House of Commons
Chambre des communes
Canada

House of Commons Standing Committee on Finance – Pre-budget Consultations 2013

This brief is submitted by:

(•) **an organization** **Organization name:** Canadian Steel Producers Association

or

( ) **an individual** **Name:** _____

Topic: Education and skills training

*Recommendation 1: Please provide a short summary of your recommendation.

Steel and other advanced manufacturing sectors face strong pressure to recruit and develop a highly-skilled workforce to meet growing shortages. Government needs to place priority on the widely-acknowledged skills challenge by partnering with industry in two key areas. F/P/T government agreement on the proposed Canada Job Grant (CJG) can develop new skilled workers. In addition, the skills of employers' existing workforces must be continuously expanded. This can be supported by a tax credit to train workers for advanced manufacturing equipment and processes.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

$100 million -$499.9 million

5 or more years

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

Canada Jobs Grant funding was established in Budget 2013; these funds are in the fiscal framework. A new training tax credit would see governments partner with industry in the further skills development of the existing workforce, driven by business needs and a variety of training suppliers, reflecting the changing needs and demographics of today's workforce. As industrial processes become more complex, this will strengthen productivity and innovation. The introduction of a training tax credit could be funded by making it creditable against increases in employment insurance premiums.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

With all manufacturing segments facing skills challenges, the steel industry is no exception. The urgency to address the skilled labour shortage in Canada's steel sector is compounded by the extent of the problem - it will need between 5,000-10,000 skilled tradespersons and 29,000 new workers in the coming 5 years. Given the competition for skilled talent, there is a strong argument for governments to partner with industry to invest in developing an industrially-skilled workforce.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

The breadth and complexity of talent needed for modern manufacturing is widely under appreciated. As the workforce ages, a new generation of highly skilled industrial workers must be developed and attracted to steel and other manufacturing sectors. A skilled workforce is crucial for the innovation and value-added industries that create national wealth; for the workers involved, it develops their skills and flexibility in the workforce.

Topic: Trade and investment

Recommendation 2: Please provide a short summary of your recommendation.

Canada's trade remedy system provides for antidumping and countervailing duties (AD/CVD) to help offset the market-distorting effects of unfairly-traded imports. It is vital to Canadian industry that this trade remedy system work effectively and efficiently to restore market-based trade. Thus, government authorities in the CBSA must have adequate investigative and enforcement resources (people, funding), especially as cases become more complex and as workloads increase due to the rise in non-NAFTA imports and to avoid evasion of approved AD/CVD duties.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

$5 million -$9.9 million

5 or more years

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

The need for additional investigative and enforcement resources is driven by actual instances of unfair trade that cost Canadian industrial production and jobs. The resource need is compounded by the increasingly difficult challenge to investigate these practices in various jurisdictions. For the government, there is also a significant revenue impact, e.g. for each 100 jobs lost due to dumped imports, the government loses approximately $1 million in workers' personal income taxes alone. Government also benefits from duties collected. These financial benefits outweigh the additional costs.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

A strong and effective trade remedy system acts as valuable recourse for Canadian manufacturers in all regions impacted by the negative consequences of unfairly-traded imports. Manufacturers across the country rely on Canada's trade remedy system to restore market-based competition with foreign exporters. The steel industry and its supply chain partners throughout Canada can compete globally on market-based principles within agreed international trade rules. However, unfairly-traded imports cost Canadian jobs and disrupt market-based domestic markets.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Exporters in many countries, notably China, seek to achieve their economic goals by shipping dumped and subsidized products to Canada and other open markets. When imports come at non-market rates, High-value Canadian manufacturing jobs and production, and associated supplier relationships, benefit directly from successful trade remedy actions. If such remedies cannot be realized, there is also risk to future investment in Canada.

Topic: Innovation and commercialization

Recommendation 3: Please provide a short summary of your recommendation.

Recent changes to the SR&ED tax credit, while supportive of SMEs, reduced support for R&D/innovation by larger, capital-intense industries like steel. This affects the relative cost of innovation and attractiveness of the Canadian investment environment. Government should re-assess how best to support such innovation, which assists domestic industry in making the case to compete for innovation mandates, through refundable investment-based tax credits or other means, e.g. direct funding programs.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

$100 million -$499.9 million

5 or more years

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

Whether through tax credits or direct programming, there will be a revenue/cost impact. Since the intent is to expand industrial innovation and competitiveness, the government could 'fund' these changes in three ways. First, some of the savings from the SR&ED changes could be reallocated. Second, the increased investment and growth will add tax revenue. Third, some funds for regional development agencies, which have compatible objectives, could be redeployed to this purpose.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

The recommended actions would apply primarily to larger, capital-intense businesses, to strengthen their productivity and investment prospects. However, they would also potentially apply to mid-sized Canadian businesses. The secondary impacts would flow to related supply chain partners, and the workers and communities benefitting from expanded growth prospects.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

It is vital to ensure that government support for industrial innovation is effective, efficient, and responsive to the needs of the industrial community. Government support programs for innovation exist in all developed economies. By partnering with industry on market-oriented innovation and capital investment, government measures can help Canada attract mobile R&D/investment mandates. These measures also serve to help close the innovative 'gap' that has been widely examined in Canada.

Please use this page if you wish to provide more explanation about your recommendation(s).

1)Manufacturing, an important wealth generating sector of the Canadian economy, is facing critical labour market challenges. At the core of major industrial clusters, the steel sector supports over 100,000 jobs and is an important contributor to Canada's economic performance. It is essential to invest in the continuing skills upgrading of the current workforce.

2) CSPA supports the government's efforts to create new international opportunities for Canadian businesses via an ambitious free trade agenda. An important corollary requirement, however, is to ensure that market-based trade prevails in our own market. FTAs leading to net economic benefit to Canadian industry can create high-value jobs if they address both sides of the coin. Canada's continued pursuit of trade liberalization and open markets must therefore be complemented by a strong and effective trade remedy system to act as an important safety valve for Canadian manufacturers against the negative consequences of unfairly traded imports.

3) It is increasingly the case that, especially for larger, multinational enterprises, there is global competition for investment and R&D mandates. It is thus vital that Canada offer a strong, pro-manufacturing innovation policy and support measures such as those advocated, to enable Canadian enterprises to compete effectively in attracting and implementing advanced technology projects and processes.

*Please note that at least one recommendation must be provided