CANADIAN MANUFACTURERS & EXPORTERS

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Good morning. It is my pleasure to be here on behalf of Canada's 90,000 manufacturers and exporters, and our association's 2,500 direct members to discuss Bill C-19.

The manufacturing industry is 10% of Canada's GDP, produces two-thirds of Canada's value-added exports, and employs 1.7 million people in high-paying jobs across the country.

In the lead-up to the Budget, CME issued its 2% challenge. That is, the federal government should attract 2% of OECD manufacturing investment into Canada, up from our current 1%, by instituting a national industrial strategy. Doubling that investment to 2% would revolutionize Canadian manufacturing, create hundreds of thousands of jobs, and increase our GDP and standard of living.

But to get there, we must address our most pressing challenges: labour shortages, supply chain disruptions, and declining investment and export performance. While there's a sprinkling of help in all those areas in Budget 2022, we believe more must be done to help Canadian manufacturing grow and I will outline our plan now.

Firstly, on labour shortages. Manufacturers big and small are struggling to fill the 81,000 vacancies across Canada. All this is happening even though manufacturing is one of the highest paying sectors in the country.

We can tackle this problem in many ways, but the main drive should be to plug our labour shortages through immigration. Budget 2022 talked about processing backlogs, but we encourage the government to dedicate more resources to the problem. We must also speed up the introduction of a trusted employer stream to the Temporary Foreign Worker Program and reduce the administration burden on companies applying. Ultimately however, the TFWP is merely a pressure release valve. We need to aggressively increase our immigration intake targets to 500,000/year in the economic stream alone. We need workers.

Secondly, supply chain bottlenecks. According to a CME survey, 9 out of 10 Canadian manufacturers report encountering supply chain issues. The added challenge for Canadian manufacturers is their lower position in the pecking order for critical components. We currently have the situation in Canada where a company can have an increase in customer orders, a workforce ready to go, but nothing to build because they're waiting on parts.

The National Corridors Fund to Facilitate the Movement of Goods, and other initiatives announced in the budget will help. But, in addition to long-term investments in modernizing our trade infrastructure, we must provide temporary financial assistance to manufacturing companies still feeling supply chain disruptions.

And lastly, on investment and exports. Canada lags well behind other OECD countries in non-residential business investment, and this is leading to a deterioration in our international competitiveness. On the net-zero transition, Canada's manufacturing industry has already started, but smaller companies are falling behind. And on trade, while we enjoy some of the best free-market access of any country on earth, our goods exports are stuck in neutral.

To respond to all these challenges, the budget announced some measures that CME has long called for. The Canada Growth Fund and tax changes for SMEs are positive. As are the promises to look into adopting a patent box regime and SR&ED reform. And, a tax credit for investments in clean technology and a refundable tax credit for Carbon Capture will support manufacturers as they work to decarbonize their industrial processes.

While these are all positive developments, we worry that the money allocated to these measures may not be sufficient. So, we urge the government to put up the money necessary to make these changes have a real impact. We also need to better incorporate SMEs into the design of these programs so that they **a.** can qualify for them, and **b.** be helped through the process of using them- particularly on the net-zero transition and growing exports fronts.

Before I conclude I want to register our concern with the proposed luxury tax on planes, boats, and autos. I echo all the others who have spoken out against this tax. We understand the allure of such polices, but they are a siren's song as they do a lot of damage to domestic manufacturing. Manufacturers and organized labour are united in their calls for this tax to go, and we urge the government to do just that.

In conclusion, while CME is pleased to see many policies we have long championed be included in the budget, this is just a starting point. We look forward to working with you all to tackle our industry's challenges and ensure our economic prosperity for years to come. Thank you for inviting me, I look forward to the discussion.