Canadian Chamber of Commerce
Chambre de Commerce du Canada

The Voice of Canadian Business™
*Le porte-parole des entreprises canadiennes^MD^*

Making Canada's Resource Sector Competitive

Speaking Notes for Hon. Perrin Beatty
President & Chief Executive Officer
Canadian Chamber of Commerce

Alberta Chamber of Resources Mid-Year Meeting

June 21, 2018 | Calgary, AB

Please check against delivery

Good morning.

Thank you for the kind introduction and the warm welcome.

And a special thank you to the Alberta Chamber of Resources for the opportunity to join you here today.

And the day to hold this event is well chosen. Today is National Indigenous Peoples Day, a day recognizing and celebrating the cultures and contributions of the First Nations, Inuit and Métis peoples in Canada, and I'm sure you'll agree that their collaboration in the development of our natural resources, here in Alberta as is the case everywhere in the country, is essential. I would also like to take this opportunity to acknowledge that we are gathering on the traditional territories of the people of the Treaty 7 region in Southern Alberta. The City of Calgary is also home to Métis Nation of Alberta, Region III.

I was here in Alberta just a little less than a month ago to speak to speak at the Alberta Chambers of Commerce AGM, and I am happy to be back.

In that short time, the political and economic landscapes have changed dramatically.

La situation politique, commerciale et économique du pays a changé en si peu de temps. Alors qu'il y a des défis, nous avons aussi des raisons de se réjouir.

One key difference between my last visit and now is that our resource sector has been given a sliver of hope thanks to the federal government's announcement that it will purchase the Trans Mountain Expansion project.

I'm sure you know that the Canadian Chamber has been a vocal supporter of the TMX project because of the major economic benefits it will bring to Canada. Not only will it enable our producers to get their product safely to global markets, where they can get a fair price, but it will also create thousands of well-paying jobs in communities across the country, and generate billions in economic activity, taxes and other revenues.

Right now, the U.S. is by far the most important customer for Canadian oil. But, while the U.S. is vital to our industry, there is a downside. Because we cannot get our oil to tidewater, our product is selling at a discount. Some of you have heard me say before that, in this context, it makes Donald Trump the largest recipient of Canadian foreign aid.

That would be funny if it wasn't so serious. The growing tensions between our two countries have reinforced the need to find new markets for Canadian producers, along with exporters in virtually every other sector of the economy.

We are approaching the July 1 deadline for Canada to implement its response to the unwarranted and illegal U.S. steel and aluminum tariffs. Based on the comments we have heard from the White House, there is good reason to suspect that things will get worse before they get better. If, as he is threatening, the President implements additional tariffs for the automotive sector on top of the existing duties, the effects will be felt throughout the North American supply chain. This could have disastrous consequences on the economies of all three countries and repairing the damage could take a long time.

Let me state this clearly in case anyone in this room or back in Ottawa has any doubt. When Canada's economy is under attack by our largest customer and longstanding best friend, it is no longer business as usual. Plans and policies that might have made sense even two months ago are now obsolete, and government and business must work together to implement a new strategy to ensure the survival of our businesses and the livelihoods of hundreds of thousands of Canadian families.

This is not a time for idle tinkering or for governments to focus on nice-to-haves. We need to be very single-minded about ensuring that our businesses can compete – and win.

For our resources sector, strengthening our competitiveness means two things: (1) we need to get our commodities to global markets NOW, not at some indeterminate date in the future, and (2) we need to fix our complex, costly and broken regulatory system.

It's not a secret that we at the Canadian Chamber struggled with our response to the government's recent announcement about TMX. At the time, I described it as "the least bad option." What is remarkable is that, whatever side people are on regarding pipelines, no-one's first choice was for Ottawa to become Trans Mountain's owner -- not Kinder Morgan, not the B.C. or Alberta governments, not the environmentalist lobby, not the Canadian Chamber, and not the federal government itself.

The federal decision to purchase the project reflects the extraordinary circumstances in which we find ourselves. The Trans Mountain Expansion is a commercially viable project that met the test of a rigorous, scientifically sound review process and received all of the necessary approvals required to proceed.

Notwithstanding all of this, an intransigent provincial government had the power to slow or even stop a project that a majority of Canadians, including a majority of British Columbians, believe is in the national interest.

Given the importance of this project, the Canadian Chamber hosted a delegation of provincial and territorial chamber Presidents, key industry associations, Indigenous leaders, corporate, labour and other stakeholders in Ottawa the week before Kinder Morgan's deadline.

Some of you here today joined us and I thank you for your tireless efforts on behalf of TMX and of the resource sector more generally.

I also want to acknowledge the work of the chambers in Alberta and BC, the Vancouver Board of Trade and all of the businesses that took part in the event hosted a few weeks back in Edmonton. That was a tremendous show of support for the sector and it helped to reinforce that this issue affects ALL Canadians and requires the federal government's leadership.

Our meetings in Ottawa showed Parliamentarians they have strong support across Canada to do what's needed to get this project built.

It is ultimately about more than a pipeline, or any one province. If, after Kinder Morgan spent about $1.5 Billion of its own money, after an external consultation process involving thousands of people, after the

National Energy Board approved the project, after Kinder Morgan accepted over 150 conditions imposed on it, and after the federal government declared the project to be in the national interest, we still can't get it done, the message we are sending to Canadian and foreign investors is clear: "Canada is closed for business. Take your money somewhere else where it will be wanted."

While we welcome government's support for TMX, we will continue pressing them to lay out a concrete plan for removing the remaining obstacles to construction, and to limit the federal investment in the project to the time needed to ensure its successful completion. Ottawa's role is to create a regulatory and investment climate where private businesses will spend their own money, not to own and operate the projects itself.

Restoring the project to the private sector in a reasonable timeframe will require that potential buyers see a clear path to completion. That means the government needs to deal with the obstructions that prevent construction from actually beginning.

A simple change in ownership does nothing to remove those obstacles. Nor does it answer the question, "What happens to the next major construction proposal that comes along?"

As is so often the case, diagnosing the problem is easier than curing it. However, if concrete steps are not taken to remove those obstacles, what private company will step forward and invest in this project, or any other? Now is not a time to discourage investment in Canada.

The problems that plague TMX are yet another sign that our regulatory regime needs fixing if we want Canada to be an attractive place to do business. We cannot afford anything less.

This brings me back to the point we are here to discuss this morning.

When we talk about competitiveness we are really talking about our ability to attract investment, or to successfully start and grow a business. For our resource sector to be competitive, then investors and entrepreneurs have to believe that if they make smart decisions, take risks, and play by the rules, they will be rewarded.

Unfortunately, it is getting tougher to make that case about Canada.

In its 2017-18 index, the World Economic Forum ranked Canada 14th out of 137 countries in terms of our overall competitiveness. That is not terrible, I guess, but it is less impressive when you consider that Canada ranked as high as 9th in 2009-10. In the last decade, we have been slowly sliding from a position of strength.

In the index sub-category of 'burden of government regulation' Canada ranks all the way down in 38th. That is well behind countries like Germany, which sits in 7th place, and the United States, which sits in 12th. Given the regulatory and tax reforms undertaken by the Trump administration, the U.S. is likely to become even more attractive to investors.

A World Bank survey also ranked Canada 34th out of 35 countries when it comes to the length of time required to get a project permit through regulatory approvals. That is in part because it takes almost 100 days longer in Canada than the OECD average.

Recently, the International Monetary Fund released the preliminary findings of its most recent economic fact-finding mission to Canada. While the report noted that our economy was performing well and that we were likely to lead the G7 economies with GDP growth of around 3 per cent before the recent assault from south of our border, they identified some important challenges.

Some of these issues that are familiar to us all: the potential for a sharp correction in the housing market, rising consumer and corporate debt, additional policy changes in the U.S., and the possibility that NAFTA negotiations will fail.

In the section on economic risks, they highlight a potential economic upside for Canada, that of higher oil prices. However, they also note that this will require, in their words, "an easing in domestic transportation constraints."

That is the language of a diplomat. I am no longer a cabinet minister and I do not have to be as careful. When I read those lines, I see a clear statement that our regulatory regime is strangling our ability to get resources to market and that we are feeling the consequences.

In April, the Canadian Chamber hosted the B7 annual summit in Quebec City. The group consists of the leading business associations of the G7 countries. The summit marked the end of a months-long process to develop recommendations to G7 leaders ahead of their meeting earlier this month in Charlevoix.

One of our priority themes was resource efficiency, and our discussions highlighted the need for regulatory transparent and streamlined frameworks that allow resources to be developed and used in an efficiently competitively. While this has been an ongoing challenge for Canada in recent years, never has Canada's inability to build infrastructure to export its energy been more palpable in the last few months.

We were pleased to see that the G7 communiqué, which for a brief window was unanimously endorsed, including by the U.S President, includes some supportive language around the importance of access to and use of fossil fuels. The communiqué also underscored the importance of continuing to reduce pollution.

Late last month the Canadian Chamber released a major report on Canada's regulatory competitiveness, entitled "Death by 130,000 Cuts: Improving Canada's Regulatory Competitiveness." I wish I could say you will be surprised by its findings. Unfortunately, the story it tells is all too familiar. Canada's complex network of overlapping and duplicative government regulations has created a costly and frustrating environment for businesses.

Consider the following statistics from our report. In 2015, the government reported that there are nearly 132,000 federal requirements that impose an administrative burden on businesses. This is an increase from just under 130,000 a year prior, in 2014. If that number at the federal level seems imposing, the former chief economic analyst at Statistics Canada observed that Ontario has more than 380,000 regulations on the books!

Not all regulation is bad. Well-designed and well-implemented regulations help us preserve the well-being of citizens and the environment. No-one would argue that eliminating stoplights would make our streets safer or more efficient.

But not all regulations are created equal. Onerous administrative costs and inefficient regulatory processes divert resources away from more productive activities. And the increasing costs of regulatory compliance and uncertainty affects Canadian businesses of all sizes and in all sectors, but they hit small businesses and entrepreneurs, who lack the specialized dedicated compliance resources of larger firms, even harder.

Our report – which you can find at RegulateSmarter.ca – explains how Canada's past advantages as a safe, reliable investment destination are evaporating. It looks at how Canada stacks up against jurisdictions like the U.S. and the UK. It highlights ways to make our regulatory systems more efficient so they can serve the public good without unnecessarily penalizing job creators and businesses.

There are many examples we can learn from, too.

For instance, in 2015 the UK Parliament introduced its Deregulation Act. The law includes a growth duty provision that gives ministers the ability to impose a requirement on regulators to consider economic growth and ensure that any regulatory action they take is necessary and proportionate. The policy came into effect in March 2017 and is not a blanket measure—it includes flexibility for ministers to apply the order to specific functions of regulatory bodies.

What the UK has done is something Canada sorely needs, injecting economic competitiveness criteria into the mandates of its health-, safety- and environment-focused regulators. Appropriate protections and business competitiveness can go hand-in-hand, but it won't happen here unless our regulators are told to make it so.
To be fair, the federal government has recognized the relationship between regulatory burden, innovation and investment. In this year's budget, it took some tentative steps to address the issue by committing $11.5 million over the next three years to, in its words, "pursue a regulatory reform agenda focused on supporting innovation and business investment" to make our regulatory system more agile, transparent and responsive.

But they should be more ambitious. Governments must engage with business on Canada's approach to regulation, and re-evaluate our regulatory tools make them work better for regulators, businesses and all Canadians.

One of the key recommendations in our report would do just that. As a first step, we recommend that the government establish a regulatory competitiveness working group co-chaired by a senior federal government and a senior business representative. The working group's purpose would be to restore business confidence in Canada's investment climate by developing crosscutting solutions to Canada's regulatory drag.

We propose that the group start work in three key areas. First, it should identify mechanisms to reduce the cumulative burden of regulation. Second, it should identify measures to enhance regulatory competitiveness and accountability across government. Third, it should identify tools to measure and track overall regulatory burden on business, because if we can't measure it, we can't fix it.

This report and its recommendations will be a focal point for the Chamber's advocacy because we cannot afford to let these regulatory challenges go unchecked, especially with the current state of relations between our government and the White House and the impact that will have on jobs, investment and our communities.

The United States is taking concrete steps to leverage its regulatory and tax systems to its competitive advantage.
Their corporate tax cuts are expected to increase their GDP growth by between 0.5 percent and 0.75 percent in 2018 and 2019. We don't yet know how much more regulatory changes will boost their growth. As a result, Canada can no longer count on lower taxes here to draw investment to this side of the North American border.

Over the next year, we'll keep pressing for a comprehensive review of Canada's tax system, in addition to calling for regulatory reform. We will develop case studies on specific sectors where our regulatory systems are failing and highlight the economic consequences of those failures. This work will inform the Canadian Chamber's 2019 election platform. I invite you to work with us on these issues.

Before closing, I want to return to the NAFTA negotiations. In addition to being Canada's largest and most important trading partner, the U.S. is a vital trading partner for Alberta and its resource companies.

Over 85% of Alberta's exports go to the U.S., and two-thirds of all foreign investment in the province comes from U.S. investors.

While Alberta has been one of the largest exporters of natural gas to the U.S., you have also become one of their largest suppliers of crude oil. So the ongoing NAFTA discussions are critical for Alberta and for all of Canada. Despite the fallout from the G7 meeting, I believe our government has handled those negotiations very well.

However, the talks have certainly become more complex in recent weeks, with the U.S. steel and aluminum tariffs and the President's stated preference for bilateral negotiations.

After the G7 meeting in Quebec, it is hard to say what will happen. The unprecedented reactions from the U.S. cast serious doubt on where our relationship is heading. It is eminently possible that the President will make good on his threat to impose even greater, and similarly unwarranted, unfair and illegal tariffs on Canada once our government introduces its retaliatory measures on July 1.

Simply put, we are in uncharted waters. What I can tell you is that we remain deeply engaged with the government and that we support their efforts on this file. Where possible we will share what we learn from our government contacts with our members. And, if there are issues that industry wants raised we will continue to do that as well.

I remain defiantly hopeful that, with enough plain hard work by those who believe in the shared benefits of trade, common sense will prevail and a modernized NAFTA can be reached. As long as there is a negotiating table to be at, we encourage our government to be there.

However, we must now intensify our efforts to make the case to our friends, colleagues and counterparts in the U.S. that NAFTA is good for our businesses and our communities and that tariffs and quotas hurt jobs and the economies of both countries.

Additionally, Canadian businesses need to look much more actively beyond North America. Most of the CETA agreement with the European Union is now in force, presenting a major opportunity for Canada. And the recently signed Comprehensive and Progressive Agreement for Trans-Pacific Partnership will allow Canadian companies to increase their presence in the Asia-Pacific region. These agreements open the door for Canadian business. Now we must ensure that they walk through that door.

So, trade, regulation, taxation: these are just some of the issues that we are tracking in Ottawa. The common thread tying them together is competitiveness. Some of these issues are largely outside of our control, like the whims of a wildly unpredictable President. We have to stay vigilant, respond quickly, and make sure we have plans B, C and D ready to implement.

But some things are completely within our control, including our approach to regulation. We – business, government, and other stakeholders alike – can choose to make the reforms necessary to make Canada an attractive place to invest and do business. We urgently need to do precisely that.

The Canadian Chamber and our network throughout the country are here to help create the conditions required for business to succeed. While we have a view from Ottawa about what needs doing, we need your perspectives too.

Building a stronger, more competitive Canada will not happen only in Ottawa. It will happen here, in the fields and the cattle ranches, in the forests and lumberyards and, of course, in the oil patch. Opportunities like today help are important to keep the conversation going, and I, for one, look forward to what we'll be able to accomplish together.

-30-