



Current Policy Issues Affecting Canadian Business: June 2009

In recent weeks I have met with local chambers throughout Canada. While there is a common sense of concern regarding the rolling out of economic stimulus funds and access to credit for business, some are expressing optimism that their local economies are showing some, albeit weak, signs of recovering or that conditions will start to improve soon. With unemployment levels at their highest in 11 years (8.4 percent in May) and confirmation that our economy is in recession, any optimism is a testament to the determination of the Canadian business community to not only weather this storm but to come out of the recession ready to hit the ground running.

Our political leaders should take their lead from them and ensure our economic engine - our businesses - have the environment they need to be competitive when the economy turns around. This includes not being tempted to adopt protectionist measures which would only prolong the recession.

Hon. Perrin Beatty, President and Chief Executive Officer
Canadian Chamber of Commerce

Discussions with - not retaliation against - the U.S. needed to address Buy American measures

The Board of Directors of the Canadian Chamber of Commerce has expressed its support for efforts by the federal, provincial and territorial governments to pursue bilateral discussions with the U.S. to ensure that companies from both countries can bid on government procurement contracts.

The Buy American provisions in the U.S. stimulus package have shut Canadian companies out from \$280 billion worth of state- and municipal-level government procurement opportunities. More disturbing still is that similar rules are being included in other pieces of legislation before the U.S. Congress.

Despite the understandable calls to retaliate against U.S. protectionism, a trade war between our countries would make matters worse. The Canadian Chamber supports a rules-based procurement deal with the U.S. to prevent that possibility.

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Canada and the U.S. agree to explore joint-border management models

On May 27, Hon. Janet Napolitano, U.S. Secretary of Homeland Security, and Hon. Peter Van Loan, Minister of Public Safety, released a joint-statement recognizing the unique Canada-U.S. partnership. They agreed to meet twice a year to monitor progress made at the border based on the following goals:

- Managing risk while facilitating the movement of legitimate goods and people,
- Enhancing each government's ability to assist one another in times of emergency, and
- Leveraging resources to explore models for joint management of shared border facilities, equipment, and technology, as well cross-designation of personnel.

The Canadian Chamber is pleased to see both governments making the security and efficiency of the Canada-U.S. border a priority. Through our work with the Canadian and U.S. governments and business organizations in both countries, the Canadian Chamber has been pushing for more benefits for trusted shippers and travellers. It is important that our border inspectors focus their limited resources on unknown trade and travel, making the border easier to cross for those people and businesses that have already been security checked and certified low-risk.

We are also pleased to see both governments committed to exploring joint-border management models. In a recent report, *A Canada-U.S. Border Vision*, the Canadian Chamber called on both countries to work together on a co-managed border run by officials from Canadian and U.S. border and infrastructure agencies. A co-managed border would lead to uniform and strategic border planning in security, infrastructure, and operational activities. This concept could be tested using a pilot project at an existing border crossing with low-risk, pre-screened trusted shippers and travellers. Today's announcement is a positive step forward in that direction.

Secretary Napolitano and Minister Van Loan also put in place a *Canada-U.S. Framework for the Movement of Goods and People Across the Border During and Following an Emergency*. Following a terrorist threat or attack, a pandemic or a natural disaster, our governments committed to working together to manage the movement of goods and people during and following an emergency. This framework lays the groundwork for our countries to put in place a formal border contingency plan. The Canadian Chamber and its Border Contingency Planning Steering Committee have been working with Public Safety Canada and Canada Border Services Agency (CBSA) as they set up their plan. We are pleased to see that both countries are working together on this initiative.

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Bill C-300 would impose potentially crippling penalties on Canadian oil, gas and mining companies

The House of Commons Foreign Affairs and International Development Committee has begun its study of Bill C-300: *An Act respecting Corporate Accountability for the Activities of Mining, Oil or Gas in Developing Countries*.

C-300 proposes a series of punitive measures, including cutting off Export Development Canada (EDC) financing and Canada Pension Plan investment if a company is judged to be behaving in a manner inconsistent with yet-to-be-defined guidelines. The complaint procedure is deeply flawed and would allow anti-extractive interest groups to lodge unsubstantiated complaints without consequences. At the same time, Canadian extractive companies face the risk of tremendous harm to their reputations. C-300 is all stick and no carrot; offering companies no additional tools to enable them to develop their environment and community programs in the developing world.

While we believe C-300 was tabled with the best of intent, it has many deficiencies that could have dire consequences if it were passed, including the exodus of extractive sector companies from Canada. It fails to recognize Canadian companies must already abide by internationally-recognized CSR guidelines to receive (EDC) financing and Canada Pension Plan Investment Board (CPPI) investment.

The fact is that the vast majority of Canadian extractive companies behave responsibly, are considered global corporate social responsibility leaders and investors of choice for developing countries. It is also true that they create economic and life enhancing opportunities for the citizens in the countries in which they operate and significantly contribute these to these nations' economies. To be cut off from EDC financing and political risk insurance, as well as blacklisted for CPPI investment, would mean the cancelling of projects and the cutting of jobs. Faced with the uncertainty of being measured against undefined guidelines, many companies will simply not take the risk of pursuing new ventures in developing countries. Finally, the impact of the harshest penalty of all - reputation damage - is not taken into account.

On the face of it, C-300 is good politics. Who can argue with its intentions? However, upon closer examination C-300 is just not good policy.

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Bill C-27 could have unintended consequences

The Canadian Chamber supports stopping spam and was a member of the 2005 Spam Task Force looking into possible solutions. In 2007, the Canadian Chamber passed a policy resolution at its annual general meeting supporting government action to stop spam. While the Canadian Chamber is pleased that the government has acted by introducing Bill C-27: *Electronic Commerce Protection Act* and we agree with its general principles, many of our members have expressed concern about some of the possible unintended consequences with the way the bill is currently drafted.

The Canadian Chamber will appear before the House of Commons Industry, Science and Technology Committee (INDU) on June 16 to discuss some of these concerns in more detail. We hope our comments will result in the bill being improved to stop spam while not causing any unintended chill on e-commerce use in Canada.

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Reforming Canada's EI System

In May, the Canadian Chamber of Commerce released a policy paper outlining reforms to Canada's Employment Insurance (EI) system to improve the equity of the system, reduce work disincentives, promote labour force mobility and ensure program costs do not create a drag on economic activity and job creation when the economy recovers.

The measures we proposed include:

- Immediately and permanently making access to benefits equal wherever the unemployment rate is less than 10 per cent, flattening entrance requirement to a consistent 560 hours and extending benefit duration accordingly,
- Not standardizing variable entrance requirements and benefits where unemployment levels are higher than 10 per cent,
- Gradually reducing the employer EI premium rate to equal that paid by employees,
- Returning EI to its original focus by removing its social program aspects, e.g., maternity and other leaves, as well as skills and training programs. These should be funded through general government programming funds.
- Amending the rate-setting formula so that deficits in the EI Account are funded over the business cycle of up to 10 years.

The complete paper is available at:

<http://chamber.previewsite.ca/images/uploads/Reports/reforming-canadas-employment-system140509.pdf>

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Canadian Energy: An Invaluable Resource

The Canadian Chamber of Commerce is bringing together energy producers, large end-users and energy service/product providers to develop a comprehensive energy strategy that promotes a diverse supply of reliable, affordable and environmentally sound energy; provides for the most efficient and economical use of energy; helps stimulate the development and deployment of new energy technologies; and recognizes that we live in a world of energy interdependence.

The consultations will culminate in a paper containing key policy recommendations slated for release in the fall of 2009. As a lead-up to the energy strategy paper, in May, the Canadian Chamber released the fourth paper in its Economic Policy Series titled *Canada's Energy Sector: A Valuable Resource*.

The paper concludes that Canada has considerable energy resources and is one of the world's largest producers and exporters of energy. Investment by Canada's energy sector reaches across the entire country and provides benefits to many individuals and governments. Additionally, Canada's expertise in advanced recovery techniques and knowledge of complex resources are in demand around the world. Canada is also a large consumer of energy – energy consumption per capita in Canada is amongst the highest in the world. As an energy-reliant society we have an incentive to seek out better ways to source and produce our valuable resources, increase the share of renewables in the energy mix, and reduce the environmental footprint attributable to all energy production and consumption.

While the recession has led to a downturn in capital investment and reduced demand for many energy commodities, it has also served as an impetus for the industry to prepare for the next cycle of growth. Prices rise and fall in response to market forces, but one basic constant remains: the continuously growing demand for energy in a world where population and development are increasing.

Canada's Energy Sector: A Valuable Resource is available at:

<http://chamber.previewsite.ca/images/uploads/Reports/canadian-energy.pdf>

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Air Passengers' Bill of Rights could be potentially dangerous and expensive for travellers

While we see that it is in the best interests of air travellers and the airline industry to have a formal policy preserving passenger rights, Bill C-310: *An Act to Provide Certain Rights to Air Passengers (Air Passengers' Bill of Rights)* is costly, highly punitive and dangerous to passengers and airlines.

Bill C-310 threatens to levy punitive fines on airlines for numerous service issues, including extended delays and cancellations, which are often the result of factors outside of the control of the airline. Applying penalties on airlines compromises passenger safety by encouraging pilots to make riskier decisions about whether to fly or not. In addition to security concerns, the threat of penalties will also increase the cost of air travel.

Instead of passing legislation with major costs and security concerns, we urge Parliament to bring airlines, airports, passengers and other stakeholders together to craft an effective and economically feasible model that preserves passenger rights.

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Canada-Peru Free Trade Agreement Implementation Act positions Canadian companies well

The Canadian Chamber appeared before the House of Commons Standing Committee on International Trade on May 12th to discuss the Bill C-24: *The Canada-Peru Free Trade Agreement Implementation Act*. We support the federal government's commitment to enhance our relationships in the Americas and are pleased to see the government conclude this important free trade agreement. Breaking down trade and investment barriers during these difficult economic times sends a strong message to the rest of the world that more market access is part of the solution. It also makes sure that Canadian companies are not left at a disadvantage compared to businesses in other countries. The Canada-Peru agreement makes sure that Canadian companies are well positioned, in a rules-based system, to take advantage of market access opportunities in a growing Peruvian economy. We urge Parliament to quickly pass the *Canada-Peru Free Trade Agreement Implementation Act*.

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Canadian Chamber supports stronger Canada-EU economic links

On May 6th, Canada and the European Union launched formal negotiations to reach an enhanced economic-partnership agreement within two years. The Canadian Chamber of Commerce strongly supports reaching an ambitious and balanced agreement with the European Union. The EU is our second most important trade and investment partner. A closer economic partnership is projected to generate \$40 billion in annual trade and investment gains. This means more market access opportunities for Canadian goods and services providers and more jobs for Canadians.

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Canadian Chamber releases report calling for a North American transportation system

On April 30th, the Canadian Chamber released a new report as part of its work to obtain the government's commitment to put in place a national transportation strategy. *A North American Vision* builds on the November 2008 coalition report, *Moving the Canadian Economy: Four Pillars for a National Transportation Strategy*. This new report outlines specific recommendations for making the Canada-U.S. border more secure and trade-efficient, integrating our transportation systems, and improving our border infrastructure. Throughout 2009 we will be releasing additional reports that build upon the November report. To view the most recent report, please click on the following link:

<http://chamber.previewsite.ca/images/uploads/Reports/transportation-series-pillar1.pdf>

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