



5 Minutes for Business

The Red Wave: What it Means for Canadian Business

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Canadians have spoken decisively and given the Liberals a majority that no one thought possible. (Why do we even read polls anymore? Maybe we'd be better off scanning the stars.)

Here's why the pollsters got it wrong. The number of people who voted Liberal shot up a staggering 149%, from 2.8 million in 2011 to 6.9 million this past Election Day. Meanwhile, the Conservative vote didn't budge, from 5.7 million voters last time to 5.6 million, as the base stayed loyal. Where did all these votes come from? Strategic voting played a small part in Mr. Trudeau's triumph, as the Liberal surge pulled just under a million votes from the NDP. But mostly, the Libs benefited from a massive increase in people coming to the polls as 69% of Canadians voted, up from 58%, an additional three million newbies. Mr. Trudeau changed the landscape and will enjoy a reasonable honeymoon owing to the size of his victory. But what does it all mean for Canadian business?

The good news is a stable, substantial majority gives much more predicatibility to business. It's certainly far better than a shaky Liberal minority being pulled to the left by the NDP, perhaps forced into higher corporate taxes or against the TPP or other "barbaric economic practices."

Infrastructure will also get a big boost. The Liberals have promised to set aside a portion of their \$60 billion plan for roads, ports and gateways and they have committed to improving Canada-U.S. border crossings and cargo inspection. Studies show that every \$1 of infrastructure spending adds \$1.70 to final GDP. Thus, the added spending could boost Canadian economic growth by almost 1%.

More good news is the renewed focus on trade. The Liberals have told us they'll continue to pursue free trade agreements. We expect them to implement

Canada's deal with the Europe Union as well as the recently concluded Trans-Pacific Partnership. Trade negotiations with India are currently stalled, but we hope they will also be a priority.

On taxes, the Canadian Chamber was delighted when Mr. Trudeau so eloquently explained that corporate taxes should not be increased (a major drag on investment and competitiveness in a globalized world.)

The area the Canadian Chamber is watching with concern is payroll taxes. Firstly, the Liberal government will seek to expand the Canada Pension Plan, a position we support, but it may be politically tempting to push costs onto employers. CPP contributions act as a tax that makes it more expensive to hire staff, which can depress employment. The other major payroll tax, employment insurance, has been pulling in far more money than it was paying out for many years and so it was set to decline from 1.88% to 1.47% in 2017. The Liberals have promised to tax an extra \$500 million of revenues from keeping the EI rate at 1.65% in order to pay for additional training. The Canadian Chamber has for a long time been vehemently opposed to using EI premiums for purposes other than funding the insurance it provides.

As the largest business association in Canada, we see a lot of positives in the new government's platform and we share in the country's enthusiasm. With new ministers, new staff and a new leadership style from the top, there is an unprecedented opportunity to work with the government and have our voices heard.

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