heinz facility in Leamington, Ontario and Kellogg's in London has initiated significant concerns regarding the ability of domestic firms to compete across global markets, particularly in relation to the application of new technologies for elevating productivity levels. The federal and provincial governments should actively support the technology sector for driving advanced food manufacturing.

In June of 2013, the Waterloo-based Accelerator Centre announced a partnership with the City of Waterloo for the new Canada's Technology for Food (CTFF) program. This initiative will focus on advanced food manufacturing through the application of information and communication technology to processing operations, and facilitate collaboration between manufacturers and technology providers. The Accelerator Centre will eventually commercialize successful technologies for expanded domestic and global utilization.

Recommendation:

The federal government should designate the food manufacturing sector as a priority industry for research and development investments.

Ensuring prosperous and secure communities, including infrastructure

The Federation of Canadian Municipalities (FCM) has noted that all governments – federal, provincial and municipal – must work together and with the private sector to make immediate infrastructure repairs to protect public health and safety. Action must be taken now to establish a fully funded, long-term plan to build roads, water systems, community facilities and transportation systems that Canada needs to support businesses and remain competitive across international markets.

Our Chamber supports the increased use of public-private partnerships, or P3s, for addressing Canada's infrastructure challenges. The advantages of this model include achieving value for money, on-time and on-budget delivery, promoting cost certainty and long-term asset management, and allocation of risks to the partner best able to manage them.

Recent successes have indicated that P3 projects can be completed in mid-sized Canadian urban centres. The new Waterloo Region Consolidated Courthouse, a \$379 million design, build, finance and maintain (DBFM) facility serving a population of approximately 550,000 residents, was completed on-time and on-budget in January of 2013.

Recommendation:

The federal government should:

- **Provide technical support to assist municipalities and provinces/territories on developing business cases to analyze the most effective financing model for a particular project;**
- **Work with the provinces/territories and municipalities to ensure that all relevant public sector employees are able to effectively manage P3s;**
- **Promote, with provincial/territorial and municipal governments, the viability of P3 projects in mid-sized urban centres across Canada.**

Improving Canada's taxation and regulatory regimes

In March of 2014, the Canadian Manufacturing Coalition which represents 100,000 member companies and two million direct employees, submitted a letter to Treasury Board President Tony Clement outlining a series of core principles that all regulations should follow. The principles are:

- **Harmonize and coordinate within Canada and with trading partners;**
- **Regulations should focus on achieving outcomes and not the process for achieving them;**
- **Eliminate compliance requirements that do not contribute to desired outcomes;**
- **Recognize existing regulations/standards for compliance purposes – only regulate where additional risks warrant;**
- **Adopt risk management processes based on scientific and practical merits;**
- **Ensure impacts on business competitiveness, along with the true costs of regulations, are fully understood;**
- **Implement competitive service standards.**

Maximizing the number and types of jobs for Canadians

Our Chamber has supported the Canada Job Grant (CJG) since introduction in the 2013 Economic Action Plan. Employers across all economic sectors have identified skilled workers as a priority, and the CJG when implemented will significantly assist with resolving on-going shortages.

A CBC News² report from late June indicated that most if not all provinces and territories will fail to deliver the CJG by July 1, 2014, The Ontario Government could not confirm how long after this date the program will be delayed, but however committed to working with Ottawa to ensure a reasonable implementation timeline.

Recommendation

The federal government should collaborate with the province of Ontario to ensure the Canada Job Grant is available to assist employees and employers as soon as possible.

We thank the committee for the opportunity to advance our recommendations for the 2015 federal budget.

² Canada Job Grant won't be in place July 1 in most provinces. Susana Mas, CBC News, June 29, 2014.