Pre-Budget Submission by: Canadian Chamber of Commerce

List of Recommendations

International Trade

Recommendation 1: That the federal government continue to pursue a permanent exemption from U.S. tariffs currently imposed on steel and aluminum exports, monitor issues of trans-shipment and diversion, and at the earliest opportunity conclude a modernized NAFTA which defends Canadian export interests.

Recommendation 2: That the federal government promptly ratify the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

Recommendation 3: That the federal government allocate more funding from the long-term federal infrastructure plan to the National Trade Corridors Fund to help meet the demand for trade-enabling infrastructure projects in Canada.

Recommendation 4: That the federal government improve current programs to connect SMEs to international business opportunities by ensuring access to – and effective communication with - Trade Commissioner Service personnel.

Regulation

Recommendation 5: That the federal government redouble its efforts to modernize the rules governing interprovincial trade through the *Canadian Free Trade Agreement*.

Recommendation 6: That the federal government convene a government-business working group to develop new or enhanced tools to reduce the cumulative regulatory burden facing Canadian companies and combat the inconsistent application of directives and best practices by regulators.

Recommendation 7: That the federal government include economic impact assessments in the mandates of health, safety and environmental regulators.

Recommendation 8: That the federal government provide SMEs with a single point of contact to assist with regulatory processes and compliance.

Taxes

Recommendation 9: That the federal government conduct a comprehensive review of the Canadian tax system focusing on creating a tax mix that will improve business competitiveness and reducing the administrative burden of the tax system.

Recommendation 10: That the federal government promptly extend accelerated capital cost allowance permanently to all sectors of the economy.

Recommendation 11: That the federal government engage SMEs in a tax advisory body, including annual reporting on changes applied and progress made.

Innovation

Recommendation 12: That the federal government adopt an "innovation box" regime that would reduce the corporate tax rate for income derived from patented inventions and other intellectual property connected to new or improved products, services and related innovative processes that were developed in Canada.

Recommendation 13: That the federal government provide investors with a 30% refundable tax credit of up to $200,000 in eligible technology businesses, establish a 15% refundable tax credit on eligible start-ups for angel investors, provide a tax exemption on venture capital gains, and make flow-through shares available to all types of technology companies.

Recommendation 14: That the federal government double the size of the Venture Capital Action Plan to $800 million and consider placing a 6% cap on the return on government investment.

Human Resources

Recommendation 15: That the federal government make improvements to Labour Market Information, improving the granularity of local data on job openings and job seekers, and implement a competency measurement framework that goes beyond credentials alone.

Recommendation 16: That the federal government enhance its workforce development initiatives, including a permanent expansion of the Atlantic Immigration Pilot, expand Canada Summer Jobs and Work-Integrated Learning support programs by opening them to all students regardless of age, nationality or course of study, modernize the Temporary Foreign Worker Program, and improve service standards across Employment and Social Development Canada and Immigration, Refugees and Citizenship Canada.

Recommendation 17: That the federal government continue to consult with all stakeholders to ensure that a prospective national pharmacare plan focuses on filling existing gaps and does not undermine or duplicate the work already being done by insurers and the private sector to provide employees with benefits.

Body of Submission

Improving Canada's competitiveness must be the government's most urgent priority. In a changing economic landscape, Canada must implement strategies to grow our businesses, encourage investment, and protect our economic interests and our prosperity.

Given global economic uncertainty, Canadian governments and businesses need to focus on measures that will allow our firms to grow and compete at home and abroad. The Canadian economy would benefit enormously from policies that reduce the cost of doing business for all Canadian companies. These pro-growth policies should include providing tools that encourage business investment, rewarding SMEs for their entrepreneurship, and fostering international expansion.

The Canadian Chamber of Commerce recommends the federal government concentrate on five key areas – international trade, regulation, taxes, innovation, and human resources – to help Canadian businesses thrive in an increasingly competitive global economy.

International Trade

As the United States is the destination for 76% of Canadian merchandise exports, and 55% of services exports, maintaining free and open access is crucial to Canada's economic prosperity. The ongoing renegotiation of the North American Free Trade Agreement is creating uncertainty for businesses that depend on cross-border supply chains. It is crucial that the government use this opportunity to modernize the agreement to facilitate doing business in the 21st century.

The Trump Administration's imposition of tariffs on imported steel and aluminum products is both illegal and unwarranted. We support the government's efforts to secure a full and permanent exemption for Canada. In light of these tariffs, and the impact of excess production globally, the government needs to guard against trans-shipment and diversion of products from third countries.

Although the U.S. will remain our largest export market for the foreseeable future, Canada urgently needs to diversify its export markets. Promptly ratifying the Comprehensive and Progressive Agreement for Trans-Pacific Partnership would create new market opportunities for Canadian exporters.

Investments in trade-enabling infrastructure have the highest long-term impact on Canadian competitiveness.[1] Recognizing this, Budget 2017 announced the creation of the National Trade Corridors Fund (NTCF) with a commitment of $2 billion over 11 years. NTCF received 357 Expressions of Interest totaling $16.9 billion in federal funds during its first calls for proposals. The high number of proposals and funding requested indicates a tremendous appetite for trade and transportation projects in Canada. As currently funded, the NTCF represents 1.1% of total federal infrastructure funding available in the 12-year, $180 billion plan. There is a clear demand and opportunity to direct a larger share of federal infrastructure funding towards the NTCF. Targeted NTCF investments will enable the movement of products, services, and people more quickly, reliably, and cheaply to key markets in the world.

SMEs account for 99.7% of all Canadian businesses, but they contribute only 25% of our goods and services exports and less than a third of our GDP. The government should cooperate with foreign jurisdictions to help SMEs identify international market opportunities and succeed in them by providing access to foreign regulatory compliance expertise.

Regulation

As Canada continues to make the case for freer trade among nations around the world, it is important that we not forget that there are still too many barriers to trade within Canada. This includes barriers to the free movement of goods as well as to labour mobility. At a time when we are fighting protectionist practices around the globe it is vital that the federal government take steps to reduce the barriers to trade within Canada that are standing in the way of business growth and economic prosperity.

[1] Canadian Chamber of Commerce, The Infrastructure that Matters Most: The Need for Investment in Canada's Trade Infrastructure (Ottawa, 2016).

Canada's complex network of overlapping regulations from all levels of government creates a costly and uncertain environment for business. In the last 18 months the U.S. has enacted significant corporate tax and regulatory reforms that increase the appeal of investing in that country relative to Canada.

The Canadian Chamber's recent report, Death by 130,000 Cuts: Improving Canada's Regulatory Competitiveness[2], lays out the problems with our enormous cumulative regulatory burden, interprovincial and international regulatory divergence and inconsistent application of processes and requirements by regulators. Regulatory reform is a low cost way to improve Canada's long-term economic growth and competitiveness. Broad-based regulatory improvements can be developed and supported by a government-business regulatory competitiveness working group.

We urge the government to include economic impact assessments in Canadian regulators' mandates. Doing so will embed business growth and competitiveness considerations in the regulatory system. The U.K. government's inclusion of a "growth duty" provides a useful example of what could be done in Canada.

The government should also ensure regulatory policies take into account the impacts on SMEs. There should be seamless interconnectivity among various levels of governments. Regulatory policies must be flexible, reflect the realities of small businesses, and avoid placing disproportionate burdens on them.

Taxes

Canadian tax competitiveness is rapidly eroding. With sufficient political will, Canada can create an internationally competitive business tax system that rewards entrepreneurship, encourages investment in the technologies, skills, and capacity businesses need to grow, and attracts capital and highly qualified people from around the world.

[2] www.regulatesmarter.ca

The current U.S. administration has created an attractive environment for businesses looking to expand or invest by dramatically reducing business taxes and regulation. France and the United Kingdom have also embarked on major tax reforms. In comparison, Canada has become less competitive for starting or growing a business. Declining tax competitiveness undermines all aspects of Canadian business, from cross-border supply chains to mergers and acquisitions.

Reforming the tax system will make the Canadian economy more competitive. Innovative tax policy solutions like adjusting the tax mix, improving the system's efficiency, and examining how to apply VAT fairly and evenly across provinces and sectors in a digital economy can put Canadian firms on more equal footing with their competitors.

Allowing businesses to fully expense the cost of new machinery and equipment in the tax year the investment is made would boost Canadian productivity, investment, and innovation. It would also facilitate digital adoption by Canadian businesses – SMEs in particular – by allowing accelerated capital cost allowance on software purchases and advanced technologies.

Innovation

The digital age presents tremendous opportunities for Canadian citizens, governments and business. Canada should focus on implementing digital infrastructure policies that facilitate the deployment of new technologies, patented inventions, intellectual property, and innovative processes.

Canada can build a highly competitive venture capital industry that incentivizes investors through tax credits and exemptions for investments in technology companies and start-ups, including SMEs. The availability of flow-through shares can help grow innovative technology companies that will not have any income for the years it takes to develop a new product. The federal government can support these initiatives by doubling funding for the Venture Capital Action Plan and capping the return on government investment.

Human Resources

To compete for top talent, Canada must align training programs with the needs of employers, meet SME labour requirements to scale up and compete internationally, and attract skilled workers from around the world. Permanently expanding the Atlantic Immigration Pilot model would fill labour force needs in other underserved regions of the country. Modernizing the Temporary Foreign Workers (TFW) program by including a "trusted employer element" would add flexibility by allowing employees and employers to renegotiate contracts by mutual consent, and exempt high-wage TFWs from a transition plan requirement.

The Canada Summer Jobs program and support for Work Integrated Learning can be improved by making the duration of jobs flexible enough to meet employers' needs, extending eligibility to all returning students regardless of age or whether they are Canadian or international students, and applying it to students regardless of their study programs. Setting maximum processing times for documents, implementing simplified online application forms, providing feedback mechanisms on applications that are denied, and offering an appeals process for denied applications would also improve service standards across ESDC and IRCC.

While no Canadian should go without the medications or medical treatments they need to keep themselves and their families healthy, the federal government should reinforce and not replace the good work that private sector employers and insurers are currently doing to provide employee healthcare and drug coverage.

For many employers, existing plans are important tools for attracting and retaining talent. These plans frequently offer benefits that would not – and could not – be included under a national single-payer plan. Undercutting those plans would hurt businesses, deprive employees of the ability to make choices about their health benefits, and introduce new costs that the public purse cannot afford.