

Bonjour mesdames et messieurs.

Thank you for allowing Financial Executives International Canada to appear before you today, to elaborate upon the details of our written submission tabled with you this summer.

FEI Canada is a not-for-profit professional membership association representing senior financial executives including Chief Financial Officers from across our great country. As Canada's economy has developed, so have we.

Our membership reflects a wide range of industries from coast to coast, such as energy, forestry, food and agriculture, manufacturing, retail, health, technology, education, Crown corporations and even government.

FEI Canada provides its members with thought leadership and advocacy services to help develop Canada's business leaders. We help build value in our members' companies and ultimately drive economic growth and job creation in Canada.

Our members are at the forefront of the investment and decision making process in their organizations, and they have a unique and valuable perspective on what drives the Canadian economy. As such, the goal of fostering economic prosperity for all regions within Canada forms the cornerstone of our remarks to you today.

We will address 3 imperatives for Canada:

- **Firstly, the importance of investing in Innovation**, all the way through to Commercialization

- **Secondly, the importance of strong Infrastructure in all areas**, most importantly to speed Canada's products and services to the global market and finally
- **The importance of fostering a competitive business landscape**

### **1) We recommend that the government increase support for innovation.**

Our country's economy is driven by natural resources, but Canada needs to diversify by developing its technology sector, supporting start-ups, and fostering innovation.

While the federal government has taken some important steps to address this, funding needs to extend beyond promoting research and development.

Canada has many components of a healthy **innovation ecosystem**. We have a highly-educated workforce, world-class research institutions, and low barriers to starting a business.

However, more needs to be done to assist in commercialization, as bringing our products to market is what opens the door to economic growth and job creation for Canada.

**We encourage the government to partner with the private sector to fund the commercialization of innovation, through the use of flow-through shares<sup>i</sup>.**

**2) Our second imperative is Infrastructure investment.** This is vital to support our export-driven economy.

**Put more simply:** We need to open up access to global markets, and improve how quickly and efficiently we move our goods and services to those markets.

Infrastructure priorities should focus on creating lasting economic benefits to all Canadians, protecting our environment and meeting regional needs. FEI Canada suggests 3 priorities:

- 1.** The construction and long-term operation of port and pipeline infrastructure. This would provide better access to new energy customers<sup>ii</sup> and increase export opportunities for all of Canada.
- 2.** Investment in renewable energy infrastructure that would help meet long-term energy needs for Canada. This would diversify the economy and promote the development of new technologies and value-added products.
- 3.** Reliable high-speed internet for businesses and individuals in remote and rural areas.

**We encourage the government to invest in these forms of infrastructure by partnering with the private sector,** where appropriate using such measures as **private/public partnerships** and the **National Infrastructure Bank** initiative recommended yesterday by the *Advisory Council on Economic Growth*<sup>iii</sup>.

And finally:

### **3) We need to keep Canada globally competitive.**

While FEI Canada agrees well-placed infrastructure spending that spurs employment should be undertaken even if it temporarily causes a deficit, it is important to lay out the future steps to return to a balanced budget.

There are also ways to streamline regulation while still offering the appropriate protections. This red tape reduction could benefit both businesses and the government.

We have 3 suggestions:

#### **1. Simplify the Income Tax Act**

FEI Canada has previously suggested ways to do this, and we would be pleased to elaborate should you wish.

#### **2. Continue to share details of the expanded CPP.**

This is a measure that FEI Canada has supported in principle, and we look forward to learning more details about this initiative.

#### **3. Harmonize interprovincial and federal processes.**

The goal should be to remove barriers to labour mobility and coordinate inter-provincial reporting on various measures, such as those to reduce Canada's carbon footprint.

FEI Canada would like to thank the committee for the opportunity to present to you today.

We welcome any questions you might have.

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<sup>i</sup> **Flow-through share proposal is to provide companies with a mechanism to transfer unused deductions to investors** (similar to what Oil & Gas and Mining companies are currently permitted to do). This would be particularly useful for start-ups who have yet to generate adequate amounts of taxable income to absorb R&D and commercial expenditures.

Innovation flow-through shares would renounce qualifying SR&ED or innovation expenditures and any related tax credits to investors investing in these companies. Such a program would encourage private investment in Canadian innovation and would not be an incremental cost to the government since this program only represents transferring deductions and credits from one taxpayer to another.

<sup>ii</sup> CAPP estimates that **total volume** (after imported diluent is added to production) **is expected to increase 37 per cent** over the next 15 years, growing **to 5.5 million barrels a day by 2030, vs. Canada's current pipeline network capacity of about 4 million barrels per day**. Due to the increase in total volume, all forms of transportation in all directions are needed to get Canadian oil to new and existing markets.

<sup>iii</sup> The Advisory Council on Economic Growth recommended on October 20, 2016 that the government invest up to \$40B to establish a National Infrastructure Bank to attract institutional investors. The Council suggests this investment would lead to a 4:1 leveraging, thus making \$200B of funds available to fund infrastructure over the next 10 years.