

Canada's 2019 Federal Election: Priorities of Metropolitan Montréal's Business Community

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August 22, 2019

As Canada's election campaign approaches, the Chamber of Commerce of Metropolitan Montreal is promoting the business community's priorities to help Canada and Greater Montréal maintain their economic momentum. The Chamber will reach out to the representatives of Canada's political parties to get their positions and commitments on these priority actions.

1. Support four strategic issues for Greater Montréal

The modernization of Greater Montréal's infrastructure is a vast project that is key to the productivity of the city's economy and the competitiveness of our businesses. During its mandate, the next federal government will have to contribute financially, and at times even take leadership over, upgrades to Montréal's strategic assets. The next Canadian government must maintain the pace of planned investments and accelerate the funding processes for new priority projects that have a strategic impact for Greater Montréal's economy.

Request No. 1: Commit to contributing \$350 million over the course of the next mandate towards the decontamination and economic rehabilitation of eastern Montréal's industrial areas.

The government's efforts through provincial and municipal programs have helped rehabilitate and improve land; however, the environmental liability in the east part of the island is an obstacle to developing the territory. The "Déclaration pour revitaliser l'est de Montréal," signed jointly by the Government of Quebec and the Ville de Montréal, demonstrates real political will. In this context, the Chamber is asking Canada's political parties to commit, if they form the next government, to **helping to requalify the sector by investing \$350 million to decontaminate the soil and to invest in the infrastructure needed for this area's economic recovery.**

Request No. 2: Support the growth of the Port of Montreal and ensure that it has access to the financing required to carry out the Contrecoeur terminal expansion project.

The signing of the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) opens the door to increased trade between Canada and Europe at the time when, paradoxically, uncertainty caused by trade conflict is a sign that we should diversify our trade ties. The last few years have been characterized by pronounced growth in the Port of Montreal's activities. With these new trade agreements, the port authority is expecting a substantial increase in the number of containers that it has to handle. The investments announced in recent years for the Port of Montreal's infrastructure are promising. However, these projects must be accelerated by ensuring that all announced funding is quickly made available. The recent signing of a memorandum of understanding between Canada Infrastructure Bank and the Montreal Port Authority to move the Contrecoeur project forward is a step in the right direction. The Chamber is asking the parties to commit to **supporting the growth of the Port of Montreal by ensuring that the Port Authority can access the funding it needs to complete the Contrecoeur terminal.**

Request 3: Make Canadian airport financing more flexible by opening the door to private partners up to a maximum of 20% of the capital.

The Montréal-Trudeau Airport has experienced sustained annual growth in passenger numbers for many years now. This growth stems from the robust performance of the Greater Montréal economy, an increase in direct air links, increased tourism, and Montréal's renewed status as a travel hub. This situation has accelerated the investments of the Aéroports de Montréal (ADM). ADM must therefore invest an additional \$2.5 billion in its runway infrastructure while it had already launched major investments in its city projects. As it is approaching the threshold where additional borrowing could impact its credit rating, the ADM would like to submit its project to Canada Infrastructure Bank. However, for this to be compliant with the organization's eligibility criteria, ADM's capital needs to be opened up to private investment. The Chamber is therefore asking the parties to commit to **making Canadian airport financing more flexible by opening the door to private partners up to a maximum of 20% of the capital.**

Request No. 4: Ensure the rapid execution of the high frequency rail project between Québec City and Windsor.

VIA Rail's proposed high frequency rail (HFR) between Québec City and Windsor is a promising project for the economy of Eastern Canada. This proposal would substantially improve transportation service in the country's main corridor. The advantage of the VIA Rail project is that it will be cheaper and faster to commission than any of the projects previously studied. The June 2019 announcement of a \$71.1-million envelope to fund the technical, financial and commercial analysis of the high frequency rail is an important step. The Chamber is asking the parties to commit to **continuing the current analysis process and, if the results are conclusive, to fund the start of the project during the mandate of the next government.**

2. Promote competitive taxation and clean up public finances

Request No. 5: Improve the competitiveness of the Canadian tax environment and lower corporate taxes so that they are lower than those in the United States.

Canada's economy is booming. Investments are on the rise and unemployment rates are at historical lows. However, in the past year, Canadian businesses have seen their competitiveness decline due to the U.S. tax reform. Companies with subsidiaries in the U.S. now have an incentive to leave their profits in that country to benefit from its more advantageous tax system and even to reinvest there rather than in Canada. If this practice became widespread, it would weaken the Canadian economy and deprive the federal government of significant tax revenue. The Chamber is therefore asking the parties to **improve the competitiveness of the Canadian tax system.**

Request No. 6: Systematically levy sales taxes on products and services purchased online, including digital content. Otherwise, exempt all e-transactions from these taxes.

A strong majority (85.3%) of the Chamber's members are calling for e-transactions to be systematically subject to the Canadian tax system, and particularly to sales tax.¹ The federal government must show leadership on this issue. Currently, many foreign companies sell digital products or services without charging sales tax, which creates unacceptable inequities for Canadian business owners. This situation directly affects the competitiveness of our companies, which more than ever are being disrupted by new business models and face big challenges in global open-source innovation ecosystems. The Chamber is asking the parties to commit to **ensuring the fairness of the Canadian tax system and to impose sales tax for all products and services purchased online. Alternatively, to maintain tax fairness, the Chamber is recommending that all online products, services and e-transactions bought or made through a Canadian merchant also be tax-exempt.**

Request No. 7: Adopt a plan to balance the budget within the next four years that includes intermediary targets.

Sound and balanced public finances in a period of economic growth provide a solid foundation that lets the government respond to a recession or economic shock. Canada is currently going through a period of economic growth that it must capitalize on in order to continue reducing the debt. The Chamber is asking the parties to commit to **staying on a path to balancing the budget during the next mandate (4-year horizon) with intermediate targets.**

¹ From August 5 to 14, 2019, the Chamber of Commerce of Metropolitan Montreal (CCMM) surveyed its members on key issues and priorities related to the economic performance of Montréal and its businesses. A total of 300 people responded to the survey.

3. Support innovation and digital transformation in business

Request No. 8: Maintain the Innovation Superclusters Initiative and maximize its effects through a Canadian economic development strategy that includes support programs for the adoption of artificial intelligence, particularly in SMEs.

Montréal enjoys an enviable position in the world when it comes to innovation. It has world-class universities and research centres, robust industries, and specialized talents in cutting-edge sectors such as artificial intelligence and video games. However, problems with access to funding along with high equipment costs are making it hard for Montréal businesses to innovate.² The Greater Montréal business community has praised the strategic value of the Innovation Superclusters Initiative and the creation of the SCALE.AI supercluster in Montréal. In addition to being a springboard for innovation, this initiative is creating unprecedented momentum for industrial and scientific collaboration through projects that benefit our economy. To support the five innovation consortia created under this initiative, the Government of Canada has committed \$950 million over five years. Private sector partners have committed to doubling these investments. The Chamber believes that the government can go even further by bringing together all innovation support initiatives under a cogent Canadian economic development strategy. The Chamber is asking the parties to commit to **upholding this financial support for the superclusters, and particularly SCALE.AI, which is enjoying momentum in artificial intelligence, and to deploying a Canadian economic development strategy that incorporates all of these innovation sectors.**

Request No. 9: Accelerate investment in 5G technology across Canada and support the deployment of cutting-edge digital infrastructure.

Canada, and the Greater Montréal area in particular, is well positioned in the field of artificial intelligence. However, businesses and governments around the world are increasing investments in new technologies. To maintain our leadership position, Canadian researchers and companies must have access to state-of-the-art digital infrastructure. Artificial intelligence, the Internet of Things, cloud computing, 3D design and big data management are significantly increasing the flow of exchanged data, which has upped the demand for faster and higher-capacity wireless networks. Our industries are set to significantly increase their use of these technologies in the coming years, and the development of 5G will meet this demand for more powerful networks. The Chamber is asking the parties to commit to **establishing ambitious coverage goals and to supporting the deployment of 5G technology at the start of the next government's mandate.**

4. Improve access to labour

Request No. 10: Increase the number of temporary workers that meet the needs of the job market and reinforce measures that facilitate the transition from temporary to permanent status in collaboration with the provinces.

Montréal's companies are facing major labour challenges. For many of them, immigration is a solution that meets urgent needs. The Temporary Foreign Worker Program (TFWP) is a tool that, in theory, is a last resort to fill temporary positions for which Canadian workers are not available. However, in many cases, these workers come here to fill positions that are not actually temporary but that represent permanent jobs for which there are no Canadian applicants.

Temporary workers have skills that meet the needs of the labour market. They are selected specifically on the basis of a job offer. After a few months, a significant part of their integration is already well underway. Yet, temporary foreign workers often have no path to becoming permanent residents. The Government of Canada is already exploring pilot projects in regions where needs are greatest to allow temporary workers to access permanent residency. The Chamber is asking the parties to commit to **increasing the number of these workers and to creating fluid worker recruitment and onboarding processes.**

² CCMM Survey, 2019.

5. Stimulate domestic trade

Request No. 11: Adopt an ambitious domestic trade acceleration strategy and remove barriers to interprovincial trade.

With the signing of the Canadian Free Trade Agreement (CFTA) in 2017, the Canadian, provincial, and territorial governments demonstrated their desire to stimulate and facilitate interprovincial trade. Since the CFTA was signed, nearly 50% of the Chamber's members have reviewed their business strategy to further develop the Canadian market. However, a significant majority (83%) think that barriers to interprovincial trade persist and prevent them from expanding.³ The Canadian domestic market is therefore not being exploited to its full potential by our companies. Differing regulatory requirements and technical standards among the provinces are a major source of red tape that complexifies the trade of goods and services across Canada. Recent studies on this issue estimate that barriers to domestic trade lead to GDP losses of \$50 billion to \$130 billion.⁴ In an uncertain global economic context, we must strengthen the integration, competitiveness and vitality of the Canadian economy. The Chamber believes that dynamic domestic trade is essential to the growth and internationalization of Canadian businesses. This is a natural market for these companies that represents a unique springboard for them to break into foreign markets. The Chamber is asking the parties to commit to **adopting a strategy to accelerate domestic trade and continue efforts to eliminate barriers to interprovincial trade.**

6. Accelerate the transition to clean energy

Request No. 12: Increase support to companies that are working in the green technology sector and participating in efforts to decarbonize the Canadian economy.

The overall goal of the energy transition is to change the habits of citizens and companies, for example by reducing energy demand—particularly the demand currently met by hydrocarbons—or by transferring this demand to other less polluting sources. We will transition to an economy that is less dependent on carbon by getting stakeholders motivated to take action and by adopting new business models. The Chamber believes that the Montréal business community has the drive and determination to make the city a linchpin in this approach. However, it will take many years and substantial funding to decarbonize the economy. The Chamber believes that the energy transition will depend largely on the availability of innovations that impact energy demand and on the production, distribution and storage of energy. Greater Montréal has institutional expertise and a dynamic private sector that is participating in the green technology ecosystem. The Chamber is asking the parties to commit to **capitalizing on Montréal's industrial network by creating a fund dedicated to green technology and energy efficiency projects.**

Request No. 13: Maintain a carbon tax system and use the revenue generated by the fight against climate change to finance clean energy transition efforts.

Quebec has had a cap and trade system for greenhouse gas emissions since 2013. Revenues generated by carbon taxes are invested in the Electrification and Climate Change Fund and used to finance various climate change initiatives. The Montréal business community recognizes the importance of fighting climate change, and 88.3% of the Chamber's members are in favour of a CO₂ emissions tax.⁵

The Chamber believes (1) that an approach based on taxing consumer products is preferable to taxing companies based on their level of production, which would change consumption patterns and avoid displacing economic activity outside the country; and (2) that a portion of the revenues generated by the federal carbon tax should support the transition to clean energy. The Chamber is asking the parties to commit to **maintaining the carbon tax in the provinces that do not have this mechanism to ensure a fair competitive environment between all provinces.**

³ CCMM Survey, 2019.

⁴ Standing Senate Committee on Banking, Trade and Commerce, "Tear down these walls: Dismantling Canada's internal trade barriers," June 2016.

⁵ CCMM Survey, 2019.