



Budget 2010

The Canadian Chamber welcomes the federal government's strategy to stay the course on the recovery plan, its approach to balancing the books over the medium term, and its emphasis on laying the foundation for a more innovative and competitive economy. The government recognizes that the substantial program spending increases over the last decade are not sustainable. It plans to limit increases in program expenses to 0.8% per year over the 2010-11 to 2014-15 period. This will not be easy. Since fiscal 2000-01, growth in program expenses has been averaging a little more than 6% per year. The Canadian Chamber will watch closely to ensure Ottawa lives up to its commitment to rein in spending and improve efficiency in the government sector.

Revenues are projected to increase approximately 6.5% per year over the forecast period. With nominal growth in the economy expected to average about 4-5 % per annum, growing our way out of deficits will be challenging.

In the final analysis, we need to get our fiscal house in order so we can provide the economic flexibility needed to prepare for the jobs of tomorrow and meet the challenges posed by an aging population.

Going forward, it is crucial that the government refrain from increasing taxes that hinder job creation, entrepreneurship and investment. We can't afford to erase the hard-earned progress we have made in improving our international tax competitiveness. While Budget 2010 explicitly stipulates that "the government will not raise taxes," the projections in the Budget suggest Employment Insurance (EI) premiums will rise significantly (the maximum of 15 cents) over the 2011-2014 period to recover the deficits incurred by the EI program during the recession. Thereafter, premiums will be set at the break-even level. Increasing payroll taxes will discourage employers from hiring just as the economic recovery matures. Over the long-term, these costs are ultimately passed on to employees in the form of lower wages, taking a bite out of personal income. The Canadian Chamber urges the government to keep rate increases at manageable levels by devising a workable financing scheme for EI - i.e. amend the present rate-setting formula with a view of balancing the EI Account over the business cycle of up to ten years - to help smooth out increases in premiums.

Lastly, small and medium-sized businesses are the backbone of our economy, accounting for about 98% of all businesses in Canada and employing more than 5 million people. Advances in communications and information technologies, the accelerating pace of global economic integration and intensifying competitive pressures are creating ongoing adjustment pressures and challenges especially for small- and medium-sized businesses. We applaud the government's focus in Budget 2010 to support innovation in Canada's small business sector, reduce the regulatory burden, improve credit availability, and continue to reduce the tax compliance and administrative burden facing businesses. These initiatives will result in higher performing businesses and higher paying jobs for Canadians.

We also welcome the government's focus on advancing the digital economy which will help raise business productivity, and contribute to a more prosperous and competitive Canada. Canadian businesses lag their international competitors in the development and adoption of innovative ICT. In the knowledge-based economy, Canada must be a world leader, not a laggard.

The Throne Speech contained important additional commitments in areas such as strengthening intellectual property rights. The Canadian Chamber analysis of the Throne Speech can be viewed at chamber.ca.

Canadian Chamber of Commerce: Budget 2010 Analysis

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