



Pre-Budget Consultations 2010

**Notes for Remarks by
The Honourable Perrin Beatty
President and CEO
The Canadian Chamber of Commerce**

**To the House of Commons
Standing Committee on Finance**

**Ottawa, Ontario
November 2, 2010**

Thank you, Mr. Chair. It gives me great pleasure to come before this Committee to present the views of the Canadian Chamber of Commerce as you proceed with pre-budget consultations.

Il me fait plaisir de présenter les vues de la Chambre de commerce du Canada et de nos près de 200,00 membres qui œuvrent dans tous les secteurs de l'économie, sont implantés dans toutes les régions du Canada et emploient plusieurs milliers de Canadiens et Canadiennes.

As many of you know, the Canadian Chamber network is the most broadly-based business association in Canada representing close to 200,000 businesses of all sizes, in all sectors of the economy and in all regions of the country. Our members create the jobs, pay the taxes, power the growth and contribute the leadership that provides the quality of life we enjoy in our country.

We led the call for our political leaders to work together on a clear strategy to stimulate the economy, ensure access to affordable credit and lay the foundations for long-term economic growth and competitiveness.

And we saw results. Canada's economy weathered the financial and economic crisis better than most industrialized countries and staged an impressive turnaround. In just four quarters, the economy recovered all the output and jobs lost during the recession. No other G7 country can make such a claim.

After the dramatic bounce back, second quarter GDP results provided telltale signs of a slowing recovery, and recent data further confirmation. The near-term global economic outlook remains uncertain, and our economy faces strong headwinds from weak U.S. demand and overstretched Canadian households.

Continued vigilance and leadership are required to secure the recovery and jobs. In our submission we urged the federal government to follow through on delivering existing stimulus plans. The steady fiscal course is essential to reinforce consumer and investor confidence.

We also stressed the importance of returning to budget balance over the medium term. Left unchecked, high and growing government debt will drive up interest rates, drain national savings and threaten our future economic prosperity.

The October economic and fiscal update reiterated the government's pledge to balance its book by fiscal 2015-16. This outcome cannot be taken for granted. The government will have to follow through with its commitments to allow temporary stimulus measures to expire come March 31, 2011, and constrain growth in program spending to an average of about two per cent per year starting in fiscal 2011-12.

The window of opportunity to bring indebtedness down is rapidly closing as an aging population and slower growth in the labour force will exert significant pressures on the public purse.

To meet the challenges, we must address long-standing structural impediments to growth. Now more than ever, leadership and courage are needed to dismantle internal barriers to trade and

mobility, foreign investment restrictions, overlapping regulations, and work disincentives in the income-support system (like Employment Insurance).

Additionally, a better designed and more efficient tax system would lift the economy's long-term growth potential.

High marginal personal income tax rates discourage people from working, saving, and investing, and entrepreneurs from taking on risk. With growth in Canada's labour force slowing, our personal income tax system must be competitive so we can maintain, attract and develop one of the most skilled and productive workforces in the world.

This is why it is so crucial that we maintain a strong focus on expenditure restraint to recapture our fiscal flexibility to deliver meaningful personal income tax cuts.

Increasing business income taxes or renegeing on promised corporate tax rate reductions to raise additional revenue is economically destructive. Businesses have a critical role to play in sustaining economic growth by initiating new investments and hiring to expand productive capacity. Loose talk about canceling the reductions may cause companies to pull back. Businesses require certainty and predictability from their government to operate and invest with confidence. Parliamentarians must keep their word.

Toute augmentation du taux d'impôt des sociétés, ou tout retard ou annulation de cette promesse auront des répercussions désastreuses pour l'économie canadienne et les compagnies qui en assurent l'essor continu.

It has been estimated that giving up the planned three-point reduction in the federal general corporate income tax rate would result in a long-run loss of \$47 billion in capital investment and 233,000 jobs. (School of Public Policy, University of Calgary).

We also need to ensure Canada's tax system is fair, simple and efficient.

It costs businesses tens of billions of dollars each year to comply with their tax obligations, the lion's share of the burden carried by small- and medium-sized enterprises. These costs are the result of excessive paperwork due to the complexity of the tax system, frequent changes in tax legislation, different rules across jurisdictions and dealing with multiple audits (federal and provincial/territorial).

For businesses under common ownership and control, the lack a formal system for transferring losses between related companies imposes heavy administration and compliance costs. More than two-thirds of OECD-member countries permit consolidated tax returns for groups of related companies. Canada is the only G7 country that does not.

The cost and time associated with tax compliance stifles investment, productivity and economic growth.

Improvements can also be made to Canada's Employment Insurance program. Over time, premium rates must be stabilized so that the EI program counteracts, or mitigates the negative effects of economic cycles. This is why the Canadian Chamber is calling on the government to smooth out premium increases by amending the rate-setting formula with a view of balancing the EI Account over the business cycle of up to ten years.

Time is of the essence. We must act now purposefully and thoughtfully to address both the immediate and longer-term economic and budgetary challenges. What is at stake is nothing less than the future prosperity of every Canadian.

Nous devons agir avec fermeté conviction afin d'assurer l'avenir économique prospère de notre pays. Nous croyons fermement que les recommandations de la Chambre de commerce du Canada nous mettent sur la bonne voie et nous espérons sincèrement que ce comité en tiendra compte.

Merci de votre attention.

We wish the House of Commons Standing Committee on Finance every success as it conducts pre-budget consultations. I would be pleased to answer any questions you may have.

- 30 -