

CANADIAN BUSINESS AGENDA



December 2007

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

Reducing Border Costs While Strengthening Security

The Canadian Chamber of Commerce and the U.S. Chamber of Commerce will co-chair a coalition, in collaboration with our members, chambers and Canadian and American associations with a focus on the Canada-U.S. border, to collect specific, near-term and practical recommendations on what can be done to reduce border related costs while strengthening security.

It is clear that there is growing concern about the 'thickening' of the Canada-U.S. border and a sense of frustration that many practical measures that can reduce border related costs are not being taken. While there have been a number of excellent papers on the border, a sustained, broad-based and targeted Canada-U.S. action plan has been missing. The purpose of this collaborative endeavor is to develop a new report of specific, near term and practical solutions that will reduce the costs and increase the predictability of the Canada-U.S. border.

This initiative will challenge the Canadian and U.S. governments to increase efficiency and reduce unpredictability related to the border without undermining security concerns – a big win for Canadian and American jobs, companies and a secure North America. The specific and practical recommendations provided in this document will be directives that both governments could undertake in the near term.

Members of the Canadian Chamber have been asked for their input to substantiate recommendations. The joint Canada-U.S. document will be tabled in the early new year.

Combating Identity Theft

The Canadian Chamber of Commerce welcomed the November 21st introduction of Bill C-27, *An Act to amend the Criminal Code, identity theft and related misconduct* - designed to combat identity theft. Delegates from across the country attending this year's fall annual general meeting fully supported a policy resolution entitled "*Preventing Identity Theft*".

This proposed legislation would create three new offenses directly targeting aspects of the identity theft problem, all of which would carry five-year maximum sentences. These offences are:

- * Obtaining or possessing identity information with intent to use it to commit certain crimes;
- * Trafficking in identity information with knowledge of or recklessness as to its intended use in the commission of certain crime;
- * Unlawfully possessing and trafficking in government-issued identity documents.

This bill would build upon a private members' Bill C-299 (James Rajotte, Edmonton-Leduc), which the Canadian Chamber also supported.

Clearly, the Canadian Chamber of Commerce sees the development of this legislation as a positive step as this is an issue that negatively affects many Canadian individuals and businesses each year.

Chamber against Further Extension of EI Benefits Pilot Project

On December 3, the government announced that the Extended Employment Insurance (EI) Benefit pilot project will continue until June 6, 2009. This is the second time the government has extended the pilot project. The intent of the pilot project is to reduce the annual income gap of individuals employed in part-time and seasonal work. The extended pilot project allows for EI regular claimants living in 21 affected EI economic regions to have access to five additional weeks of entitlement (up to a maximum of 45 weeks).

The Canadian Chamber advocated against an extension as it believes that the pilot project, including the extension, is counter-productive to the development of the Canadian labour market and to a competitive economy. While the original project helped approximately 13,000 seasonal workers, it encouraged another 100,000 regular beneficiaries to stay longer on EI. The current extension is likely to yield similar results. In addition, the annual cost of the pilot project is approximately \$100 million. Considering the 30-year low in national unemployment and the reported labour shortages - even in areas of higher unemployment - continuing this project beyond its expiry date will provide further disincentives to workforce participation.

Chamber Participates In Review of the SR&ED Tax Incentive Program

The Canadian Chamber of Commerce recently participated in a Finance Canada-Canada Revenue Agency consultation process on the review of the SR&ED tax incentive program. For Chamber members, the program has been effective in encouraging investment in research and development (R&D) and in boosting profitability and cash flow. Members believe the program can be improved to maximize its impact. Over 30 countries offer incentives to encourage R&D and Canada must keep ahead of the competition. It is also imperative to enhance the overall competitiveness of Canada's tax system. Generous SR&ED tax credits encourage the creation of ideas but high marginal effective tax rates on production capital (i.e. the new products and processes that result from R&D) discourage it.

Stimulating business spending on R&D will ensure that Canada remains at the forefront of scientific capability, enhancing our ability to shape and improve the nation's future. Over time, it can lead to higher productivity growth, economic growth and living standards.

Specific recommendations contained within the Chamber's submission paper include:

- * Expand refundability of the SR & ED Tax credit to all R & D performers
- * Offset SR & ED tax credits against a pre-tax levy, like EI premiums
- * Implement a focused and sustained effort to encourage SMEs to enter the SR & ED tax incentive program.
- * Continue to clarify and simplify forms and publications to facilitate access for small business and reduce compliance costs.
- * Continue to simplify overall SR&ED program administration; strengthen the consistency and predictability of CRA's administration process; and reduce the turnaround time for reviewing and processing claims. Review administrative procedures relating to the SR&ED program in other countries and adopt best practices.
- * Continue to increase awareness of the SR&ED program both at home and abroad.

The Chamber's submission paper is posted on the Chamber's Web site at <http://www.chamber.ca/cmslib/general/0711SubSRED.pdf>.

Chamber Declares Win on Investment Guidelines

On December 7th, before an audience at the Calgary Chamber of Commerce, Industry Minister Jim Prentice unveiled the federal government's new guidelines for investments in Canada made by foreign state-owned enterprises (SOEs).

In his remarks, Minister Prentice singled out the substantive contributions of the Canadian Chamber on this issue. A position paper on the issue of guidelines for investment by SOEs and a

national security review mechanism was sent previously to the minister.

The paper can be found on the Chamber's Web site at <http://www.chamber.ca/cmslib/general/Sub071115SOE.pdf>.

The Chamber is pleased that the government's guidelines took into consideration many of the recommendations made in our position paper. We will continue to work with the government in developing the open and transparent domestic policy framework to enhance Canadian competitiveness and make Canada a destination of choice for investment.

Making the Business Case...

Since the last *Canadian Business Agenda*, the Canadian Chamber has appeared before committees on various topics of concern to its members. The Chamber's recent appearances have included:

House Foreign Affairs Committee

November 22nd - the Chamber weighed in on hearings on Bill C-9, *An Act to Implement the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States (ICSID Convention)*.

House Standing Committee on Finance

November 30th - the Chamber made its pre-budget submission to government.

House Standing Committee on Industry, Science & Technology

December 5th - the Chamber appeared before the committee to discuss the impact of the appreciating value of the Canadian dollar on the Canadian economy.

Senate Standing Committee on Foreign Affairs and International Trade

December 11th, the Canadian Chamber of Commerce, appeared on the topic of "The Rise of China, India and Russia: Implications for Canada."

From Our Offices to Yours

The Canadian Chamber of Commerce commends all Members of Parliament for their time and efforts on behalf of Canadians from coast to coast to coast. We look forward to finding ways to collaborate in 2008 - and make Canada an even better place to live, work and do business.

For more info on the Canadian Chamber of Commerce & our policy initiatives, consult www.chamber.ca or contact Chris Gray, cgray@chamber.ca, (613) 238-4000, x251

*The Canadian Chamber has been Canada's Voice of Business™ since 1925. Through our network of local chambers of commerce and boards of trade, we represent over 170,000 businesses. The *Canadian Business Agenda* is designed to keep you informed of business issues that affect communities across this country.*