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Le porte-parole des entreprises canadiennes^{MD}

October 15, 2008

The Right Honourable Stephen Harper, P.C., M.P.

Prime Minister of Canada

House of Commons

80 Wellington Street

Ottawa, Ontario

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*Office of the President and
Chief Executive Officer*

*Cabinet du président
et chef de la direction*

Dear Prime Minister:



I am writing to extend my congratulations to you and your colleagues on your election victory. The 40th Parliament faces significant economic challenges and it is imperative that all parties work together for the good of the nation and in support of national goals. The Canadian Chamber of Commerce looks forward to working closely with the government to strengthen our economy.

While the steps taken by the federal government in last year's Economic Statement have positioned Canada well, the global economic outlook has taken a turn for the worse as the US economy slows dramatically. Commodity prices have slumped on recession worries. There is no question that Canada's economy will be negatively affected. As a major trading nation and a net exporter of many commodities, weakening demand worldwide and, in particular, south of the border, will be a blow to the external side of the Canadian economy.

Canada has also been caught up in the turmoil in the global financial system. Profound risk aversion has taken hold among investors and lenders alike. Additionally, while Canada's financial sector remains much stronger than its counterparts in the United States and Europe, concerns over the cost and availability of credit and extreme market volatility will dampen domestic spending, further weakening Canada's economic prospects.

I am encouraged by the coordinated actions taken by the Bank of Canada and other central banks to inject liquidity and stabilize the financial system. The Government's program to help enhance the long-term funding capacity of the banks at a time when financing costs have climbed sharply and private credit markets have seized up is also a step in the right direction. G7 members have acted decisively, and further coordination with our international counterparts can help us weather the storm.

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Other measures can be considered to address the current financial crisis including:

- The Bank of Canada can provide further short-term interest rate relief by easing the overnight rate by half a percentage point on October 21, 2008, the next scheduled date for announcing the overnight rate target.
- The Bank of Canada could also consider creating a commercial paper and bankers' acceptances funding facility. The US Federal Reserve has done just this to provide liquidity for short-term credit markets. Because businesses and banks finance their short-term credit needs in these markets, it would help reduce the cost of capital to households and increase its availability.
- Ensure that small- and medium-size enterprises (SMEs) have access to credit.
- Consider insuring all bank deposits, regardless of size, to boost confidence and remain competitive. Denmark, Germany, Ireland and Hong Kong have already done so and other countries, including the United States, have boosted the deposit insurance cap.

I urge the Government to convene Parliament as soon as possible and present to the nation an *Economic and Fiscal Update*. The ability of the Government to meet its commitments may be compromised by an economy that will show little or no growth over the next year, constraining government revenues. The affordability and timing of commitments will need to be re-examined to avoid risking a deficit next year. An *Update* will also help assure Canadians and international investors that Canada is still a great place to invest and do business.

Despite the critical present situation, the Government will also need to focus on long-term structural reforms to improve Canada's prosperity and competitiveness. Some excellent work in this area has already been done by the government, including the *Advantage Canada* strategy and the report of the Competition Review Panel earlier this year. The challenge now is to turn those strategies into early action. Many of these critical initiatives can be started immediately at little or no cost to the Government.

Public policies must promote and enhance flexibility so that our economy and small and large businesses can readily adapt to current and future circumstances. We need to focus on taking action on a number of fronts that will bolster Canada's competitiveness in both the short and long term:

- **Internal Trade:** Develop an open and efficient Canadian marketplace that is free from internal barriers to trade, investment and labour mobility. The government must make it a priority to work with the provinces and territories to eliminate all internal trade barriers that impede the free flow of goods, services and people by 2010.
- **International Trade:** Seek multilateral, regional and bilateral agreements with key trading partners that create new market opportunities for Canadian companies. Immediately launch negotiations for a Canada-EU Free Trade Agreement.



- **Canada-US Relations:** Canada's competitiveness is directly linked to the strength of our relationship with the United States, our closest ally and largest trading partner. Your leadership and commitment in fostering this relationship must remain the Government's top international priority.
- **Border Infrastructure:** The maintenance and development of Canada-U.S. border infrastructure is of the utmost importance to handle the US\$1.5 billion in trade that crosses our border every day, in addition to business travel and tourism. Implement the recommendations of the CCC-USCC coalition Finding the Balance report.
- **Infrastructure:** Invest in productivity-enhancing infrastructure – transportation, border and broadband networks. Accelerate the approval and funding process for major infrastructure projects currently in the works.
- **Tax Harmonization:** Expeditiously work with the provinces (British Columbia, Saskatchewan, Manitoba, Ontario and Prince Edward Island) to harmonize provincial sales taxes with the GST on an expedited basis.
- **Immigration:** Align Canada's immigration policies with the needs of the labour market. Act now to review and streamline current processes to ensure that applications are processed within six to twelve months, starting with economic and business applicants, and work with the provinces and territories to develop national accreditation standards to evaluate foreign credentials, professional and trade qualifications, and certification in regulated and non-regulated occupations.
- **Labour Participation:** Immediately undertake a full review of the EI system to examine its role in labour mobility across Canada.
- **Competition Policy:** Implement the Competition Policy Review Panel's recommendations with respect to the Investment Canada Act.

With the financial crisis and the dramatic slowdown in the world's economy, the Government needs to set out clear policies to promote the success of Canadian businesses. The well-being of every Canadian family depends on both short-term measures to counteract the threat of a possible recession and wide-ranging structural reforms that can help our businesses compete in the future.

Mr. Prime Minister, the members of the Canadian Chamber of Commerce wish you and your government every success as you confront these important challenges. We are anxious to assist in every way we can to build a stronger and more prosperous Canada.

Sincerely,