

House of Commons Standing Committee on Finance – Pre-budget Consultations 2015

This brief is submitted by: The Association of Consulting Engineering Companies-Canada

About ACEC

The Association of Consulting Engineering Companies-Canada (ACEC) is the national voice of consulting engineering in Canada. ACEC advocates for a business and regulatory climate that allows consulting engineering companies to provide the highest level of services and best possible value to their clients.

ACEC is a federation of 12 provincial and territorial associations and represents over 400 companies that provide engineering and other professional services to both public and private sector clients across Canada.

These services include the planning, design and execution of all types of engineering projects as well as providing independent advice and expertise in a wide range of engineering and engineering-related fields.

Through offering these services, ACEC member companies have a direct influence on virtually every aspect of our economic, social and environmental quality of life in Canada.

Consulting engineering in Canada is a \$28.4 billion a year industry. ACEC member firms directly employ over 75,000 Canadians. Canada is globally recognized for its engineering services and is the fifth largest exporter of engineering services in the world.

ACEC is an influential member of the International Federation of Consulting Engineers (FIDIC).

Strategic, Predictable, Long-term Investment in Infrastructure

Background

Public infrastructure is a core business of government and vital to Canada's prosperity. Infrastructure enhances the economic, social and environmental quality of life of Canadians. Study after study demonstrates a link between infrastructure investment and economic performance.

Infrastructure is integral to strong communities because it:

- enables economic activity;
- connects people and communities;
- protects public health and safety; and
- protects the environment.

Responsible fiscal management provides an opportunity to further improve Canada's prosperity through further investments in infrastructure.

Recommendations

ACEC recommends that the three levels of government (federal, provincial and municipal) work towards a collective goal of restoring infrastructure investment to 6% of GDP.

Such an ambitious goal will require commitment and participation by all three levels of government as well as the private sector – but leadership by the federal government and a collaborative vision are critical.

The commitment to infrastructure investments must be strategic, long-term and predictable in order to provide the best value and return on investments to Canadians.

Long-term predictable infrastructure investment allows all levels of government and the private sector to invest and develop the human and technical resources necessary to plan, finance, design, construct and operate infrastructure projects.

Investment in infrastructure is an investment in our prosperity.

Responsible Resource Development in Northern Canada

Background

A recent study entitled *Levelling the Playing Field* (May 2015) was produced by the Mining Association of Canada, the Prospectors & Developers Association of Canada, the Association of Consulting Engineering Companies - Canada, the NWT & Nunavut Chamber of Mines, and the Yukon Chamber of Mines. The study (previously circulated to Members of Parliament and government officials) confirms the importance of infrastructure as the key to opening up northern regions to allow mineral exploration and mining development. To operate, mines need ports, power, permanent roads, people, and much more. Unlike many of their southern counterparts, companies looking to invest in these remote areas need to factor in costly, but essential, infrastructure. Among the report's findings:

- For base metal mines, capital costs were 2.5 times higher compared to an equivalent mine in a centrally-located jurisdiction.
- For gold mines, capital costs were doubly more expensive.
- For diamond mines in the territories, capital costs were 15-20% higher.
- 70% of the cost increase is directly related to the lack of infrastructure.
- Exploration costs varied directly with distance from transportation infrastructure, with the most remote project costing six times that of the least remote project.

There is significant promise for responsible mineral development in the territories and northern parts of our provinces. In many instances, mining offers the only meaningful opportunity for jobs and revenues for governments. What this study underscores is that strategic government investments, either through direct infrastructure investment or the tax system, are a prerequisite to stimulating any meaningful increase in new investment.

Recommendations:

- A new and enhanced federal Mineral Exploration Tax Credit (METC) for projects in remote and northern parts of Canada at 25% versus the current 15%, as well as financial incentives to make the costs of drilling for early-stage exploration projects more economically feasible.
- A base 10% investment tax credit, in addition to either: 1) a 15% investment tax credit for eligible infrastructure, or 2) a pardonable 25% conditionally repayable contribution for infrastructure investments. Flexibility is needed to enhance the project economics for companies in both taxable and tax limited positions.

- Establishment of a northern infrastructure investment bank in the territories for mine-related infrastructure that generates public benefits, but does not meet the “public use” criterion of existing federal programs.

In summary:

- Infrastructure is a core responsibility of the government.
- Infrastructure grows the economy, strengthens communities and protects the environment. It creates jobs and prosperity.
- ACEC recommends that the three levels of government work towards a collective goal of restoring infrastructure investment to 6% of GDP.
- Such an ambitious goal will require commitment and participation by all three levels of government as well as the private sector; leadership by the federal government and a collaborative vision are critical.
- The commitment to infrastructure investments must be strategic, long-term and predictable in order to provide the best value and return on investments to Canadians.
- Infrastructure to improve access to Canada’s natural resources in northern and remote areas will not only strengthen Canada’s economy, but it will also allow Canada’s resource sector to create skilled jobs and develop expertise in responsible resource development.
- Northern and remote parts of Canada require strategic government investments, either through direct infrastructure investment or the tax system, as a prerequisite to stimulating any meaningful increase in new investment by Canada’s resource sector.