

# CANADIAN BUSINESS AGENDA



November 2007

*A monthly update from the Canadian Chamber of Commerce on policy issues affecting Canada's business sector*

## *Canadian Chamber of Commerce Applauds Economic Statement with Tax Relief for Individuals and Businesses*

The Canadian Chamber of Commerce was pleased to see a number of our key recommendations were adopted by the federal government in its recent *Economic Statement*.

The reduction in the general corporate income tax rate will strengthen Canada's ability to attract business and compete effectively. Similarly the reduction in the lowest marginal personal income tax rate to 15% will help stimulate work effort, saving and investment - all of which have a direct bearing on our nation's productivity, competitiveness and prosperity. Raising the *Basic Personal Amount* will reduce average tax rates for taxpayers at all income levels, but more so – in relative terms – for lower income Canadians. It will also encourage more people to enter the workforce.

The 2007 *Economic Statement* reduces the lowest personal income tax rate to 15% from 15.5% effective January 1, 2007. While this is certainly a step in the right direction, more needs to be done to reduce personal income tax rates across all income tax brackets as well as increase income thresholds for personal income taxes. At a time when the population is aging, and labour shortages are reported across the country, we need to ensure that the right incentives are in place to encourage work effort and skills upgrading, as well as enhance Canada's ability to attract and retain highly skilled and productive workers.

To strengthen Canada's ability to attract business and compete effectively in the global economy, the government must further reduce corporate income tax rates to ensure they are internationally competitive. In this regard, the Canadian Chamber was very pleased to see the government take immediate and bold steps to reduce the general corporate income tax rate to 15% by 2012. This will give Canada the lowest corporate tax rate among the G7 nations by 2012.

The Canadian Chamber of Commerce has long recognized that Canadians are overtaxed and this week's announcements

take concrete measures to address the situation in an immediate and bold fashion. These measures are particularly welcome as global competitive pressures intensify and underscore the need for international tax competitiveness.

## *Competition Policy Review Panel Releases Consultation Paper*

On October 30<sup>th</sup>, the Competition Policy Review Panel released its consultation paper entitled "*Sharpening Canada's Competitive Edge*". The panel is chaired by Mr. Lynton Ronald Wilson. The other members of the panel are: Mr. N. Murray Edwards, Ms. Isabelle Hudon (President & CEO of the Montreal Board of Trade), Mr. Thomas Jenkins and Mr. Brian Levitt. The committee is mandated to assist Canada's economic performance by promoting Canadian direct investment abroad and creating the domestic conditions to foster the development of Canadian businesses; and maximizing Canada's attractiveness as a destination for talent, capital and innovation, echoing some of the themes that were laid out in the blue ribbon panel report from the Expert Panel on Commercialization. The release of the consultation paper launches the panel's public consultations.

The panel will examine: Canada's policies regarding foreign direct investment (including current restrictions in place on foreign and domestic ownership of firms in selected sectors); competition policies and how the *Competition Act* can affect the nation's overall competitiveness; the promotion of Canadian direct investment abroad; and Canada's attractiveness as a destination for talent, capital and innovation.

The Canadian Chamber of Commerce believes that the Competition Policy Review Panel is an excellent opportunity to make Canada a more competitive, prosperous and productive economy with a policy framework that rivals the best of our trading partners. The Canadian Chamber of Commerce has struck a steering committee to assist in the preparation of a submission to the panel.

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## *Government Responds to Parliamentary Committee Reports*

**Counterfeiting and Piracy:** On October 17<sup>th</sup>, the government tabled its official response to the House of Commons Industry, Science and Technology and the Public Safety and National Security Committees regarding their studies and reports on the issue of counterfeiting and piracy. Both parliamentary committees studied this issue in the spring and the Canadian Chamber appeared before both committees stating that the government needed to begin to take action to address the issue of counterfeited goods posing a health and safety issue to Canadians, not to mention the negative impact on the economy of counterfeited products. While not particularly detailed in its response to the two reports, the government recognizes the seriousness of the issue.

Virtually no industry escapes IP crime. Intellectual property is an essential element for promoting investments in research and innovation, international trade and investment, consumer protection and overall economic growth.

**PIPEDA** (*Personal Information Protection and Electronic Documents Act*): Also on October 17<sup>th</sup>, the government issued its official response to the Access to Information, Privacy and Ethics Committee's report on the statutory review of PIPEDA. The Canadian Chamber of Commerce appeared before the committee on February 1<sup>st</sup> to convey members' views on PIPEDA to the committee and worked with other associations, businesses and the Office of the Privacy Commissioner to develop voluntary privacy breach notification guidelines that a company could use in the event of a privacy breach. The government's response mostly reflected the committee's earlier recommendations and the Canadian Chamber is pleased with the response overall.

The Canadian Chamber will be following both of these issues closely to monitor and address any legislative amendments that are introduced.

## *Government Reintroduces Legislation to Provide Foreign Investment Protection*

On October 29<sup>th</sup>, the federal government reintroduced legislation for Canada to implement the *International Convention on the Settlement of Investment Disputes* (ICSID Convention). At present, 144 countries have ratified the ICSID Convention, which provides foreign investors with access to an investor-state dispute settlement mechanism (similar to NAFTA's *Chapter 11*). The legislation passed second reading and was referred to the Foreign Affairs and International Development Committee for review. The Canadian Chamber welcomes this development and has worked hard over the years to attain ratification of the ICSID

Convention.

## *Consumer, Industry and Health Concerns Outlined in Letter to Prime Minister on Cheese Standards*

An informal coalition spearheaded by the Canadian Chamber of Commerce was formed over the summer months and has been sharing their concerns regarding the proposed changes to cheese compositional standards in Canada, as published in the *Canada Gazette, Part I* on June 16, 2007 (the "proposed regulations"). Recently this coalition, which represents a number of industry-specific, consumer and health-related associations, raised its concerns regarding proposed changes to cheese compositional standards in a letter to Prime Minister Stephen Harper. Specifically, these concerns include:

- ✓ the inadequate consultation process on this issue, as well as the fact that the proposed regulations are not in conformity with the government's *Cabinet Directive on Streamlining Regulations*;
- ✓ the negative impact on the health of Canadians;
- ✓ the negative effect on consumer marketplace choice;
- ✓ the disadvantageous impact that the regulations will have on Canadian competitiveness and innovation;
- ✓ that the proposed regulations are in direct violation of Canada's international trade obligations and
- ✓ that the proposed regulations are not enforceable and do not propose a realistic enforcement mechanism.

There are significant negative impacts associated with these proposed regulations that will be distributed across the entire Canadian economy. The coalition recommends in its letter that the Canadian Food Inspection Agency reassess the proposed regulations in light of the federal government's obligation to its citizens and to the international community within which it operates. Specifically, the coalition stated in its letter that:

- ✓ The proposed regulations should not proceed to *Canada Gazette, Part II*;
- ✓ The issue of cheese compositional standards should be the subject of inclusive consultations among a broader and more complete range of interested and affected stakeholders; and that
- ✓ Any proposed revisions to cheese compositional standards should be consistent with our international trade obligations.

*The entire letter outlines these issues in more detail and can be accessed on the Canadian Chamber's Web site at <http://www.chamber.ca/cmslib/general/071025Harper.pdf>.*

## *Canadian Government Tables Amendments to the Pilotage Act*

Transport Canada recently tabled Bill C-4 *An Act to amend the*

*Pilotage Act.* This reintroduced a piece of proposed legislation that had died on the order paper following prorogation. In a September 20<sup>th</sup> submission, the Canadian Chamber and a number of other business associations urged the Canadian government to reintroduce amendments to the *Pilotage Act* once Parliament resumed. The Canadian business community is concerned with the exorbitant fees charged by pilotage authorities and that the services and operations offered are run at less than optimal efficiency. Bill C-4 is a small, yet positive step forward, in addressing these concerns. For instance, Bill C-4 calls for the ability of pilotage authorities to hire contract and employee pilots simultaneously, and provides the Minister of Transport with the discretion to appoint a commercial arbitrator with a mandate to look at the business implications of increases to pilot remuneration. Bill C-4 provide the government and stakeholders with the opportunity of revisiting these positive provisions and further addressing other service and cost concerns the business community has with the *Pilotage Act*.

### *Chamber Continues its Work on Bill C-415*

The Canadian Chamber of Commerce and its members have deep concerns with the private member's Bill C-415, *An Act to Amend the Canada Labour Code (replacement workers)*. As you are aware, Bill C-415 (introduced into the House of Commons on March 22<sup>nd</sup> by Mario Silva, Liberal MP for Davenport) will be voted upon in second reading in the House of Commons in the fall of 2007.

Bill C-415 has been traded down on the order paper and will most likely have its first hour of second reading on Friday, November 16<sup>th</sup>.

This bill is very similar to Bill C-257, which was defeated at report stage earlier this year. Bill C-257 was ultimately rejected because it did not contain any provisions to ensure the protection of "essential services" in the event of a work stoppage. Bill C-415 attempts to address this issue by ensuring the operation of facilities or production of goods to the extent necessary to prevent an immediate and serious danger to the safety or health of the public. However, such a narrow scope does not take into account services that are essential to Canadian society and its economy.

Industries under federal jurisdiction are there because they are, in fact, essential. For example, Parliament recognized earlier this year that rail service provides an essential service by legislating an end to a work stoppage. Furthermore, if a work stoppage took place in the telecommunications industry and data transmission lines failed, the banks' ability to settle domestic and international financial transactions would be seriously disrupted, damaging the confidence other countries have in Canada, in addition to the crippling effect it would have on domestic financial services. Similarly, the potential to

have transportation services halted, ports closed, etc. would be felt by all Canadians and Canada's trading partners who rely on an uninterrupted flow of goods.

Despite some small amendments, Bill C-415, like Bill C-257, does not address the need to maintain the continuity of essential services. The "essential services" provision in Bill C-415 simply deals with emergency-type services that have an immediate effect on the health and safety of the public. Such a narrow scope leaves out actual essential services and should therefore be defeated due to the harm it may cause to Canadian society and its economy.

The Canadian Chamber is prepared to meet with MPs to further discuss our concerns.

### *Canadian Chamber Participates in Advocacy Mission to Washington, DC Regarding WHTI*

In late September, the Canadian Chamber participated in an advocacy mission to Washington, DC as a member of the coalition on Business for Economic Security Tourism and Trade (BESTT). Members of the BESTT coalition met with a number of advisors to Senators and House representatives to push for a legislated implementation date of June 2009 and to ensure that a critical mass of documentation (including an enhanced drivers' licence) is in circulation prior to implementation. Currently the Department of Homeland Security is pushing for a phased-implementation beginning in January 2008, followed by the final phase in the summer of 2008. The meetings were positive and the Canadian Chamber continues to push for a June 2009 implementation date, which gives enough time to ensure that a critical mass of WHTI-compliant documentation is in circulation and that the general public in both countries is aware of the incoming regulations. This will ensure that WHTI is implemented in an efficient manner that addresses both security and economic concerns.

Furthermore, DHS and the Department of Licensing for Washington State announced that the Washington State enhanced drivers' licence program will begin in January 2008. The enhanced drivers' licence will denote the carrier's citizenship and will be WHTI-compliant. It is a voluntary program and should cost about \$15 to participate. DHS is looking to expand the program to other states and provinces. In Canada, a number of provinces have expressed interest in developing their own enhanced drivers' licences. The Canadian Chamber encourages all governments to move forward with this initiative.

*For more information on the Canadian Chamber of Commerce & our policy initiatives, consult [www.chamber.ca](http://www.chamber.ca) or contact Chris Gray, [cgray@chamber.ca](mailto:cgray@chamber.ca), (613) 238-4000, x251*