



Submitted via Finance Canada online portal

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Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5

Re: Canadian Chamber submission to pre-budget consultation 2021

The Canadian Chamber of Commerce welcomes the opportunity to participate in Finance Canada's pre-budget consultation process. The Canadian Chamber is Canada's largest business association, representing companies of all sizes, across all sectors and regions of the country.

This year's federal budget comes at a critical juncture for the Canadian economy as the country continues to grapple with the pandemic. Consequently, it is crucial that Budget 2021 presents a fiscal framework that both buttresses our immediate response to the pandemic and lays the groundwork for a longer-term economic recovery. The recommendations below focus on the key measures that will enhance the competitiveness of Canadian businesses, which in turn will provide well paying jobs for Canadians and strengthen the economy as a whole.

Support for labour markets

The Canadian economy will only reach its full potential by increasing labour force participation and filling gaps facing employers. There are a number of specific measures that, if included in Budget 2021, would achieve these objectives.

Even as unemployment remains high, many employers are struggling to hire amid this crisis. The challenge for both employers and job seekers is that they do not have an accurate picture of how the pandemic has affected the labour market. Based on successful models in the United States, the Canadian Chamber and its provincial and territorial chambers propose a start-up program to close this gap for the benefit of workers and employers known as the Workforce Supply and Demand Matchup platform, which has been submitted in detail to Finance Canada and other departments. **The Canadian Chamber recommends the government allocate \$50 million over three years to establish and train regional and local managers who will oversee sector-specific employer collaboration, collect and manage data, and work with learning programs and community partners to respond to labour demands.**

The responsibilities for being the primary caregiver fall disproportionately to women. Enhancing affordable childcare will strengthen the ability of women to fully participate in the workforce, especially given the personal choices many have had to make due to COVID-19 related school closures. **The Canadian Chamber recommends the establishment of an inclusive task force to support**



data-driven and parent-focused decisions on where (e.g. to provinces, territories, childcare providers, parents) and how (program dollars, grants, tax incentives) childcare funding should be spent through the continued crisis, and beyond.

Support for small and medium sized businesses

Small and medium sized enterprises constitute the largest number of Canadian businesses, and have been among the hardest hit during the pandemic. The government's continued willingness to support businesses and adapt programs has been welcome, but gaps remain in support programs, such as the Canada Emergency Wage Subsidy (CEWS) and the Canada Emergency Rent Subsidy (CERS).

First, an explicit change in the CEWS and CERS qualifying criteria needs to occur. Under the current qualifying criteria, businesses measure their monthly revenues to the previous year's revenues over the same period. Beginning in March 2021, this would mean businesses will be measuring their revenues against revenues collected during the pandemic. As a result, most businesses will no longer qualify for these supports due to a comparison of revenues during a pandemic period instead of pre-pandemic. **The Canadian Chamber recommends that the government ensure the revenue comparison calculations for both the CEWS and CERS use 2019 as the baseline revenue calculator rather than "the previous year."**

Seasonal operators generate the majority of their revenue during peak seasons, generally over the May to September period that allows their businesses to conduct activity year round. Given the baseline calculation method used in CEWS and CERS that compares the time period to the previous year (or an average of January/February), seasonal operators are unable to take advantage of government support in their off season, meaning difficulties paying workers and an inability to undertake critical offseason maintenance, planning, and logistics work. **The Canadian Chamber recommends adjusting the CEWS and CERS baseline formulas to account for seasonal businesses.**

Small business owners face unique challenges in the provision of childcare since there is not a large pool of employees to disperse workloads when childcare needs arise. To support SMEs, particularly female-owned businesses, the federal government should make targeted investments. **The Canadian Chamber recommends allowing small business owners who work from home to claim childcare as a business expense and that CEWS be expanded to include hiring in-home childcare so that business owners can return to work.**

Medium sized businesses with several locations are at a disadvantage in the CERS program due to the multi-entity cap of \$300,000. This means that a business with several locations (e.g. restaurant, hotel, or event space owners) are at a disadvantage compared to a single location business. **The Canadian Chamber recommends removing or increasing the CERS multi-entity cap to ensure a level playing field for businesses who are struggling, especially those closed as a result of local public health orders.**

Finally, there is a broad-based recognition from both government, economists and stakeholders that the pandemic has not impacted all sectors equally. While some sectors have been able to pivot to continue meeting the needs of their customers, businesses in certain sectors (including tourism, travel, hospitality, events, and arts and culture) are unable to do so due to the public-facing



nature of their industries. These sectors were first hit, hardest hit, and will be the last to recover. Government support for these sectors must remain in place until such a time where public health measures are lifted and these businesses are allowed to recover once again. **The Canadian Chamber recommends extending critical business support programs, including CEWS and CERS, beyond June 2021 and until such a time when all Canadians have access to vaccinations and businesses in these sectors are in recovery. This extension should be announced in advance, in order to allow businesses to plan ahead.**

Supporting sustainable growth

Canadian businesses are committed to sustainable growth and attaining our climate targets. However, businesses need policy certainty and a clear path forward to manage their competitiveness while making emission reductions in the decade ahead.

There are significant opportunities for Canadian businesses to create new revenue streams, reduce waste and create new clean technologies by pursuing greater circularity. However, businesses will need support to make and scale the innovations needed to advance circular economy solutions in Canada. **The Canadian Chamber recommends Budget 2021 commit funds to help businesses harness the economic potential of the circular economy to reduce plastic waste and enhance the competitiveness of Canada's resource sector. This should include measures to accelerate investments in advanced recycling facilities and clean technologies that support greater circularity.**

In supporting innovation to achieve our climate change goals, targeted investments in carbon capture and storage as well as nuclear energy could pay significant dividends over the long term. **The Canadian Chamber recommends Budget 2021 Commit funds and policy levers to scale technologies that are critical to Canada's 2030 and net-zero aspirations, such as small modular reactor and carbon capture utilization and storage technologies.**

Infrastructure and Supply Chains

Given Canada's vast geographic size, infrastructure is critical for supporting economic activity. Physical infrastructure plays a vital role enabling the movement of physical goods and people, whereas digital infrastructure enables connectivity between Canadians as well as helping businesses to reach new customers. The pandemic has also demonstrated the importance of supply chain resiliency and the need for sufficient domestic production in critical products.

In finding ways to stimulate the economy, the government should prioritize unlocking private sector capital. The Budget 2018 implementing legislation included amendments to the Life Insurance Companies Act that would enable investment in infrastructure assets. This could open new pools of capital for infrastructure that supports economic activity. **The Canadian Chamber recommends that as part of Budget 2021 the government implement the necessary supporting regulations to bring these legislative amendments into force.**

Despite having a policy framework for free trade zones within Canada, these have not reached their full potential due to restrictive rules around value-add transformation. This places Canada's free trade zones at a disadvantage relative to those in the United States. **The Canadian Chamber recommends**



amendments to the Excise Tax Act to permit greater value added manufacturing to occur within our free trade zones.

Broadband Connectivity, Cybersecurity, and Intellectual Property (IP) protection

Expanding broadband investment, including the Universal Broadband Fund, to bring forward rural 5G investments will help spur innovation and economic activity in remote communication. This is critical for the deployment of new technologies such as the Internet of Things (IoT) and remote delivery of healthcare and medical services. **The Canadian Chamber recommends that to help offset the high costs of rural investment the government should implement accelerated capital depreciation or tax credits for rural network investment.**

The stark increase in cyber-attacks throughout the pandemic has highlighted the exponential business exposure and vulnerability as it pertains to external and insider cybersecurity threats, including theft of intellectual property, complemented by a growing sophistication of hackers. **The Canadian Chamber recommends to allow businesses to write off 100% of their business investments in cybersecurity-related software, equipment, and other costs (support services and outsourcing costs) in the year those investments are made.**

Domestic Biomanufacturing Capacity, Healthcare Innovation and Pharmacare

The pandemic has also exposed the vulnerabilities that exist when a country lacks sufficient domestic production capacity for medical supplies such as PPE and vaccines. **The Canadian Chamber recommends the government use Budget 2021 to make investments to increase Canada's longer term domestic bio-manufacturing capacity.**

In the Speech from the Throne the government recognized the need for greater investment in health in order to bring about a resilient healthcare system. **The Canadian Chamber recommends the government use Budget 2021 to increase funding to build resiliency in care, driven by better adoption of innovative solutions like medicines, diagnostics, and devices. In addition, funding should be directed at developing interoperable health data infrastructure to enable value-based healthcare and value-based procurement.**

Over 26 million Canadians rely on workplace insurance plans to access important health benefits such as prescription medications, mental health supports, dental and vision care. Throughout the pandemic, insurers have been working with employers and others to keep over 98 per cent of these plans in place and working. Any national pharmacare program should address what actually needs fixing: filling existing gaps in the system to provide coverage to Canadians who are currently uninsured or underinsured. **The Canadian Chamber recommends that the federal government continue to consult with all stakeholders to ensure that a prospective national pharmacare plan focuses on strengthening the current dual-payer system, fills existing gaps and does not undermine or duplicate the work already being done by insurers and the private sector to provide employees with benefits.**



Tax and fiscal measures

Canadian companies can only compete with a modern tax system that operates in an efficient manner while also incentivizing investments from the private sector in human, intangible, and capital assets. Canada's tax code is characterized by years of tinkering without a comprehensive review of the system as a whole. Despite the absence of a comprehensive review, there are numerous measures the government could include in Budget 2021 to enhance Canadian competitiveness.

Budget 2021 can play a role in helping to mobilize domestic business investment and consumer spending to lay the groundwork for an economic recovery. Unfortunately, Canada's business investment remains among the lowest in the OECD. **The Canadian Chamber recommends that Budget 2021:**

- **Temporarily allow 100% deductibility on capital expenditures in the year incurred;**
- **Temporarily create an Investment Tax Credit for productive investment;**
- **Permanently increase the revenue threshold for GST/HST registration;**
- **Undertake a comprehensive review the Canadian Scientific Research & Experimental Development Tax Incentive (SR&ED); and**
- **Establish the Canadian equivalent of U.S. Opportunity Zones.**

The pandemic has affected all businesses, but its economic impact has been uneven across different sectors. Some industries have adapted seamlessly to working remotely and engaging customers online. However, other sectors of the economy that depend on interacting face-to-face with customers are experiencing immense difficulties. As noted earlier, these will likely be the last to recover. **The Canadian Chamber recommends that Budget 2021:**

- **Not raise taxes on these sectors. This includes repealing the automatic escalator on excise duty rates applied to beer, wine and spirits;**
- **Temporarily create an Employee Retention Tax Credit to cover the cost of unexpected and extraordinary expenses incurred because of the pandemic;**
- **Temporarily accelerate the ability to turn tax losses into cash through credit trading, refunds or by some other means; and**
- **Temporarily implement a consumption tax holiday targeted to support Canada's hardest hit sectors, such as tourism and hospitality.**

The federal government must establish a clear fiscal anchor to guide and control expenditure choices. With significant spending committed in the short-term, a fiscal anchor is needed to impose discipline over fiscal policy decisions over the medium and long-term. Public debt can never be permitted to put public services at risk. **The Canadian Chamber recommends that the government provide forward guidance on Canada's fiscal position and a clear debt-to-GDP ratio target.**

Improving economic data

In a data-driven world, information is essential for good public policy and enabling businesses to make the best decisions. The Canadian Survey on Business Conditions is a shining example of government collaborating with the business community to collect new, timely and relevant data to inform critical decision making during the pandemic. This innovative Statistics Canada product is helping public, private and third sector leaders pivot and adapt during the crisis. While there are many things we



cannot control at this time, capturing important economic data is not one of them thanks to Statistics Canada's innovative efforts. We should not pause the momentum in data innovation ignited this year.

Recommendation: To amplify the Canadian Survey on Business Conditions' data and supplement it with even more timely information, derived from passive data sources, the government should contribute \$2.84 million over two years in seed funding to establish a Business Data Lab this year. This body would collaborate with government partners (including Statistics Canada, Innovation, Science and Economic Development, Bank of Canada, Business Development Bank of Canada, Export Development Canada, and Canadian Mortgage and Housing Corporation, and Global Affairs Canada) to produce economic dashboards on Canadian business indicators and study the growth factors of SMEs and diversity businesses via virtual panels.

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