MAPLE LEAF FOODS

Sent via e-mail

Christine Lafrance
Clerk of the Standing Committee on Finance
House of Commons
Ottawa, ON K1A 0A6

Dear Ms. Lafrance:

On behalf of Maple Leaf Foods, I am pleased to provide the following recommendations in relation to preparation of Budget 2015. Maple Leaf Foods is Canada's leading consumer packaged meats company, headquartered in Toronto, Ontario. We make high-quality, great tasting, nutritious and innovative food products under leading brands. Our company employs approximately 11,500 people in its operations across Canada and exports to more than 20 global markets including the U.S. and Asia. The business success of Maple Leaf depends greatly on federal government policies, regulations and programs in key areas such as food safety, taxation, international trade and labour market efficiency.

We would like to provide the following recommendations in relation to the themes of "Improving Canada's taxation and regulatory systems", "Maximizing the number and types of jobs for Canadians" and "Ensuring prosperous and secure communities, including through support for infrastructure".

Recommendation #1 – Building on the Successful Accelerated Capital Cost Allowance

The accelerated capital cost allowance (ACCA) for the acquisition of machinery and equipment that has been in place since 2007 is set to expire in 2015. A targeted tax measure such as ACCA can be a significant driver of labour productivity in the Canadian manufacturing sector. The ACCA has been an important factor in capital expenditures by Maple Leaf Foods, including the decision announced in October 2011 to commit $560 million to modernize our prepared meats manufacturing network. According to data published by the Canadian Manufacturers and Exporters, it would appear that, thanks in part to the ACCA, Canada's average labour productivity growth has increased almost to the same level as the U.S. and more than the U.K. and Japan from 2010 to 2013.

passionate people;
passionate about food

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But in a November 2013 study published by the Canadian Manufacturing Coalition, *Capital Allowance for Manufacturing Corporations in Canada and the United States*, it was found that the traditional model of depreciation in the U.S. is much more advantageous for companies than Canada's traditional model of depreciation (30 percent declining balance). Maple Leaf therefore urges the government to **increase the depreciation rate for manufacturing and machinery and equipment from 30% to 50% on a declining balance basis upon the expiry of the ACCA**. This would allow Canada to close the productivity gap with the U.S. and ensure that Canadian manufacturers, including meat packers and processors, are on a level playing field with their U.S. counterparts.

Recommendation #2 - Support for food safety "compliance promotion" and Safe Food Canada

In 2015, the Canadian Food Inspection Agency (CFIA) will begin implementing the regulatory requirements under the *Safe Food for Canadians Act*, imposing mandatory licensing, preventative control plans, record keeping and inspection on all businesses importing or preparing food and beverages (other than alcohol and food additives) for export or inter-provincial trade. The CFIA will also begin executing its new risk-based Inspection Model across the food industry. While this level of regulatory oversight is not new to the meat industry, it is very important that compliance with the new requirements be achieved quickly and consistently across thousands of Canadian businesses, including many SMEs.

Therefore, Maple Leaf supports two budget allocations to CFIA. First **$10 million should be given to CFIA to execute its "compliance promotion strategy" over the period 2015-20**. The investment in regulatory modernization will be lost if CFIA is not well resourced to engage with industry players of all sizes and in all geographic regions to explain the new requirements and provide the tools that will help ensure CFIA's expectations are met. (We would certainly oppose raising user fees to deliver such activities given that Canadian meat packers and processors are already paying inspection fees in excess of $20 million based on a user fee structure that hampers their competitive position vis-à-vis their U.S. counterparts.) Second, we support an allocation of **$10 million over the next five years for the new non-profit entity, "Safe Food Canada (SFC): The Learning Partnership"**. This initiative, developed through a visionary industry-government-academia partnership, will establish Canada as a leader in developing food safety learning standards, methods and outcomes. By building competency-based learning frameworks and certifying food safety education and training programs against the standards, SFC will give Canada, and Canadian food safety professionals, a global edge in business, trade and public health protection.

Recommendation #3 – Achieving Global Market Access for Meat Exports

In 2013, Canada exported beef and pork to over 120 countries around the world. Approximately 25% of Maple Leaf's sales revenues are derived from exports. Increased export sales enhance financial returns for farmers, improve financial margins for processors, increase jobs for workers and enhance economic activity for all Canadians. Critical to accessing international markets is Canada's ability to meet the different food safety, animal health and labeling requirements of its major trading partners. This is especially important in new markets being opened through trade agreements, such as the EU, and markets where regulatory standards are very different, such as Russia and China. Very often, in order to access a market, Canadian plants have to invest in particular food safety-related modifications to plants and equipment, establish new testing and traceability protocols, change labels on products and cartons, pay for plant audits by foreign government authorities, etc. Maple Leaf therefore recommends the creation of a **5-year $20 million "Market Access for Canadian Meat Exports Program"** to help Canada's meat packing and processing industry take full advantage of global market opportunities.

Recommendation #4 - Incentive for Labour Mobility

Canadian meat processors like Maple Leaf Foods face tremendous labour challenges at plants in Western Canada. This challenge has only grown more acute with the recent changes to the Temporary Foreign Worker Program and the absence of immigration programs that will fill the labour shortage for the industrial butchers that we require. We need urgent help from the government to address the serious, unintended consequences from the program changes and the "disconnect" between provincial and federal policies as it relates to immigration of lower skilled workers. Hiring domestically is always our first choice but our slaughter plants are located in smaller, rural communities with low unemployment that are some distance from higher concentrations of unemployed or under-employed Canadians, including new immigrants and other disadvantaged groups. While the current income tax credit for relocation may be of benefit to employed Canadians, it is of limited assistance to the unemployed. It is therefore recommended that the government offer **financial relocation assistance to encourage unemployed Canadians to move** from regions characterized by chronically high unemployment to areas of low unemployment. At the same time, reforms to the Employment Insurance system and the Canada Jobs Bank should help ensure unemployed Canadians significantly expand their job search beyond their immediate community.

Recommendation #5 – Funding the Morriston By-Pass

Our final recommendation concerns funding for a specific transportation infrastructure project in Southern Ontario, west of Toronto. Highway #6 between Hamilton and Guelph is a vital transportation route for goods and commuters, connecting Kitchener-Waterloo-Cambridge-Guelph to the Golden Horseshoe and the Niagara border crossings. It is a vital route for Maple Leaf Foods as, with the completion of our new prepared meats manufacturing plant in Hamilton, we will be adding about 40 trucks a day on this route to our new Eastern Canadian distribution centre near Guelph. The safety and efficiency of the route has been compromised for over 30 years by forcing traffic through the small village of Morriston. A by-pass is long overdue. To achieve this, we encourage the federal government to ensure **adequate funding from the New Building Canada Fund is made available to the Ontario Ministry of Transportation** so that this "shovel ready" project can get underway as soon as possible.

Thank you for considering these five recommendations. We would be pleased to appear before the Committee to answer any questions.

Yours sincerely,

Rory McAlpine
Senior Vice President, Government and Industry Relations
Maple Leaf Foods