



## About 3M Canada

3M Science. Applied to Life.™

Those words embody the spirit of our enterprise. 3M harnesses the power of science to make the world safer, more efficient and more prosperous. With \$30 billion in sales, our 90,000 employees connect with customers all around the world. 3M is a Fortune 500 Company on the Dow Jones Industrial Average.

R&D is the heartbeat of 3M. We invest about 5.8 percent of our sales back into the science. That investment helps produce more than 3,000 patents each year. We use science to solve impossible challenges with our customers, and to stretch toward our vision of advancing every company, enhancing every home and improving every life. In 2014, we earned the U.S. Environmental Protection Agency's ENERGY STAR® award for our worldwide energy-conservation efforts. 3M is also listed on the Dow Jones Sustainability Index.

3M Canada head office has been located in South West Ontario (London) for more than half a century and is a major contributor in the local community. With nine manufacturing sites across the country, most in rural communities, 3M has demonstrated a long term commitment to its Canadian operations.

Working in collaboration with several government agencies and leading universities, our five R&D centres are focused on applying the breadth of 3M technology to meet Canada's current and future needs in key areas such as Energy, Health Care, Safety, Aerospace and Industrial. We have several facilities who achieved the distinctive ISO 500001 certification including the first in Canada demonstrating our dedication to continuous improvement in energy management.

In 2015, 3M Gives Canada provided in cash and in kind donations impacting over 150,000 lives through 3M pillars of education (STEM), community, and environment. 3M Canada consistently ranks as one of this country's best employers, including being named to Canada's Top 100 Employers for the last several years.

## Executive Summary

3M Canada is grateful for the opportunity to provide some recommendations as the Government is preparing its budget for fiscal year 2017-18. In our view, the next federal budget should include a national industrial strategy that will accelerate innovation, increase investments and help manufacturers reduce their carbon footprint.

To summarize, our recommendations are:

1. Use tax relief and fiscal incentives to drive meaningful innovation and promote commercialization;



2. Create a federal innovation agenda with tools aimed at enhancing Canadian industry performance;
3. Develop a Climate Change policy in a manner promoting innovation and economic development; and
4. Reduce impediments to trade and flow of people.

We look forward to having the opportunity to discuss our recommendations further at the pleasure of the members of the Standing Committee.

## Government Themes and Recommendations

The federal government plays a major role to assist Canada's businesses meet expansion and innovation goals. In an increasingly globally competitive environment, both manufacturing and research and development investments are subject to increased scrutiny when it comes to choosing one jurisdiction over another.

Innovation through research and development and the manufacturing sector are closely linked. Manufacturing continues to be integral to the overall health and well-being of the Canadian economy. Nationally, according to the Canadian Manufacturers and Exporters (CME), manufacturing employs ten percent of the Canadian workforce; represents 10.5% of GDP; 67% of exports; and, 42% of all private sector research and development activity. In addition, manufacturing continues to have a substantial multiplier effect on the economy with almost \$4 realized for every \$1 invested in the sector.

It is from this perspective that 3M Canada provides recommendations to the Parliament of Canada's Standing Committee on Finance as it engages in its consultations in advance of the 2017 Federal Budget.

### Recommendation #1 – Use tax reliefs and fiscal incentives to drive meaningful innovation and promote commercialization

One of the most powerful levers any government has at its disposal is taxation. Taxation can be used as a tool to incent investment in a jurisdiction, and it can be used as a tool to drive innovation.

According to the CME, between 2000 and 2015, manufacturing's share of the Canadian economy has almost halved, falling to 10.5 per cent. Meanwhile manufacturing in the US has decreased by far less, while in Germany, it has held steady at 23 per cent. The decline in Canada is the result of years of under-investments. In order to regain a strong position in manufacturing, Canada needs to accelerate its investments, expand and modernize its existing manufacturing facilities, and build new ones to replace those that are gone. Canada is currently offering a 10 per cent Investment Tax Credits to incentivize investments in manufacturing equipment in the Atlantic Provinces. In order for Canada to reduce the manufacturing investment gap, 3M also recommends expanding the Atlantic Investment Tax Credits to all provinces.



Many jurisdictions have introduced the idea of a “patent box” tax incentive that provides relief from corporate tax on income generated from the commercialization of technological innovations. The idea of “patent box” has been put in place in such jurisdictions as Italy, the UK, Netherlands, Spain, and France and in the US. Patent box legislation typically targets the commercializing undertakings as opposed to specific research and development activities.

We are seeing the introduction of “patent box” legislation at the provincial level in Quebec and in Saskatchewan. While action at the provincial level is needed and most welcome, action is also required at the federal level in order to develop a truly compelling Canadian patent box system.

We also believe that the federal government should undertake a complete legislative review of the SR&ED program reviewing criteria, definitions, and administration.

All Programs and initiatives should be benchmarked against other OECD countries to ensure Canada’s system is producing the best possible return on investment for key sectors of the economy.

## Recommendation #2 - Create a federal innovation agenda with tools aimed at enhancing Canadian industry performance

Canadian manufacturers compete against companies in low-cost jurisdictions for mandates. We believe the federal innovation agenda needs to provide a competing strategy that will ensure policy frameworks are in place to help businesses make the case for investment here versus elsewhere.

A “client-centric” approach to supporting innovators to access coordinated services tailored to their needs at the crucial transition point of commercialization is needed and should be aimed at pre-competitive projects across a range of economic sectors including life science, environmental, clean technologies, and advanced manufacturing.

3M support the following recommendations from the Conference Board of Canada on setting up policies and programs aimed at enhancing Canadian industry performance while spending public funds:

- Seek private sector advice before developing new research and Innovation initiatives choosing among priorities in public spending on innovation, and evaluating the effectiveness of existing programs, to stimulate innovation performance
- Put business leaders in regular strategic advisory roles for innovation.
- Create a central agency to coordinate federal agencies and programs supporting industry innovation with powers and accountability or enabling competitive success in a world-wide competitive context.
- Institute accountability based on measures of economic value centered on (ROI) and Viable Sustainable Business (VSB) indicators for government institutions and programs.



### Recommendation #3 – Develop a Climate Change policy in a manner promoting innovation and economic development

3M and 3M Canada have long been champions of environmental sustainability. In Canada, we have been the first enterprise to achieve ISO 50,001 certification with a Superior Energy Performance designation.

The commitment to endow a \$2 billion Low Carbon Economy Trust to fund the development of clean technology should be moved forward in a manner complimentary to Ontario's Green Investment Fund and its proposed Green Bank.

As the federal government explores methods by which it can partner with its provincial counterparts to drive the climate change agenda forward, it is vital for steps to be taken that will ensure early adaptors of sustainability and emissions reduction measures are not penalized or put at a disadvantage.

As part of the Province of Ontario's Green Investment Fund, CME is partnering with the government in the delivery of the SMART Green program with the objective to drive competitiveness, energy efficiency and GHG reductions for manufacturers in Ontario. This fund will offer 50:50 matching grant funding to manufacturers across Ontario to implement capital investment projects that will deliver emission reductions and energy efficiency technologies.

As per CME recommendation, given the ongoing discussions about a national strategy to reduce GHG emissions, we believe now is the time to launch a national program similar to the new SMART Green program funded by the Province of Ontario. Specifically we suggest the program should be:

- Funded by the Federal Government;
- Administered by the private sector for reduced administration and faster, more flexible implementation;
- Available to manufacturers across the country;
- Matching and grant based;
- Directed at support investment in new machinery, equipment and clean technology; and
- Objective based with a focus on reducing GHG emissions and improving productivity and competitiveness.

### Recommendation #4 – Reduce impediments to trade and flow of people

Ensuring access to international markets is of vital interest to Canadian business. Continued cooperation between Canada and the United States on the harmonization of regulations is needed so as to reduce impediment to trade between our two countries and strengthen North America's global competitiveness. Furthermore, we call for continued upgrades to border transportation and customs security infrastructure that will allow for an easier and expedited flow of goods and services across the border.

We also encourage the governments of Canada and the United States to continue their work on improving visa entry procedures for business travellers between the two countries.



Finally, recent movements towards more efficient interprovincial trade are encouraging. The federal government should facilitate further liberalization of trade and harmonization of environmental regulations between Canada's provinces, and we encourage the federal government and its provincial counterparts to explore methods by which to allow greater harmonization and mobility of labour across provincial borders.