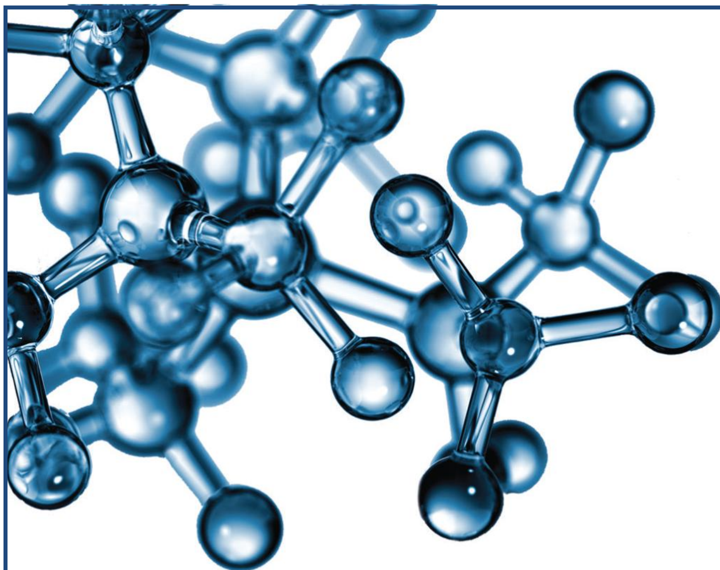

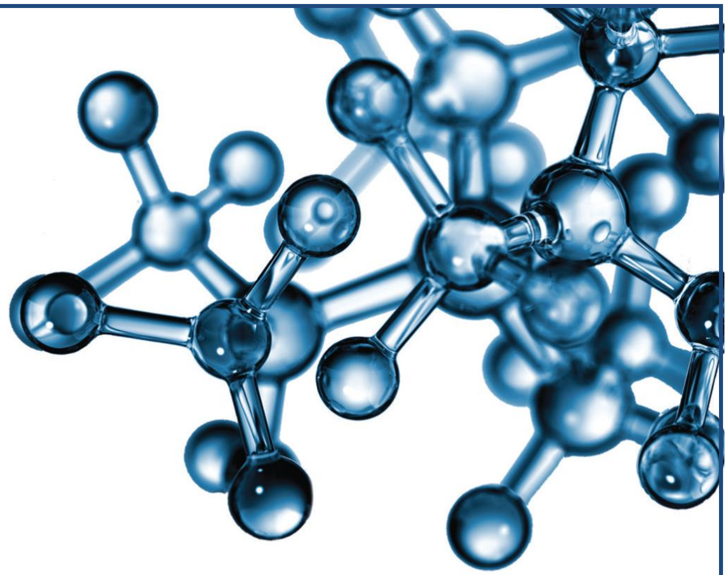

Ontario's Chemistry Industry

Submission to the
Standing Committee on Finance and Economic Affairs

Chemistry Industry Association of Canada
January 2015

Chemistry Industry Association of Canada
canadianchemistry.ca

Responsible Care®
Our commitment to sustainability.

Who we are

The Chemistry Industry Association of Canada (CIAC) represents leading companies engaged in the manufacture of industrial chemicals in Canada. The products that we produce are critical inputs to almost all other manufacturing industries. Responsible Care®, a continuous improvement program, is a requirement of membership. Through Responsible Care, member companies work with all stakeholders in support of innovation for safer products and processes, which conserve resources and improve people's lives and the environment.

We add value to Canada's natural resources

Chemistry is an enabling industry, uniquely positioned in the value chain between raw natural resources and downstream manufacturing industries selling goods to consumers. Our members use inputs like natural gas, crude oil, minerals and biomass and convert them into value-added products, adding 10 times and more to the initial value of the raw resource. When these products are further upgraded by our customers into products such as automotive parts, packaging, medical devices, and communication equipment, the value-added multiple increases even higher.

We are an important part of the economy

The chemical industry has output of $24 billion from Ontario manufacturing sites in 2014, the 3rd-largest manufacturing sector in the province. The chemical industry is the 2nd-largest manufacturing exporter in the province, shipping $19 billion worth of goods to global markets in 2014. We directly employ 40,500 Ontarians, and indirectly support another 200,000 jobs in the provincial economy. Among all manufacturing industries, chemicals ranks #1 in with the highest proportion of employees having post-graduate degrees, reflecting the highly-skilled, highly-paid nature of our workforce.

We are growing

For more than two decades the industry was in decline in the province, but we are now starting to see a resurgence. CIAC member companies have invested over $500 million in new production capacity in Ontario since 2010, with another $300 million being spent on projects that remain in progress. We forecast that another $2-5 billion could be attracted to the province over the coming decade given the right investment conditions. This improved outlook is driven by a number of factors, mainly:

- Sarnia's proximity to cost-competitive shale gas production in the northeastern United States
- the combined federal/provincial corporate tax rate of 25%
- accelerated capital cost allowance provisions for manufacturing machinery
- the commercialization of new technologies for producing chemicals from biomass
- the existing chemistry industry infrastructure and workforce in the province.

There is work to be done in order for our industry to attract an even-larger share of new North American investment to Ontario. Issues that we are continuing to work with the government on include:

- the need to maintain the 10% corporate tax rate for manufacturing
- a permanent, or at least longer-term, extension of the accelerated capital cost allowance provision
- industrial electricity rates that are competitive
- improved regulatory streamlining to minimize inter-jurisdictional duplication, e.g., follow air quality model on other issues like climate change
- updating apprenticeship rules to facilitate the entry of youth into the labour force
- improved reliability and efficiency of transportation systems within Canada and to export markets
- continued progress to shorten the time to complete Environmental Compliance Approvals.

Our recommendations

CIAC, on behalf of its membership, welcomes the opportunity to provide input to the Standing Committee on Finance and Economic Affairs as part of its 2015 pre-budget consultation. CIAC remains very concerned that the province will not be able to meet its fiscal targets and that the potential for higher interest rates and a higher debt and deficit will create significant business uncertainty and undermine investment attractiveness. The fiscal challenge is very significant and will require bold decisions in order to balance the budget by 2017-18. Part of the solution must rely on economic growth; our industry is poised to provide some of this growth. We are concerned that the Government could raise corporate taxes as in order to meet deficit-elimination targets. Doing so would have a dampening effect on industrial investment, and would impair the ability of industries such as ours to contribute to growth and job creation. Therefore we recommend:

- the government review all expenditures and programs, and present a specific plan of action to eliminate the deficit by 2017-18
- the corporate tax rate for manufacturing remain at 10%
- the province encourage and match any move by the federal government to extend the accelerated capital cost allowance provisions on manufacturing machinery
- action be taken to restore competitive industrial electricity rates
- no new costs be placed on industry, for example related to climate change, while companies are already facing serious competitiveness challenges
- the government recognize the bio-hybrid chemistry cluster in Sarnia as a key industry cluster as defined in Bill 7, and work with industry to make it a priority for investment and growth in the province.

A long-term strategy to revitalize manufacturing in the province is needed to return Ontario to its position of economic prominence within Canada.