Competitiveness Scorecard
Chemical Sector

Ontario 2018-2019

Ontario accounts for 31% of Canada's industrial chemical manufacturing. Following a two-decade decline, the opportunity exists to reverse the trend. The emergence of shale gas-derived feedstock opportunities is a game changer for which Ontario should be garnering more of the investment activity happening in North America. Ontario must regain its corporate tax structure advantage. The Chemistry Industry Association of Canada recommends the following priorities for policy development so that Ontario can compete to attract new investment and revitalize its chemical sector:

- Regain the historical advantage in corporate income tax rates and match U.S. accelerated capital costs allowance (ACCA) measures;
- Aggressively pursue investment opportunities to augment the already-substantial chemistry cluster in Ontario;
- Take action to restore competitive prices for industrial electricity;
- Reduce regulatory burden, strive for federal-provincial harmonization of regulations.

CATEGORY	COMPETITIVENESS COMPARISON	TREND	COMMENTS
Corporate Taxation and Fiscal Policy	▬	▼	Combined federal-provincial corporate income tax rate for manufacturing and processing of 25% is no longer a competitive advantage compared to U.S. Not matching recent U.S. ACCA measures, compounds Ontario's uncompetitive positioning. When combined with local-tax based incentives, most new investments are going to the U.S. (mainly to U.S. Gulf Coast but new cluster forming in western Pennsylvania). A return to a deficit budgets adds to the ballooning debt and servicing costs as well as potential for credit rating downgrades.
Environment, Health & Safety	▬	■	Eliminate provincial regulations that duplicate existing federal and provincial programs. Address climate change through measures that deliver global emission reductions while maintaining the competitiveness of Ontario businesses. Expansion of lower risk approvals into streamlined process and 1-year service standard for complex approvals are positive developments. Companies still face longer and more complex approvals requirements than other regions. Update local air standards where warranted but process should align with federal and competing jurisdictions. Increase opportunities for energy and material recovery and reuse from waste. Recognition of industry standards are encouraging though impact on competitiveness is unclear. U.S. regulatory burden reduction efforts offset any progress made.
Manufacturing Base/Critical Mass	▬	△	Manufacturing showed moderate growth in 2017. New anchor chemistry investment in Sarnia-Lambton announced in 2017 is a major boost and is complemented by evolving bio-based activity in the region. However, more opportunities exist, and Ontario must find ways to secure more investments in the manufacturing sector including in value-add resource upgrading industries such as the chemistry sector. Most investments are still going to U.S. Gulf Coast. Emerging chemistry cluster in western Pennsylvania has attracted anchor investments and may have long-term negative implications to Sarnia-Lambton region's ability to attract large scale greenfield investments.
Energy (Supply-Pricing)	▬	▼	Ontario's industrial electricity rates are still above those from key competitive jurisdictions; this overwhelms small improvements in other areas. Ontario's electricity costs for industry must come down through a long-term industrial electricity policy that incentivizes new production and facility expansions. Low price natural gas offers an opportunity for industrial renewal across entire Ontario economy
Raw Materials/ Feedstocks	=	■	Efforts to diversify into industrial biochemicals and develop globally-recognized bio-hybrid cluster are promising. Revitalization of the petrochemical industry is occurring using abundant and cost-advantaged feedstock from nearby natural gas basins in the U.S. There is an opportunity for expansion based on these positive fundamentals.
Logistics	=	▼	The sunsetting of extended inter-switching in the prairie provinces and significant service challenges over the winter forced members to curtail production. Bill C-49 has not had the anticipated quick passage but could help rebalance the relationship between shippers and carriers through enhanced data provisions. Ontario advocacy is needed for new crude oil pipeline capacity to ease rail traffic congestion and realize market diversification objectives.
Workforce Supply/ Construction Costs	=	△	Workforce is skilled and productive; demographics indicate rate of retirement will accelerate, increasing need to attract and retain skilled workers. Project agreements have been positive for new construction. Significant investment activity in U.S. Gulf Coast region has driven up local labour costs which may improve the construction cost disadvantage faced by the sector in Ontario.

COMPETITIVENESS OVER COMPETING JURISDICTIONS

+ Advantage = Neutral ▬ Disadvantage

Based on indices used by the World Economic Forum

TREND IN COMPETITIVENESS SINCE 20178/20189

△ Improving ■ Unchanged ▼ Declining

Economic Performance

- Second among manufacturing industries on basis of total trade - $55 B
- Third in terms of average salary – $67,600; higher still for industrial chemicals - $88,200
- Third largest by value of shipments - $21.8 B, 35% due to industrial chemicals
- Sixth largest by level of employment – 46,200

Ontario's Chemical Sector
Keystone to Value-Added Manufacturing