

Advisory group's economic blueprint calls for dramatic increase in immigration, foreign investment

By Sean Silcoff and Bill Curry

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A group of external advisers to Finance Minister Bill Morneau will call on the government this week to dramatically increase the level of immigration and foreign investment coming in to Canada to stimulate a sluggish economy in future years.

Their recommendations include increasing immigration by 50 per cent to 450,000 people annually over five years while easing the process for high-skilled and entrepreneurial foreigners to come here; building a new department to entice foreign direct investment into Canada; and creating an arm's length infrastructure bank. The recommendations were confirmed by several senior sources who spoke with *The Globe and Mail*.

The infrastructure bank, seeded by federal money, would co-ordinate the building of large-scale projects such as electrical grids, highways, ports and transit systems, with a goal of tapping \$4 from private financiers for every \$1 from Ottawa, sources said.

The 14-member Advisory Council on Economic Growth, chaired by Dominic Barton, global managing director of the consultancy McKinsey & Co., will deliver its first three recommendations to Mr. Morneau in Ottawa on Thursday. The council, which includes venture capitalists, institutional investors, business executives and academics, plans to present up to 20 ideas in the coming months intended to help Canada boost economic growth beyond forecast levels of less than 2 per cent annually through 2030.

The minister is expected to announce plans to act on at least one of the recommendations in his fall fiscal update, sources said. "My sense is [the government is] keen to receive these recommendations as soon as possible," said

one source close to the council. "That probably tells you they want to do something."

In a speech to a Public Policy Forum summit in Ottawa last week, Mr. Barton said "We're going to come up with ... bold ideas that will actually jolt the system and get implemented."

Expanding and improving the immigration process would address a key concern raised by fast-growing Canadian tech companies. Many say visa approval times for foreigners with high-level executive experience or in-demand skills can drag on for up to a year, and that coveted recruits who would otherwise move to Canada are not willing to put their lives on hold for so long when they have multiple opportunities. As a result, many tech firms say they have either lost out on key hires, or been forced to have such people work for them outside Canada.

"The current immigration process is overwhelmingly convoluted – even Kafkaesque," said Tobi Lutke, CEO of Ottawa-based retail software firm Shopify, Inc., which is hiring hundreds of people this year and has lost recruits because of immigration delays. "The people we need to bring to Canada are not building widgets that Canadians otherwise would. The people we are recruiting ... are the teachers that help us scale [up]. If we want to build the best companies in the world here, we need to allow the best people in the world to move here."

Such thinking has guided panel members, who believe that increasing immigration and making it easier for skilled foreigners to move to Canada can increase the pool of people with the training, ambition and drive to create substantial economic value and help support Canada's aging population. For example, a

recent study by the National Foundation for American Policy said more than half of Silicon Valley startups valued at \$1-billion (U.S.) or more were founded by immigrants.

The panel is calling for employers in technology and other expanding sectors to be exempt from the time-consuming process of proving no Canadian could do a job they want to offer to foreigners for senior positions or specialized roles, such as data science or digital marketing. Foreign students who have studied in Canada should have an easier time immigrating, the council also believes.

In addition, the council will recommend in the coming months the creation of a national body to help Canadians develop their skills and training for more technical jobs of the future.

Council members are pressing Ottawa to create a department charged with increasing the level of foreign direct investment in Canada, which has expanded by just 2 per cent annually since 2005, well below the Organisation for Economic Co-operation and Development average of 7 per cent. Canada is seen as a relatively difficult place for foreign firms to invest, while fewer than 20 of Canada's trade commissioners are devoted full time to seeking out foreign investment. Several U.S. states, and countries including Ireland and Mexico, have hundreds of employees dedicated to that task.

Sources say the new agency would have 60 to 70 employees – not bureaucrats from other departments but people with relevant experience. They would promote Canada as an investment destination and serve as a “one-stop” source of information and links for foreign investors to local talent, universities, local-industry players and supply-chain networks. Prime Minister Justin Trudeau's mandate letter to Trade Minister Chrystia Freeland last fall called on her to create an “Invest in Canada Office.”

The council's call for an infrastructure bank likewise echoes a Liberal election promise to provide low-cost financing to municipalities for infrastructure projects. However, the council and Mr. Morneau are now looking at a more ambitious plan in which the bank would gather and prioritize large projects that could earn revenue, such as electrical networks, and that attract billions in added international investment. Council members Mr. Barton and Michael Sabia sketched out the infrastructure bank idea at the Public Policy Forum summit last week. “The idea of having some sort of central agency that can help us deal with those things with institutional investors makes eminent sense,” Mr. Morneau said at the same event.

The council and government officials are anticipating some resistance to the recommendations.

Immigration Minister John McCallum and Innovation Minister Navdeep Bains say they support more immigration, but acknowledge facing some opposition from within the government. Several recent polls – including one conducted for Mr. McCallum's department – found little support for increased immigration.

Mr. McCallum said in an interview on Tuesday that he is not prepared to go as high as 450,000. But he suggested the number will rise from current levels of 300,000 when the government releases its 2017 immigration targets by Nov. 1. “This is a somewhat controversial issue, especially when you talk about numbers that high,” he said. The minister said no final decisions have been made.

Attracting investors to infrastructure will involve some degree of privatization – either for new projects or selling federally owned assets. A recent Public Policy Forum report said airports, water and waste-water infrastructure are the likeliest candidates.

However, public-private partnership projects have drawn criticism in Canada and abroad, while political meddling has created the kind of uncertainty international investors do not like to see, including efforts by the Ontario Liberals to change the terms of the privatization of Highway 407 set by the previous government.

The council recommendations are not binding, but panel members have worked closely with ministers and bureaucrats since the group's launch in March.

Growth Council panel a high-level group of 14 Canadians

Finance Minister Bill Morneau's Economic Advisory Council on Economic Growth:

- Dominic Barton (chair), global managing director of consultancy McKinsey & Co.
- Elyse Allan, President and CEO of GE Canada
- Katherine Barr, venture capitalist with Mohr Davidow Ventures
- Jennifer Blanke, chief economist, World Economic Forum
- Kenneth Curtis, chairman, Starfort Investment Holdings
- Brian Ferguson, president and CEO, Cenovus Energy Inc.
- Suzanne Fortier, principal and vice-chancellor, McGill University
- Carol Anne Hilton, CEO, Transformation
- Carol Lee, CEO, co-founder of Linacare Cosmotherapy Inc.
- Christopher Ragan, associate professor of economics at McGill University
- Michael Sabia, CEO of the Caisse de dépôt et placement du Québec pension fund
- Angela Strange, partner, Andreessen Horowitz
- Ilse Treurnicht, CEO, MaRS Discovery District
- Mark Wiseman, senior managing director of BlackRock Inc.