



# Pre-Budget Consultations, 2011

**Speaking Notes for  
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Chief Economist**

**To the House of Commons  
Standing Committee on Finance  
October 31, 2011  
Toronto, Ontario**

Please Check Against Delivery

Thank you, Mr. Chair. My name is Tina Kremmidas and I'm Chief Economist at the Canadian Chamber of Commerce. It gives me great pleasure to come before this Committee to present the views of the Canadian Chamber on the four issues [i.e. how to achieve a sustained economic recovery; create quality sustainable jobs; ensure relatively low rates of taxation; and achieve a balanced budget] that are the focus of this year's pre-budget consultations.

As many of you know, the Canadian Chamber is the largest and most broadly-based business association in Canada, a network of over 420 chambers of commerce and boards of trade, representing 192,000 businesses of all sizes, in all sectors of the economy and in all regions of the country.

Many of our members entered the summer with great optimism.

Canadians were also brimming with confidence. Now, in the face of alarming events abroad, some are less sure.

The G20 Leaders Summit in France this week presents an opportunity for the G20 to restore confidence by taking urgent and decisive action to rein in debt, and refocusing on delivering strong, sustainable and balanced growth. Our President and CEO, Perrin Beatty, is heading the Canadian delegation to the G20 Business Summit.

Given the current economic climate some would prefer that the Government of Canada change course. This is not our view. The Canadian Chamber continues to call on the federal government to balance its books by fiscal 2015-16 and to do so by restraining annual government spending growth. As we have seen from experiences abroad, as well as in Canada in the 1990s, deficits can quickly spiral out of control triggering a financial and economic crisis. Investors and markets need assurance that the government will not veer away from the current plan to return to surplus in the medium-term.

Slaying the deficit dragon is also in the long-term interests of the country. We need to get our finances in order to regain the financial

flexibility to deal with the gale force of an aging population and tackle areas that are crucial to Canada's long-term competitiveness. This includes reducing high and uncompetitive marginal personal income tax rates that discourage people from working, saving and upgrading their skills.

To create quality, sustainable jobs in Canada, we must embrace a culture of innovation. Innovation has led to new industries and new jobs in high-tech and advanced manufacturing sectors like aerospace, nanotechnology, life sciences and alternative energy.

Yet, when it comes to the capacity for innovation, the World Economic Forum rates Canada in 24<sup>th</sup> place. Canada ranks near the bottom among OECD countries in getting innovative products and services to the marketplace. To foster innovation, the government must focus on implementing a reinvigorated national strategy with the spotlight on research, training and retraining, and education. We must build a strong interface between post-secondary institutions and the private, public and non-profit sectors to accelerate the pace of

discovery and commercialization, and turn Canadian research efforts into successes in the marketplace. We must strengthen Canada's intellectual property rights regime and ensure SR&ED investment tax credits are being delivered in a predictable, consistent and timely manner. This is presently not the case.

Ensuring ongoing job creation also requires an ambitious and comprehensive strategy to boost our country's trade and investment ties with other nations. It is likely that the U.S. will be trapped in a modest growth environment for several years. This calls for efforts to diversify Canada's international trade to faster growing markets.

Policymakers should always be looking for ways to enhance the flexibility of Canada's economy and improve its performance.

Eliminating interprovincial barriers to trade and labour mobility and burdensome regulatory procedures, and reducing the tax compliance burden come to mind as areas in need of urgent action. We recommend that the government launch a national consultation

process focused on identifying ways to reduce the complexity of Canada's tax system and improve tax administration.

As part of this, the government should undertake an independent review of the 260 or so tax preference measures that are part of the federal tax system to determine if they are cost effective and are achieving their intended purpose. Those that are not should be phased out. A more comprehensive tax base would facilitate lower tax rates so all Canadians benefit.

I will end my remarks here. I look forward to the Committee's report and I wish you success in your deliberations. I would be pleased to answer any questions you may have.

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