



February 10, 2023

The Honourable Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance
House of Commons
Ottawa, ON K1A 0A6

[sent via e-mail to Chrystia.Freeland@fin.gc.ca]

RE: Implementing a clear strategy for economic growth

Dear Deputy Prime Minister Freeland:

The Canadian Chamber of Commerce welcomes the opportunity to share our pre-budget submission.

As you pointed out in your previous budget, Canada's competitiveness is slipping. We must achieve much stronger growth if we are to maintain our standard of living and continue to provide the services Canadians require.

The Canadian Chamber urges the government to focus its budget on the imperative for growth driven by the private sector: we cannot borrow our way to prosperity. The government's role must be to ensure an environment that encourages private sector investment, and to foster the conditions for economic growth. Many of the measures included in our submission, including regulatory reform and dismantling internal barriers, will cost little or nothing now but will generate future wealth for our society.

In the aftermath of the pandemic, our international competitors continue to outpace us. In the areas where it must use tax dollars, the government must distinguish between spending and genuine investment: the bar must be whether an initiative will generate economic growth and create a higher standard of living for Canadians. Decisions we make in 2023 will determine whether future generations will enjoy the opportunities and prosperity we have been so fortunate to inherit. Our ability to respond to today's health crisis or tomorrow's climate emergency will be determined by whether we have built good jobs and robust growth across our economy.

The Canadian Chamber of Commerce's pre-budget submission has been shaped by our member councils and committees, on behalf of our broader membership of 200,000 businesses of every size from all regions and economic sectors of Canada. Our proposals fall under five key themes:

- **Building Trade-enhancing Infrastructure**

As geopolitical tensions continue to disrupt global supply chains, Canada faces both an opportunity and an obligation to export our abundant natural resources. However, our inadequate trade-enabling infrastructure impedes our ability to get goods like food, fuel,



fertilizer, and critical minerals to our domestic manufacturers, ports of export, and international partners.

- **Easing the Burden of Doing Business**

Developing a closer partnership with business need not cost the government anything, but it will help draw much-needed investment to Canada. Similarly, we must modernize the tax system to make it simpler, more efficient, and fairer. Our submission includes a series of low- and no-cost measures that can promote economic growth.

- **Transitioning to Net-Zero**

For Canada to become a global leader in producing and exporting sustainably produced energy, carbon dioxide-removal technologies, clean fuels, critical minerals, and sustainable goods, the government must implement and sustain investment and production tax credits alongside a trade corridors strategy that addresses supply chain concerns. Our goals of “friendshoring” ring hollow if we cannot demonstrate that Canada is a reliable business partner to our friends and allies.

- **Attracting and Retaining Talent**

With one million job vacancies, Canada needs a coherent plan to attract and retain a Twenty-first Century workforce, including through targeted supports for traditionally underrepresented workers. This plan must link our broader immigration targets to the skilled talent employers need right now, as well as to how we attract, retain, and provide international students with pathways to work and permanent residency.

- **Enabling an Innovative Economy**

To maintain a competitive edge that stimulates growth in emerging sectors, the government should capitalize on our innovative advantages in Artificial Intelligence, cybersecurity, digital health, clean tech, and clean fuels by modernizing research and development processes, and by stimulating product development and commercialization.

The need for strong, sustained economic growth is beyond debate. However, we can only make the choices that will overcome Canada’s longstanding economic challenges by viewing Canadian businesses as partners in our nation’s ongoing prosperity. Every Canadian will benefit from a stronger, more competitive economy, and Canada’s business community stands ready to do its part in achieving this important goal.

Sincerely,

Hon. Perrin Beatty, P.C., O.C.
President and CEO
Canadian Chamber of Commerce



Annex – Canadian Chamber Pre-budget Recommendations

Building Trade-enhancing Infrastructure

Ottawa must collaborate with business to set clear priorities on infrastructure projects that will yield measurable economic returns. These projects should include safeguarding critical infrastructure for our supply chains. We urge the government to work with provinces, the private sector, communities, and Indigenous peoples to resolve supply chain challenges to enable Canadian exports of the fuel, food, and fertilizer the world needs.

- **Commit to long-term investment in transportation infrastructure.** Given the range of geopolitical crises, Canada must ensure trade infrastructure that reliably transports goods.
- **Develop a long-term vision for domestic and international trade corridors.** A successful gateway strategy should address supply chain concerns and enshrine Canada's status as a reliable business partner.
- **Establish a registry of inter-provincial trade barriers.** A public registry will both educate Canadians on the barriers to inter-provincial trade but encourage governments to remove unjustified barriers.
- **Reduce regulatory barriers** between the U.S. and Canada by renewing the work of the Regulatory Cooperation Council.
- **Encourage agricultural processing in Canada.** Encouraging capital investment in agricultural processing would help Canada meet global food demand while promoting value-added economic activity in commodities bound for export.

Easing the Burden of Doing Business

Regulators and businesses must work together to eliminate regulation that undermines economic growth and our global competitiveness. Without reform, Canada risks losing the next generation of talent and innovation to competing nations. Particularly given the current uncertainty, we also urge the government to avoid imposing new taxes on businesses that could undermine competitiveness and drive investment from Canada.

- **Accelerate regulatory modernization.** A concerted federal strategy to modernize Canada's regulatory framework would improve environmental, social, and economic protections while bolstering investment, growth, and employment.
- **Add an economic and competitive lens mandate to all regulatory agencies.** To remain competitive and protect the public interest, the government should ensure that regulations do not hinder economic growth.



- **Continue to promote regulatory agility** in life sciences and medical review processes with a focus on flexible, timely licensing pathways that incorporate patient engagement.
- **Establish an agile health procurement implementation process** to pilot and deploy promising products and technologies that increase health system security and drive improved medical outcomes.
- **Defer implementation of Pillar 2 of the OECD tax deal** in Canada absent consensus on a path forward that includes the U.S. and the EU, our primary trading partners.
- **Reconsider the digital services tax.** The current legislation imposes complex retroactivity, invites trade retaliation, and risks doubly taxing revenue.
- **Extend the Accelerated Investment Incentive:** Postponing the 2024 phase-out period and the 2027 end date will promote investment in productive assets.
- **Ensure Scientific Research and Experimental Development (SR&ED) tax credit criteria align with the Income Tax Act (ITA).** Using more restrictive criteria than set out by the ITA for SR&ED tax credits stymies business investment and innovation in software, manufacturing, and construction.
- **Launch a comprehensive independent review of the tax system to spur competitiveness and private sector investments.** Canada must make our tax system more modern, simple, and fair to win the competition for global investment.
- **Eliminate or reduce the stock buyback tax.** If enacted, it should protect Canadian SMEs by including an exemption threshold and be limited to instances when public companies acquire their own shares on the market for cancellation.
- **Eliminate notifiable and reportable transaction reporting rules that can adversely affect taxpayers who have properly reported transactions.** As currently drafted, these rules can penalize taxpayers when an advisor or promoter fails to comply with its reporting obligations, even if the taxpayer has properly reported.
- **Preserve the spirit of Bill C-208 provisions for family business transfers.** Expediently consulting Canadian businesses to preserve legislative provisions passed by Parliament would give businesses certainty for tax compliance.

Transitioning to Net-Zero

The government needs a clear plan to encourage capital investment to make Canada a global leader in sustainable finance and in producing and exporting sustainably produced energy, carbon dioxide-removal technologies, clean fuels, critical minerals, and finished goods.

- **Increase federal funding for Indigenous participation in natural resource development.** Such funding should be directed towards Indigenous-led environmental



assessments, training and skills development programs, and community consultation.

- **Maximize the impact of existing flow-through (FTS) share tax credits.** Relax the time limit for making qualifying expenditures, especially where regulatory delays prevent the company from spending in an allotted time frame and make such costs eligible for the FTS “look-back” rule.
- **Lower financing costs for putting mines into production.** Incorporating critical mineral pre-production costs into the new critical minerals exploration tax credit would spur production.
- **Remove barriers to private sector investment.** New and innovative blended finance structures will make investments in emerging technologies commercially viable.
- **Encourage investment in currently uneconomic minerals.** Where there is limited interest in private investment, the government should decide whether these markets should be supported for supply chain resiliency or strategic value.
- **Provide incentives for emission reductions in Canada’s international supply chains** either through border adjustments developed in consultation with key trading partners or by mitigating negative competitiveness effects due to clean investment.
- **Develop a common definition for “net-zero aligned investment”** by governments and include emission reduction estimates alongside policies. We support the work undertaken by the Sustainable Finance Action Council, particularly its transition taxonomy project.

Attracting and Retaining Talent

Attracting and retaining top talent while raising productivity is essential for the success of Canadian businesses. However, many sectors struggle to find and retain the talent needed to grow. To remedy this shortage, we call on the government to reduce obstacles to hiring international talent, ensure the relevance of skills training, and support traditionally underrepresented workers.

- **Identify and deploy supports** needed to reduce the barriers to hiring highly skilled foreign talent and further enhance domestic skills development programs.
- **Expedite skills credential recognition for immigrants.**
- **Enhance the Temporary Foreign Worker program to help fill labour shortages.**
- **Ensure adequate investment in the care economy and its workforce** in collaboration with provinces, territories, and stakeholders. The care economy is fundamental for economic stability and growth.



- **Provide enhanced opportunities for women-owned businesses** to access public procurement contracts, including federal government diversity targets specifically for women-owned businesses and female workforces.
- **Ensure opportunities and investments in training, upskilling, and reskilling** to support the advancement of women into high-demand sectors and jobs through rigorous labour market analysis.
- **Collaborate with provinces to enable enhanced upskilling and reskilling to meet labour market needs.**
- **Develop a detailed net-zero skills plan to unlock the opportunities net-zero will bring.** Capitalizing on new economic opportunities will require a skills plan that identifies gaps across different sectors and regions of the economy.
- **Encourage harmonization of provincial Express Entry processes.** Focus on industry sectors where shortages exist today or are imminent, such as health (i.e., registered nurses) and transportation (i.e., truck drivers).

Enabling an Innovative Economy

With a highly educated workforce and advanced digital infrastructure, Canadian businesses are well-placed to lead in high-growth sectors. To maintain this competitive edge, the government should capitalize on our advantages in Artificial Intelligence, cybersecurity, and digital health by modernizing R&D processes, stimulating product development, and ensuring universal digital connectivity.

- **Secure Canadian critical infrastructure, supply chains and businesses from cyber threats by investing in cybersecurity.** Encouraging investment in IT and operational technology security will help critical infrastructure operators of all sizes develop and deploy prevention-first cybersecurity strategies.
- **Create a SME Cyber Defence Fund** that provides SMEs with the necessary support to improve their cyber resilience and close the cybersecurity investment gap.
- **Modernize research and development programs** to help companies undertake high-risk research where near-term returns on investment and commercialization are absent.
- **Use public sector procurement to stimulate cybersecurity innovation in Canada** by making government technology procurement practices more agile, challenge-based, and outcome-driven.
- **Ensure robust intellectual property protection of innovative products.**



- **Update the federal government’s approach to critical infrastructure** to include vital digital services and systems to ensure ongoing digital connectivity.
- **Ensure Canadians’ access to digital infrastructure** (i.e., rural broadband).
- **Speed up the allocation of additional spectrum by accelerating the timing of spectrum auctions**, increasing the quantity of spectrum available and encouraging rural deployment.
- **Enact the pre-budget recommendations of the College Applied Research Taskforce.** This unique model of applied research benefits innovative Canadian businesses and the broader Canadian economy.
- **Enable the development and timely introduction of innovative health products and systems into Canada.** In parallel, Canada should support the digital health strategy to enable data-driven advances in health care.
- **Launch new life sciences innovation support programs** incorporating the renewal of existing envelopes in addition to more nimble streams to help firms undertake higher-risk ventures.