



December 11, 2008

The Honourable James Flaherty  
Minister of Finance  
140 O'Connor Street  
Ottawa, ON  
K1A 0G5

*Office of the President and  
Chief Executive Officer*

*Cabinet du président  
et chef de la direction*

Dear Minister Flaherty:



The Canadian Chamber of Commerce network was pleased to hear of your intention to hold a finance ministers' meeting on December 16-17 as part of your pre-budget consultations. We believe this initiative can be an important first step toward a coordinated, truly national, response to the current economic crisis.

We were also pleased by the Prime Minister's commitment to a First Ministers' meeting in January, and by his invitation to the leaders of the other political parties to submit their ideas on what the federal budget should contain. The deterioration in the global and Canadian economies is unprecedented in recent times, and we strongly encourage all participants to set aside partisan, regional and sectoral concerns to work together in the national interest.

The 175,000 members of the Canadian Chamber of Commerce network recognise that we must also contribute to finding solutions, and we pledge our cooperation to help the process succeed. Many of our member Chambers will be holding meetings in their communities across Canada in early January to allow members of Parliament to hear their constituents' concerns and suggestions. The Canadian Chamber will collect the results of those meetings and make them available as you prepare your budget.

Because Parliament is prorogued, the House of Commons Finance Committee is unable to hold pre-budget hearings. Additionally, organisations that had been invited to submit briefs prepared them in late summer before the dramatic economic downturn of recent weeks began. As a result, much of the advice received by the Government is outdated. The Canadian Chamber network has the infrastructure to provide forums for an informal all-party committee to meet with interested groups and individuals across Canada. We would offer to organise and host these meetings in appropriate locations across the country. To encourage the broadest possible spectrum of advice, these meetings would be open to a wide variety of groups and individuals, in addition to members of the Canadian Chamber. We make this offer to you and to the other political parties in the hope that it can contribute to building the national consensus that is so urgently needed at this time.

360, rue Albert St.  
Suite 420  
Ottawa, Ontario  
K1R 7X7

 613.238.4000  
 613.238.7643

[www.chamber.ca](http://www.chamber.ca)  
[info@chamber.ca](mailto:info@chamber.ca)



-2-

In addition, I am pleased to provide you and your provincial/territorial colleagues with some preliminary perspectives of the Canadian Chamber and its members prior to your meeting.

According to the Bank of Canada, our economy is now in recession, even if the severity and duration remain uncertain. Canadian businesses are feeling the pain of the global financial crisis. Hundreds of companies are cutting production and laying off workers. Consumer confidence has plummeted, as have Canadians' retirement savings.

The Canadian Chamber believes that we must develop a strategy that is realistic in its assumptions about Canada's economic performance, provides stimulus to move us back to economic growth and contains a clear plan to avoid a return to long-term structural deficits. We need an economic plan that will do more than allow us to tread water during an economic storm. The Government should be looking ahead to economic recovery and growth. Such an approach will not only help Canada cope in these times, but set us up for greater success when the economic tides turn.

In the short term, the greatest risk is the possibility that we will enter into a cycle of deflation that will shake investor and consumer confidence, put companies out of business and destroy jobs. As a result, the stimulus package should be both immediate and sufficient to encourage economic activity, while ensuring that we do not return to the process of continuous deficit financing that would mortgage our children's futures. It could include permanent personal income tax reductions, encourage widespread business investment in machinery and equipment by abolishing tariffs on a wide range of imported machinery and equipment and introducing tax credits, and an immediate adjustment in Capital Cost Allowance rates that do not line up with the true economic life of the relevant asset.

In addition, an economic stimulus strategy must include the acceleration of infrastructure projects that have been approved and for which environmental assessments have been – or are about to be - completed. This will not only provide quick economic stimulus, but will strengthen Canada's competitive edge when the business cycle rebounds.

Because businesses have based their plans upon previously-announced corporate tax reductions, these reductions must be allowed to proceed.

Taxes that increase the cost of capital and deter investment undermine the ability of businesses to succeed. They also destroy jobs. This is why the Government needs to work with the provinces and territories to phase out provincial/territorial capital taxes. Remaining provincial and territorial retail sales taxes need to be harmonized with the GST. Harmonisation with the GST is one of the single most important steps jurisdictions can make to foster a more successful business community.



-3-

Additionally, the acceleration of the timetable to eliminate inter-provincial/territorial barriers to trade and mobility would result in economic benefits for years to come. It has never been more important than it is today to remove the artificial barriers that increase costs to taxpayers and make it hard for Canadian businesses to compete with low-cost suppliers from abroad.

We welcome the recent announcement by the Bank of Canada that it would lower the overnight lending rate. It is important that the Bank do its part to ensure liquidity and affordable credit for Canadian businesses and consumers.

Finally, both because Canada competes internationally and because the crisis we face is truly global in its scope, our Government's work with foreign countries and banks to restore global economic growth in both the short and long-terms remains critical. We hope that the Government will work closely with its international counterparts to follow a coordinated, global strategy and to resist any temptation to succumb to protectionism.

Minister, the Canadian Chamber of Commerce and its member network across Canada wish you and your colleagues every success in your important deliberations. We are anxious to assist in any way we can, and we look forward to the results of your meeting.

Sincerely,

Perrin Beatty

cc: Ted Menzies, Parliamentary Secretary to the Minister of Finance  
Hon. Michael Baker, Minister of Finance, Nova Scotia  
Hon. Victor Boudreau, Minister of Finance, New Brunswick  
Hon. Dwight Duncan, Minister of Finance, Ontario  
Hon. Iris Evans, Minister of Finance, Alberta  
Hon. Dennis Fentie, Premier and Minister of Finance, Yukon  
Hon. Rod Gantfoer, Minister of Finance, Saskatchewan  
Hon. Colin Hansen, Minister of Finance, British Columbia  
Hon. Monique Jérôme-Forget, Minister of Finance, Québec  
Hon. Jerome Kennedy, Minister of Finance, Newfoundland and Labrador  
Hon. J. Michael Miltenberger, Minister of Finance, Northwest Territories  
Hon. Keith Peterson, Minister of Finance, Nunavut  
Hon. Gregory Selinger, Minister of Finance, Manitoba  
Hon. Wesley Sheridan, Provincial Treasurer, Prince Edward Island  
Gilles Duceppe, Leader of the Bloc Québécois  
Jack Layton, Leader of the New Democratic Party of Canada  
Michael Ignatieff, Leader of the Liberal Party of Canada