

Canadian Chamber of Commerce policy recommendations:

2002-2003

- Ensuring Adequate Insurance protection for Canadian Business

2003-2004

- Municipal Financing
- Regulatory Efficiency

2004-2005

- Focused Strategy for Mineral and Mining Excellence
- Ensuring Access to Post-Secondary Education

2005-2006

- Canada Pension Plan Reform (not supported by CCC and withdrawn)

2008-2009

- Focused Strategy for Mineral & Mining Excellence
- Role of Taxation in Enhancing Canada's Productivity Through Encouraging Skills & Training for Small Business

2009-2010

- Subsidized Accounting: Reducing Administrative Burden for Business and Government
- Supporting the Ability of Canadian Companies to Invest in Foreign Subsidiaries

Standardized Accounting: Reducing Administrative Burden for Business and Government

The introduction of the standardized accounting initiative by the Canada Revenue Agency (CRA) is intended to simplify tax compliance for businesses by harmonizing accounting, interest, and penalty provisions. It has, however, resulted in a significant increase in the transfer of funds between taxpayer accounts. The result is a significant administrative burden on taxpayers (both large and small) and governments as they try to unravel the trail and rational behind these transfers.

Large taxpayers have a multitude of accounts, often maintained by different areas within a business. Small taxpayers, while perhaps not having the same volume of accounts, face the burden of trying to identify the cause of, and resolution to, the transfers with a limited staff who could be better employed in more productive matters.

Revenue Quebec has also implemented a revenue accounting system that facilitates the offsetting of overpayments of one tax against unpaid liabilities for other taxes. In doing so, it notifies the taxpayer of any deficiencies in filing and identifies the provision that the taxpayer has failed to comply with. This type of notification allows the taxpayer to rectify the error or notify the government where specific returns have been filed, but not yet processed.

Implementing a process to notify taxpayers of the transfer being contemplated and the reason behind the transfer would save a considerable amount of time and frustration for both taxpayers and government.

Recommendations

That the Canada Revenue Agency (CRA):

1. Where it deploys a large file case manager to a taxpayer's account, allow him/her to approve all transfers, notify the taxpayer of the contemplated transfer and ensure that it is understood and is correct.
2. Where it does not deploy a large file case manager to a taxpayer's account, provide a written notification to the taxpayer to explain the transfer being contemplated. The transfer should not be made until 30 days after the mailing of the notification to ensure the taxpayer has time to respond to the notification and provide information pertinent to the proposed transfer.

SUBMITTED BY THE TAXATION COMMITTEE

SPONSORED BY THE GREATER SUDBURY CHAMBER OF COMMERCE

Supporting the Ability of Canadian Companies to Invest in Foreign Subsidiaries

Many Canadian parent companies strive to expand their operations globally and in doing so, make significant investments in subsidiaries located outside of Canada. To protect these investments and limit risks, the parent company hedges the investment to limit foreign exchange loss that can otherwise accrue.

Any gains and losses that arise from these hedges generally take on the same character as the asset that is being hedged; however, corporations are required to recognize gains and losses in respect of maturing hedges irrespective of the fact that they continue to retain the assets that have been hedged. This can have a negative impact on invested capital and result in volatile swings in taxable income. Allowing for a deferral on tax gains or losses resulting from these hedges while the asset continues to be held would facilitate the global expansion of Canadian-owned companies.

Recommendation:

That the federal government allow foreign exchange gains and losses on hedges related to investments in subsidiaries located outside of Canada to be deferred while the asset continues to be held by the Canadian investor, and while the parent company continues to hedge the investment.

SUBMITTED BY THE TAXATION COMMITTEE

SPONSORED BY THE GREATER SUBDURY CHAMBER OF COMMERCE

November 13, 2009

The Honourable Jean-Pierre Blackburn, P.C., M.P.
Minister of National Revenue
Canada Revenue Agency
7th Floor
555 MacKenzie Avenue
Ottawa, Ontario
K1A 0L5

Dear Minister:

In October, the Canadian Chamber of Commerce concluded its 80th Annual General Meeting (AGM) in Victoria. A major highlight of the 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 Canada are debated and voted on by accredited delegates. Once approved, these resolutions become policy of the Canadian Chamber for the following three years. In 2009, 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 the 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 with you directly in the near future.

Reducing the Complexity of Canada's Tax Regime to Improve Competitiveness: The Canadian Chamber commends the Canada Revenue Agency (CRA) for its efforts to reduce administration and compliance costs. It strongly urges the CRA to identify further opportunities to relieve the compliance burden, particularly for larger companies.

Standardized Accounting: Reducing Administrative Burden for Business and Government: The introduction of standardized accounting by the CRA is intended to simplify tax compliance for businesses by harmonizing, accounting, interest, and penalty provisions. It has, however,

resulted in a significant increase in the transfer of funds between taxpayer accounts increasing the administrative burden on both taxpayers and governments as they try to unravel the trail and rationale behind each transfer. The Canadian Chamber calls on the CRA to 1) where it deploys a large file case manager to a taxpayer's account, allow him/her to approve all transfers, notify the taxpayer of the contemplated transfer and ensure that it is understood and is correct; and 2) where it does not deploy a large file case manager to a taxpayer's account, provide a written notification to the taxpayer to explain the transfer being contemplated. The transfer should not be made until 30 days after the mailing of the notification to ensure the taxpayer has time to respond to the notification and provide information pertinent to the proposed transfer.

Taking Advantage of External Expertise in the Development of Policy and Legislation: There has been a significant reduction in opportunities available to non-government taxation experts to influence policy, and assist in the development of legislation. Utilizing private sector taxation experts can provide policy makers and legislators a greater understanding of how proposed legislation will impact businesses and the broader economy. The Canadian Chamber urges the CRA to make greater use of experts from law, accounting, and industry through exchanges, advisory committees, or selective reviews.

Tax Fairness Legislation and the Taxpayer's Ombudsman's Office: Requests for a waiver of interest or penalty (fairness request) are required to be decided on a case-by-case basis so unique facts or circumstances are taken into account. The Minister of National Revenue conducts these reviews by acting through his delegates or staff at the CRA. If the taxpayer's fairness application is denied or only partially granted, a second level of impartial review may be requested. The Canadian Chamber proposes that second level reviews under the Fairness Legislation be conducted by the newly established Taxpayers' Ombudsman's office to bring fresh eyes to the case, and ensure an objective ruling.

Improving Access to Scientific Research and Experimental Development (SR&ED) Incentives in Canada: In the current economic environment, many companies keen to conduct R&D do not have access to SR&ED investment tax credits (ITCs) because they are in a loss position. The Canadian Chamber recommends that the federal government expand refundability of SR&ED ITCs to all R&D performers. Moreover, for profitable Canadian subsidiaries of multinationals, SR&ED ITCs provide no direct incentive to maintain or expand R&D in Canada – ITCs reduce corporate income taxes payable in Canada making foreign multinationals less eligible to receive tax credits in their home country, increasing their income tax liability there. The SR&ED tax incentive program can be made more attractive to foreign investors by allowing

corporations in Canada to offset the ITC against a pre-tax levy. Finally, the CRA is encouraged to review administration procedures relating to the SR&ED program, benchmark Canada against other countries, and adopt best practices.

Should you wish to discuss these issues further, I would be pleased to do so.

Sincerely,

Perrin Beatty
President and Chief Executive Officer

Attachments

c.c. Linda Lizotte-MacPherson, Commissioner and Chief Executive
Officer, Canada Revenue Agency

November 13, 2009

The Honourable James M. Flaherty, P.C., M.P.
Minister of Finance
Department of Finance Canada
L'Esplanade Laurier
140 O'Connor Street
Ottawa, Ontario
K1A 0G5

Dear Minister:

In October, the Canadian Chamber of Commerce concluded its 80th Annual General Meeting (AGM) in Victoria. A major highlight of the 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 Canada are debated and voted on by accredited delegates. Once approved, these resolutions become policy of the Canadian Chamber for the following three years. In 2009, 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 the 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 with you directly in the near future.

Fiscal Policy: Delegates at the 2009 AGM unanimously agreed that the overriding goal for the federal government should be to restore Canada's economic health and enhance our country's long-term competitiveness. With this in mind, the Canadian Chamber calls on the Government to avoid structural deficits, dedicate future surpluses to reducing the debt, ensure the federal debt-to-GDP ratio falls below 35 percent by 2015, limit growth in program spending to no more than nominal growth in GDP, further reduce high marginal personal income tax rates, and continue to review and make improvements to Capital Cost Allowance rates.

A More Efficient Tax System: The Canadian Chamber calls on the federal government to ensure Canada's tax system is as neutral, simple, efficient and fair as possible. The Government must avoid ad hoc changes to tax legislation (i.e. special provisions and targeted tax benefits) that undermine the internal consistency of our tax system, and introduce

unnecessary complexity. It should also lessen Canada's heavy reliance on income and profit taxes, rely more on consumption-based taxes, and continue to reduce administration and compliance costs for all taxpayers.

Reducing the Complexity of Canada's Tax Regime to Improve Competitiveness: The Canadian Chamber urges the Government to identify opportunities to reduce Canada's overall tax burden; simplify the tax regime as it pertains to payroll deductions; and foster greater cooperation with provincial/territorial governments to harmonize and consolidate various aspects of Canada's tax regime.

Taking Advantage of External Expertise in the Development of Policy and Legislation: There has been a significant reduction in opportunities available to non-government taxation experts to influence policy, and assist in the development of legislation. Utilizing private sector taxation experts can provide policy makers and legislators a greater understanding of how proposed legislation will impact businesses and the broader economy. The Canadian Chamber urges Finance Canada to make greater use of experts from law, accounting, and industry through exchanges, advisory committees, or selective reviews.

Tax Fairness Legislation and the Taxpayer's Ombudsman's Office: Requests for a waiver of interest or penalty (fairness request) are required to be decided on a case-by-case basis so unique facts or circumstances are taken into account. The Minister of National Revenue conducts these reviews by acting through his delegates or staff at the CRA. If the taxpayer's fairness application is denied or only partially granted, a second level of impartial review may be requested. The Canadian Chamber proposes that second level reviews under the Fairness Legislation be conducted by the newly established Taxpayers' Ombudsman's office to bring fresh eyes to the case, and ensure an objective ruling.

Taxation of Group of Companies: The Canadian Chamber calls on the federal government to develop a formal system for transferring losses between members of the same corporate group with a defined common ownership. This would reduce administrative and compliance costs, increase cash flow within the corporate group, simplify Canada's corporate tax system, and make Canada's businesses more competitive. Federal/provincial/territorial cooperation is needed.

Encouraging the Provinces to Replace their Retail Sales Tax with a Value-added Tax: The Canadian Chamber welcomes the federal government's decision to provide transitional financial assistance to Ontario and British Columbia to support the move to a harmonized provincial sales tax. The Canadian Chamber urges the Government to redouble its efforts to persuade the remaining provinces that levy retail sales taxes to switch to a value-added tax.

Increase the GST/PST Threshold: The participation threshold for the GST has remained at \$30,000 since introduced in 1991. The Canadian Chamber calls on the federal government to increase the threshold to \$75,000 as of January 1, 2010 and implement annual indexing. Increasing

the threshold would lessen administration and compliance costs. It would also reduce the number of returns the CRA processes, the number of businesses seeking services, the number of input credit refunds, and the number of businesses subject to audit.

Elimination of Regulation 105 Withholding Tax (Payment for Services Rendered in Canada by a Non-resident): It is becoming increasingly common for organizations to staff projects based on a global skill set. Withholding, tracking, reporting and remitting requirements, as set out in Regulation 105, are severe deterrents to Canadian organizations seeking to effectively procure global talent needed to effectively run their business. Additionally, the requirement drives an unintended result in that many nonresident suppliers merely increase their prices to account for the withholding taxes levied under this regulation. The Canadian Chamber strongly urges the Government to eliminate Regulation 105.

Improving Access to Scientific Research and Experimental Development (SR&ED) Incentives in Canada: In the current economic environment, many companies keen to conduct R&D do not have access to SR&ED investment tax credits (ITCs) because they are in a loss position. The Canadian Chamber recommends that the federal government expand refundability of SR&ED ITCs to all R&D performers. Moreover, for profitable Canadian subsidiaries of multinationals, SR&ED ITCs provide no direct incentive to maintain or expand R&D in Canada. ITCs reduce corporate income taxes payable in Canada making foreign multinationals less eligible to receive tax credits in their home country, increasing their income tax liability there. The SR&ED tax incentive program can be made more attractive to foreign investors by allowing corporations in Canada to offset the ITC against a pre-tax levy.

Supporting the Ability of Canadian Companies to Invest in Foreign Subsidiaries: Many Canadian parent companies strive to expand their operations globally. In doing so, they make significant investments in subsidiaries located outside of Canada. To protect these investments and limit risks, the parent company hedges the investment to limit foreign exchange loss that can otherwise accrue. The Canadian Chamber calls on the Government to allow foreign exchange gains and losses on hedges related to investments in subsidiaries located outside of Canada to be deferred while the asset continues to be held by the Canadian investor and the parent company continues to hedge the investment.

Increasing Rental Inventory Through Fair Tax Treatment: Employers are increasingly finding the issue of rental availability a hurdle to recruitment and retention. In some areas, low vacancy rates may affect the ability of business to grow. To expand the stock of rental housing, the Canadian Chamber urges the federal government to enact deferral of capital gains tax on the sale of real property, including rental property, when the proceeds of sales are reinvested within a twelve-month period into other real property investments, and defer the recapturing of the value of depreciated capital cost allowances on real rental property.

Boosting the Economy by Supporting the Real Estate Development Industry: With the introduction of the GST, the federal government committed to reviewing regularly (i.e. at least every two years), and adjusting as necessary the threshold on New Housing Rebates. The failure to index GST rebate thresholds has eroded housing affordability across Canada, with homebuyers in larger high-cost centres particularly disadvantaged. The Canadian Chamber calls on the federal government to index the thresholds for the GST New Housing Rebate to the New House Price Index.

Accelerating SME e-Business Adoption: Focus on Productivity & Profitability: Many of Canada's businesses realize the significant benefits of e-business adoption, but some may be missing opportunities for business growth and increased profitability. Focusing on successful e-business adoption among SMEs can boost Canada's innovation capacity, productivity and international competitiveness. While significant progress have been made to reduce Canada's marginal effective tax rate on capital, more can be done to create a conducive operating environment for SMEs to take advantage of e-business opportunities and create new e-business ventures.

Federal Public-Sector Pension Benefits: The unprecedented decline in global equity markets and long-term interest rates has significantly reduced the funded status of DB pension plans. The Canadian Chamber calls on the federal government to establish an expert committee to make recommendations on federal public employee pension plans to ensure a sustainable funding model, reduce the liabilities for the taxpayer without compromising the attraction and retention of high caliber public sector employees, and examine solvency and governance tests used to evaluate registered public sector pension plans.

The full text of these resolutions is attached. We hope that we will have an opportunity to discuss these with you in the near future. My Assistant will be calling your office to set up a meeting.

Sincerely,

Perrin Beatty
President and Chief Executive Officer

Attachments

c.c. Michael Horgan, Deputy Minister, Finance

THE ROLE OF TAXATION IN ENHANCING CANADA'S PRODUCTIVITY THROUGH ENCOURAGING SKILLS AND TRAINING FOR SMALL BUSINESS

The skills and labour shortage facing Canada is already nearing epidemic proportions due to increasing skill shortages, the aging of our workforce and global competition. According to the Conference Board of Canada, by 2020 Canada will be facing a labour shortage of nearly 1 million workers.

The shortage of skilled workers and new job entrants is now a direct threat to Canada's economy and the well-being of industries and communities throughout the country. This issue is impacting the viability of businesses, causing some of them to ignore new business opportunities, hire under-qualified workers, function with fewer employees, reduce customer service, and artificially increase wages.

Addressing current and future skills shortages has become a number one concern among regional and national business and industry groups across the country. The Canadian Chamber does not think of this as a provincial problem, therefore by definition, a solution cannot be strictly provincial in nature.

One of the key barriers to small and medium-sized businesses (SMEs) providing training and skill development opportunities for their employees is the direct and indirect costs of these types of investment. Given that human capital has become our country's most valuable and scarce resource it is critical that the Canadian tax system needs to reflect this. Our tax framework supports companies who invest in research and development, purchase manufacturing equipment, etc. It should also reward those who invest in our most important resource, human capital, through providing incentives to train workers.

In particular, the Canadian Chamber of Commerce feels that three areas of human capital investment which can greatly increase Canada's labour competitiveness are: Apprenticeship Tax Credit, Immigrant Workforce Investment Tax Credit, and Human Resource Development Tax Credit.

SMEs in particular need innovative public policies and flexible training programs to support their human resources development.

The option that has received the most positive reaction from SMEs is the concept of developing an innovative tax credit system that provides incentives for training investments. These types of incentives have consistently been the subject of significant interest over the past several years to all levels of government.

Apprenticeship Tax Credit

The federal government currently offers employers tax credits as an incentive to hire apprentices. The Government of Canada offers employers the Apprenticeship Job Creation Tax Credit, a non-refundable tax credit equal to 10% of the eligible salaries and wages payable to eligible apprentices. The maximum credit is \$2,000 per year for each eligible apprentice.

Three other provinces, BC, Manitoba and Ontario also offer a tax credit incentive to employers:

- The Province of Ontario offers the Apprenticeship Training Tax Credit to employers who hire apprentices. Employers receive a 25% refundable tax credit on wages and salaries paid for the first 36 months of the apprenticeship program. The maximum credit is \$5,000 per qualifying apprentice per taxation year.

- The Province of Manitoba offers the Cooperative Education & Apprenticeship Tax Credit to employers who hire apprentices. The credit equals 5% of wages and salaries paid to the journeyman up to \$2,500 per twelve months of employment for each journeyman.
- The Province of British Columbia offers the Training Tax Credit to employers who hire apprentices. The basic credit for employers is 10% of wages paid up to \$2,000 per apprentice in the first 24 months of a non-Red Seal apprenticeship program.

Most provinces and territories rely solely on the Government of Canada's Apprenticeship Job Creation Tax Credit as a benefit for employers. The Government of Canada needs to recognize the importance of apprenticeship training and increase the Apprenticeship Training Tax Credit to the benefit of employers who hire these apprentices.

Immigrant Workforce Investment Tax Credit

In addition to enhancing businesses' ability to train existing workers, the Canadian Chamber believes that an innovative tax credit structure would be a critical component in Canada's attractiveness to international migrants by facilitating the ability of immigrants to enter the workforce at a level and in an occupation commensurate with their education and training.

Canada's further economic growth and development is dependent not only upon attracting and retaining highly skilled immigrants, but also ensuring that their skills are optimized in the workforce. There have been reports that immigrant economic circumstances are decreasing despite the increase in educational requirements. Two of the reasons given for this are language barriers and the recognition issues of professional Canadian work experience and qualifications.

While the Government of Canada has taken great steps in improving the recognition of foreign credentials, they still have not fully addressed the issue of job specific language training for immigrants at the national level. Since 2006 the Government of Canada has increased funding for various settlement initiatives including the Language Instruction for Newcomers to Canada (LINC) program. The problem however is that according to government numbers, less than 9% of immigrants who enter on an annual basis successfully complete the program which only offers basic language training; not occupation specific. The Enhanced Language Training program that does address this issue is not easily accessible for individual immigrants in provinces that do not have agreements with the federal government. This is problematic as many professional occupations utilize terminology that is specific to that occupation and without easy access many immigrants may not participate and obtain the language training required for their chosen occupation.

The creation of an Immigrant Workforce Investment Tax Credit would allow an employer to receive 10% or more of the immigrant's salary or wage for their first job in Canada in their respective field. This tax credit would be provided to employers who provide the worker with vocational language training to enable them to perform at their level in their chosen profession.

Human Resource Development Tax Credit

In addition to the two programs outlined above, the Canadian Chamber recognizes that many businesses struggle to provide training to their employees for a range of required skills. To address these wider training needs the Canadian Chamber believes government must take a proactive approach to identifying and providing incentives for sectors and skills that are impacting our productivity and economic growth.

While the Canadian Chamber will work with all provinces and stakeholders to ensure that individual provinces introduce a provincial human resource development tax credit, the origin of these programs must be an analysis of the sectors facing significant problems that will impact

the Canadian economy. Following this analysis any program must ensure that it facilitates an increase in training across Canada, in the sectors where it is most needed – this cannot be achieved by a piecemeal approach.

The Canadian Chamber believes that training should be able to qualify for tax credit status providing they offer approved qualifications and can show a demonstrated shortage of skilled workers. Further to this, the Chamber urges the government to conduct regular reviews of the uptake for each qualifying program.

In the same way that the Canadian Chamber supports the development of Canada wide standards for apprenticeship and training programs as an essential tool in ensuring that training programs meet the need of the economy as a whole, the Canadian Chamber sees the foundation of an effective Canadian tax credit system as an integral part of providing business with the tools needed to address the skills shortage.

Recommendations

That the federal government utilize the tax system to develop a system of innovative tax credits that will enhance Canada's productivity performance by increasing businesses ability to provide training and skills development. This system should:

- a. Work with provincial/territorial governments to create a list of pre-approved accredited national training programs where a trans-Canada systemic shortage of skilled workers exists.
- b. Introduce a national human resource investment tax credit program that provides a tax credit for firms that provided training as part of the federally accredited training program.
- c. Immediately increase the Federal Apprenticeship Job Creation Tax Credit to match the highest provincial apprenticeship tax credit.
- d. Immediately increase the number of recognized Red Seal Trades to match the province with the highest number of recognized trades.
- e. Immediately increase the length of the qualification period from two years to three years.
- f. Create an Immigrant Workforce Investment Tax Credit that provides employers who hire and provide job specific language training to an immigrant for their first job in Canada in their field, with a 10% refund in the form of a tax credit on the salary or wages paid to the immigrant.
- g. Develop a mechanism that provides an increased level of tax credit for small and medium sized businesses.

SUBMITTED BY THE SPARWOOD AND DISTRICT CHAMBER OF COMMERCE, THE SAINT JOHN BOARD OF TRADE, THE GREATER SUDBURY CHAMBER OF COMMERCE, AND THE BURNABY BOARD OF TRADE.

THE ECONOMIC POLICY AND THE TAXATION COMMITTEES DO NOT SUPPORT THIS RESOLUTION.

- **IT IS THE VIEW OF THE COMMITTEES THAT BUSINESSES SHOULD NOT REQUIRE A SUBSIDY TO UNDERTAKE TRAINING FOR THEIR EMPLOYEES. THEY SHOULD DO IT BASED ON THEIR SELF-INTEREST IF IT IS WORTHWHILE. IF FIRMS UNDERTAKE TRAINING ONLY BECAUSE OF A SUBSIDY, IT IS AN INEFFICIENT USE OF TAXPAYERS' MONEY.**
- **APPRENTICESHIP TRAINING FALLS UNDER THE JURISDICTION OF PROVINCIAL/TERRITORIAL GOVERNMENTS WHO HAVE THE RESPONSIBILITY FOR APPRENTICESHIP TRAINING IN THEIR RESPECTIVE PROVINCES AND THE AUTHORITY FOR MAKING CHANGES. PROVINCIAL/TERRITORIAL LEGISLATION PERMITS EACH JURISDICTION TO DESIGNATE OCCUPATIONS FOR APPRENTICESHIP. HOWEVER, THE FEDERAL GOVERNMENT DOES RETAIN A LIMITED ROLE FOR ITSELF IN THE APPRENTICESHIP SYSTEM. IT IS INTENTIONALLY LIMITED BECAUSE IT DOES NOT FALL INTO ITS JURISDICTION. ENHANCING THE FEDERAL GOVERNMENT'S PROGRAM, AS THE**

RECOMMENDATIONS SUGGEST, MAKES IT POSSIBLE FOR THE PROVINCES TO REDUCE THEIR FUNDING IN AN AREA THAT THEY HAVE RESPONSIBILITY FOR.

- IT IS NOT CLEAR WHY EMPLOYERS WOULD WANT TO PROVIDE JOB SPECIFIC LANGUAGE TRAINING. LANGUAGE PROFICIENCY IS A NECESSITY IN OBTAINING A JOB. MOREOVER, EMPLOYEES COULD PUT A LOT OF MONEY INTO LANGUAGE TRAINING WITH NO GUARANTEE THAT THE EMPLOYEE WILL STICK AROUND ONCE THE TRAINING IS COMPLETE. THE FEDERAL GOVERNMENT, OVER THE COMING YEAR, IS PROVIDING \$150 MILLION IN TWO KEY LANGUAGE TRAINING PROGRAMS: THE LANGUAGE INSTRUCTION FOR NEWCOMERS TO CANADA PROGRAM AND THE ENHANCED LANGUAGE TRAINING PROGRAM. THIS IS AN INCREASE FROM THE \$143 MILLION COMMITTED OVER THE PAST YEAR. THE LANGUAGE INSTRUCTION FOR NEWCOMERS TO CANADA (LINC) PROGRAM PROVIDES BASIS LANGUAGE TRAINING. THE ENHANCED LANGUAGE TRAINING INITIATIVE HELPS NEW CANADIANS MASTER SPECIALIZED WORKPLACE LANGUAGE SKILLS AND VOCABULARY – IT PROVIDES BOTH OCCUPATION-SPECIFIC LANGUAGE TRAINING AND EMPLOYABILITY ASSISTANCE.
- THE TAX SYSTEM SHOULD NOT BE USED TO ADDRESS LANGUAGE TRAINING FOR IMMIGRANTS. IT SHOULD BE ADDRESSED THROUGH IMPROVEMENTS TO CANADA'S IMMIGRATION SYSTEM, SETTLEMENT AND INTEGRATION PROGRAMS, AND GOVERNMENT PROVIDED LANGUAGE TRAINING PROGRAMS.

Focused Strategy for Mineral and Mining Excellence

Issue

Canada, committed to developing as a knowledge and technology supplier to the world and currently one of the world's leading mining jurisdictions, lacks a comprehensive strategy to make mining and the mineral sector a key component of its continued growth on the world stage.

Background

Canada is one of the largest producers of minerals and metals in the world, with the overall value of Canadian mineral production totaling \$40.4 billion in 2007. Canada ranked first in the world for the production of potash and uranium, and ranks in the top five for the production of nickel, asbestos, zinc, cadmium, titanium concentrate, aluminium, platinum group metals, salt, molybdenum, gypsum, cobalt and diamonds.

The mining industry continues to be a strong contributor to the Canadian economy, despite significant growth in other sectors. In 2006, the mineral industry contributed \$40 billion to Canada's total GDP, or 4.0% of Canada's total GDP. Services related to mining contributed an additional \$4.55 billion.

Canada is one of the world's largest exporters of minerals and metals. The Canadian mining industry exported \$72 billion worth of metals, non-metals and coal in 2006. This represented 16% of Canada's total goods exports of \$440 billion in 2006. The export of these commodities and more refined mineral products has a significant impact on Canada's overall merchandise balance of trade, and hence on the national standard of living. Canada's mining cluster is responsible for over 28% of Canadian foreign direct investment abroad by Canada's goods-producing sector.

The mining and mineral processing industries directly employed 369,000 Canadians in 2006, which represented slightly more than one in every 45 employed Canadians. Average weekly earnings in the mining industry in 2006 were over \$1,108, one of the highest levels of any industry in the Canadian economy. For every job created in the mining industry, more than one other job is indirectly created in the Canadian economy.

At the beginning of 2007, there were 801 mining establishments in Canada. Ontario is the leading province in mineral production with 28% of Canada's total value, followed by British Columbia, Quebec and Saskatchewan at 17%, 14%, and 11% respectively.

Canada is second only to Australia as the preferred global country destination for mineral exploration investment. In 2006, exploration spending accounted for \$1.37 billion. More than 1,100 Canadian-based exploration and mining companies account for over 45% of the world's mineral exploration.

In 2005, about \$504 million was spent by industry on research and development in the mining and mineral processing industries. Mining sector research and development investment in 2005 exceeded that of the crude oil and natural gas sector, the motor vehicle parts and accessories sector, paper manufacturing, machinery, and the electronics parts and components industries.

Recommendations

That the federal government:

1. Make a firm public commitment to making Canada the world's leading jurisdiction in innovation, technology and knowledge production related to the discovery, production, and

use of metals by developing focused centres for mining research and education excellence where capacity exists and by concentrating federal resources including education and innovation funding at these sites.

2. Commit to fully exploiting the potential of Canada's mineral resources by including the mining supply, service sector, and downstream value-added enterprises in the federal commercialization agenda.

SUBMITTED BY THE GREATER SUDBURY CHAMBER OF COMMERCE

THE ECONOMIC POLICY COMMITTEE SUPPORTS THIS RESOLUTION

Greater Sudbury Chamber of Commerce Canada Pension Plan Investment Strategy

Issue:

Canada Pension Plan benefits paid by the government to employees or self-employed individuals upon retirement are significantly lower than if the contributions made during the employees working years were permitted to be invested in alternative types of investments and benefits paid from these investments.

Background:

The Canada Pension Plan (CPP) was established in 1966 to provide basic benefits when a contributor to the plan becomes disabled or retires. There are three kinds of CPP benefits:

- the retirement pension;
- disability benefits (for contributions with a disability and their dependent children); and
- survivor benefits (including the death benefit, the survivor's pension and the children's benefit).

The CPP operates throughout Canada. The province of Quebec administers its own program, the Quebec Pension Plan (QPP), for workers in Quebec. The two plans work together to ensure that all contributors are protected.

The CPP retirement pension is designed to replace approximately 25 percent of the earnings on which a person's contributions were based. The CPP retirement pension is based on how much, and for how long, you contributed to the plan (or to both the CPP and the Quebec Pension Plan). The age at which you choose to retire also affects the amount you receive.

The retirement pension normally starts the month after your 65th birthday. The pension can start as early as age 60 or any time up to the age of 70.

The CPP is a "contributory" plan. This means that all costs are covered by the financial contributions paid by employees, employers and self-employed workers, and from revenue earned on CPP investments. The CPP Investment Board has been created to operate at arm's length from the federal and provincial governments. The Board invests CPP funds in financial markets, broadly following the same investment rules as other pension plans.

With very few exceptions, every person in Canada over 18 who earns more than the basic exempted amount of \$3,500 per year must pay into the CPP or QPP in Quebec. The employee and the employer each pay half the contributions. Self employed individuals pay both portions.

The amount paid is based on employment earnings. The minimum level is \$3,500 meaning you do not pay CPP contributions on earnings up to \$3,500. The maximum

level in 2006 is \$42,100 with maximum contributions by employees of \$1,910.70 matched by their employers resulting in a total contribution per person in 2006 of \$3,821.40.

Example:

John starts working on January 1, 2006. Assume his yearly contribution for CPP is maxed by him and his employer at \$3,821.40. Then assume he works until age 60 and his contributions are invested by the CPP Investment Board earning 5% per annum. At age 60 John and his employer will have contributed \$137,570.40 in CPP contributions that if invested at 5% will have earned interest of \$237,912.74 resulting in a total investment amount of \$375,483.14.

Then assume at age 60 John decides he is going to apply for his CPP benefits. Under the current structure he would receive a maximum payment per year of \$10,135 if he took his pension at age 65. Assuming he took it at age 60, his pension would be reduced by 30%. Thus he would receive 7,094.50 per year. If the amount is annuitized the \$375,483.14 until age 80 (for 20 years) his annual payment would be \$30,427.30. The net difference would be a difference in pension per year of \$23,332.80.

Recommendations:

The Canadian Chamber of Commerce urges the Government of Canada to:

1. Allow the CPP to function more like an investment plan where amounts paid out match the amounts put in plus investment income.
2. Allow employers to invest their share and the employee's share of CPP contributions with private firms and restructure the types of investments to a very restrictive portfolio (ie government bonds etc). Then on retirement the employee would have access to the funds invested during their working years as a life annuity with a payout to the estate if he or she dies prematurely.

Greater Sudbury Chamber of Commerce Ensuring Access to Postsecondary Education

Issue:

Without re-investment by the federal government in its postsecondary institutions, Canada cannot achieve its vision of being one of the most innovative and skilled countries in the world.

Background:

Accessible and high quality postsecondary education is vital to Canada's economic, social and cultural development. The mandate of Canada's colleges and institutes all share a common purpose to improve the economic and social well-being of their communities.

Postsecondary education enables the three themes the Prime Minister has articulated: strengthening the social foundations of Canadian life; building a twenty-first century economy; and ensuring a place of influence and pride for Canada in the world.

General funding of postsecondary education has not kept pace with enrolment growth, resulting in a dramatic rise in class sizes, the decline of libraries and other educational resources, the serious deterioration of campus infrastructure and in some cases the closure of small rural campuses.

No Canadians should be denied the opportunity to benefit from a college or university education because they cannot afford to attend, because there are no spaces available or because there are inadequate supports in place to help them complete their studies. Without additional support, there is a risk of denying individual Canadians, particularly those who are most vulnerable, the ability to achieve their full potential.

Approximately thirty-five to fifty percent of current skilled trades workers, engineers, technicians/technologists and scientists in Canada will be eligible to retire within the next decade, leaving employers with dramatic labour shortages. Some of these shortages can be resolved through the credentialing of foreign trained immigrants who are already in Canada as well as increasing the number of new immigrants with these skills.

Funds flow from the federal government to the provinces for post-secondary education as part of a lump sum called the *Social Transfer*. Education is a provincial jurisdiction but there are some financial commitments that the federal government has to help the provinces. The amount allocated to the province for postsecondary education, while driven by a formula to determine the amount to be sent, is not driven by any accountability when it comes to spending it provincially. In other words, there are formulae for these "social" programs that determine how much each province receives, but then the federal government transfers it as one lump sum to the province and the province can spend as it sees fit. This means it is difficult to know how much money comes to the provinces for postsecondary education. Currently, the provinces are not required to spend the formula amount on the sector in which it was generated. This leads

to a concern that dollars generated for postsecondary education could be spent on secondary education, health, or any other sector of the provincial government's choosing.

RECOMMENDATIONS

The Canadian Chamber of Commerce urges the Government of Canada to:

1. Work with the provinces and territories to develop a set of principles or purposes to ensure funds are invested in post-secondary education in a transparent fashion while respecting the provinces' need for flexibility in setting their own postsecondary education priorities.
2. Develop and fund a postsecondary education process model for the integration of immigrants that would encompass a comprehensive suite of programs and services including information access, assessment services, advising and counseling and education and training programs for immigrants which postsecondary institutions can follow and adapt when developing their own programs and services aimed at facilitating the integration of immigrants within their communities.

Ensuring Adequate Insurance Protection for Canadian Businesses

2003

Canada's small and medium-sized businesses are facing increased difficulty in securing adequate and affordable insurance coverage. Rapidly escalating insurance costs are having a negative impact on individual businesses and the Canadian economy.

The insurance industry and insurers are in the business of making money for their stockholders. Failure to do so reduces investor confidence, which in turn reduces investment capital and the ability for the insurer to insure risk. A major component of an insurer's revenue in the past has been from both investment income and capital appreciation from investments in the stock market. During the last two years, both of these have had a severe negative impact on the industry's earnings.

Reports from the Insurance Bureau of Canada indicate that recent insurance industry year-end financial results have been disappointing with the poor performances attributable to an increase in claims costs and poor investment returns. Unfortunately, internationally based insurance companies are not as regulated in their investments as are Canadian insurance companies. This allows them to make potentially high-risk investments.

All recent reports and indications are that 2001 and 2002 claims costs continue to escalate and these costs will continue to rise given the associated cost settlements and the increased costs of materials, adjusters, medical and legal, and reinsurance costs.

Each insurer has a particular expertise or preference for risk. In other words, there are classes of insurance that are preferred by certain carriers and those that are not. Across the industry, the insurers' undesirable risk list is growing and now includes buildings under construction, taxi cabs, accounts with claims regardless of the class, roofing contractors, and vacant properties, just to name a few.

As clients insure their assets, likewise insurance carriers purchase reinsurance to assist in the placement of coverage or to protect themselves against catastrophic events. Since September 11th, 2001 the reinsurance industry has had a significant impact to its results which has caused a number of them to become insolvent. As a result, the insurance companies have increased their charges to the insurers by a minimum each year of 30 to 40 percent. This has had an adverse impact on small and medium-sized businesses seeking to renew or establish new insurance policies. The impact ranges from an increase of 30 to 40 percent in premiums (there have been instances of increases of upwards of 1000 percent) to reductions in or the complete elimination of coverage, as well as higher deductibles and limited access to coverage.

Recommendations

That a forum be created by the federal government in conjunction with the provinces, territories and key stakeholders to:

- Verify rate increases and availability,
- the causes,

- what actions could be taken by government on both a short term and long term basis to improve the shortage of reinsurance capacity in the marketplace
- Recommend to various levels of government what regulations could be developed, of a risk management nature, to minimize the likelihood of such insurance premium spikes in the future.

The forum would include, but would not be limited to, representation from the following groups:

- Federal government, OSFI
- Provincial and territorial Superintendents of Financial Institutions
- Insurance Bureau of Canada
- Reinsurance Company representatives
- Insurance Brokers Association of Canada
- Canadian Chamber of Commerce
- Canadian Bar Association