fccq

Accelerate The Pace

Federal Platform

THE POWER OF THE NETWORK

Accelerate the Pace – Federal Platform

EXECUTIVE SUMMARY

The fast-paced changes shaping the world could well have the effect of weakening Canada and Quebec, unless we embrace change with energy and realism. Among the most important transformations to our business environment are an aging population, emerging technologies that are drastically altering traditional consumption, production and economic models, climate change and the need to manage it, and a surge of protectionism and tax competition in the United States.

This paper outlines the expectations of the FCCQ and our recommendations for the next federal election. Among the measures recommended, we identify four priorities:

1- Ensure an attractive business environment and a competitive edge for companies in Canada
Recent tax reforms in the US have sent a positive signal to foreign investors. Canada must now send the same signals to preserve the attractiveness and competitive edge of our companies, if we want to prevent investment moving south of the border. Ways to stimulate investment in Canadian businesses might include the elimination of certain measures still preserved in the reformed taxation of private sector companies, as well as the introduction of a tax credit for upgrading production to complement the Scientific Research and Experimental Development (SR&ED) tax credit.

2- Address the labour shortage challenge
For many companies in Quebec and across Canada, the difficulty in recruiting workers has become the main obstacle to growth. The federal government must immediately initiate significant initiatives to enlarge the workforce and invest in knowledge and skills required by employers. This will require easing constraints on the Temporary Foreign Worker Program (TFWP), a review of the Employment Insurance (EI) program, additional tax breaks for skilled workers, a modernized approach to continuing education as well as concluding the Labour Market Development Agreement with Quebec.

3- Present a deficit reduction plan
The government must present a realistic deficit reduction plan for a return to a balanced budget as soon as possible. Current healthy economic conditions should provide an opportunity to take concrete action. Despite a positive upturn, the federal government still foresees a deficit on its planning horizon, and the absence of a plan, in our opinion, does not signal the right message about due regard for sound principles of public finance.

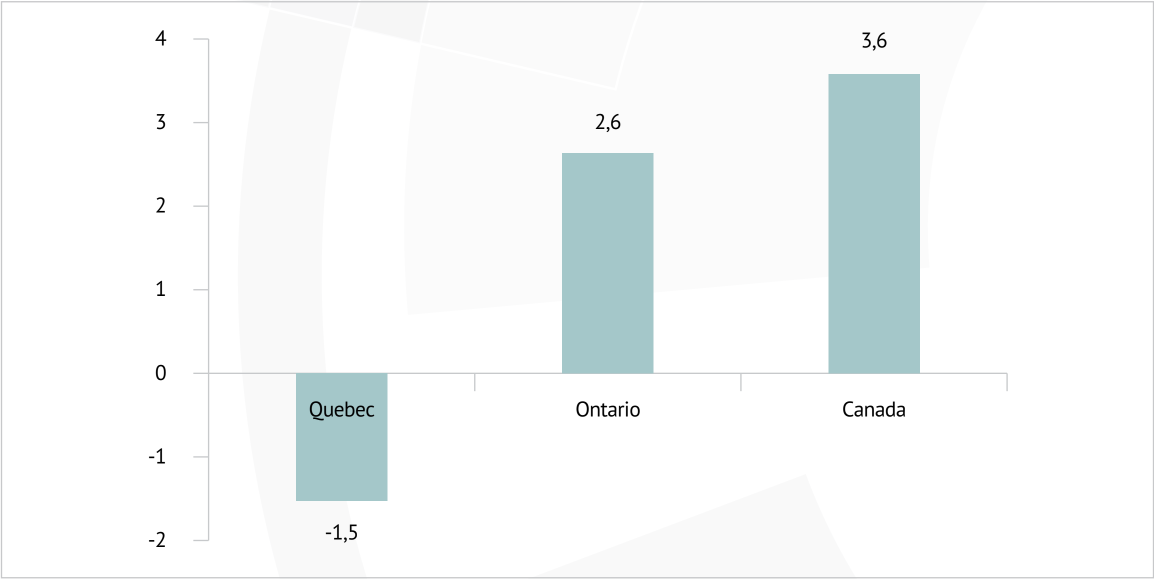
4- Establish an effective and sustainable Pharmacare plan
While the current system based on the public-private model works well overall, there are shortfalls and future challenges to address, particularly the growing need to cover the burdensome cost of some medications. The FCCQ advocates building on a public-private system of coverage to ensure that no Canadian is denied equitable and affordable access to the medecines they need, and that the Pharmacare plan is sustainable without higher costs to Canadian taxpayers and businesses.
In addition, the Pharmacare plan should be designed to support innovation and R&D so that Canadians can continue to have access to high-quality care. Finally, Quebec must be able to opt out from a national system with full financial compensation.

No. 1: Workforce

Upgrade worker skills and deal with labour shortages
Focus on training that is readily adaptable to Quebec's present and future economic needs and introduce measures to help businesses deal with labour supply challenges.

After decades of concern over job creation, the challenge facing Canadians today is to fill job vacancies. This challenge is particularly serious in Quebec, where workforce growth by 2031 will be negative, at -1.5%, compared to 3.6% for Canada and 2.6% for Ontario. The challenge, and likewise the solution, is twofold: Enlarge the workforce, and invest in new knowledge and skills.

Table 1
Changes in % of working-age population (ages 15-64)
2015-2031



Sources: (i) Statistics Canada. 2014. Population Projections for Canada (2013 to 2063), Provinces and Territories (2013 to 2038) Cat. No. 91-520-X. (ii) Data supplied by Emploi-Québec. (iii) Specially compiled by the FCCQ.

1.1 Retention of experienced workers

While Canada is beginning to experience serious labour supply issues, Canadians 55 to 59 years old have a lower activity rate in the workforce than people of the same age in other countries of the Organisation for Economic Co-operation and Development (OECD).

Table 2
Participation rates of men and women age 50 to 69 in 2014

Origin	Men			
	50-54 years	55-59 years	60-64 years	65-69 years
Quebec	89.1%	75.8%	53.9%	25.1%
Canada	88.0%	78.2%	59.5%	32.4%
United States	83.7%	76.8%	61.9%	36.1%
OECD	87.4%	80.1%	58.7%	31.7%
Provenance	**Femmes**			
	50-54 years	55-59 years	60-64 years	65-69 years
Quebec	82.0%	66.0%	44.0%	16.0%
Canada	80.9%	69.2%	47.5%	20.2%
United States	72.8%	66.4%	50.2%	27.5%
OECD	70.5%	61.8%	40.2%	19.0%

Sources: Statistics Canada, Labour Market Survey (2014) and OECD (2014).

If labour market participation by Canadians over 55 were closer to the OECD average, workers would be contributing longer to government pension plans (CPP and QPP), employer plans, or personal savings, and improving their income prospects after retirement. They would work longer, and this would mitigate the skilled labour shortages in certain trades and occupations. This would also improve the solvency of our public and private pension plans.

Granted that government cannot effectively decree a retirement age for every individual, it can still establish a social norm for retirement, and can also offer powerful incentives, which may have very significant ripple effects. To this end, the FCCQ has already proposed that 62 years, not 60, be set as the minimum age to receive government pensions. This higher age limit would of course be introduced gradually, though such an approach should not become a pretext for exempting today's generation of pre-retirees from their responsibility of contributing to a solution.

In its 2019-2020 budget, the federal government recognizes that the current tax system does not provide incentives for people in low-income brackets who are receiving (or whose spouses are receiving) Guaranteed Income Supplement (GIS) benefits. It announced an increase in the exemption for employment income. This measure addresses a real need, but leaves other skilled workers, and the companies that hire them and that must adapt their workplaces accordingly, out in the cold.

In a time of increasing life expectancy, a need for greater financial security among senior citizens, and the emergence of skill shortages in the labour market, the FCCQ calls on the federal government to:

Implement more robust measures to raise the average retirement age than those adopted to date.

Provide additional support to employers who must adapt their workplaces to meet the needs of experienced workers.

1.2 Employment Insurance: Refocus its mission and programs

The overall cost of the Employment Insurance (EI) program is substantial. The recent chief actuary's report estimates these costs at $22.4 billion in 2019 and forecasts that they will reach $27.9 billion by 2025. According to a preliminary estimate by the FCCQ, the cost of the program per unemployed individual increased by nearly 18% between 2012 and 2016. Two-thirds of the program's costs are paid by employers.

In recent years, the program has been subject to makeshift modifications rather than a comprehensive review. These changes have done nothing to reduce costs and adapt to the new labour market situation. On the contrary, the new initiatives add nearly $1.5 billion to the cost of the program. A comprehensive review is required.

Employment insurance is, of course, a key automatic stabilizer during economic downturns. At the same time, it is widely recognized that some of the program's provisions, particularly its variable eligibility standards and benefit periods, may be reducing labour mobility and limiting implementation of promising initiatives that might work in making remote regions and seasonal jobs more attractive. In the short term, the funds associated with variances by region should be reallocated to a seasonal worker support program that would benefit regional economic development, help eliminate "employment insurance black hole" issues, promote economic diversification of our businesses, and develop the skills of Canadian workers.

The FCCQ accordingly calls on the federal government to:

Conduct a comprehensive review of the Employment Insurance program with the goal of reducing its costs, in particular through (1) renewed focus on its primary mission, namely temporary income support, with measures to promote a quick return to employment, and (2) permanent solutions to seasonal employment issues in Canada's remote regions.

1.3 Modernize the approach to continuing education

Automation, the Internet of Things, digitization, and the increasing globalization of the economy, as well as an aging population, are transforming future employment prospects. Increasingly, the focus will be on the quality of the workforce and on workers' skills, which will have to be developed and upgraded throughout their working lives to meet the needs of business and industry.

The FCCQ welcomes the creation of the Future Skills Centre, whose mandate would be to identify the skills that employers are seeking, study new and innovative approaches to skills development, and to disseminate information on making better-informed decisions about education and training. The new agency will be administered in cooperation with the provinces and territories, the private sector, educational institutions, and nonprofit organizations. These new collaborators, however, must fully acknowledge the skills, experience, and expertise of existing partnerships already in the provinces to develop and implement workforce training programs, such as the *Commission des partenaires du marché du travail* (CPMT) in Quebec.

To this end, the FCCQ recommends that the federal government:

Fully acknowledge the skills, experience, and expertise of existing workforce development and training program partnerships in the provinces, including the *Commission des partenaires du marché du travail* (CPMT) in Quebec, as part of the Future Skills initiative.

Further, in the 2019-2020 budget, the federal government introduced the Canada Training Benefit. To the FCCQ, however, its guidelines do not seem sufficiently ambitious, and will not do enough to guarantee leadership in coping with major changes in the Canadian labour market.

To support lifelong learning and help reduce skills shortages in the Canadian workforce, the FCCQ recommends the introduction of a *Voluntary Continuing Education Savings Plan* (VCESP), as outlined below:

- The plan would be based on an expansion of the Registered Education Savings Plan (RESP).
- The plan would allow an individual to keep the funds and grants accumulated in an RESP even if they do not immediately pursue post-secondary education, so that they can upgrade their skills later in their career, or return to school.
- Participation in the plan would be voluntary and would be supported by a tax incentive, both for the individual member and for their employer.
- The funds accumulated in the plan could serve as income support during the participant's training period, or else cover their training costs. Any amounts used as replacement income would be taxable.
- Employers could voluntarily contribute to their employees' plans. This contribution, up to a certain limit, would be tax-free to the employee, and a refundable tax credit (in an amount to be determined) would be available to the company.
- In the case of workers currently employed, the employer's authorization for leave would be required, just as for any other absence from work. In this way, education and training would harmonize with the employer's needs.
- Unemployed workers could use the funds accumulated in their VCESP to train or study in fields approved by the appropriate authorities in their local area, based on labour market projections.
- Employees would see this as an additional source of job satisfaction.
- For employers, this would be an aspect of remuneration and a means of retaining their workforce, particularly younger-generation workers, who value learning opportunities, and in periods of downturn in the overall economy or in specific sectors.

Federal and provincial government participation would significantly boost the effectiveness of such a system by increasing labour force participation in job-related training.

The FCCQ calls on the federal government to:

Introduce a *Voluntary Continuing Education Savings Plan* (VCESP) to increase Canadian workforce participation in job-related training.

1.4 Seasonal-worker support program

The FCCQ welcomes the agreement signed between the federal Minister of Family, Children and Social Development and the Quebec Minister of Employment and Social Solidarity announcing the transfer of $6.4 million to the Quebec government to provide training and financial support for workers in seasonal industries, as well as support for businesses in those industries, as part of a pilot project.

Under this agreement, Quebec is guaranteed its existing control and the flexibility it needs to introduce employment support measures and services that address the unique challenges of its regions, workers, and industries.

While the use of education and training is an excellent initiative, it is limited in time and duration. The FCCQ also favours measures that provide longer-term solutions to these issues. One particularly promising approach might be the use of networking to share the workforce between companies that require seasonal workers or have seasonally fluctuating production needs.

The government could allow funding for initiatives that facilitate the appointment of officials to act as coordinators in the regions concerned. Besides networking, these coordinators would be ideally placed to collect additional labour market information. As well, the Canada-wide network of chambers of commerce, and especially the network in Quebec, would be an excellent vehicle for implementing this kind of program because of their close links not only with individual businesses but also with all other labour market partners.

The FCCQ calls on the federal government to:

Conduct an impact study of the pilot education and training project.

Put officials in place to act as coordinators in organizing labour sharing in regions with high rates of seasonal employment.

No. 2: Public finances and business environment

Meet the needs of companies in their early stages of growth

Ensure sound administration of government finances, with appropriate tax measures to preserve the attraction and competitive edge of Canada and Quebec.

2.1 Deficit reduction

Healthy economic conditions at present should provide an opportunity for the federal Minister of Finance to reduce the deficit. Despite the positive upturn, the federal government still foresees a deficit on its planning horizon, and there is no real deficit reduction plan. Deficit projections in 2019 for the next three years are higher than in 2018, at $19.8 billion for the first year, and $19.7 billion for the next. The best-case scenario still shows an annual deficit of $9.8 billion in 2023-2024.

The FCCQ expects the federal government to:

Present a clear and realistic deficit reduction plan to achieve the earliest possible return to a balanced budget.

2.2 Private sector companies

The 2017 tax reforms initiated in the United States have heightened tax competition with Canada for corporations and individuals alike. The federal government must respond to the US reforms not only by adopting more flexible margins, but also by maintaining its attractiveness to investors and preserving a competitive edge for businesses north of the border.

Although the government may have hoped to clarify the situation for smaller companies with its changes in the original tax reform for private sector companies, the measures still in place regarding treatment of passive investment may have the opposite of their intended effect on investment for private sector start-ups, or even larger companies.

Furthermore, the decision to make $50,000 the new annual passive investment threshold is, in our opinion, arbitrary and sends the unfortunate message that there is no point investing in your own company. For example, a contractor whose business volume exceeds the limit would be taxed more. In our view, the new measures do not simplify, but rather complexify, the administration of these tax issues, particularly on the issue of retroactivity.

The FCCQ calls on the federal government to:

Eliminate the measures unfavourable to entrepreneurship introduced by the tax reforms for private sector companies, in particular by increasing the non-taxable thresholds allowed for passive investment.

2.3 Sales tax on intangible imports

Since 2015, the FCCQ has been asking the federal and Quebec governments to require foreign suppliers to levy sales taxes on intangible goods and services so that their domestic competitors (particularly those in Quebec) do not have to deal at the outset with a 15% price disadvantage. While Quebec has taken steps on this issue, the federal government has not made any changes so far, even though many other countries are already applying sales taxes and adapting their tax systems to the digital age – countries like Norway, Japan, Switzerland, Iceland, South Korea, South Africa, and EU member states. As other countries continue to move in this direction, it is increasingly difficult Canada's reluctance to do so.

Most stakeholders recognize that it is appropriate to tax local and foreign goods and services on an equal footing. To this end, the FCCQ expects the federal government to quickly implement tax measures to:

Make foreign suppliers of intangible services subject to federal sales taxes, in the same way they do for foreign suppliers of tangible goods.

2.4 Support for entrepreneurship

To promote entrepreneurship, it is important to adapt our tax system to the situations that family businesses face and eliminate the inequity that currently prevails in business transfers between generations, for all companies regardless of size or economic sector.

The existence of an unfair provision in the Income Tax Act (section 84.1) which applies to business transfers between generations further discourages entrepreneurs who make such transfers from investing in their own business, especially if they are selling it to a family-owned corporation, because of the resulting tax on capital gains.

The Quebec government has already applied a broader and more equitable standard of taxation that applies to business transfers for all companies in all economic sectors.

The FCCQ recommends that the federal government:

Commit to amending the Income Tax Act so as to make the transfer of a business to a family member equitable for all businesses, regardless of size or economic sector. The federal government must also reach an agreement with the Quebec government to ensure prompt harmonization of tax legislation on this issue.

2.5 Institute a single tax return in Quebec

The interest of the taxpayers and businesses in often overshadowed in the debate of the single tax return in Quebec by a constitutional quarrel of powers, where the "gain" of an order of government is necessarily the "loss" of the other. However, this duplication has a significant cost, in additional expenses for government as well as taxpayers and companies. A single return would undoubtedly reduce the paperwork requested. We call on the governments of Canada and Quebec to approach the issue in a pragmatic and innovative way, focusing exclusively on the taxpayer's interest.

The FCCQ recommends that the federal government:

Work with the Quebec government to institute a single tax return in a pragmatic and innovative way, focusing exclusively on the interest of taxpayers.

2.6 Other measures

Regularly assess the effectiveness of tax and budgetary expenditures to ensure that the government has sufficient flexibility to provide tax measures that will attract investment, with due respect for the principle that government should deliver a balanced budget.

In accordance with established rules and ethical standards, allow a Deferred Prosecution Agreements system to operate for the purpose of enabling companies facing legal proceedings to protect their reputation and safeguard the many jobs they provide.

No. 3: Technology intensity and competitive edge

Accelerate improved productivity

Focus on better integration of existing technologies while creating new opportunities to innovate.

3.1 Financial support for businesses

The availability of sufficient capital and liquidity at every stage of a company's life cycle is an essential ingredient for economic growth. To do this, capital and liquidity depend on three sources: investor equity, subsidies, and loans.

When we look at the life cycle of companies, stage by stage, it appears that there is a persistent shortage of capital available to companies in their early stages of growth, after start-up but before venture capital funds take interest. At this stage, the entrepreneur has successfully demonstrated proof of concept, possibly with the help of an incubator, public sector subsidies, or financing by an angel investor. The company has built a customer base but does not yet have sufficient recurring revenue to attract a venture capital investor. Yet the company must invest in order to increase its production and distribution capacity. It appears that the capital available to companies at this stage is insufficient. The federal government could support this capital supply.

The federal government should:

Increase the supply of capital to support growth-stage businesses, after proof-of-concept but before they are able to secure venture capital funds.

3.2 Stimulate investment for improved productivity

Productivity improvement is determined by a series of factors, including innovation – which is driven by research and development (R&D), among other things, but also by factors that are more difficult to measure.

Governments focus primarily on R&D results, capacity, and effort, rather than on the overall means of achieving productivity improvement. Just 3% of all companies absorb 90% of all applied research tax credits. Furthermore, only 4% of SMEs avail themselves of these programs, because the programs are so complicated. Yet SMEs are significant drivers of economic growth, in both Quebec and Canada.

To further stimulate investment in SMEs, the federal government should add a production and process upgrading tax credit that would be the SME counterpart of the Scientific Research and Experimental Development Tax Credit that helps promote growth at major corporations.

The FCCQ recommends that the federal government:

Introduce a tax credit for upgrading production to complement the Scientific Research and Experimental Development (SR&ED) tax credit.

3.3 Meet the technology conversion needs of manufacturing companies

For the past several years, we have seen the manufacturing sector become a primary focus for industrialized nations, with the *Industry 4.0* program in Germany, *Manufacturing USA* in the United States, and *Industrie du futur*, in France. Not to be outdone, Canada has the *Advanced Manufacturing Supercluster,* while Quebec has its own *Manufacturier innovant* initiative. China has put forward "the Made in China 2025" plan and other nations labelled as emerging only a few decades ago are now at the forefront of the international race toward the digital transition of the manufacturing sector.

Today, as in the three previous industrial revolutions, and with the advent of what is commonly known as Industry 4.0, global manufacturing companies, particularly those in Canada, need, more than ever, to adapt. The government's mission must be to accelerate productivity growth by focusing on better integrating existing technologies, while creating new opportunities for innovation.

This assistance should include helping to raise awareness among manufacturers across the country about other federal government programs available besides tax programs and measures. Federal programs of this type remain relatively unknown. Players in the manufacturing ecosystem are often bewildered by the multiplicity of tools, financial vehicles, and other ongoing support measures. Integration and simplification of these measures would make communication simpler, more direct, and more readily understandable for manufacturers. For example, the SR&ED credit is fairly well known, so it could then be used as a vehicle to bring Industry 4.0 on board – making innovation with a capital "I" an integral component of a new "IRS&ED."

The FCCQ calls on the federal government to:

Clarify, simplify, integrate, and promote available federal government resources that support manufacturing companies.

Develop a game plan for the manufacturing sector that would encourage investment in manufacturing, enhancement of added value and technological intensity not only for products but also for other intangible assets to meet the pressing challenge of digital technology.

Develop new financial mechanisms end/or subsidy measures to address the return on investment constraint (3 to 5 years) and to protect the liquidity of companies.

3.4 Support the digital transformation of print media, notably regional media

For some companies, the digital transformation of their business model has become a matter of survival. This is especially true of newspapers and other print media, many of which have gone out of business in recent years, even in remote regions. The increased advertising presence on social media has also significantly impacted the revenues of these companies.

The print media, notably regional newspapers, are uniquely valuable sources of information, essential for the vitality of remote regions and their socio-economic development. In addition to highlighting local and regional news, they are a major showcase for companies, particularly through their advertising and coverage of various local development projects. The importance of regional and local print media in the regional landscape is significant.

Although some support measures for the survival of local and regional print media were announced in the 2018 economic statement, the FCCQ calls on the federal government to go further and:

Provide significant financial support for print media, including local and regional media, specifically for accelerating their transition to digital.

In the interest of fairness and the maintenance of competitiveness, make government assistance available for the conversion of media practices to digital to other groups in the media sector that could face the same challenges, including bigger players.

Work with the Quebec government to create a print media fund that would ensure the survival of this industry, which we consider essential for democracy and the survival of our regional economies.

No. 4: Regional development

Provide Quebec and its regions with essential tools for growth and prosperity
The quality of communication and transportation infrastructure is crucial for business productivity as it has a lasting impact on economic growth.

4.1 Make high-speed internet available in all regions

Digital infrastructure is now an acknowledged component of economic development, as essential as the physical infrastructure of roads, seaports, airports, and railways. At a time when e-commerce is growing at an exponential rate, when many of our competitors are already seasoned users of metadata and cloud computing, it is becoming imperative to make broadband connections accessible and affordable for all businesses, regardless of their location. The deployment of digital infrastructure is a strategic catalyst for regional economic development.

Quebec also lags behind other provinces in terms of internet use. Efforts should be made to stimulate demand, with a focus on promoting online services.

The FCCQ recommends that the federal government:

Make high-speed internet available to all businesses and households in Quebec.

4.2 High-frequency rail proposal

In its February 2018 budget plan, the federal government set aside $8 million to fund a comprehensive study of the VIA Rail proposal for a high frequency rail link along the Quebec City–Toronto corridor. To meet the crown corporation's projected timetable for this project, the federal government must allocate and commit the necessary funds to begin construction as soon as possible.

This project must also complement the *Réseau express métropolitain* (REM), the CDPQ Infra metropolitan rapid transit network in Montreal, which also receives federal financial support.

The FCCQ recommends that the federal government:

Make available the necessary funds for developing the VIA Rail high frequency rail project so that construction can begin once comprehensive studies are completed, including the Quebec City–Montreal corridor as the initial phase, while ensuring that the project complements the CDPQ Infra rapid transit network, the *Réseau express métropolitain* (REM).

4.3 Naval shipbuilding

Quebec can rely on shipyards renowned for their expertise and the quality that they deliver on any project they undertake. The shipbuilding potential in Quebec is substantial, and the federal government should treat all major shipyards across the country equitably in its National Shipbuilding Strategy (NSS).

Over the next 13 years, Canada will need to build or overhaul some 40 to 45 vessels, large and small, at a cost of roughly $12 billion. Canada will therefore need three major shipyards more than ever, at least until 2030. It also needs smaller but equally efficient shipyards to carry out its many shipbuilding, overhaul, and repair projects. The capacity of Quebec shipyards must be brought enhanced to meet Canada's needs.

The FCCQ therefore calls on the federal government to:

Grant Quebec shipyards a significant share and equitable treatment in its National Shipbuilding Strategy (NSS).

4.4 Icebreakers on the seaway

Every year, hundreds of merchant ships ply the waters of the St. Lawrence and Saguenay rivers. During the colder winters in recent years, however, many ships remained trapped in ice for longer periods than allowed under the Canadian Coast Guard (CCG) service standard, due to a lack of available icebreakers.

The CCG icebreaker fleet has been in a state of obsolescence for years. Despite an average age of 37 years per vessel, the federal government has already extended their working lifetimes. In the longer term, the risk of reduced port access or ship mobility on the St. Lawrence River will undermine Quebec's attractiveness as a berth for major industrial investment. The vitality of the ports of Montreal, Quebec City, Saguenay, Trois-Rivières and others depends, among other things, on the quality of the icebreaker service. The risk of no icebreakers being available could lead some developers to doubt the value of significant investment if the effectiveness of the St. Lawrence River and Great Lakes strategic corridor cannot be guaranteed.

The federal government has adopted an icebreaker construction plan as part of its National Shipbuilding Strategy (NSS), but does not foresee having any new ships in service for another 10 years. In the meantime, the CCG plans to further extend the life of its fleet through a maintenance and repair program that reduces their vulnerability to damage.

The FCCQ calls on the federal government to:

Provide sufficient funds to allow the Canadian Coast Guard (CCG) to make more vessels for the St. Lawrence icebreaker fleet available in order to provide a level of service consistent with CCG targeted standards.

4.5 Trade corridors

In its budget of March 2017, the federal government announced that it would invest $10.1 billion over 11 years in trade and transportation corridors. Of this amount, $2 billion would be invested in the National Trade Corridors Fund, a merit-based program to make Canadian trade corridors more efficient and reliable.

The federal government should pay particular attention to the Ontario-Quebec corridor, especially with respect to transportation infrastructure linked to the St. Lawrence River and support for innovations in transportation. It must adequately fund the projects necessary to develop this strategic corridor for the Quebec and Canadian economies.

The FCCQ recommends that the federal government:

Promptly announce investments in infrastructure under the National Trade Corridors Fund, and give priority to development of the St. Lawrence River, Gulf of St. Lawrence, and Northern Quebec trade corridor.

4.6 Investment in regional airports

Airport infrastructure is essential for economic growth and development. Regional and local airports qualify for federal government funding under the Airport Capital Assistance Program, as well as funds for runways, taxiways, and other safety-related structures.

At present, a number of Quebec airports are in need of upgrading. In fact, current infrastructure capacity problems at some airports – including rehabilitation of runways, runway extensions, and equipment – impose specific or seasonal limits on air service to certain regions.

In addition to having to find their own financing, airport authorities must pay rent to the federal government (long-term leases, at progressive rental rates of up to 12% of revenues). This model has the effect of raising the price of air fares, thereby reducing the competitiveness of regional services.

The federal government should therefore consider reducing the charges imposed (rent and taxes) on airport authorities, carriers, and passengers, based on the overall economic benefits that lowering these obligations would generate.

The FCCQ calls on the federal government to:

Review the Airport Capital Assistance Program to improve the quality of regional airports, expand regional air service and economic development in order to better meet the needs of small airports, with more access to programs, streamlined administrative procedures, and funding channelled toward investment in infrastructure.

Ensure that federally-owned airport infrastructure is maintained and upgraded when and where it contributes significantly to growth and development in those regions.

Reduce the charges (rent and taxes) on airport authorities, carriers, and passengers, and ensure that all taxes and fees collected at airports are fully reinvested in the industry.

4.7 Support for farmers and processors in the supply management sector impacted by recent trade agreements

In an economy where success depends on the ability to export and compete worldwide, trade agreements such as the EU-Canada Comprehensive Economic and Trade Agreement (CETA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the United States-Mexico-Canada Agreement (USMCA) allow our companies to diversify their markets, stand out from their foreign competitors, and achieve internationalization. Given the importance of the dairy sector in Quebec agriculture and food processing, and the economic engine that industries in the sector represent for many regions in Quebec, the FCCQ remains concerned about the impact free-trade agreements have had on business operations to date. It would appear that the industry has so far lost about 10% of domestic market share as a result of granting access to other countries.

Although the FCCQ welcomes the federal government's commitment in the 2019 budget to provide $3.9 billion in financial assistance to compensate dairy producers for lost market share during and after implementation of CETA and CPTPP, there should also be a commitment on compensation related to the impact of USMCA.

Similarly, the government must announce support measures for dairy processors to compensate them for the losses incurred in trade agreements and enable them to adapt more quickly to a changing and increasingly competitive environment.

The FCCQ urges the federal government to:

Clarify the parameters of the dairy producer compensation program and promptly implement a payment system with all due diligence; that mitigation measures should be calculated on the basis of net present value of the permanent losses that will be incurred by the industry as a result of implementation of the two free-trade agreements and; that these measures be structured so that Quebec dairy producers receive their fair share, that is pro rata to their production volume.

Put in place mitigation and compensation measures for dairy processors and review import quota allocation measures to minimize impacts on the sector.

No. 5: Energy transition

Leverage energy transition as a vehicle for economic growth
Make better use of available funds by concentrating on programs that eliminate the most GHG emissions, maximize energy efficiency, and deliver sustainable mobility, while maintaining the competitive edge of Quebec-based and Canadian businesses.

5.1 Leverage energy transition as a vehicle for economic growth

Quebec is formally committed to the energy transition, not only to reduce its greenhouse gas (GHG) emissions, but also to seize the economic opportunities offered by this evolution of our practices. Whether it is hydroelectricity from Hydro-Quebec's extensive network or the use of liquefied natural gas, Quebec is well positioned in the energy transition.

The energy transition in Quebec is based on two fundamental tools: The Government of Quebec's Action Plan on Climate Change, which notably created the Green Fund in 2006, and the carbon exchange, providing the Green Fund with most of its financial resources. Quebec's Action Plan allows businesses to access the financing to acquire new, less polluting technologies, thereby significantly improving their energy and environmental performance.

To finance its GHG reduction measures, Quebec has a large pool of funds that comes from a major financial effort by consumers and businesses. However, this issue does not concern solely Quebec, but also the rest of Canada, not to speak of the entire planet. All provinces should adhere to a similar and uniform system, not only to secure additional resources to reduce Canada's GHGs, but also, so as not to penalize the participating provinces.

As far as the FCCQ is concerned, sustainable mobility not only reduces GHG emissions but also provides real opportunities to create wealth. In Quebec, the many sustainable mobility challenges require important investments by all levels of government. The cost of transport and traffic congestion, amounting to billions of dollars, is a major burden on the economy, particularly on business productivity, and solutions that promote efficient traffic flows for goods and convenient travel should have high priority.

Substantial financial support is required to assist the various stakeholders in realizing this essential infrastructure growth and development, while allowing them to maintain efficient operations on existing networks. In the summer of 2018, the Canada Infrastructure Bank announced a decision to convert its $1.3 billion investment in the *Réseau express métropolitain* (REM) rapid transit network in Montreal, now under construction, into a loan to CDPQ Infra. This means that the loan amount will go back to the federal government and would then be available for other public transit projects in Quebec.

In its previous budget, the federal government earmarked nearly $5 billion for public transit between now and 2021-2022, and over $25 billion by 2027-2028. Quebec needs to obtain its fair share of that total envelope to meet its development and asset maintenance needs.

The FCCQ expects the federal government to:

Rapidly confirm that the $1.3 billion loan to CDPQ Infra, when repaid, will return to the Canada Infrastructure Bank, and will then be dedicated exclusively to new public transit infrastructure in Quebec.

Set aside the amounts dedicated to public transit infrastructure in the overall envelope for Quebec. These must take into account Quebec's many development and asset maintenance needs.

Reach prompt and timely agreement with the Quebec government to make up the $1.2 billion shortfall in funding for the Quebec City comprehensive public transit network, the *Réseau structurant de transport en commun* (RSTC).

Respect the principle of "one project, one environmental assessment" so as not to duplicate the authorizations already required by the provinces, increasing administrative processes and lengthening approval times.

Ensure that all Canadian provinces contribute to the carbon market.

No. 6: Healthcare and Pharmacare

Ensure affordable, fair and timely access for all Canadians

A public-private insurance-drug system will ensure cost predictability and sustainability of drug plans.

6.1 Healthcare: adjustment of funding constraints

For 2019-2020, the Canada health transfer to the provinces will amount to $40.4 billion,[1] an increase of $1.8 billion or 4.6% over the previous year.[2] Despite this increase, the provinces continue to face challenges in meeting the needs of their aging population and the demands on their healthcare systems.

According to a Conference Board of Canada study, the proportion of seniors in Canada will increase from 16.9% to 21% over the next decade. However, it appears that federal health transfers are not taking account of this rapid aging of the population, which will substantially increase healthcare costs ($93 billion over the next 10 years).[3]

Unless federal health transfers increase on a recurring basis, there will be growing pressure on the provinces, among which Quebec, which will gradually have to provide a larger share of its own healthcare system costs.

In view of this challenge, we believe that a complementary private sector system is essential, as this would make it possible, among other things, to improve access to healthcare, while still maintaining our public system. To this end, we believe that the Canada Health Act (CHA) should be made more flexible so as to allow private sector organizations and firms to provide healthcare services included in the pool of insured health services.

The FCCQ expects the federal government to:

Amend the Canada Health Act so as to allow private sector organizations and firms to provide health services included in the pool of insured health services, operating within parameters defined by public policy.

6.2 Pharmacare insurance program

In its 2019-2020 budget, the Government of Canada reiterated its commitment to creating a national Pharmacare insurance plan, while also announcing the next steps in the plan's implementation.

The FCCQ supports the federal government's commitment to ensure that all Canadians enjoy affordable and equitable access to the medications they need. We believe it is essential to eliminate discrepancies in access and reimbursement, particularly for Canadians who cannot obtain Pharmacare coverage or for whom the purchase of medications is a major financial challenge.

However, this public system must be effective and efficient, and should not entail additional costs for taxpayers and businesses in Canada. There is no need to start from scratch.

Quebec's system, with its public-private model, works well in many ways, providing adequate coverage and allowing the government to devote a greater share of its limited resources to Pharmacare coverage for the most vulnerable segments of the population.

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[1] Department of Finance Canada, "Federal Support to Provinces and Territories," https://www.fin.gc.ca/fedprov/mtp-eng.asp

[2] Government of Canada, 2018 Budget Plan, https://www.budget.gc.ca/2018/docs/plan/toc-tdm-en.html

[3] Conference Board of Canada, *Meeting the Care Needs of Canada's Aging Population*, https://www.cma.ca/meeting-care-needs-canadas-aging-population

Such a system must also support both innovation and R&D in order to ensure that Canadians will continue to have access to high-quality care – including participation in clinical trials – and that Canada remains an attractive market for investors in today's life science industries.

However, these innovations come at a cost, since in many cases they are more expensive than existing treatments. This puts significant pressure on Pharmacare budgets and could jeopardize the possibility of providing all Canadians with affordable, equitable, and timely access to the medications they need.

The FCCQ accordingly supports any initiative that would strengthen and ensure sustainability for public and private sector insurance plans. Development of a national strategy for the high-cost medications, notably through risk pooling, is an attractive option.

To summarize, the FCCQ recommends a nationwide Pharmacare plan that would:

Ensure maintenance of a mixed coverage system, where the costs of a Pharmacare plan are shared between public and private insurers, employers, and patients.

Build on Quebec's experience and expertise by imposing mandatory membership in a private or public Pharmacare plan.

Support innovation as well as research and development.

Develop a national strategy for high-cost medications, notably through risk pooling.

Allow voluntary participation by the provinces, with full compensation in case of opting out.

No. 1: Workforce

- **Implement more robust measures to raise the average retirement age than those adopted to date.**
- **Provide additional support to employers who must adapt their workplaces to meet the needs of skilled workers.**
- **Conduct a comprehensive review of the Employment Insurance program with a view to reducing its costs, in particular through (1) renewed focus on its primary mission, namely temporary income support, with measures to promote a quick return to employment, and (2) permanent solutions to seasonal employment issues in Canada's remote regions.**
- **Fully acknowledge the skills, experience, and expertise of existing workforce development and training program partnerships in the provinces, including the *Commission des partenaires du marché du travail* (CPMT) in Quebec, as part of the Future Skills initiative.**
- **Introduce a *Voluntary Continuing Education Savings Plan* (VCESP) to increase Canadian workforce participation in job-related training.**
- **Conduct an impact study of the pilot education and training project.**
- **Put officials in place to act as coordinators in organizing labour sharing in regions with high rates of seasonal employment.**

No. 2: Public finances and business environment

- **Present a clear and realistic deficit reduction plan to achieve the earliest possible return to a balanced budget.**
- **Eliminate the measures unfavourable to entrepreneurship introduced by the tax reforms for private sector companies, by increasing the non-taxable thresholds allowed for passive investment.**
- **Make foreign suppliers of intangible services subject to federal sales taxes, the same way suppliers of tangible goods are.**
- **Commit to amending the Income Tax Act in order to make transferring a business to a family member fair for all businesses, regardless of their size or economic sector. The federal government must also reach an agreement with the Quebec government to ensure prompt harmonization of tax legislation on this issue.**
- **Regularly assess the effectiveness of tax and budgetary expenditures to ensure that the government has sufficient flexibility to provide tax measures that will attract investment, with due respect for the principle that government should deliver a balanced budget.**
- **Work with the Quebec government to institute a single tax return in a pragmatic and innovative way, focusing exclusively on the interest of taxpayers.**
- **In accordance with established rules and ethical standards, allow a Deferred Prosecution Agreements system to operate for the purpose of enabling companies facing legal proceedings to maintain their reputation and safeguard the many jobs they provide.**

No. 3: Technology intensity and competitive edge

- **Increase the supply of capital to support growth-stage businesses, after proof-of-concept but before they are able to secure venture capital funds.**
- **Introduce a tax credit for upgrading production to complement the Scientific Research and Experimental Development (SR&ED) tax credit.**
- **Clarify, simplify, integrate, and promote available federal government resources that support manufacturing companies.**
- **Develop a game plan for the manufacturing sector that would encourage investment in complex manufacturing, enhancement of added value, and technological intensity not only for products, but also for other intangible assets to meet the immediate challenge of digital technology.**
- **Develop new financial mechanisms end/or subsidy measures to address the return on investment constraint (3 to 5 years) and to protect the liquidity of companies.**
- **Provide significant financial support for print media, including local and regional media, specifically for accelerating their transition to digital.**
- **In the interest of fairness and the maintenance of competitiveness, make government assistance available for the conversion of media practices to digital to other groups in the media sector that could face the same challenges, including bigger players.**
- **Work with the Quebec government to create a print media fund that would ensure the survival of the industry, one that we consider essential for democracy and the survival of our regional economies.**

No. 4: Regional development

- **Make high-speed internet available to all businesses and households in Quebec.**

- Make the necessary funds available for the VIA Rail high frequency rail project so that construction can begin once comprehensive studies are completed, including the Quebec City–Montreal corridor as the initial phase, while ensuring that the project complements the CDPQ Infra rapid transit network, the *Réseau express métropolitain* (REM).

- **Grant Quebec shipyards a significant share of and fair treatment in its National Shipbuilding Strategy (NSS).**

- Provide sufficient funds in its budget to allow the Canadian Coast Guard (CCG) to make more vessels in the St. Lawrence icebreaker fleet available in order to provide a level of service consistent with CCG targeted standards.

- **Promptly announce investments in infrastructure under the National Trade Corridors Fund and give priority to development of the St. Lawrence River, Gulf of St. Lawrence, and Northern Quebec trade corridor.**

- Review the Airport Capital Assistance Program to improve the quality of regional airports, expand regional air service and economic development in order to better meet the needs of small airports, with more access to programs, streamlined administrative procedures, and funding channelled toward investment in infrastructure.

- **Ensure that federally-owned airport infrastructure is maintained and upgraded when and where it contributes significantly to growth and development in those regions.**

- Reduce the charges (rent and taxes) imposed on airport authorities, carriers, and passengers, and ensure that all taxes and fees collected in airports are fully reinvested in the industry.

- **Clarify the parameters of the dairy producer compensation program and promptly implement a payment system with all due diligence; that mitigation measures should be calculated on the basis of net present value of the permanent losses that will be incurred by the industry as a result of implementation of the two free-trade agreements and; that these measures be structured so that Quebec dairy producers receive their fair share, that is pro rata to their production volume.**

- Put in place mitigation and compensation measures for dairy processors and review import quota allocation measures to minimize impacts on the sector.

No. 5: Energy transition

- **Promptly confirm that the $1.3 billion loan to CDPQ Infra, when repaid, will return to the Canada Infrastructure Bank, and will then be dedicated exclusively to new public transit infrastructure in Quebec.**

- Set aside the amounts dedicated to public transit infrastructure in the overall envelope for Quebec. These must consider Quebec's many development and asset maintenance needs.

- **Reach prompt and timely agreement with the Quebec government to make up the $1.2 billion shortfall in funding for the Quebec City comprehensive public transit network, the *Réseau structurant de transport en commun* (RSTC).**

- Respect the principle of "one project, one environmental assessment" so as not to duplicate the authorizations already required by the provinces, increasing administrative processes and lengthening approval times.

- **Ensure that all Canadian provinces contribute to the carbon market**

No. 6: Healthcare and Pharmacare

- **Amend the Canada Health Act so as to allow private sector organizations and firms to provide health services included in the pool of insured health services, operating within parameters defined by public policy.**

- Support a Pharmacare plan that would:
  - Ensure maintenance of a mixed-coverage system, where the costs of a Pharmacare plan are shared between public and private insurers, employers, and patients.
  - Build on Quebec's experience and expertise by imposing mandatory membership in a private or public Pharmacare plan.
  - Support innovation as well as research and development.
  - Develop a national strategy for high-cost medications, notably through risk pooling.
  - Allow voluntary participation by the provinces, with full compensation in case of opting out.

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