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December 10, 2015

The Hon. Chrystia Freeland, P.C., M.P.
Minister of International Trade
Lester B. Pearson Building
125 Sussex Drive
Ottawa, ON K1A 0G2

Dear Minister: Chrystia

Congratulations once again on your recent appointment.

On October 18, the Canadian Chamber of Commerce concluded its 86th Annual General Meeting (AGM) in Ottawa. A highlight of the AGM is the Policy Session, where hundreds of accredited delegates of local chambers of commerce and boards of trade from across Canada submit, debate and vote on resolutions regarding federal government policy. Policy resolutions approved by a two-thirds majority become the official positions of the Canadian Chamber for a period of three years.

This year, our AGM passed resolutions on several issues relevant to your portfolio, such as the Trans-Pacific Partnership (TPP), relations with China and ASEAN, and Canada-U.S. border and regulatory cooperation, among others. They are briefly summarized here.

Next Steps for Canada's Trade Relationship with the Asia-Pacific

While the United States will continue to be Canada's largest trading partner, diversification to higher-growth markets, notably in Asia, is increasingly important to Canada's prosperity. An expanding consumer base and rapid urbanization continue to drive market opportunities in China, India, and Southeast Asia. Japan remains the world's third largest economy and, along with South Korea, a technology powerhouse with supply chain links throughout the region. Canada's strengths in industries like agri-food, energy, environmental technologies, financial services and infrastructure are closely aligned with the needs of the region. To take advantage of such opportunities, Canadian companies need public policies that enable them to compete at the highest level. We recommend, therefore, that the federal government:

1. Implement the TPP, conclude trade and investment negotiations with India, and pursue next steps with markets such as China, Taiwan, Macau and the Philippines.
2. Enhance regulatory cooperation and local capacity-building with trade partners in Asia.
3. Improve the effectiveness of trade promotion strategies and programs through better resourcing and coordination with the provinces and territories.
4. Facilitate Canadian participation in regional infrastructure projects through collaboration between Export Development Canada and regional development banks.

I am also bringing this resolution to the attention of Prime Minister Trudeau, Minister Dion and Minister McCallum.

Increasing Canadian Agri-Food Exports

The growth of the Canada's agri-food industry and rural economy is dependent upon the successful completion of trade agreements. We recommend that the federal government conclude and implement an ambitious TPP that includes competitive access for Canadian agri-food products, and make sure all future negotiations and agreements reflect strong food safety principles.

I am also bringing this resolution to the attention of Minister MacAulay.

Renewing the Canada-U.S. Trade Relationship

Canada and the U.S. have a special relationship built on shared values and a long history of family, friends and visitors living on both sides of the border. Every day, over $2 billion in goods and services and 300,000 people cross the border. Despite these strong foundations, bilateral trade has stagnated over the past decade, with Canada steadily losing market share in the U.S., especially since the financial crisis. The story is improving as of late, with a lower Canadian dollar, resurgent U.S. economy and expanded cross-border trade in the Great Lakes region. However, there remain a number of policy steps that need to be taken by both governments in order to revitalize the economic relationship. We call on the federal government to:

1. Improve the movement of people and goods across all modes by fully resourcing and implementing programs identified by the Beyond the Border initiative.
2. Improve stakeholder consultation throughout the agenda-setting and tracking process of the Canada-U.S. Regulatory Cooperation Council (RCC).
3. Work with the U.S. to realize an ambitious and comprehensive TPP that lays the foundation for the North American trade with Asia.
4. Address Buy America rules and expand the list of qualified professionals eligible temporary entry and business visas under the North American Free Trade Agreement.
5. Restore and institutionalize the annual North American Leadership Summit, creating issue or sector-based working groups on topics such as energy and trade policy.

I am also bringing this resolution to the attention of Minister Dion and Minister Goodale.

Collection of Duty and Taxes at Canada-U.S. Border

Cross-border shopping by Canadians in the United States was an estimated $4.7 billion in 2006. Since then, annual increases have taken the total to $8.0 billion in 2012, 72% higher than 2006, according to Statistics Canada. The impact on Canadian retailers, particularly in border towns, is costing the economy billions of dollars which could be minimized if duties were enforced at the border. Without impeding the free flow of commerce across the border, we recommend that the federal government:

1. Examine current policies and protocols to identify efficiencies or additional resource commitments that would enable the consistent collection of prescribed duties and taxes with no effect on the free flow of commercial traffic.
2. Research implementation of a self-reporting model (similar to Nexus) whereby the reporting onus will be placed on the individual, and Border Personnel will continue to be responsible for performing random checks.
3. Increase penalties and restrictions whereby non-compliant residents will incur penalties that are sufficiently onerous to deter abuse of the process and offset costs of enforcement, and where abusers of a self-reporting model would become ineligible.

I am also bringing this resolution to the attention of Minister Goodale and Minister Dion.

Elimination of Border Re-Inspections & Associated Fees on Canadian Meat Export into the USA

Border inspections of Canadian and U.S. meat are re-inspections of Canada Food Inspection Agency (CFIA) and United States Department of Agriculture (USDA)-inspected meats. However, every shipment of Canadian meat into the U.S. is subject to mandatory re-inspection at the border, with re-inspection fees applicable. This border re-inspection process places the Canadian meat industry at an economic disadvantage to that of the U.S, and is one of many examples where the failure to resolve bilateral regulatory and border issues is undermining Canada's competitiveness. We are therefore recommending that the federal government:

1. Support the efforts of the Canada-United RCC in its initiative to harmonize regulatory requirements and practices on meat and other trade between Canada and the U.S.
2. Ensure that all re-inspections of Canadian meats exported to the U.S. only be conducted at United States Department of Agriculture sanctioned processing facilities.
3. Eliminate current border re-inspection fees on Canadian meats exported into the United States of America.

I am also bringing this resolution to the attention of Minister MacAulay and Minister Dion.

International Online Sales: An Important Shortfall for Governments

Online sales through companies outside Canada are a growing phenomenon due to the rapid development of the digital economy. Foreign companies that have no assets or employees in Canada and are selling digital products to Canadian consumers are not forced by current tax regulations to collect the Goods and Services Tax/Harmonized Sales Tax (GST/HST) nor to remit the tax to federal and provincial governments. This creates a potential fiscal loss and creates an uneven playing field with other industries. We recommend, therefore, that the federal government:

1. Impose the consumption tax system to foreign companies selling digital products and services to Canadian consumers.
2. Intensify its efforts as part of ongoing OECD work on the collection of sales and income tax and duties on Internet transactions.

I have also written to the Minister of Innovation, Science and Economic Development and the Minister of Foreign Affairs since these resolutions falls within their portfolios.

Supporting Canada to Become a Leader in Global Mining Innovation

Mineral and metal deposits are becoming increasingly more difficult to locate, requiring new tools and techniques. Innovation has allowed Canadian companies to maintain their competitive edge and has helped Canada become a safer, more cost-effective and environmentally-sound mining jurisdiction. In face of growing competition from nations with lower wages and less stringent environmental regulations, Canada has little choice but to innovate. Governments at all levels in Canada have to recognize that Canada is just one player in the globalized mining business. Among other recommendations, we believe the government should:

1. Provide funding for mining innovation projects that go beyond academic research exclusively and include those aspects that incorporate mining industry, supply & service companies and cross-sector industries to support implementation and commercialization requirements.

2. Increase funding ratios and manage funding flows as appropriate based on the size and timeframe of innovation projects.

3. Facilitate and support co-ordination and collaboration between research and innovation organizations, funding bodies and business organizations to meet Canadian and global mining innovation needs.

I am also bringing the preceding resolution to the attention of Minister Bains and Minister Carr.

We plan to vigorously pursue these recommendations. For additional information, I have attached the complete versions of these resolutions.

Sincerely,

Perrin Beatty
President and Chief Executive Officer

Attachments

Next Steps for Canada's Trade Relationship with the Asia-Pacific

While the United States will continue to be Canada's largest trading partner, diversification to higher-growth markets, notably in Asia, is increasingly important to Canada's prosperity. An expanding consumer base and rapid urbanization continue to drive market opportunities in China, India, and Southeast Asia. Japan remains the world's third largest economy and, along with South Korea, a technology powerhouse with supply chain links throughout the region. Canada's strengths in industries like agri-food, energy, environmental technologies, financial services and infrastructure are closely aligned with the needs of the region. To take advantage of such opportunities, Canadian companies need public policies that enable them and help them compete.

Where we stand

Canada is doing more and more business with Asia. According to the Conference Board of Canada, Asia makes up 15 percent of Canada's international trade, up from 10 percent in 2003. But dig deeper and the numbers are less rosy. Imports have increased much faster than exports and Canada's market share in the region continues to fall. Canada's share of total foreign investment in Asia has also dropped compared to G7 peers, suggesting lower levels of supply chain integration and sales by overseas subsidiaries.

Increasingly, federal policymakers are trying to reverse this trend. After years of watching from the sidelines, Canada joined the 12-country Trans-Pacific Partnership (TPP) negotiations and recently concluded a trade agreement with South Korea. Canada landed the first offshore trading hub for Chinese currency in the Americas. The number of trade offices in China and India is growing and, part of Ottawa's drive to double the number of Canadian small and medium-sized enterprises (SMEs) in emerging markets by 2018.

The way forward

These are all steps in the right direction. But Asia has many suitors and Canada will have to work even harder and smarter to remove trade barriers, create a level playing field and help companies navigate new surroundings.

There is a need for more free trade agreements (FTAs) and foreign investment protection agreements (FIPAs). If TPP can be concluded, it would open up brand new market access in Vietnam and Malaysia and lower barriers for a wide range of existing exports to Japan. Depending on TPP's outcomes, Canada may secure additional benefits from Japan through a separate bilateral Economic Partnership Agreement (EPA). Negotiations with India on a Comprehensive Economic Partnership Agreement (CEPA) are back on track, following the recent state visit to Canada by Prime Minister Narendra Modi. Canada has started to pursue agreements with the members of the Association of Southeast Asian Nations (ASEAN).

Progress with China, however, has stalled. It may be Canada's second largest export market, but the two countries have yet to formally explore, let alone start negotiations on an FTA. On Prime Minister Stephen Harper's 2014 visit to China, the two countries announced a 'track-two' dialogue that would evaluate different arrangements to enhance bilateral trade, but it has been subject to delays. Meanwhile, Canada's competitors are not waiting. Australia's new FTA with China is already putting Canadian businesses and farmers at a competitive disadvantage.

Canada will need to do more than just sign trade agreements to succeed in Asia. Trading partners must provide real access to their domestic markets, including through the elimination of sector-specific non-tariff barriers and unfair financial or regulatory advantages. Canada should monitor these issues closely and, when necessary, use appropriate mechanisms to enforce agreements, including trade remedies and dispute settlement procedures. These essential functions require a well-resourced, professional border service and trade policy team that is in frequent contact with businesses on the ground.

The government needs to make sure that SMEs are aware of how they can take advantage of the economic opportunities that current and future agreements provide. Many SMEs do not have the resources to promote their products and services in markets where they have to deal with very different laws and customs.

Government-to-government relationships are a key feature of doing business in Asia. High-level political engagement and exchanges, regulatory cooperation, foreign aid and development finance are important tools to boost private sector collaboration. The Canada-China Joint Agriculture Committee and Financial Sector Policy Dialogues with China and India, for instance, have been valuable channels to build trust and address market access issues for Canadian companies.

Canada's economic agenda in Asia is gathering steam. Working with relevant companies and industry groups to develop and execute a clear vision for the next phase will make sure that Canada can compete and win in the world's most dynamic region.

Recommendations

That the federal government:

1. Take a leading role in concluding and implementing an ambitious TPP that includes:
    a. Comprehensive market access for goods and services, as well as realistic rules of origin.
    b. High-standard rules to facilitate cross-border data flows and the movement of business people, improve regulatory transparency and strengthen investment and intellectual property protection.
2. Expand bilateral trade and investment agreements in Asia by:
    a. Concluding joint feasibility studies on the costs, benefits and potential structure of FTAs with China and the Philippines.
    b. Concluding and implementing the Canada-India CEPA and FIPA.
    c. Negotiating FIPAs with Taiwan and Macau.
3. Improve the local business climate for Canadian companies by:
    a. Ensuring commercially meaningful regulatory outcomes from bilateral sector committees and expanding them to include priority economies in ASEAN.
    b. Targeting development aid to help local governments enact and enforce best practice laws and regulations in areas such as taxation, financial supervision, workplace health and safety, environment and consumer protection.
4. Continue to improve the effectiveness of Canada's trade promotion strategies and programs by:
    a. Streamlining access to federal and provincial/territorial trade promotion services.

b. Creating a forward planning committee to coordinate with provincial/territorial governments on delegations and strategic foreign investment and export opportunities.

c. Ensuring that federal trade officials have adequate resources to negotiate, monitor and enforce the results of trade agreements, as well as provide timely, effective service to clients at home and abroad.

5. Facilitate Canadian participation in regional infrastructure projects by:

    a. Working with local governments to develop private-public-partnership models.

    b. Encouraging collaboration between Export Development Canada and regional financial institutions such as the Asian Infrastructure Investment Bank and Asian Development Bank.

Increasing Canadian Agri-Food Exports

Issue

The growth of the national agri-food industry and rural economy is dependent on the successful completion of trade agreements such as the Trans-Pacific Partnership (TPP).

Background

Economic growth in Canada remains highly dependent on exports. The Canadian agri-food sector has developed an international brand for producing safe, high-quality products that can significantly elevate domestic prosperity levels.

In 2012, over two-thirds of Canadian agri-food exports were destined for the United States. By July of 2013, China was Canada's second largest market. According to Farm Credit Canada[1], diversifying exports away from the United States will benefit the domestic industry as a dependence on a single market can be a long-term risk. Any event – political or economic – that creates declining US demand or prices will have a detrimental impact on Canada.

In a submission to the Senate Standing Committee on Agriculture and Forestry in October of 2014, the Canadian Agri-Food Policy Institute (CAPI) indicated that the primary challenge for industry and government(s) is positioning Canada in a world of increasing global food production and supply. Addressing this concern goes beyond trade agreements and entails linking policy, supply chain strategies and marketplace foresight.

Canada should however be negotiating traceability and general food safety principles into trade agreements, which is increasingly demanded by partners and positions Canada ahead of many competitors. Overall, according to the CAPI, prospects for the Canadian agri-food sector are strong since global supply chains want to lock-in reliable sources of food and value-added ingredients over the longer term.

[1] Canadian Agriculture and Agri-Food in the Global Economy 2013-14. Farm Credit Canada. 2014

A 2014 report from the Lawrence National Centre for Policy and Management at Western University's Ivey School of Business notes that securing access to global markets under fair terms is an important success factor for Canada's food manufacturing industry.

The Comprehensive Economic and Trade Agreement (CETA) between Canada and the EU will provide Canadian companies with lower barriers than American-made products shipping into member nations. Overall, trade agreements such as CETA provide major implications for production location decisions by manufacturers and processors.

In a May 7, 2015 media release the Canadian Meat Council (CMC), which represents the largest sector of Canadian food processing, indicated that the Trans-Pacific Partnership (TPP) negotiations are "the most critical initiative in determining the future prospects for international trade and competitiveness."Anything less than the retention of a level playing field with TPP competitors would not be an acceptable outcome. All political parties in Canada must acknowledge the importance to Canada of maintaining competitive access to international markets for Canadian agriculture and agri-food products.

Failure to achieve market access parity would immediately place at risk more than $1 billion in current meat exports, but also producer revenues and the jobs they create. Japan is the world's largest importer of pork and Canada's second largest customer after the United States and the loss of access to this market would be devastating for rural Canada.

An April 2, 2015 letter to Prime Minister Harper from the Canadian Chamber of Commerce, Canadian Council of Chief Executives, and Canadian Manufacturers & Exporters noted that the next step in the government's ambitious trade agenda must be to open new markets in the fast-growing Asia Pacific region. These negotiations represent a historic opportunity to provide Canadian entrepreneurs and exporters with access to almost 800 million new customers. A successful outcome will position Canada as the only country in the world with privileged access to key markets across North America, Europe and Asia.

Recommendations

That the federal government:

1. Conclude and implement an ambitious TPP that includes competitive access for Canadian agri-food products.
2. Increase resources to expedite Canada's role in negotiations and ratification of the multilateral TPP agreement.
3. Focus on food safety principles for all international trade negotiations and agreements.

Renewing the Canada-U.S. Trade Relationship

Canada and the United States (U.S.) have a special relationship built on shared values and a long history of family, friends and visitors living on both sides of the border. Every day, over $2 billion in goods and services and 300,000 people cross the border. Despite these strong foundations, bilateral trade has stagnated over the past decade, with Canada steadily losing market share in the U.S., especially since the financial crisis. The story is improving as of late, with a lower Canadian dollar, resurgent U.S. economy and expanded cross-border trade in the Great Lakes region. However, there remain a number of policy steps that need to be taken by both governments in order to revitalize the economic relationship.

The barriers

There are several factors holding back bilateral business: inefficiencies at the border, regulatory divergence, failure to approve the Keystone XL pipeline, country of origin labeling requirements, and the revival of 'Buy America' rules for local government procurement. These trade irritants and protectionist measures continue to impede trade flows and hurt the competitiveness of North American supply chains.

At the same time, bilateral cooperation has not kept up with emerging issues and opportunities in areas such as trade, energy and environment. Canada did not join the Trans-Pacific Partnership (TPP) talks until late in the process. The so-called shale revolution in the U.S. and reform of the energy sector in Mexico has fundamentally transformed the continental energy market. At the same time, approaches to greenhouse gas regulation and the development of renewable energy are poorly aligned.

Part of the problem has been the slow decline in the frequency of engagement between political leaders. The North American Leadership Summit scheduled for early 2015 in Ottawa was cancelled. Canada has not hosted the occasion since 2007.

The way forward

The long-standing challenges and new realities facing Canada and the U.S. suggest that business as usual will not be enough to realize the full benefits of the bilateral relationship.

Canada and the United States will need to take additional steps to facilitate the movement of goods, services and people across the border in all modes of transportation. Since announcing the Shared Vision for Perimeter Security and Economic Competitiveness Action Plan in 2011, Canada and the U.S. have been working together through the Regulatory Cooperation Council and Beyond the Border initiatives in an effort to improve the efficiency of the border and reduce unnecessary regulatory divergence. However, these initiatives have not lived up to their ambition and are in need of new energy and attention.

Facilitating temporary entry and business travel

By harmonizing and coordinating customs and security rules and procedures, the Beyond the Border Action Plan seeks to improve border efficiency, reduce delays and increase the mobility of people and goods across the Canada-U.S. border. Despite some recent milestones—e.g. Integrated Cargo Security Strategy (including air cargo), piloting the concept of 'cleared once, accepted twice' and the recently announced Preclearance Agreement that would cover multiple transportation modes—a lot of work remains.

Better training of border agents and more clarity around temporary entry requirements would make it easier for Canadians and Americans to conduct legitimate business across the border. TN and L applicants (i.e. for temporary entry as business visitors) to the U.S. are often subject to different treatment depending on the port of entry. Clarification is needed on new measures allowing specialized maintenance and repair personnel to conduct maintenance and emergency work on critical industrial machinery and operational systems. Likewise, there is a lack of guidance for visitors entering to provide after-leasing services. The rules should be applied in an equal fashion as they are for those doing after-sales services.

The application process itself should also be improved. The new U.S. guideline allowing TN applicants to process their applications at United States Citizenship and Immigration Services (USCIS) centres is a welcome development, but they should also be able to apply through U.S. Consulates in Canada. Minor application errors should be treated with leniency. The NEXUS trusted-traveler program, for instance, should move away from a zero tolerance approach to violations in favour of the approach used by the Free and Secure Trade for Commercial Vehicles program. It should also be possible to appeal denials and revocations.

Customs agencies must have uniform and speedy mechanisms to deal with wrongfully denied business entry and mis-adjudications. In some cases, Canadian business visitors have been put through Expedited Removal proceedings at the border, despite the fact that Department of Homeland Security regulations mandate that non-immigrant Canadians be exempt. Administrative remedies should be made available for such abuses of the process.

The recent Pre-Clearance Agreement could significantly speed up border crossings for individuals and cargo. However, the enacting legislation may be politically challenging due to extra-territoriality and immunity issues. In the meantime, efforts should be made to reduce situations of multiple inspections, as in the case of rail passengers from Vancouver to the U.S. being inspected once in Vancouver and again when they cross the border.

Improving importer programs

Canada's trusted trader programs, which offer expedited and simplified customs procedures to low-risk shippers, remain underdeveloped and poorly integrated with those of the U.S. as well as other Canadian federal agencies (e.g. Canadian Food Inspection Agency). Growth of company membership in these programs has slowed as a result and remains limited. Significant investments in technology and operations are needed.

After long delays, Canada is set to implement key elements of the Single Window Initiative. By allowing importers to submit documents and information electronically to customs and nine other relevant government agencies all in one location, it is expected to cut red tape and lower trade costs. However, with the challenges faced getting the program to this point, close attention is needed to ensure that the roll-out meets expectations.

Cooperating on energy and the environment

A truly continental approach to energy and the environment would help Canada and the U.S. reduce greenhouse gas emissions and provide economies of scale to stimulate joint innovation and the growth of the green economy. Selling an additional 2,500MW of Canadian hydro power to the U.S., for instance, could lower CO_2 emissions by an amount equivalent to taking 2.3 million cars off the road. Cooperating on environmental regulations could also improve the reputation of Canadian oil and gas products in the American market.

Pursuing a North American trade policy

Although Canada was late to the table, the TPP is platform for the two countries to work together to establish new trade rules that will govern Pacific trade. North American trade interest are aligned in a number of sectors and by pooling its market size with the U.S., Canada can increase its bargaining power. As a living agreement, TPP will be an instrument for future trade liberalization with countries such as China and India. Canada should also be using TPP as an opportunity to find bilateral compromises on government procurement and the movement of business people—if not within the agreement itself, then through side arrangements.

Recommendations

That the federal government:

6. Improve the movement of people and goods across all modes by fully resourcing and implementing programs identified by the Beyond the Border initiative.

7. Improve stakeholder consultation throughout the agenda-setting and tracking process of the Canada-U.S. Regulatory Cooperation Council.
8. Work with the U.S. to realize an ambitious and comprehensive TPP agreement that lays the foundation for the North American trade with Asia, including high standards of market access and intellectual property protection, as well as new disciplines related to cross-border data flows and state-owned enterprises.
9. Through the TPP or parallel bilateral arrangements, address Buy America rules and expand the list of qualified professionals eligible temporary entry and business visas under the North American Free Trade Agreement.
10. Restore and institutionalize the annual North American Leadership Summit, creating issue or sector-based working groups on topics such as energy and trade policy.

Collection of Duty and Taxes at Canada/US Border

Cross-border shopping by Canadians in the United States was an estimated $4.7 billion in 2006. Since then, annual increases have taken the total to $8.0 billion in 2012, 72% higher than 2006.[2] The impact on Canadian retailers, particularly in border towns, is costing the economy billions of dollars which could be minimized if duties were enforced at the border.

Approximately three-quarters of Canadians live within 160 kilometres of the Canada-US border. Therefore, many consumers use their relatively easy access to the United States as a shopping option. According to Statistics Canada, cross-border shopping has increased by 53% over the past 10 years. A study conducted by the Business Council of BC indicated same-day trips to the U.S. increased by more than 143 percent in BC between 2009 and 2012. Under the laws, there are no personal exemptions permitted for same day cross border shoppers. Assuming 95% of day-trippers return with a full tank of gas, at an average of $70, and $80 worth of goods, there is a significant impact on B.C.'s economy due to lost profits and tax collections (GST, PST, gas taxes, etc.).

The federal government has clearly acknowledged that day trips should not be exempted from taxes, as stated by Jim Flaherty "Our government has no plans to create an exemption for day trips under 24 hours as it would disadvantage retailers in border communities and elsewhere in Canada," but Border Services Officers continue to routinely waive taxes and duties on goods bought by travellers in the U.S. According to a briefing note for the Prime Minister prepared in June 2014, the border agency waives taxes when the value is below a certain threshold.[3] The threshold was established by considering the cost for CBSA to process a traveller through the collection process, but the threshold is not publicly available. Collections may also be waived where the volume in collections results in unacceptable border processing delays, as determined by local management. If the reduction in border processing times is an overriding priority for Canadian business, there also needs to be consideration for the significant impact these exemptions have on the local economy.

A key barrier to consistent collection of duties and taxes are the conflicting responsibilities of the border personnel. The border personnel are managing revenue collection, service to the public (wait times),

[2] Stats Canada Study: Cross-border Shopping 2004-2012

[3] According to the briefing note obtained by the Canadian Press under the Freedom To Information Act

interdiction of inadmissible persons and goods, and the facilitation of legitimate trade and travel. Local management have the authority to adjust priorities and have several options available to them in order to meet these objectives, including opening more lanes, planning shift schedules, scheduling overtime, etc., but many of these options require increased resources and costs.

The priorities of personnel include the security and safety of our nation, therefore collection of duties and taxes are by default a lower priority.

A consistent pattern of non-collection of taxes and duties at the Canada/US Border creates a further incentive for residents to choose cross border shopping. This puts Canadian Retailers at an unfair disadvantage and results in a significant economic loss to border communities.

Recommendations

That the federal government:

4. Examine current policies and protocols to identify efficiencies or additional resource commitments that would enable the consistent collection of prescribed duties and taxes with no effect on the free flow of commercial traffic.
5. Research implementation of a self-reporting model (similar to Nexus) whereby the reporting onus will be placed on the individual, and Border Personnel will continue to be responsible for performing random checks.
6. Increase penalties and restrictions whereby non-compliant residents will incur penalties that are sufficiently onerous to deter abuse of the process and offset costs of enforcement, and where abusers of a self-reporting model would become ineligible.

Elimination of Border Re-Inspections & Associated Fees on Canadian Meat Exports into USA

"Food produced under the regulatory systems in both countries (Canada & USA) *is some of the safest in the world and it should usually not be necessary to apply additional inspection or testing requirements simply because it is crossing the Canada – USA border.*[4]*"*

Issue

Border inspections of Canadian and US meat are simply re-inspections of CFIA and USDA inspected meats. On July 6, 2009 FSIS formally acknowledged that Canada's system of meat testing is equivalent to USDA standards. However every shipment of Canadian meat into USA is subject to mandatory re-inspection at the border, with re-inspection fees applicable. This border re-inspection process places the Canadian meat industry at an economic disadvantage to that of the USA, and is one of many examples where the failure to resolve bilateral regulatory and border issues are undermining Canada's competitiveness.

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[4] "American Meat Institute (AMI) and the Canadian Meat Council (CMC)." Canada's Economic Action Plan http://actionplan.gc.ca/en/page/rcc-ccr/american-meat-institute-ami-and-canadian-meat Retrieved 3 February 2015.

Background

In a report released in September 2014, The Canadian Meat Council (CMC) advises that Canada's meat industry employs 65,000 and ranks number one in our food industry, with total revenues of $24.1 billion annually. On average Canadian processors export 563,000 tonnes of meat (28,150 truckloads) annually into the USA, with each truck subject to border re-inspection, despite a national sampling plan administered by the US Food Safety & Inspection Service (FSIS). Annual meat imports from the USA average 356,000 tonnes (17,800 truckloads).

Based on the recognition of the equivalency of the inspection systems and the Canada-US Free Trade Agreement, Canada adopted a frequency of import inspection at the level of one in ten. Current USDA border re-inspection of all US meat imports are redundant, delay shipments, introduce product and marketing risks, translating into additional costs to Canadian meat processors.

These US border re-inspections are conducted by 10 privately owned Inspection Centres which charge re-inspection fees without USDA oversight. These fees cost our meat processing industry upwards of $3.6 million annually[5]. Furthermore, US border re-inspection requirements significantly increase shipping and handling costs to Canadian meat processors *(i.e. added driver, fuel and vehicle depreciation costs),* and increase market risk when the cold-chain delivery system is disrupted at these US Inspection Centres.

According to CMC, many "Inspection Houses" are older non-refrigerated facilities and lack the food safety standards *(i.e. HACCP)* and warehousing programs consistent with standards applied at the CFIA and USDA facilities from which the meat was originally inspected and shipped. Furthermore re-inspections at these Inspection Houses disrupt the cold-chain delivery process and "could result in temperature shifts of 10 degrees or more ... and a supplier could lose 3 – 10 days of a typical 30 day shelf life .... fresh meats that get delayed can be refused by the customer."

According to the Canadian Meat Council, "every driver loses 2 - 4 hours of driving time when reporting to the Inspection Centres". Once a driver hits 11 – 12 hours behind the wheel, transportation regulations mandate a 10 hour rest time. According to the CMC, at $100 per hour, resulting driver downtime is a significant cost to our meat industry.

US Border Inspection Process: All trucks crossing the US border containing meat from Canadian processors are first screened by US Border Officials, after which they must report to one of only 10 US Inspection Centres located on the international border. All trucks are opened at the Inspection Centres and their import documents are verified with the USDA. Approximately 10% of all trucks are physically re-inspected before they can proceed to a federally inspected US packing plant for further processing.

Canadian Border Inspection: All trucks crossing the Canadian border containing US meats are first screened by Canadian Border Officials, at which time the driver is informed if his truckload is one of the 10% randomly selected for further inspection. If a re-inspection is required, <u>it is not done at the border</u>, but rather at one of the 125 CFIA Registered Establishments. This re-inspection process ensures tighter quality control and improved food safety to the consumer, with reduced shipping costs to the supplier. There are no border re-inspections fees applicable to the US meat processor on imports into Canada. Rather CFIA inspection costs are absorbed by the Canadian processor.

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[5] Ibid.

History

On February 4, 2011 the Canada-United States Regulatory Cooperation Council (RCC) was created to facilitate closer cooperation between Canada and the USA with the objective to develop more effective approaches to regulation in order to enhance economic strength and competitiveness of both countries. Prime Minister Harper and President Obama collectively announced support for the 29 point Joint Action Plan *"Beyond the Border: A Shared Vision for Perimeter Security and Economic Competiveness."* Its mandate is to *"enhance security and accelerate the legitimate flow of people, goods and services across our international border*[6]*"* As an exporting nation, Canadian businesses are dependent on smooth, fast, and free trade. The RCC is an essential program for identifying impediments to trade across numerous sectors. Canadian businesses are sure to see tremendous benefit when RCC recommendations are implemented.

As part of the "Beyond the Border Action Plan", the USDA's Food Safety and Inspection Service (FSIS) and the Canadian Food Inspection Agency (CFIA) committed to implement a pilot project to introduce and evaluate an outcomes-based process for the purpose of eliminating unnecessary and duplicated requirements on cross-border meat shipments. The 12 month pilot project was to conclude in September 2013 following which it would be evaluated. However, it was halted by the USDA shortly after its launch influenced by US lobbyists who cited concerns about food safety in the face of the XL Foods massive meat recall.

In August 2014 the *Canada – United States Regulatory Cooperation Council (RCC)* released its *Joint Forward Plan* which *"focuses on eliminating unnecessary costs and duplication, removing red tape, reducing delays in bringing products to market and providing more predictability for integrated supply chains – all without compromising the health and safety of Canadians and Americans"*.[7]

Recommendations

That the federal government:

1. Support the efforts of the Canada-United States Regulatory Cooperation Council (RCC) in its initiative to harmonize regulatory requirements and practices on meat and other trade between Canada and the United States of America.
2. Ensure that all re-inspections of Canadian meats exported to the United States of America only be conducted at United States Department of Agriculture sanctioned processing facilities.
3. Eliminate current border re-inspection fees on Canadian meats exported into the United States of America.

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[6] Ibid.

[7] "Canada-United States Regulatory Cooperation Council Joint Forward Plan August 2014." Canada's Economic Action Plan. http://actionplan.gc.ca/en/page/rcc-ccr/canada-united-states-regulatory-cooperation-1 Retrieved on 3 February 2015.

International Online Sales: An Important Shortfall for Governments

Background

Online sales through companies outside Canada are a growing phenomenon due to the rapid development of the digital economy.

Foreign companies that have no assets or employees in Canada and are selling digital products to Canadian consumers are not forced by current tax regulations to collect the Goods and Services Tax/Harmonized Sales Tax (GST/HST) nor to remit the tax to federal and provincial governments.

Digital products are products entirely downloaded by Internet clients, for example, electronic books, movies, television programs and video games.

Consequently, tax revenues are lost (i.e. Goods and Services Tax/Harmonized Sales Tax (GST/HST)) because of the loopholes in Canada's current tax system.

It seems essential to fix the problem so federal and provincial governments can collect the Goods and Services Tax/Harmonized Sales Tax (GST/HST) on all online sales in Canada by foreign suppliers.

Not enrolling these companies in the Canadian system has significant consequences.

Losses of tax revenues: The federal and provincial governments are depriving themselves of these tax revenues, and this forces them to get more from other sources (i.e. income tax on individuals and companies) or to reduce spending and the level of service to citizens. With the continued growth of online business, the phenomenon will grow.

An inconvenience for Canadian companies: Canadian companies are at a disadvantage compared with foreign companies because the price of goods and services they sell is, due to consumption taxes, about 13% higher than those of non-Canadian companies.

A constraint to investment in Canada: Foreign companies are not encouraged to invest here, because in so doing they would add 13% to the price charged to Canadian clients, which would reduce demand for their digital products and services.

The Commission d'examen sur la fiscalité québécoise (Commission Godbout) analyzed this phenomenon and recognized that collecting taxes and duties for these activities is a major challenge.

For Quebec only, Revenu Québec estimated in 2012 that the Quebec state lost $165 million in tax revenues due to online purchases by Quebeckers from suppliers located outside Canada. Even if it seems difficult to estimate losses tied to online purchases by Quebeckers from suppliers in another province or country, is it probably a significant amount. An amount of $300 million was once been mentioned by Revenu Québec.

In its Budget 2015-2016 presentation, the Quebec Government adopted the recommendations of the Commission sur la fiscalité québécoise and intends initiating discussions with the Federal Government on the matter.

Furthermore, the Business and Industry Advisory Committee to OECD (BIAC) agrees that the most efficient way to collect the Value Added Tax (VAT) on cross-border B2C services is to force foreign suppliers (nonresident) to register and record these services in the customer's jurisdiction. Countries should examine a simplified registration system to reduce the compliance burden.

Recommendations

That the federal government:

1. Impose the consumption tax system to foreign companies selling digital products and services to Canadian consumers, specifically that companies:
    a. Register with the Canada Revenue Agency (CTA);
    b. Collect the Goods and Services Tax/Harmonized Sales Tax (GST/HST/QST) from Canadian clients;
    c. Remit the revenues from these taxes to the proper tax authorities.
2. Intensify its efforts as part of ongoing OECD work on the collection of the following tax and duties:
    a. Sales taxes on Internet transactions by suppliers in foreign countries;
    b. Income taxes on companies tied to electronic commerce.

Supporting Canada to Become a Leader in Global Mining Innovation

Mineral and metal deposits are becoming increasingly more difficult to locate, requiring new tools and techniques. Innovation has allowed Canadian companies to maintain their competitive edge and has helped Canada become a safer, more cost-effective and environmentally-sound mining jurisdiction.

The 2013 Conference Board of Canada's Innovation Index rates Canada as 13th out of 15 of its peers. Although Canada is a leader in mining innovation, there currently exists an innovation gap which is preventing Canada from becoming the global leader in innovation. Strengthened coordination, improved funding flows and ratios as well as a broader vision of innovation are all elements that will help propel Canada to the top of the list of global innovators.

Three national mining organizations, the Canadian Mineral Industry Federation (CMIF), the Canadian Mining Innovation Council (CMIC) and the Centre for Excellence in Mining Innovation (CEMI) have identified the lack of national scale coordination of government and industry research, development and innovation (RDI) funding as a barrier to advancing mining innovation. There are over 4,000 different and uncoordinated sources of RDI funding in Canada, carried out and supported by a myriad of academic, government and industry entities. There are also over 40 different mining research organizations that at times operate in silos.[8]

Because the development of new mining technologies and practices is capital intensive, collaboration has become increasingly necessary. Individual firms are hesitant to make standalone investments in innovation because of the risky and uncertain environment and are turning to partnerships with suppliers and academia to

[8] The Canadian Chamber of Commerce, "Mining Capital: How Canada Has Transformed Its Resource Endowment Into a Global Competitive Advantage," 2013.

advance their initiatives. The Canadian Chamber's 2013 Mining Capital report states that due to the collaborative nature of the natural resource sector, a systematic and coordinated approach that enhances linkages between the various stakeholders is vital to propelling mining innovation.[9] Gains are being made in addressing the coordination gap, such as the establishment of CMIC by government, industry and academic researchers to lobby for mining innovation.

Key to their efforts was the identification for innovation through coordination of industry-led RDI. CEMI, an active participant in the mining innovation space, is closing the co-ordination gap by working collaboratively with the mining industry, academia, mining service & supply sector, SMEs and cross-sector industries (oil & gas, space technology). However, to catapult Canada as a leader in mining innovation, there is an increased need for more co-ordination and co-operation in terms funding (government, industry) and between research and implementing organizations.

Further, for innovation to work, it must be adopted. For this, mining innovations need to be demonstrated and implemented as workable beyond the theoretical, but also show commercial viability. The lack of commercialization is one of the reasons why so little of the funding for mining research has impacted mine operations. The majority of funding in Canada is targeted at research in academia that may not necessarily translate into industry-relevant innovation or commercialization. While university-based research is essential, research in operating mines and with suppliers is equally important. The Research, Demonstration and Implementation (RD +I) approach to focus on practical applications, distinct from academic research was developed by CEMI in 2011 and is aimed at addressing this very important issue. Closing the loop by driving commercialization activities for mining innovations should be strongly supported by government, which will have direct and dramatic economic impact to Canada and in bringing these Canadian mining innovations to the world stage. Mining service and supply firms also make significant contributions to the commercialization process and their efforts should be supported in an integrated manner. Funding and programming in such areas will further help to encourage commercialization and industry adoption of important mining innovations.

Although funding is vital to mining innovation, it is also impacted by: the time it takes for funding to flow; and the government to industry ratio of funding.

In some jurisdictions proposals can take over a year to be processed and it can take another year before approved funding begins to flow. The time required impacts the momentum of the project as a whole, available talent and resources, as well as the delay in the potential economic impact and adoption. It also impacts the willingness of management within industry to commit to funds. Most managers and business heads are willing to commit to funds for projects that accrue benefits within their "lifetime" within a particular position, generally between 1-3 years. This incents shorter-term thinking, unless the commitments are approved at the highest levels.

Generally, Canadian mining companies and government contribute research and innovation funds on a 1:1 ratio. In a national perspective, this makes sense as both are vested in developing and building the infrastructure, knowledge base and economy within Canada. However, the global consolidation of the mining industry has impacted the financial commitment for mining innovation in Canada. The Canadian portion of these mining conglomerates accounts for a small percentage of the whole and the evaluation for investment in Canada is measured against the consolidated global view. The interests of these mining conglomerates for their Canada-based companies can diverge significantly from that of Canadian government's economic interest and development. For near-term (1-2 years) smaller projects, the 1:1 ratio is still valid. In order to attract funds and

[9] Ibid.

partnership with these global mining companies, the Canadian government needs to consider adjusting its funding ratios and consider options such as increasing ratios to 4:1 or 5:1 to provide incentives to support larger-scale, longer-term, visionary Canadian mining innovation projects to stay the course.

The Federal Government has recognized the issue of funding flows, but support is required. In 2014 the Federal Government, Business-led Networked Centres of Excellence (BL-NCE), in recognition of its RD +I&C (commercialization) approach, awarded CEMI $15M over five years to CEMI's Ultra-Deep Mining Network (UDMN). The total program is $46M, funded roughly equally by government, mining companies and service and supply companies in the resources industries (mining and oil and gas). It focuses on reducing geotechnical risk, improving productivity, reducing energy consumption and improving human performance – all critical issues for mines at 2.5 km below surface and deeper – becoming common in many mining jurisdictions around the world. The UDMN is an example of co-operation, collaboration and that takes into account the time flow of funding and exemplifies how best to move forward.

In face of growing competition from nations with lower wages and less stringent environmental regulations, Canada has little choice but to innovate. Governments at all levels in Canada have to recognize that Canada is just one player in the globalized mining business. Given the relative strength and coherence of mining industry, research and innovation organizations and our mining service and supply sector, we have a tremendous opportunity to become a global powerhouse in this field – so long as all the factors for success are in place in which mining innovators can thrive. Conventional approaches are failing to deliver new mines at greater depths and in more remote locations; innovation is essential if we are to sustain our strength in the mining industry.

Recommendations

That the federal government:

4. Provide funding for mining innovation projects that go beyond academic research exclusively and include those aspects that incorporate mining industry, supply & service companies and cross-sector industries to support implementation and commercialization requirements.

5. Increase funding ratios and manage funding flows as appropriate based on the size and timeframe of innovation projects.

6. Facilitate and support co-ordination and collaboration between research and innovation organizations, funding bodies and business organizations to meet Canadian and global mining innovation needs.