

Written Submission for Pre-Budget Consultations in Advance of the Upcoming Federal Budget



Canadian
Chamber of
Commerce
Chambre de
Commerce
du Canada

August 1, 2024



Recommendations

Back to Fiscal First Principles

1. Review of all government spending to make 15% in savings.
2. Stop raising taxes.
3. Conduct a comprehensive review of Canada's tax system.

Making Canada More Competitive

4. Modernize Canada's regulatory framework to increase investment, economic growth, and jobs.
5. Mandate an economic lens for regulators to support economic growth and competitiveness.
6. Reverse dangerous and litigious "greenwashing" provisions.
7. Make tangible reductions to internal trade barriers.
8. Allow the reinvestment of capital gains for new housing developments.

Securing Canada's National and Economic Security

9. Grow Canadian energy domestically and internationally.
10. Accelerate economic reconciliation.
11. Commit to long-term investment through a Canada Trade Infrastructure Plan.
12. Protect crucial supply chains by giving government the tools to compel binding arbitration.
13. Release a credible defence spending plan to meet NATO target.

Fostering Canadian Innovation

14. Introduce targeted investment tax credits to spur innovation and productivity.
15. Expedite credential recognition.
16. Extend the Accelerated Investment Incentive.
17. Encourage strategic investment in artificial intelligence.
18. Integrate the life sciences sector into global supply chains.



Introduction

Canada's global competitiveness is slipping, and Canadians are right to be concerned about our future. Our GDP grew by only 1.1 per cent last year, with GDP per capita declining by 1.7 per cent – the worst in the G7. In 11 of the last 14 quarters, Canada's productivity fell. Without productivity gains, Canadians continue to work harder but become poorer, and will be unable to reach their goals.

The way to fix these problems must be through enabling private-sector businesses to do what they do best: grow the economy. Our country must stop relying on tax-and-spend policies that undermine innovation and growth to the detriment of both today's Canadians and future generations. At a time when we are already urgently struggling to reignite our nation's lagging productivity, increasing taxes on capital gains and throttling Canadian potential will have profound, long-lasting and potentially irreversible repercussions on every generation.

The Canadian Chamber of Commerce's written pre-budget submission has been shaped by our member councils and committees, on behalf of our broader membership of over 400 chambers of commerce and boards of trade as well as more than 100 sectoral associations. Together, we represent over 200,000 businesses of every size, from all regions and economic sectors of Canada.

Budget 2025 must focus on growth and prosperity. Higher taxes and uncontrolled spending across jurisdictions will hurt all Canadians. The upcoming budget is an opportunity for government to work with business to spur economic growth, create well-paying jobs, and enable a better life for all who call Canada home.

To achieve this goal, government must finally act on modernizing our regulatory framework to promote investment, jobs, and growth. Project approvals cannot continue to take over a decade — whether what is proposed is a major Carbon Capture Utilization and Storage project that would continue to reduce emissions, or a transportation gateway strategy to help Canadian businesses get goods to market reliably and efficiently.

Budget 2025 must unite Canadians and businesses around a vision for growing our economy. Our goal must be to improve opportunity and the quality of life for Canadians today and tomorrow. Many of the measures included in our submission add little or no expenditure but will generate future wealth and opportunity for generations.

We look forward to working with Members of Parliament as they continue their study into Budget 2025.



Back to Fiscal First Principles

1. **Review all government spending to make 15% in savings.** The Government of Canada must return Canada to a balanced budget. Departmental hiring and spending should be restrained through a government-wide review to reduce funding for outdated or inefficient programming. This can be done without compromising the delivery of priority services to Canadians.
2. **Stop raising taxes.** As Canadians and businesses from coast-to-coast-to-coast struggle with increased costs and affordability concerns, the government must end its reliance on tax-and-spend policies that have resulted in new corporate taxes, such as the proposed increase to the capital gains inclusion rate and the digital services tax, which threaten investment and our vital trading relationship with the United States.
3. **Conduct a comprehensive review of Canada's tax system.** Our tax system has become a complicated web of carve-outs and caveats, which is undermining growth by chasing away innovation and investment. Canada needs a simple, fair, and principled tax system that works in the best interests of Canadians, today and tomorrow.

Making Canada More Competitive

4. **Modernize Canada's regulatory framework to increase investment, economic growth, and jobs.** Outdated and complex regulations block innovation, increase costs, and hinder our competitiveness. For Canada to compete globally, we must put our own house in order. This will require not just regulatory harmonization with the United States but addressing the web of overlapping regulations between Canadian jurisdictions, so businesses are better able to trade within Canada and beyond. The federal government should make its transfers to provinces contingent on reducing interprovincial barriers to trade and labour mobility.
5. **Mandate an economic lens for regulators to support economic growth and competitiveness.** Regulatory effectiveness is integral to a competitive environment and requires smarter regulation to attract new economic opportunities to Canada. Requiring regulators to consider the knock-on effects of their regulations will help reduce red tape and increase economic growth and competitiveness.
6. **Reverse dangerous and litigious "greenwashing" provisions.** The draconian greenwashing amendments to the Competition Act have created substantial uncertainty, risks and potential liability for businesses. They create a chill on free speech and will undermine real environmental progress made by Canadian corporations, and by extension, the Canadian government. The government should scrap these undemocratic measures and work with industry stakeholders to develop a clear, made-in-Canada regime that ensures business accountability and transparency without stifling innovation and environmental ambition.
7. **Make tangible reductions to internal trade barriers.** A genuinely open Canadian market facilitating unobstructed movement of people, goods, and services, is the cornerstone of a competitive national economy. Various internal trade impediments, including regulatory complexities, geographical constraints, technical hurdles, and interprovincial regulatory disparities exact a staggering annual toll of over \$14 billion. These obstacles curtail market accessibility for businesses, discourage investment, impede economic efficiency, and stifle



the seamless circulation of goods and services across the nation. Such obstacles can be scrapped at little cost to Canadians, and doing so will provide lower prices, greater consumer choice, improved mobility for workers and enhanced scale for businesses. The federal government must push for freer trade within our own country.

- 8. Allow the reinvestment of capital gains for new housing developments.** Canada is in a housing crisis. Developers in Canada continue to absorb the cost of taxes during production, which can take years, only recovering losses at completion— leading to higher home prices and limited capital for investment. Allowing the reinvestment of capital gains for new housing developments puts Canadian developers on equal footing to those in the US, making investing in Canada more attractive.

Securing Canada’s National and Economic Security

- 9. Grow Canadian energy domestically and internationally.** The world is desperate for Canadian energy. Whether we are talking about Canadian oil, natural gas, hydrogen, nuclear, or clean technology, Canada has an abundance of the resources that will support the demands for the future. We must create an environment that encourages our ability to produce and sell clean Canadian energy to the world. To achieve this goal, it is essential to make changes to the *Impact Assessment Act* to ensure its constitutionality and provide improved clarity on its applicability, timelines, and decision-making authority.
- 10. Accelerate economic reconciliation.** Government must encourage partnerships with Indigenous communities that advance crucial energy and critical mineral projects and support economic reconciliation. By creating a framework that encourages collaboration, the government can ensure that Indigenous communities have a meaningful stake in these projects, promoting shared prosperity and sustainable development. This approach not only helps bridge economic disparities but also fosters mutual respect and cooperation. Measures like financial incentives, streamlined regulatory processes, and capacity-building initiatives, are essential to facilitating these partnerships and ensuring their long-term success.
- 11. Commit to long-term investment through a Canada Trade Infrastructure Plan.** Canada is a trading nation. When Canadian businesses cannot import or export goods reliably, we undermine our ability to grow our economy. Canada must build and maintain trade infrastructure that dependably and efficiently transports goods to and from market. Domestic and international trade corridors should solidify supply chains to establish Canada as a reliable business partner.
- 12. Protect crucial supply chains by giving government the tools to compel binding arbitration.** In 2023 alone, Canada lost more work hours to labour disputes than in the past 18 years. Government should provide new dispute resolution tools, including the authority for the federal cabinet to compel binding arbitration for the resolution of a labour dispute in sectors that are critical to Canada’s supply chains, including railways and ports.
- 13. Release a credible defence spending plan to meet NATO target.** Threats to our security and sovereignty are real and require a serious response. Canada has incredible strengths in areas like aerospace, critical minerals, cybersecurity, and artificial intelligence which can be leveraged to bolster our own security, and to help fill gaps in the physical and digital security architectures of our NATO allies. Having a credible, detailed plan for meeting this



commitment is not only integral to deterring aggression and reestablishing Canada's reputation as a dependable security partner. It is also essential to maintaining our critical trade relationships.

Fostering Canadian Innovation

14. Introduce targeted investment tax credits to spur innovation and productivity.

Investment tax credits can lower the cost of investment, encouraging businesses to expand and modernize their operations. They can lead to increased production capacity, technology adoption, job creation, and overall economic growth throughout Canada. Investment tax credits should focus on industries with the potential to drive growth in our economy and increase our productivity such as agriculture, manufacturing, and natural resources.

15. Expedite credential recognition. Progress on mutual recognition across Canada will let qualified workers fully use their skills wherever they are needed across the country. What is considered safe or mandatory in one jurisdiction should be the same in another. The onus must be placed on governments to say why they refuse to recognize another jurisdiction's standards to ensure we finally see real progress on credential recognition in sectors that will build our economy.

16. Extend the Accelerated Investment Incentive. The Accelerated Investment Incentive is designed to encourage businesses to invest in capital assets by allowing them to write off a larger portion of their investments more quickly. Extending these incentives will encourage business investment, stimulate economic growth, increase productivity, and enhance competitiveness by making it more attractive for businesses to invest in new technologies, machinery, software, equipment, and infrastructure—the foundation to reversing our slipping productivity and secure our economy for future success.

17. Encourage strategic investment in artificial intelligence. By better leveraging the transformational potential of AI – including through SMEs – we can successfully increase the efficiency of our businesses and help Canada compete and prosper. However, we cannot continue to layer on additional red tape that will stifle innovation and undermine private sector investment. The government must fix Bill C-27, which without amendments will drive productivity and adoption away from Canada.

18. Integrate the life sciences sector into global supply chains. COVID-19 made the value of the life sciences sector clear, highlighting Canada's shortcomings in domestic manufacturing and exposing a vital requirement to get Canadians the medicines they need, when they need them. The Government needs to identify and pursue opportunities to integrate Canadian companies into global supply chains, targeting areas most relevant to national health security.