



THE CANADIAN CHAMBER OF COMMERCE
LA CHAMBRE DE COMMERCE DU CANADA

*Office of the President and Chief Executive Officer
Cabinet de la présidente et chef de la direction*

January 19, 2009

The Honourable James M. Flaherty, P.C., M.P.
Minister of Finance
Department of Finance Canada
L'Esplanade Laurier
140 O'Connor Street
Ottawa, Ontario
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Dear Minister:

On behalf of the 175,000 members of the Canadian Chamber of Commerce network, I would like to express our thanks to you and your team for meeting with us across Canada - in Saint John, Montréal, Thornhill, Saskatoon, and Victoria - in pre-budget consultations.

In December, the Canadian Chamber was pleased to provide you with a copy of our Pre-Budget Submission. In recent weeks, several local chambers of commerce hosted their own pre-budget consultations with representatives of their business communities and members of Parliament. The wide-ranging views expressed at these meetings were submitted to the Canadian Chamber of Commerce. We are pleased to provide you with a summary of the grassroots input we received.

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While this summary does not include each of the suggestions that was discussed during the meetings that took place across the country, it will give you a sense of the themes that were expressed most often.

Recommendations to the Federal Government

1. Underlying Principles

- Budget 2009 must restore confidence in our economy and in our nation's leaders.
- Budget 2009 must be based on realistic assumptions/forecasts.
- Fiscal stimulus must be targeted, timely and temporary.
- Stimulus package should align with long-term policy objectives.
- Government should avoid long-term, structural deficits.

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- Ensuring consumers, and small- and large-businesses have access to credit is imperative.

2. Spending on Infrastructure

- Work with the provinces/territories and municipalities to accelerate infrastructure spending to stimulate the economy during the downturn, and strengthen our nation's competitiveness and productivity going forward. Focus first on 'shovel ready' projects, including transportation infrastructure, but also keep an eye on future needs.
- Allocate a major portion of infrastructure spending to maintenance, upgrades and repair of existing infrastructure, including buildings.
- Allocate a minimum of one percent of the federal stimulus infrastructure budget to planning and asset management strategies.
- Ensure infrastructure funding also flows to small municipalities and rural areas of the country.
- Use existing mechanisms – such as federal-provincial/territorial Infrastructure Programs, and federal-provincial/territorial Infrastructure Framework Agreements – to facilitate implementation quickly.
- Expand the definition of infrastructure to include affordable housing and other social projects, such as cultural and tourism structures, and housing for the homeless.
- Invest in broadband and other emerging technologies.
- Direct funds to eliminate the backlog of deferred maintenance at post-secondary institutions to repair and/or restore facilities, building components, and equipment.

3. Tax Policy

- Maintain previously announced personal and corporate tax reductions to ensure Canada remains an attractive place to live, work, and invest.
- Reduce personal income tax rates for lower- and middle-income families.
- Introduce time-limited, Accelerated Capital Cost Allowance (CCA) rates to encourage businesses to spend on capital projects now rather than later.
- Consider a national investment tax credit to encourage new spending on capital goods manufactured in Canada to stimulate Canadian production.
- Continue to share gas tax revenue with the municipalities.
- Broaden the list of RRSP-eligible investments.
- Reduce federal excise taxes.
- Amend tax laws pertaining to capital gains rollovers to allow locked-in funds to be withdrawn and invested in businesses.
- Permit individuals to withdraw (without penalty) monies saved in RRSPs to fund business growth.
- Expand refundability of the Scientific Research and Experimental Development (SR&ED) Tax Credit to all R&D performers.

4. Labour Market and Training

- Enhance apprenticeship tax credits to encourage unemployed workers to upgrade their skills.
- Enhance the current Work-Share Program to encourage workers to upgrade their skills. Consider lengthening the time that employers can participate in the Program.
- Consider reducing employer payroll taxes to encourage more hiring.
- Make improvements to Canada's system of Employment Insurance (EI) to provide a safety net for those losing their jobs, and to enable the unemployed to continue to spend. Consider restructuring EI to provide training.
- Invest in education.
- Develop retraining programs that address emerging sectors' needs.

5. Innovation

- Increase funding to programs that encourage innovation, like the Industrial Research Assistance Program (IRAP), which provides a range of both technical and business oriented advisory services along with potential financial support to growth-oriented Canadian small- and medium-sized enterprises.
- Enhance Scientific Research and Experimental Development (SR&ED) Tax Credits to encourage Canadian businesses of all sizes, and in all sectors to conduct research and development (R&D) in Canada.

6. Supporting Traditional and Emerging Industrial Sectors

- Facilitate a broad discussion regarding 'bailouts' to ensure that measures are efficient and effective.
- Structure government sectoral support as a loan, and only proceed when realistic criteria indicate it can be repaid in a timely fashion.
- Eliminate provincial and territorial barriers to trade and mobility.
- Allow financial services companies – banks and insurers – to merge to ensure they remain strong and competitive in the global market place.
- Ensure a vibrant and competitive small business sector. Provide financing/loan guarantees to small businesses – to help establish new small businesses, grow existing small businesses, and empower entrepreneurs.
- Stimulate the sale of automobiles by allowing businesses to write off the cost (i.e. claim capital cost allowance) over 2 years, and by waving the full GST (or portion) on new vehicles acquired in 2009/2010.
- Provide support to Canada's agriculture sector.

7. Investing in Housing

- Invest in affordable housing.
- Provide subsidies for energy-conserving retrofitting of homes and businesses.
- Increase spending on housing for the homeless. Specifically, match the dollars invested by provincial governments in each province in 2008 with a one-time supplementary expenditure into social housing infrastructure. This investment



should be in addition to the funds already budgeted under the National Homelessness Initiative.

- Stimulate private sector participation in the rental housing market. Measures could include: refunding GST paid by businesses investing in rental housing, as is the case with other rental property investments; allowing small rental landlords to qualify for small business tax treatment; and restoring the deductibility of land carrying costs.

8. Government Programs, Government Agencies, and Commissions

- Reduce fees (i.e. loan insurance premiums) charged by the Canadian Mortgage and Housing Corporation (CMHC) to make homeownership more affordable and accessible for Canadians.
- Reduce fees and administrative costs associated with government loan programs to make them easier and more cost-effective to access.
- Actively solicit and explore ideas to reduce the regulatory burden on business, as well as reporting, compliance and administrative costs.
- Implement the recommendation of the Expert Panel on Securities Regulation to establish a national securities regulator to administer a single securities act for Canada.
- Fund a portion of the fiscal stimulus from cost-savings achieved by: making government operations more effective and efficient; instituting a hiring freeze; speaking with unions to open federal employment contracts with the intent of obtaining support for wage reductions; and cutting back on non-essential programs.

Minister, we wish you every success in establishing a clear strategy that will stimulate the economy now and lay the foundation for long-term growth. We are anxious to assist in every way we can to build a stronger and more prosperous Canada.

Sincerely,

Perrin Beatty

CC: Rob Wright, Deputy Minister, Department of Finance Canada
Ted Menzies, Parliamentary Secretary to the Minister of Finance, Department of Finance Canada
James Rajotte, MP for Edmonton-Leduc