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Finance Canada
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Thank you for the opportunity to participate in the government's 2022 pre-budget consultations. This year's federal budget comes at a critical time for the economy. As Canada's largest business association, with member companies of all sizes in all sectors and regions of the country, the Canadian Chamber is focused on the importance of economic growth.

As Canadians seek to look past this most recent wave of the pandemic, it is imperative for us to take the action now that will set up our country for success in the months, years and decades ahead. Creating sustainable economic growth that achieves this will not be accomplished by a single measure, but instead by deploying a range of tools available to us. Businesses across the country can be the engines of job creation through the investments they make, but they need the right policy framework to succeed in that task.

The attached annex further articulates our specific priorities going into the federal budget. These are listed under the themes of ensuring that our country is:

- a modern economy ready to seize new and emerging opportunities;
- integrating into the global economy to strengthen supply chains and expand opportunities beyond our borders; and
- building our economic capabilities to ensure Canadian businesses can compete.

The Canadian Chamber would be pleased to share further insights on the contexts contained in our annex of recommendations.

Sincerely,

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Canadian Chamber of Commerce



Annex A – Canadian Chamber Pre-budget Recommendations

Section I - A modern economy ready to seize new and emerging opportunities

The pace of change facing Canadian businesses has accelerated and companies need support to ensure they can remain agile and adapt. Putting the right policy frameworks in place will set up companies to succeed in this rapidly changing environment, thereby creating the conditions for economic growth over the long-term.

Cybersecurity

The government has the opportunity to invest in protecting the Canadian economy and innovation, while also reaping economic dividends from growing global demand for made-in-Canada cybersecurity products and services. However, on a per capita basis, the federal government spends approximately half that of certain G7 peers, such as the United Kingdom and France on cybersecurity. The Canadian Chamber urges the government to invest in cybersecurity at a level closer to our G7 peers.

We recommend that the government should:

- **Invest \$1 billion to protect Canada’s critical infrastructure, supply chains and businesses of all sizes from cyber threats:** This will augment the more than \$7 billion already being spent by the private sector on cybersecurity products and services and ensure that our economy is one of the world’s most innovative and secure places to do business.
- **Invest \$300 million to accelerate the commercialization of cybersecurity products and services in Canada:** This will grow Canada’s competitive advantage in cybersecurity, scale cybersecurity exports and create high paying jobs.
- **Invest \$200 million to build Canada’s future cybersecurity workforce through new cybersecurity education, talent development and retention programs:** This will equip Canadians with essential cybersecurity knowledge and skills, expand and diversify Canada’s cybersecurity workforce and create opportunities for underrepresented and unrepresented groups to secure fulfilling and promising careers as cybersecurity professionals.

(see Annex B for more details)

Net-zero

As Canada moves towards a sustainable net-zero future, there is a critical need for industry and government collaboration. To ensure Canada’s pathway to net-zero is competitive, enhances investment, creates jobs for Canadians and promotes innovation, how we get there matters.



Investments that support business-led transitions, offset market development and a predictable business environment are crucial to meeting these goals.

We recommend that the government should:

- **Accelerate the wide scale deployment of carbon capture, utilization and storage (CCUS):** CCUS technology is central to Canada's immediate and long-term decarbonization efforts – and will allow for environmental and economic aims to be advanced in tandem. The government should create input tax credits that support 70% of all eligible forms of CCUS in addition to supports from provinces or federal funds (e.g., Net-Zero Accelerator funding). This will afford Canada an opportunity to meet its 2030 and 2050 emissions targets.
- **Support transitional measures:** To reach net-zero, Canada will require wide scale deployment of clean technologies, which will take time. To support immediate, transitional decarbonization efforts, the government should incentivize the production and utilization of biofuels (including biomass). This will create opportunities for waste-to-renewable fuel production as well as cuts to agriculture and transportation emissions.
- **De-risk critical minerals supply chains:** Remote mining operations require logistic connectivity, energy, clean water, secure supply chains for food and other essentials, medical support, IT connectivity, etc. Through partnerships with Indigenous communities, universities and mining companies, the government should collaborate to de-risk the necessary investments in supporting infrastructure, such as small modular reactors and site-specific clean water solutions. This will support the continued development of domestic critical minerals supply chains while addressing infrastructure deficits in remote Indigenous communities.
- **Champion a hydrogen ecosystem:** Canada is falling behind in the race to research and deploy hydrogen infrastructure. The United States has recently allocated over \$9 billion USD to support the deployment of hydrogen technology that will decarbonize their economy while driving manufacturing and energy storage. To compete, the government should create production tax credits of up to \$3 a kilogram for 10 years for hydrogen production as well as an investment tax credit of up to 30% of the cost of the electrolyzer and other equipment. This will allow Canada to compete for hydrogen investments while creating medium and long-term opportunities for decarbonization and energy storage.



Innovation

In a competitive global economic landscape, we need to invest in innovation that positions the economy to seize new opportunities. This extends beyond the traditional tech sector since all industries need to be constantly innovating.

We recommend that the government should:

- **Commit to execution of a Life Sciences Strategy:** There have been many expert reports, as well as the Government's Biomanufacturing and Life Sciences Strategy, that articulate important objectives to unleash the full potential of this strategic sector, improve health outcomes for Canadians and be prepared for future health crises. The essential policy requirements are well known. It is now time to execute the strategy by committing the required resources, and developing a scorecard mechanism to measure real progress on these well-articulated objectives by both industry and government.
- **Expand investments in broadband through the Universal Broadband Fund:** Enable more access to 5G internet in rural and remote communities that will support job creation outside urban centres and help spur innovation and economic activity in remote communication. This includes reducing barriers to access for municipal-owned infrastructure, ensuring alignment with provincial broadband programs and creating a single door for broadband funding.
- **Prioritize the allocation of additional spectrum through measures such as accelerating the timing of spectrum auctions, increasing the quantity of spectrum available and subsidizing rural deployment:** This is important for Canadians all over the country to have access to wireless services and benefit from deployment of 5G networks, utilize the power of the Internet of Things (IoT) and Artificial Intelligence (AI) and for Canadian businesses to remain globally competitive.
- **Update Canada's data/privacy legislation:** Canada's privacy legislation is outdated and in order to ensure that businesses are able to innovate and remain competitive, while safeguarding consumers' right to privacy, it is vital for the federal government to show leadership as provinces look to modernize their provincial privacy legislation. As Canadian businesses operate across provincial borders, having coherence is paramount. It is equally important to ensure we remain appropriately aligned with international standards. Balanced international alignment will enable Canadian businesses to continue to take advantage of opportunities in foreign jurisdictions, secure new opportunities for growth, development and expansion and remain competitive on a global scale.



Section II - Integrating into the global economy to strengthen supply chains and expand opportunities beyond our borders

With the equivalent of two-thirds of our GDP coming from trade activity, it is important that Canada remains integrated with the global economy. This includes supporting trade and investment, but also the ability to attract talent from abroad.

Trade and defence supply chains

It is important for the government to maximize its investments to support the integration of Canadian businesses in the defence industrial supply chains.

We recommend that the government should:

- **Leverage NORAD modernization:** The government should work with the United States to include an industrial element to NORAD modernization. This should include a binational NORAD technology road-mapping exercise to better position industry to meet the capability requirements of a modernized NORAD. It will also maximize the industrial opportunities from the once-in-a-generation upgrade to NORAD.

Immigration

Immigrants play an important role in the inclusive growth and diversity of Canadian workforces and communities. The government needs to foster a “both/and” approach, not an “either/or” dichotomy among immigration classes and programs.

We recommend that the government should:

- **Empower decision-making closer to the needs of businesses:** Continue to decentralize the immigration selection process and support local solutions built by communities to address community workforce needs.
- **Streamline the Temporary Foreign Worker Program Process:** Modernize the Temporary Foreign Worker program, with a focus on implementing a Trusted Employers Program.
- **Facilitate integration of foreign-trained workers into the labour force to maximize their potential:** Demonstrate national leadership in expediting and reducing the complexity of foreign qualification recognition.



Section III - Building our economic capabilities to ensure Canadian businesses can compete

Our country needs to get right the core determinants that will drive forward economic growth by making Canada an attractive destination for business investment.

Cannabis

The legal cannabis sector continues to hold massive potential for economic growth and job creation. However, we need to take an active economic competitiveness lens to the sector to enhance opportunities at home and abroad.

We recommend that the government should:

- **Ensure that the *Cannabis Act* review includes an economic angle while protecting the public health and safety of Canadians:** The review of the Cannabis Act cannot be confined to the role of Health Canada. It is important to look more broadly at the economic and industrial development components. This should be affirmed in the upcoming federal budget.
- **Amend the excise tax regime on cannabis to create a single national excise tax and eliminate the tax on medical cannabis:** A single, national excise tax stamp should be developed in concert with provinces and territories. Additionally, medical cannabis should not be treated differently than other medical products.
- **Invest in the internal government resources to support the sector:** The budget should invest in the creation of a dedicated “home” within the federal government – ideally ISED - that can engage with the cannabis industry from an economic perspective.

Tax

Ensuring an effective tax system is critical for the competitiveness of our economy and remaining an attractive destination for business investment.

We recommend that the government should:

- **Standstill the application of the digital services tax while the G20/OECD is undergoing ratification:** Canada has played an active role in OECD discussions to develop coherent rules on taxation of digitally provided services. The government should pause implementation of a Canadian Digital Services Tax while the ratification of the G20/OECD deal is ongoing. The current legislation also poses challenge around its retroactive element and Canadian businesses are concerned about the risk of double taxation.
- **Preserve the spirit of Bill C-208 provisions for family business transfers:** Finance Canada’s intention to repeal and replace the provisions enacted through Bill C-208



should be done: 1) in consultation with Canadian businesses to preserve the objective of provisions passed in 2021 by Parliament; and 2) expeditiously in 2022 to give businesses certainty for tax compliance.

- **Ensure Scientific Research and Experimental Development (SR&ED) tax credit criteria align with the Income Tax Act (ITA):** On an ad hoc basis, the CRA is using more restrictive criteria than deemed by the ITA for SR&ED tax credits. This stymies business investment and innovative advancement in software, manufacturing and construction methods and products.
- **Delay implementation of limiting interest deductions:** Limiting interest expenses to 30% of tax EBITDA targets Canadian multinationals and negatively affects their ability to secure financing for international expansion. A similar rule was repealed by the federal government in 2009 following a study on Canada's System of International Taxation. With no draft legislation yet published, Canadian multinationals will need time to restructure their existing financing.
- **Pause the alcohol escalator tax increase:** The hospitality industry continues to face challenges due to COVID-19 public health restrictions and rapidly increasing costs of doing business due to supply chain constraints. The government should pause implementation of further automatic escalator increases on alcohol excise taxes.

Infrastructure

Canada continues to face chronic challenges around infrastructure investment. Our country needs to see greater investments particularly in trade enabling infrastructure.

We recommend that the government should:

- **Unlock new financing sources:** In finding ways to stimulate the economy, the government should prioritize unlocking private sector capital. Budget 2018's 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. As part of the budget, the government should implement the necessary supporting regulations to bring these legislative amendments into force.

Regulatory

Regulatory competitiveness is essential for businesses to be able to invest in jobs that support economic growth.

We recommend that the government should:



- **Make economic competitiveness integral to regulatory processes:** Canada needs a modernization of the regulatory regime to ensure a system that is evidence-based and does not place an administrative or economic burden on businesses. All federal regulators should have an economic competitiveness lens included in their mandate.

Talent

Canadian businesses continue to face significant labour shortages across a variety of sectors. All partners (i.e. governments, businesses and education/training providers) need to address the record high job vacancies and skills mismatch.

We recommend that the government should:

- **Support labour market info:** Addressing talent shortages starts with labour market information about current and future business needs, and then building sustained talent pipelines that supply those requirements. It also involves effective policies that make it easy to re-integrate the long-term unemployed, as well as to attract and retain immigrants and ensure the full potential of all Canadians who are unrepresented and underrepresented in the labour market.

COVID support programs

Canada has made significant strides towards reopening the economy. However, there needs to be an appropriate tapering of the programs while consumer confidence rebuilds.

We recommend that the government should:

- **Provide debt relief for hard-hit SMEs:** Extend repayment terms and forgive interest payments on the Canada Emergency Business Account (CEBA), the Business Credit Availability Program (BCAP) and the Highly Affected Sectors Credit Availability Program (HASCAP). The government should also extend the repayment deadline to qualify for the forgivable portion of the Canada Emergency Business Account (CEBA) to December 31, 2024.
- **Support domestic tourism:** Introduce new tax incentives and rebates to encourage domestic tourism, travel and hospitality activities including a dine-in rebate for food and non-alcoholic drinks and a domestic tourism tax credit to encourage families to travel in Canada in 2022.



Annex B – Costed policy recommendations for cybersecurity

Cyber funding for civilian agencies from selected G7 peers (excludes defence)

Country	Funding for cyber
United States	C\$10.95B (Source) - US\$8.6B (FY2021) NB: The Administration is requesting a 14% increase for FY22 (US\$9.8B)
United Kingdom	C\$4.45B (National Cyber Strategy)(Spending Review) – £2.6B
France	C\$1.43B (Source) – €1B
Canada	C\$791M (Federal Budget 2021)

Per capita spending on cyber

Country	Per capita funding for cyber	Canadian cyber funding equivalent if it were to match
United States	C\$34.22	C\$1.3B
United Kingdom	C\$52.66	C\$2B
France	C\$37.05	C\$1.4B
Canada	C\$20.41	C\$791M

With increased cybersecurity investment in Budget 2022, Canada can be one of the most cyber-secure countries on the planet, create high paying jobs and increase the productive capacity of the economy. However, certain G7 peers are investing 40-50% more than Canada on cybersecurity on a per capita basis to secure infrastructure and bolster their economies.

Protecting Canadians means more than just protecting the federal government. With the pace of digitalization accelerating globally – especially since the start of the pandemic – Canada simply cannot afford to leave our businesses, infrastructure and communities exposed to cyber threats. To ensure that our infrastructure is resilient to cyber-attacks and that our economy can continue to grow as one of the world’s most innovative, vibrant and secure places to do business, we urge the government to allocate C\$1.5 billion to the following critical initiatives:



- **\$1 billion to secure critical infrastructure, supply chains and businesses of all sizes** from cyber threats by investing in cybersecurity on par with certain G7 peers;
- **\$300 million to grow the economy** by accelerating the commercialization of cybersecurity innovation in Canada and with our trading partners; and
- **\$200 million to bolster Canada's cybersecurity workforce** by investing in cybersecurity education, talent development, retention and programs that diversify and expand the cyber workforce.

1) Secure Canadian critical infrastructure, supply chains and businesses of all sizes from cyber threats by investing in cybersecurity at levels comparable to Canada's G7 peers.

Budget Proposal: \$1 billion

- \$480 million to encourage investment in enterprise security *before* attacks happen by helping critical infrastructure operators and businesses of all sizes develop enterprise cybersecurity strategies that help prevent cyber-attacks. These plans should also encourage entities to develop robust cyber response plans, threat information sharing mechanisms and promote the continuous updating of cybersecurity plans to align with cybersecurity best practices and global standards.
- \$500 million to create a *National Cybersecurity Assistance Fund* to support investments in effective cyber threat prevention by helping critical infrastructure operators and businesses of all sizes implement their prevention-first cybersecurity strategies and invest in solutions and services that increase the resilience of their enterprise to cyber-attacks.
- \$20 million to fund public-private partnerships that facilitate better threat information sharing in a way that builds mutual trust and enables threat information to be shared between businesses and government in a timely, confidential and actionable manner.

2) Grow Canada's economy by accelerating the competitiveness of Canada's cybersecurity industry. Budget Proposal: \$300 million

- \$50 million to accelerate the commercialization of cybersecurity innovation in Canada by establishing and funding a *Cybersecurity Commercialization Program* that bridges the gap between cybersecurity research and cybersecurity product development and optimization in high-impact and high-reward areas.
- \$250 million to create opportunities for made-in-Canada cybersecurity products and services by establishing a *Cybersecurity Technology Early Adoption Program* that encourages public and private entities to become early adopters of cybersecurity products and services developed in Canada, with particular emphasis on high growth



areas, such as Internet of Things and smart cities cybersecurity, critical infrastructure security (including healthcare), software supply chain security, AI-driven cybersecurity and post-quantum encryption.

- Modernize research and development programs to reward companies undertaking high-risk research where near-term returns on investment are absent. This should include providing wage and payroll tax subsidies, tax credits, focused R&D support and other incentives to generate cybersecurity-related intellectual property in Canada.
- Stimulate cybersecurity innovation in Canada through public sector procurement by making government technology procurement practices more agile, challenge-based and outcome-driven. Also, create more opportunities for cybersecurity start-ups, scale-ups and underrepresented and/or unrepresented groups (such as women, BIPOC communities, persons with disabilities, LGBTQ+), who own or lead small businesses by leveraging existing policies, such as the Industrial and Technological Benefits policy and accelerating efforts by Public Services and Procurement Canada to increase the diversity of bidders on government contracts.

3) Boost Canada’s cybersecurity skill-set and career opportunities by making cybersecurity education, talent development and retention a national priority and by investing in programs that diversify and expand the cyber workforce pipeline. Budget Proposal: \$200 million

- \$50 million to provide grants for cyber education and awareness programs at all education levels (K to post-secondary) to support the development of cybersecurity curricula, educator training, standardized cybersecurity certification programs and the next generation of cybersecurity leaders in Canada.
- \$50 million to develop programs and provide grants to organizations that advance the training, recruitment, retraining and retention of women and under-represented groups in cybersecurity.
- \$100 million to support cyber talent recruitment and retention programs that help businesses in Canada attract and retain cybersecurity resources throughout the lifecycle of their careers and develop inclusive and diverse workplace cultures where all can thrive.
- Align skilled workforce immigration programs to help Canadian companies recruit top cybersecurity talent globally through creative incentive programs such as fast track immigration.