Competitiveness Scorecard
Chemistry Sector

CHEMISTRY INDUSTRY ASSOCIATION OF CANADA

Responsible Care® Our commitment to sustainability.

Quebec 2018-2019

Quebec accounts for about 18 per cent of Canada's industrial chemical manufacturing. This percentage is declining as the province fails to attract new investments and aging facilities are less competitive. Quebec's ability to develop its natural resources could bring new investment to the province. Quebec needs to aggressively pursue its energy diversification in addition to tax reform to attract this investment. The development of new hydroelectric power supplies, as well as new supply of Western Canada crude oil and natural gas, may provide opportunity for chemical sector investments. The Chemistry Industry Association of Canada (CIAC) recommends the following as priority areas:

- Reduce corporate taxes for manufacturing ;
- Reduce the administrative burden of doing business in Quebec (e.g. streamline and facilitate regulatory approvals);
- Develop fair and balanced economic and environmental policies to help maintain our competitiveness; and,
- Develop strategies designed to reduce industrial electricity rates in order to attract new investment.

CATEGORY	COMPETITIVENESS COMPARISON	TREND	COMMENTS
Corporate Taxation & Fiscal Policy	Disadvantage	Unchanged	A high corporate tax rate relative to the United States, but improving in relation to Canada, continues to undermine Quebec's attractiveness as a place to invest. A 100% permanent capital cost allowance must be provided to stimulate investment. Tax reform in the United States remains a significant threat to our industry. Quebec must account for the impact of federal regulations. Quebec must recognize the impact of federal regulations.
Environment, Health & Safety	Disadvantage	Decline	The cap-and-trade system (SPEDE) could be threatened by provincial elections in Quebec and Ontario. The competitiveness study of the carbon tax and its impact on the reduction of free allowances threatens our competitiveness for 2024-2030. Environmental approvals remain complex and variable depending on the regional approaches. Despite the desire for regulatory relief, authorization times and the issuance of permits remain, to date, very long.
Manufacturing Base/Critical Mase	Disadvantage	Unchanged	The manufacturing sector continues to decline (10% in ten years) and consequently the investments in R & D in this sector. An investment-friendly business environment (the last major investment was more than 15 years ago) must be created to replace or renew existing facilities, provide them with a new manufacturing lifecycle and stimulate a value-added manufacturing strategy. The weak dollar stimulates export growth but is not enough to attract new investment.
Energy/Electricity (Supply/Pricing)	Disadvantage	Decline	Quebec must restore an advantage to its industrial electricity rates to maintain its competitiveness. Our internal analysis confirms lower electricity rates in other North American jurisdictions. Hydro-Québec must become a business partner and become competitive again (price and flexibility).
Raw Materials/ Feedstocks	Disadvantage	Decline	CIAC supports measures to allow oil and gas exploration via a pipeline to exploit Quebec's full potential. The importance of value-added industrial activity in energy chains, especially electricity, must be recognized. The Plan Nord must promote mining transformation through the chemical molecule and the Maritime Strategy could encourage new investments.
Logistics & Maritime Strategy	Neutral	Decline	Good investments in infrastructure and efforts to address cross-border congestion. Railway cost and level of service improvements are needed to address service issues in a sustainable way and encourage investment. The trucking industry has become problematic (availability and cost). The maritime strategy must be intensified to derive a competitive advantage.
Workforce Supply/ Construction Costs	Disadvantage	Decline	The workforce is skilled and productive. With increasing retirements, we are experiencing labour shortages, a challenging recruitment environment and increasing training costs, despite the offer of stable and well-paid jobs. Although construction and operational costs are comparable to those of the US Coast, state and local incentives create a competitive advantage south of the border.

COMPETITIVENESS OVER COMPETING JURISDICTIONS
Advantage Neutral Disadvantage

Based on indices used by the World Economic Forum

TREND IN COMPETITIVENESS SINCE 2017/2018
Improving Unchanged Decline

Quebec's Chemistry Sector by the numbers

- Second in terms of average salary - $67,000; higher still for industrial chemicals - $72,000
- Fourth largest manufacturing industry by shipments - $9.3 B; over 40% due to industrial chemicals
- Sixth among manufacturing industries on basis of exports - $5.6 B
- Seventh according to amount of value added
- Eighth largest by level of employment – 22,600

Keystone to Value-Added Manufacturing