

Pre-Budget Meeting Information

Background

The government remains on track to balance the budget in 2015-16. Specifically, in the November *Update of Economic and Fiscal Projections* the government projected deficits of \$17.9 billion in current fiscal year and of \$5.5 billion for fiscal 2014-15, and then a surplus of \$3.7 billion in fiscal 2015-16. In recent weeks, the finance minister has said the federal government may post a bigger budget surplus than forecast in the 2015-16 fiscal year.

The government's targets rest largely on spending restraint. As announced in the *Speech from the Throne*, the government is reintroducing a freeze on operating spending. The freeze will be in effect for the 2014-15 and 2015-16 fiscal years. Additionally, the government is undertaking a systematic review of Crown assets and has indicated assets will be sold when it is in the best interest of Canadians.

The 2014 budget is expected to be a steady-as-she-goes, low-key document. Any new measures announced will entail little or no cost to the federal treasury so that the government does not jeopardize its return to balanced budgets in 2015-16 and beyond. Much of the fanfare will be left for the pre-election budget in 2015.

Canadian Chamber of Commerce "Asks"

In our pre-budget submission we focused on three areas. We asked the federal government to:

- 1) Convene an expert panel with the mandate to identify areas of the tax system that cause the most complexity and uncertainty and to recommend areas for simplification.
- 2) Consider implementing an "innovation box" approach to encourage more business investment in innovative processes in Canada. An "innovation box" regime would reduce the normal corporate tax rate for income derived from developing and commercially exploiting patented inventions and other IP connected to new or improved products, services and related innovative processes to the benefit of Canada.
- 3) Reinstate the Accelerated Labour Market Opinion (A-LMO) process in the Temporary Foreign Worker program; set the new user fees for the processing of LMOs at modest levels and tie them to service improvements; and regarding the requirement to develop and implement a firm plan to transition to a Canadian workforce, exempt small businesses given their lack of human resource capacity

and also employers where Canadian/permanent residents are not available due to low regional unemployment or low population.

While we focused in these three areas in our pre-budget submission, we have called on the government to address the *Top 10 Barriers to Competitiveness* identified by our members.

Key messages

- We welcomed the announcement that the *Canada-EU Comprehensive Economic and Trade Agreement* (CETA). This agreement with the world's largest economy will bring more opportunities for exporters and lower prices for consumers, as well as encourage new investments in Canada. We hope the momentum generated by signing this deal will help push Canada's other major trade talks forward, including those with Japan, India, Korea and the Trans-Pacific Partnership countries. We will also be watching for the government to act on its commitment to promote the success of Canadian exporters by launching a comprehensive new plan to assist Canadian businesses as they expand abroad.
- Many Canadian businesses are hampered by the mismatch between their needs and the skilled employees available. We look forward to the government's actions to ensure underrepresented Canadians, including Aboriginal peoples, the disabled and young people, get the training and tools they need to participate more fully in the workplace. Aboriginal peoples are the youngest and fastest growing segment of our population and the prime minister has said their success in our workforce as begin critical to Canada's future. His words contradict the government's inaction to bring federal funding of on-reserve schools up to provincial levels, lift the two per cent cap on post-secondary education assistance for First Nations and Inuit people, and to provide support to the Métis. Additionally, our members are deeply perplexed by the changes already introduced to the Temporary Foreign Workers program and the negative impact it is having on employers in smaller and remote communities. We will be watching any further changes very closely.
- The government recognized that the time for us to diversify our energy markets is limited and that we need to move forward, responsibly, in building the infrastructure to do so. Continued delay jeopardizes billions of dollars in revenue that support services that all Canadians benefit from.
- Modern, efficient infrastructure is essential to a competitive economy. Unfortunately, the amount of infrastructure investment needed far outstrips our ability to pay. While the government has undertaken several helpful initiatives in recent years, much more needs to be done. To ensure that our infrastructure is

modern and efficient Canada needs an infrastructure investment plan that focuses on strategic investments and examines the use of innovative funding tools.

- We are delighted the government acknowledged the \$85 billion annual contribution of the tourism sector to our economy.
- We will be watching carefully to see if this acknowledgement is followed by any concrete action on key policy levers, including more support for international marketing, improving our visa system's efficiency and reducing the cost of air travel, to enable the sector to make an even greater contribution.
- Barriers to the movement of people and goods within Canada continue to frustrate our member businesses and stand in the way of qualified people moving to where employers need them. We are very pleased with the progress in recent years, particularly in relation to the government's commitment to improve credential recognition throughout Canada and the movement of skilled workers. The creation of a truly barrier free domestic market must remain a priority for all levels of government. We look forward to working with the government to achieve success in this area.
- The Canadian Chamber is pleased that the government has acknowledged the need to improve IP protection and the actions it has taken in this regard—for example, beginning the process of the ratification of the WIPO Internet Treaties and the passage of the *Copyright Modernization Act*. The recent introduction of both the *Combating Counterfeit Products Act* and the *Trafficking in Contraband Tobacco Act* are steps in the right direction and our members would like to see those passed swiftly. However, more needs to be done to remove barriers as IP protection is fundamental to innovation. We continue to stress the need to reform the *Patent Act* to reduce the time from application to approval, to bring patent terms in line with our global trading partners, to reform the requirements for promise in patent utility analysis and to manage the problem of patent trolls. Changes in the trademark registration process are also important.

Questions for Meetings with MPs

- What should be the program spending, taxation and other priorities of the federal government in the next budget?
- Should the federal government institute another broadly based tax reduction program and, if so, what taxes should be reduced?
- In the event of a federal budget surplus, how should the surplus be allocated?
- Should a certain percentage of any federal budget surplus be directed towards bringing federal funding for on-reserve schools up to provincial levels and

removing/increasing the cap on federal support for Aboriginal post-secondary education support?

- What would you like to see in the budget, or what do you propose the government do to incent labour mobility so more Canadians can move to fill vacancies where they exist?
- Are businesses in your constituency concerned about the policy changes to the Temporary Foreign Worker program and the impact it will have on small businesses' ability to access skilled workers?
- What more can the government do to address skills shortages in certain regions, given its focus on connecting more Canadians to jobs available?
- How can the government continue to invest in priority areas such as infrastructure, education and trade and still able to balance the budget by 2015-16?
- In February 2011, Canada and the U.S. launch the *Beyond the Borders* and *Regulatory Cooperation Action Plans*. Since that time progress in many areas has been slow. What can be done to ensure that both governments not only live up to their existing commitments, but strive to continuously streamline bilateral trade?
- Canada continues to lag in R&D investment. Recent changes to the SR&ED tax credit incentive have exacerbated this lag. What should the government do to improve the business environment and encourage more investment in R&D?
- The government of Canada invests significant resources in R&D in educational institutions. Yet much intellectual property and innovation resulting from these investments remains untapped. What should the government do to bridge the gap between R&D and commercialization?