



leadership beyond finance

FEI Canada – Policy Forum
Pre Budget Submission, February 2015

- I. The government is focused on creating jobs and economic growth. What can government do to help businesses grow, increase trade and investment and encourage the private sector to hire new employees?**

The government should continue to support the elimination of inter-provincial barriers that hamper the transfer of skilled labour from different provinces. The removal of barriers will aid the federal government's continued efforts to promote the availability of all jobs across Canada.

The government's job creation strategy should be comprehensive and provide clear communication of the industry sectors that it is prepared to support. This will incent businesses, educational institutions and investors to channel resources in support of these programs. Manufacturing, which constitutes a substantial part of central Canada's economy, should be supported to the extent that Canada can maintain a competitive advantage.

- II. The government is committed to keeping Canada's finances balanced and on a sustainable track, including reducing the debt. This builds on our government's belief of respecting taxpayers' dollars. In what other areas should we look to make spending more efficient and effective?**

FEI Canada believes that, in ordinary course, the government should balance the budget and reduce debt-to-GDP ratio without raising taxes, to be globally competitive and remain accessible to capital. An economic Canada means managing and balancing the aggregate of federal, provincial and municipal debt in consultation with the provinces.

This must be weighed against how the drop in oil prices has impacted government revenues. As it did following the credit crisis, FEI Canada recommends, in the short term, the government give a higher priority to sustaining and enhancing the economy and protecting jobs.

Suggestions to balance the budget include maintaining budgetary control over spending. One opportunity is to simplify the Income Tax Act to reduce tax administrative costs for both the government and taxpayers e.g. number of audits. There would be reduced costs by allowing consolidated tax return filings. Alternatively, the government should allow companies to transfer non-capital losses within corporations in the same provincial tax jurisdiction or elect to include capital losses in the eligible capital expenditure pool. For GST purposes, companies should be able to elect to claim input



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tax credits in a related company similar to the election currently available allowing another taxpayer to remit GST.

How can the government help Canadians with the costs of living and raising a family?

All Canadians need to plan for their retirement. Financial literacy is more important than ever for individuals and families, who need help with budgeting and setting aside money for their retirement even as they manage the daily costs of running a household.

FEI Canada encourages the government to help Canadians plan for retirement by developing a national framework on adequate retirement income. We recommend a fully-funded model over time, including allowing employees to increase their CPP contributions. Rather than increase employer funding, adjust age eligibility to 67.

This model would ensure long term solvency of pension funds while maintaining stable contribution rates, preserving a fair standard of living. This would benefit:

- Most Canadians who will have inadequate retirement income
- Most middle-income earners over 40; this group could see a significant decline in their standard of living upon retirement
- governments who may require higher payments from general revenue to support seniors in their retirement years through GIS, OAS or some form of welfare support payments

Results should increase the quality of living for all Canadians.

IV. What can the government do to ensure Canadians are obtaining the skills necessary for the jobs of tomorrow?

Investments in education and technology should be made with a long-term view as to the actual skills needs of the country. University programs and funding for research should be better aligned with current and future business needs, and co-op programs which offer work experience should be expanded. This could be accomplished with improved partnerships and better coordination with the provinces, and between business and academic institutions, as has been done in other countries. Emphasis should be placed on academic programs focusing on regional business competitive strengths (e.g. aviation and pharmaceuticals in Montreal, and energy in the west). Given that economic downturns create employment displacement, keeping actual business needs in mind is a necessity when demands increase for retraining.



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While we applaud the government’s recent efforts to bolster some apprenticeship programs in the skilled trades, efforts should be increased to ensure these programs are readily available across the country to deal with youth unemployment and the anticipated future skills shortage that will result from current demographic trends.

Given that it may be difficult to predict business needs decades from now, promoting entrepreneurship amongst youth today is especially vital to promote flexibility and versatility in the future workforce.

V. Are there investments that can build stronger communities and keep our streets safe?

Education and renewed infrastructure, from roads to recreational facilities, foster job creation, economic growth and thus stronger communities which enhance quality of life and provide the socio-economic conditions in which safer communities can flourish. A strong economy leads to strong (and therefore safer) communities.

VI. Are there any other comments you would like to make regarding the government’s Economic Action Plan?

FEI Canada recognizes that innovation plays a significant role in achieving a strong and sustainable economy. Canada needs economic and taxation policies that facilitate innovation, particularly to support the development of smaller Canadian companies.

The government should allow companies engaged in innovation to issue flow-through shares to monetize development and related commercialization expenses. Expenditures incurred up to product commercialization should be eligible for this flow-through to encourage the private sector to fund costs associated with converting ideas into marketable products. The expected near-term cost of this program should be nil, as it simply transfers tax deductions and credits from one taxpayer to another. This recommendation would benefit Canadian corporations engaged in innovation activities, particularly start-up firms who are not earning taxable revenue in excess of innovation expenses, by making capital funding more accessible. It should result in an increase in the pool of investable capital from idle cash in the private sector that could be deployed to increase innovation activity in Canada, rather than relying on the federal government.