Standing Committee on Finance and Economic Affairs
Ontario Pre-Budget Consultation Remarks

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Good afternoon. Thank you inviting me here today to represent our members, and the broader beverage industry in Ontario. Our comments today focus on the need to help the beverage industry improve environmental performance, achieve economic prosperity, and improve health outcomes.

The non-alcoholic beverage industry directly employs 7,700 Ontarians in more than 60 production facilities, offices, and distribution centres across Ontario. It is also responsible for generating $2.9 billion of economic activity, and contributing over $170 million in provincial tax revenue. Our industry employs a wide variety of employees, including assembly line workers, truckers and health and safety workers.

These numbers tell the story of the potential of our sector. They also tell the story of a sector that has had its challenges. Simply put, we have been falling behind global competitors with decreasing investment, output, and jobs. Consider the following:

- Investment in manufacturing was about 7 per cent lower in 2019 than it was in 2005 regarding spending on machinery, equipment, and intellectual property[1]
- Manufacturers in the United States invest, on average, 8 times more than an equivalent Ontario company[2]
- Inflation in Canada is at an 18-year high of 4.7% which is leading to higher food and beverage prices and will likely lead to lost jobs and economic activity in the province.[3]

Together, we can work with the government to help reverse these trends. Our members have a significant track-record of making substantial investments in Ontario's economy. A KPMG economic impact assessment determined that for every $1 our industry spends on production, 85-cents of that dollar is retained in the economy. According to KPMG, this is higher than the provincial average.

That said, we want to commend the government for the actions it has taken to date to help our industry. The finalization of the extended producer responsibility regulation, the

[1] Canadian Manufacturers & Exporters Federal Electoral Platform, 2021.
[2] OECD and G7 Data, 2018-2021.
[3] Statistics Canada Research, 2022.

creation of the advanced manufacturing and innovation competitiveness program, and establishing the agri-food processing investment fund have all been positive steps. Based on the themes identified by our members, we have the following recommendations for Budget 2022.

The first focus area of the budget should be improving data collection on recycling in the industrial, commercial, and institutional (IC&I) sector. We share the government's goal of modernizing Ontario's blue box recycling system. Our view is that local blue box programs should be transitioned to a standardized, province-wide recycling system operated by producers. That is why CBA members supported the creation of Circular Materials – Ontario's only not-for-profit blue box producer responsibility organization. We are working towards a recycling system that fosters robust competition in the waste management sector for collection and processing services. Supporting competition will deliver the best value for Ontarians. At the same time, the beverage sector is preparing to launch a comprehensive public space recycling program to complement blue box collection. But with as much as 30% of beverage products consumed away from home, we must collect more beverage containers from public spaces. We are confident we can meet the targets in Ontario's Blue Box Regulation. However, to support these efforts, we ask the government to improve data collection on recycling in the IC&I sector. The Auditor General's report last year showed waste diversion is stalled in this sector and that Ontario cannot meet its targets without reform. The government should require the waste management sector to report what they collect in the IC&I space so Ontario can verify recovery rates for beverage containers and other materials in the sector.

The second focus area of the budget should be refraining from product-specific taxation. Our industry is under increasing threat from product-specific taxes that are not based on evidence, such as the ongoing calls for a tax on sugar-sweetened beverages across Canada. The consumption of sugar-sweetened beverages in Canada is declining. In fact, beverage calories overall have declined by 20% between 2004 and 2014, with a further 16% decline from 2014 to 2019. At the same time, incident rates of obesity have continued to rise. A tax on sugar-sweetened beverages is not a solution that reflects the reality of consumption patterns or causes of obesity in Canada. This type of tax has been tried in multiple jurisdictions. The results have not been good. Mexico saw an average reduction of only 4.7 calories in a diet of 3025 per capita, daily. However, the instability the tax created within the industry's value chain has led to the loss of 10,000 jobs in Mexico. Make no mistake, our members are committed to working with the government and the public to combat obesity. But the reality is that sugar-sweetened beverage taxes are not a magic bullet solution. Instead, we recommend the government work with our industry on an education awareness campaign, similar to our national Balanced Calories initiative to reduce non-alcoholic beverage calories consumed per person.

The final focus area of the budget should be to provide companies access to capital investment to help them innovate, make use of the beverage containers they recycle in Ontario, and achieve circularity. To achieve this, the government should introduce a plastics technology fund that helps provide financial resources the beverage industry requires to enhance Polyethylene terephthalate (PET) processing and create and advance new technologies at their facilities, resulting in better, more efficient collection and sorting. The fund would help develop end-markets, support demonstration projects to normalize the use of products made with recycled plastic, and test new technologies in pre-commercial applications.

In closing, our industry appreciates the fiscal challenges the government is currently facing. However, the industry needs a competitive business environment to improve environmental performance and reverse current trends. The beverage industry can and should play an important role in the province's economic recovery in a post-pandemic world.

I thank you again for the opportunity to appear. I look forward to your questions.