



February 16, 2021

Hon. Chrystia Freeland, PC, MP
Deputy Prime Minister and Minister of Finance

Hon. Mona Fortier, PC, MP
Minister of Middle Class Prosperity and
Associate Minister of Finance

Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5

Sent via: budget2021@canada.ca

Dear Ministers:

Food, Health and Consumer Products of Canada (FHCP) is the voice of Canada's largest manufacturing employer. Canada's food, health and consumer product manufacturers make the foods we love, the over-the-counter medicines and natural health products we trust to treat our common ailments, the paper products that clean up life's little messes, and so much more. Consumers have trusted FHCP members' brands for more than a century.

Food, health, and consumer product manufacturers directly employ more than 350,000 people in Canada. We transform Canada's agricultural riches into value-added finished goods that feed families here at home and around the world. We work closely with Canadian farmers and are the single largest employer in rural Canada, serving as a critical link between rural and urban communities. We make safe over-the-counter medications and natural health products that empower Canadians to practice self-care while relieving pressure on the healthcare system. We are pleased to put forward the following recommendations for consideration for the upcoming 2021 Budget.

Recommendation 1: Support Companies / Essential Businesses Operating During the Pandemic. Specifically (a) Implement a tax credit to offset pandemic-related costs; and (b) Implement the labour and skills recommendations outlined in the Industry Strategy Council report.

Recommendation 2: Pause non-essential regulatory work not related to COVID-19.

Recommendation 3: Legislate economic growth and competitiveness considerations into regulator mandates.

Recommendation 4: Development of a common framework that provinces and territories could use in their efforts to enact an enforceable UK-style code of conduct to address the unfair and unethical business practices of large grocery retailers in Canada.

Recommendation 5: Implementation of National Self-Care Strategy for Canada to increase Canadians' capacity to take care of themselves; save time, money and resources; and make our publicly funded healthcare system more sustainable.

Recommendation 1: Support Companies / Essential Businesses Operating During the Pandemic. Specifically (a) Implement a tax credit to offset pandemic-related costs; and (b) Implement the labour and skills recommendations outlined in the Industry Strategy Council report.

Throughout the pandemic, our industry has made significant investments to keep our front-line workers safe and taking all steps necessary to provide essential products on store shelves. Yet, Canada's largest manufacturing workforce continues to face unprecedented costs and ongoing pressures that will influence the country's economic recovery.

Costs associated with compliance to new health and safety measures for workers – including purchasing of both temporary and permanent personal protective equipment (PPE) and making changes to production lines and facilities – and training new employees due to absenteeism and illness have all risen significantly. These mounting costs and growing uncertainties are not sustainable and undermine the competitiveness of the food, health and consumer product industry. A tax credit to help offset costs associated with compliance with new COVID requirements and an employer training tax credit would help support an industry under strain.

In addition to mounting costs, the industry faces critical labour and skills gaps. Almost 28,000 jobs in food manufacturing remain vacant right now, with 1 in 10 jobs remaining unfilled. When faced with growing challenges of recruitment, retention and absenteeism, our industry has stepped up. Many companies implemented employee engagement and appreciation initiatives, made new investments to keep their workers safe and provided incentives to their workers.

They also increased wages. Statistics Canada's survey of employment payroll and hours shows that between June and July 2020, hourly wages for food manufacturers increased by 16% compared to the previous year. Food manufacturers are paying 16% more on average in hourly wages (with a current average hourly wage of \$24). In comparison, other manufacturing sectors in Canada increased hourly wages by an average of only 2.5% over the same period. Simply increasing wages is not the solution. We require the government's support to do more.

We fully support the recommendations of the Industry Strategy Council that encourage workforce participation by increasing funding and expanding the scope of programs to re-skill disrupted workers, capitalize on the opportunity to retain and attract highly skilled global talent, and develop a National Workforce Innovation Strategy to create a system of lifelong learning that aligns with commercial needs. Furthermore, we ask the government not to lose sight of the immediate need to ensure predictable and timely access to workers outside of Canada to fill the current domestic labour gap and make investments to support commercialization of labour-saving technologies.

Recommendation 2: Pause non-essential regulatory work not related to COVID-19.

It is far from business as usual for industries that continue to provide everyday essential products for Canadians. Food, health and consumer product companies continue to face mounting cost, labour and other COVID-related challenges.

On March 23, we sent a letter to the Deputy Prime Minister and the COVID-19 Federal Task Force calling for a pause to non-essential regulations. On March 25, we joined over 60 other leading business associations calling on the government to postpone all non-essential measures to allow businesses to focus on continuity planning and supporting public health efforts.

In addition to the operational challenges posed to industry, the pandemic has led to significant changes in consumer behaviour that need to be reflected in Health Canada's regulatory agenda. For example, the role of digital information and online commerce has grown sharply and is not likely to return to pre-pandemic levels. This has significant implications for regulatory policy with respect to product labelling and conditions of sale.

We are therefore disappointed that some consultations and implementation of non-essential regulations continue to move forward. For example, Health Canada intends to advance new labelling requirements for Natural Health Products and they reneged on a commitment to delay implementation of Nutrition Facts Labelling regulations amendments for which there is no health and safety imperative since we already have existing nutrition facts labelling regulations in place, today. Now is not the time to advance consultations or accelerate regulations not related to COVID-19.

Recommendation 3: Legislate economic growth and competitiveness considerations into regulator mandates.

To fuel economic recovery, there is an urgent need for improved policy alignment across government. Economic and regulatory departments need to work in a more coordinated way when designing and implementing policies and regulations. Critical regulatory decisions are currently not giving sufficient consideration to business impacts. This is producing disjointed and inconsistent policies across government, leading to devastating unintended outcomes and undermining the country's post-pandemic economic recovery.

Consider the introduction of regulations on the formatting and layout of Over-the-Counter (OTC) drug labels. Health Canada estimated that implementation costs to the industry would be minimal. Since their implementation in 2016, costs have totaled over \$100 million, and one in six OTCs have disappeared from the market. These regulations have also increased product packaging, running counter to the government's sustainability objectives. Further compounding the issue, these regulations lack clear evidence that would materially impact Canadians' health and safety. Notwithstanding these outcomes, and in the absence of a clear mandate to consider the impact on the industry's economic competitiveness, Health Canada proposes to take the same approach with Natural Health Products (NHPs) as one of its top post-pandemic priorities.

Applying an economic lens in the development of regulations is not only about regulatory efficiency and cost-effectiveness but helps avoid distorting the marketplace in unintended ways. There can be multiple ways of achieving the same health and safety outcomes through regulation, with the same or very similar overall costs, but with very uneven impacts on individual regulated parties. For example, in OTC and natural health product (NHP) approval processes, submissions for innovative products require much higher standards of evidence to demonstrate safety and effectiveness than generic products, which can rely on the innovator's data. The resulting shorter and less costly path to market for copycat products dramatically reduces the innovative product's chances of commercial success. This represents a significant barrier to innovation.

Innovation is key to competitiveness and economic growth, as highlighted again in the Industry Strategy Council's December 2020 report. Within the boundaries of Canada's international agreements, there is room for regulators to adjust their approach to regulatory data protection in ways that either support or impede innovation. To do so, legislation such as the *Food and Drugs Act* must give them the appropriate authorities to make those distinctions.

In the 2018 Fall Economic Statement, the government committed to review legislation to assess opportunities to apply an economic lens to regulator mandates. We urge the government to deliver on this commitment and move forward with a legislated requirement on Canadian health, environmental and other regulators to consider the desirability of promoting innovation and economic growth and ensuring any regulatory action taken is necessary and proportionate. This collaboration will help better address how regulations and policies could impact the economy, competitiveness and cumulative regulatory burden while prioritizing health, safety and environmental responsibilities.

Recommendation 4: Development of a common framework that provinces and territories could use in their efforts to enact an enforceable UK-style code of conduct to address the unfair and unethical business practices of large grocery retailers in Canada.

The consolidation of the grocery retail sector in Canada has resulted in just five retailers controlling over 80 percent of what consumers purchase in Canada. This has created a power imbalance that has long allowed large retailers to arbitrarily shift their costs and risks disproportionately onto food, health and consumer goods suppliers. These retailers have adopted unfair and unethical business practices not seen or accepted in any other sector and have remained unchecked. These unfair practices contribute to the high costs of doing business in Canada.

New arbitrary fees imposed by large retailers in the past year to fund their expansion plans only add to the long-standing pattern that pushes food, health and consumer products supply chains to the brink. These unfair practices pose a serious threat to our sector in Canada, as well as primary (i.e. farmers) and secondary suppliers to the sector.

When similar market dynamics threatened its supply chains, the United Kingdom adopted a successful Groceries Supply Code of Practice (GSCOP). The code, with a dedicated enforcement agency, has shown significant success in restoring balance and fairness to the relationship between grocery retailers and their suppliers, while keeping food cost inflation low. This can provide a blueprint for Canada.

Manufacturers, farmers, along with suppliers are calling for a UK-style code of conduct to be developed and implemented across Canada to address these unfair practices.

We welcome the recent announcement of a Federal-Provincial-Territorial (FPT) Working Group to study unfair retail practices. With your support, the federal government can play an important role in developing a common code of conduct framework that provinces and territories could use in their efforts to enact a legislated code of conduct. This would help drive a more coordinated and consistent national approach and avoid a patchwork of various codes of conduct across the country.

Failure to address the negative impacts of unfair practices will threaten food security in this country, weaken our essential supply chains, hurt consumers, and jeopardize Canadian growth, jobs, and COVID-19 recovery.

Recommendation 5: Implementation of National Self-Care Strategy for Canada to increase Canadians' capacity to take care of themselves; save time, money and resources; and make our publicly funded healthcare system more sustainable.

People are Canada's greatest healthcare resource, but their potential is too often underestimated and undervalued compared to the publicly funded healthcare system. The government should support self-care tools, information, products and services that help Canadians make healthy lifestyle choices, treat minor health ailments, manage or prevent — chronic diseases and more. The COVID-19 pandemic has demonstrated the vital importance of self-care. Regardless of the vaccination approach and rollout, we will be living in a new reality for years to come and it is critical that Canadians be provided the proper support to take care of themselves.

Yet, unlike our most successful approach to preparing the publicly funded healthcare system for COVID-19, Canada does not have a clear strategy to support self-care's vital role in fighting the pandemic. While critical to help battle public health emergencies such as the pandemic, a strategy is a proven method for improving everyday health outcomes and supporting our healthcare system's sustainability. Canada needs a national self-care strategy that:

- Recognizes and respects each person's capability to manage their own health with the right supports, products, and services;
- Drives improvements in health literacy to improve individual decision-making and combat health misinformation;
- Provides Canadians with fair and affordable access to self-care products and services; and,
- Supports growth and innovation in Canada's health industries to help people care for themselves.

There is broad public support for a National Self-Care Strategy, according to our recent public opinion polling conducted by Abacus Data which revealed that:

- Healthcare is a top issue for most Canadians, as many are dissatisfied with emergency room wait times and access to family doctors.
- Canada's aging population, government deficits and debt, and the COVID-19 pandemic are seen as threats to health services across the country.
- Self-care is widely seen as a tool to strengthen and sustain the public healthcare system and reduce costs.
- 93% of Canadians support a self-care strategy developed and supported by the federal government to help Canadians take better care of themselves and make our healthcare system more sustainable.

Canada has an opportunity to make self-care a cornerstone of health care in Canada and emerge from the pandemic stronger than we were before. We urge the federal government to urgently focus on:

1. Building the foundation for a self-care strategy by conducting a parliamentary study on the benefits of self-care;
2. Supporting Canadians to practice self-care by improving health literacy and implementing taxation measures to support and incentivize self-care practices;

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3. Supporting competitiveness and incentivizing innovation by applying an economic lens to health product regulation and removing unnecessary barriers to switching products from prescription to non-prescription status; and
4. Regulating to maximize the benefits of self-care by integrating drug scheduling into the federal health product approval process, creating regulator accountability for achieving health benefits, and regulating for a digital environment.

With our significant footprint, the food, health and consumer product industry is a critical driver of Canada's economy and has the potential to be an engine for Canada's post-COVID recovery and self-reliance, creating good jobs and opportunities along the way. Thank you again for the opportunity to put forward our recommendations for the 2021 Budget.

Sincerely,

A handwritten signature in blue ink, appearing to read "M. Graydon".

Michael Graydon,
Chief Executive Officer
Food, Health & Consumer Products of Canada