CHEMISTRY INDUSTRY ASSOCIATION OF CANADA | ASSOCIATION CANADIENNE DE L'INDUSTRIE DE LA CHIMIE

June 5, 2020

Standing Committee on Finance and Economic Affairs
c/o Julia Douglas
99 Wellesley Street West
Room 1405, Whitney Block
Queen's Park
Toronto, ON
M7A 1A2

RE: CIAC Comments on the Study of the Recommendations relating to the Economic and Fiscal Update Act, 2020 and the Impacts of the COVID-19 Crisis on Certain Sectors of the economy

Dear Members of the Standing Committee on Finance and Economic Affairs

On behalf of the members and staff of the Chemistry Industry Association of Canada (CIAC), please accept my heartfelt appreciation for your government's unprecedented efforts to support Ontario's people and businesses in the fight against the COVID-19 and developing a framework for economic recovery.

Ontario is the economic, financial and manufacturing engine of Canada. When our economy recovers, the prospects for other provinces and territories improve. And as the largest economy in the country, we are looked at as an example by other provinces to follow.

The safety of CIAC member employees, contractors and the communities in which we do business continues to be our members' top priority. Our member-companies have business continuity plans in place and are dealing effectively with disruptions impacting their business operations. We are following the advice and direction of public health authorities to limit the impact of COVID-19 and help support the health and wellbeing of our employees and the safe operation of our facilities.

In summary, Canada's chemistry sector is resilient, responsive, and poised for future investment growth once the crisis subsides.

State of the Industry - Resilient!

As of today, there are no *material* impacts to member operations or supply chains. The sector has not required access to government supports during this crisis. This resiliency of the sector relates to the fact that 95% of all finished products rely on chemistry. The industry is a foundation upon which all other economic activity rests. CIAC members also answered the COVID-19 call to help by switching their operations to produce disinfectants, supplying PPE and contributing to a range of local, provincial and national relief efforts.

Ontario's chemistry sector produces important water treatment and disinfection chemicals essential for public safety which have been in steep demand to support the COVID-19 response. Plastic packaging also plays an important sanitary role in the food and medical industries. Demand for these products has increased significantly as a result of the COVID-19 crisis. Demand for chemicals to the energy, mining, forest products and automotive sectors have deteriorated as these sectors have significantly reduced activity in response to COVID-19 and/or market conditions.

Pre COVID-19, over $11 billion of capital investment were underway across Canada. However, one large and one smaller project in Alberta has been deferred. In Ontario, we are grateful that your government recognized the importance of ensuring that work on NOVA Chemicals $2.2 billion expansion project in Sarnia-Lambton continues. Beyond NOVA Chemicals, routine capital reinvestment to support ongoing operations has been postponed or modified at most sites to ensure operational status is not affected by an influx of non-essential contractors.

2020 Economic Forecast

The chemistry sector is considered an early indicating sector of the economy. A recent member poll found that 50% report 'normal' levels of production; 30% report production decreases while still maintaining operations; and 20% report production increases. Our members have added that they are starting to see signs of an economically challenging second half of 2020. This forecast is based on slower volume of orders being received for the remainder of 2020 which is believed to be caused by a combination of higher customer order levels in the first quarter as a defensive strategy to avert any potential blockage in supply chains due to the COVID-19 crisis and, more recently, slower demand by international customers reflecting an overall global economic downturn.

Ontario Jobs and Recovery Committee Comments

As was the case following 9/11 and the 2008-09 financial crisis recoveries, Ontario's chemistry sector has demonstrated its resilience to external shocks. The sector has not required economic supports and has experienced very limited layoffs to date.

We whole-heartedly agree with a phased approach to opening the economy that is informed by health and science-based evidence. We cannot jeopardize the sacrifices Ontarians and businesses have made so far. While the toll of the COVID-9 crisis on Ontario's and the global economy is unmatched in modern times, we can draw upon experiences from recent economic crises for our path forward. It is in this manner that we provide the following comments for your consideration.

1. Re-build Consumer Confidence:

   Utilize fiscal and monetary policy tools to support consumer confidence throughout the economy. A key element that supported financial crisis of 2008-09 recovery included infrastructure investments, tax credits and incentives for businesses and homeowners. Infrastructure projects that improve goods movement, our global competitiveness and linkages to international markets must be prioritized. Tax credits to support projects such as job creation, home renovation and factory/plant modernizations will drive spin-off economic activity and result in improved environmental, energy efficiency and overall competitiveness for Ontario businesses.

2. Champion Export Opportunities:

   Ontario's and Canada's economies are heavily reliant on exports and serving foreign markets. Many countries that have growing middle class societies will require much of what Ontario and Canada produces. We must support Ontario firms to grow global sales. A pan-Canadian effort is needed to ensure that we commit to improving access to existing and new foreign markets whether through formal trade agreements or trade missions.

3. Resist Artificial Trade Restrictions at Home and Abroad:

   A natural reaction for economic recovery is to create artificial impediments to support domestic firms. Aside from accepted domestic content rules that meet international trade agreements or protocols, we must lead by example and engage with trade partners to maintain fair and open access to their markets. We must also continue to remove inter-provincial trade and labour mobility barriers within Canada.

4. Attract Foreign Investment:

   Attracting foreign investment in Ontario was already a tough job prior to the COIVID-19 crisis. It will be an even tougher as all jurisdictions fight harder post COVID-19 to win new job creating private sector investments such as the chemistry sector. As you are aware, studies including a provincially sponsored one showed that Ontario is competitive on a par basis with the US Gulf Coast regions for new chemical manufacturing projects. However, state and local incentives reduce the upfront cost of capital for new investments by as much as 15%. As the vast majority of all global-scale chemistry investments are being made by foreign-based multinationals, Ontario does not have home field advantage. Now more than ever, we must engage directly with project decision-makers and employ investment attraction measures that reduce the upfront cost of capital for new projects.

5. Increase Momentum of Regulatory Efficiency.

   The actions taken to date under Ontario's Open for Business Action Plan since 2018 have already begun to pay dividends in changing the narrative that had permeated within our members' facilities and their foreign-based headquarters. Your government's mantra that the role of government is to create the environment that allows businesses to succeed is no more applicable than now. In order for the private sector to lead the economic recovery, which many economists recognize will take several quarters, a renewed focus must be placed on removing unnecessary, outdated regulations that add time, cost and effort and do not have any measurable impact on society.

6. Ensure a "Team Canada" Approach to Economic Recovery

   The COVID-19 crisis required a pan-Canadian effort. We reached a new level of federal, provincial, and municipal collaboration and integration on both public health and immediate economic stimulus initiatives. As Premier Ford said numerous times during the crisis, "We all need to be rowing in the same direction." Greater standardization and consistent regulatory frameworks across and within provincial jurisdictions are needed to help spur increased private sector activity and replace the temporary economic stimulus packages.

   We would welcome the opportunity to meet with you on this and will continue to participate in Ontario Jobs and Recovery Committee opportunities.

Best regards,

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CC: Hon. Vic Fedeli, Minister of Economic Development, Job Creation and Trade
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