

January 23, 2009

The Honourable Josée Verner
Minister of Intergovernmental Affairs
Suite 800
66 Slater Street
Ottawa, Ontario
Canada
K1A 0A3

Dear Minister:

In October, the Canadian Chamber of Commerce concluded its 79th Annual General Meeting (AGM) in Québec City. One of the highlights of Chamber's AGM is the Policy Session. It is during the Policy Session that resolutions submitted by local chambers of commerce and boards of trade from across the country are debated and voted on by accredited delegates. Once approved, these resolutions become the policy position of the Canadian Chamber of Commerce for three years. This year our delegates issued a clear and decisive national policy mandate that we intend to pursue vigorously with the federal government over the coming months.

Beyond those issues we have already brought to your attention, our renewed national policy mandate includes a number of additional issues that fall within your portfolio. Accordingly, we would like to discuss these issues with you directly in the near future.

A Resolution to Replace the Agreement on Internal Trade (AIT): The AIT was considered a good first step in improving interprovincial trade, however, it leaves room for trade restrictions, and its dispute settlement mechanism has no enforcement abilities. The Canadian Chamber recommends that the federal government facilitate a process whereby the AIT is replaced with a new national agreement to effectively reduce and remove barriers to trade, investment, and labour mobility. The agreement must encompass all sectors and jurisdictions, including all government bodies, ministries, crown agencies, arms length enterprises, and regional and local governments, with few and specific exclusions. Additionally, the new agreement should include a dispute settlement mechanism with binding and enforceable rulings, as well as monetary penalties for non-compliance.

Canada's Path to Strong Economic Growth and International Competitiveness: Among 80 countries surveyed, Canada ranked as having the 11th highest average marginal effective tax rate (METR) on capital as of 2007. The METR applicable to the services sector was the 6th highest. Unlike many industrialized countries, Canada imposes a much higher METR on this sector than that imposed on the manufacturing

sector. This is hampering Canada's competitiveness. The Canadian Chamber strongly urges the federal government to work with the provinces/territories to reduce METRs on capital in the service industry so they are better aligned with those in the manufacturing sector.

Improving Consumer Choice: Removing Inter-Provincial Trade Barriers to Sales of 100 Percent Canadian Wine: In an increasingly competitive global marketplace, interprovincial barriers prohibit many businesses and industries from expanding domestic market share. For example, Canada's wine industry produces world-class, 100 percent Canadian-made wines but it is hindered by regulations and legislation that prohibit the direct delivery of wines to consumers across provincial boundaries. The Canadian Chamber urges the federal government to demonstrate commitment to reducing interprovincial trade barriers by immediately working with all provinces/territories to facilitate the direct sale and delivery of 100 percent Canadian wines. Additionally, both levels of government should work with the wine industry to examine the feasibility of a permit and reporting system that would allow specified quantities of wine to be direct delivered to Canadian consumers.

Sincerely,

A handwritten signature in black ink that reads "Perrin Beatty". The signature is written in a cursive style with a large initial 'P' and a long, sweeping underline.

Perrin Beatty
President and CEO

Attachments

CC: The Honourable Pierre Poilievre, Parliamentary Secretary to the Minister of Intergovernmental Affairs

Minister of Intergovernmental
Affairs, President of the Queen's
Privy Council for Canada and
Minister for La Francophonie



Ministre des Affaires
intergouvernementales, présidente du
Conseil privé de la Reine pour le Canada et
ministre de la Francophonie

Ottawa, Canada K1A 1M8

March 10, 2009

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The Honourable Perrin Beatty
President and CEO
The Canadian Chamber of Commerce
360 Albert St.
Suite 420
Ottawa, Ontario
K1R 7X7

Dear Mr. Beatty:

Thank you for your letter of January 23, 2009 in which you convey three policy resolutions of the Canadian Chamber of Commerce regarding competitiveness and internal trade.

This government is committed to work with other levels of government to reduce barriers to internal trade. In this spirit, at the most recent First Ministers' Meeting, the federal, provincial and territorial leaders endorsed two measures to strengthen the Agreement on Internal Trade (AIT). Both are modeled on provisions of the British Columbia - Alberta Trade, Investment, and Labour Mobility Agreement (TILMA) which your resolution describes as a touchstone for a national agreement. The first change to the AIT will enable many workers who have been certified to practice their trade in one province or territory to do so in all provinces and territories. The second measure will improve the AIT's dispute resolution mechanism, including the provision of financial penalties of up to \$5 million.

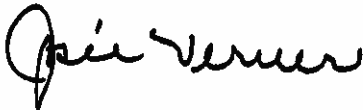
I also note the Chamber's comments on the importance of an internationally competitive corporate tax regime. This government has demonstrated a strong record of tax relief for Canadian business. By 2012, broad-based reductions will lower the general corporate income tax rate to 15 per cent and Canada's statutory tax rate to 27.2 per cent, lowest amongst the G-7 countries. The Government of Canada has also called on all provinces to reduce their own corporate tax rates to 10 per cent, thereby lowering Canada's statutory rate to 25 per cent.

I have taken the liberty of forwarding copies of our exchange to my colleagues whose portfolios are most directly implicated by the Chamber's concerns. The Honourable James Flaherty, Minister of Finance, will be interested to hear of the proposals regarding taxation of the service sector. Similarly, the Honourable Tony Clement, Minister of Industry will appreciate your comments on internal trade, including those surrounding

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inter-provincial barriers to the sale of Canadian wine, as will the Honourable Gerry Ritz, Minister of Agriculture and Agri-Food, who is responsible for regulatory affairs concerning alcoholic beverages. I have also sent a copy of this response to the Honourable Pierre Poilievre, Parliamentary Secretary to the Minister of Intergovernmental Affairs, who was copied on the original letter. Thank you for sharing the views of your membership on these matters. I trust that this information is helpful.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Josée Verner". The signature is written in black ink and is positioned above the printed name.

The Honourable Josée Verner, P.C., M.P.



Minister of Industry

Ministre de l'Industrie

Ottawa, Canada K1A 0H5

1/5/09

The Honourable Perrin Beatty, P.C.
President and Chief Executive Officer
The Canadian Chamber of Commerce
360 Albert Street, Suite 420
Ottawa, Ontario K1R 7X7

Dear Mr. Beatty:

On March 10, 2009, the Honourable Josée Verner forwarded to me a copy of your letter of January 23, 2009, with which you enclosed two resolutions adopted by your members concerning the Agreement on Internal Trade (AIT) and the removal of restrictions on the interprovincial sale of Canadian wine directly to consumers.

The first resolution recommended that the federal government work to replace the AIT with a new, broad-based national accord that includes an effective dispute settlement process. It also cites the Trade, Investment and Labour Mobility Agreement as a model. Governments have moved considerably in this direction by adopting two amendments to strengthen the AIT: the first provides for the mutual recognition of workers' occupational qualifications in all provinces and territories as of April 1, 2009, and the second adds monetary penalties for failure to comply with AIT obligations.

As you have noted, responsibility for the regulation of alcoholic beverages, including its sale, devolved to the provinces in 1928 following the passage of the federal *Importation of Intoxicating Liquors Act*. Provinces require that wineries apply to their liquor control boards (or private stores in Alberta) in order to sell alcohol in another province. They also prohibit wineries from shipping their products directly to consumers, either within or outside of the province.

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You referred to a series of decisions by the United States Supreme Court in 2005 on a similar matter. However, practices in the United States differed from those in Canada in a key area. Unlike Canadian regulations, the state regulations in dispute allowed the direct shipment to consumers of intra-state wines but prohibited out-of-state products. The Supreme Court ruled that this discriminatory practice was inconsistent with United States constitutional law.

Under the AIT, the Committee on Internal Trade, composed of ministers from each government, is responsible for further progress on removing internal trade barriers, and operates on a consensus basis. Accordingly, you may wish to contact my provincial and territorial counterparts on the Committee for their support to include your issue in a future work plan. Their names and addresses can be found at the following website: www.ait-aci.ca/index_en/contact.htm.

I appreciate your bringing your members' views to the government's attention.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tony Clement', with a long, sweeping flourish extending to the right.

Tony Clement

c.c. The Honourable Josée Verner, P.C., M.P.
The Honourable Gerry Ritz, P.C., M.P.