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**FEI Canada – Policy Forum
Pre Budget Submission, August 2015**

August 7, 2015

Mr. James Rajotte
Chair, House of Commons Standing Committee on Finance
Ottawa

Via email: finapbc-cpb@parl.gc.ca

Dear Mr. Rajotte:

The Policy Forum of Financial Executives International Canada (FEI Canada) is responding to the committee's request for pre-budget submissions.

FEI Canada is the all-industry professional membership association for senior financial executives. With eleven chapters across Canada and 1,600 members, FEI Canada provides professional development, thought leadership and advocacy services to its members. The association membership, which consists of Chief Financial Officers, Audit Committee Directors and senior executives in the Finance, Controller, Treasury and Taxation functions, represents a significant number of Canada's leading and most influential corporations.

It should come as no surprise that the primary concern for our members is the health of the Canadian economy and the economic uncertainty we face over the next few years. In addition to the 2015 pre-budget consultation themes, we also included an area of interest (exports) towards the end of our submission, for your perusal and consideration.

In response to the government's request for comment on the following themes, we submit our responses:

1. Productivity

What federal actions regarding health, education, tools, technology, the federal public service and supports for the involvement of all Canadians would improve Canada's rate of productivity?

Create an enhanced National Sovereign Fund: In order to improve Canada's global competitiveness position the government should research the advantages of creating a National Sovereign Fund. The primary goal of sponsoring a National Sovereign Fund is to invest, acquire and source globally emerging technologies that can drive future innovations and development by Canadian companies and help establish local centres of



leadership beyond finance

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excellence that support and benefit Canadian industries. Such a fund would build on the support already extended to innovators by programs such as [IRAP](#) (Industrial Research Assistance Program) and leverage the expertise and knowledge of EDC (Export Development Canada). The fund could be supported by rechanneling a portion of government proceeds gained from commodity exports. The government is encouraged to seek private partnerships to oversee and manage these investments.

Create More Clusters: Canada must recognize and leverage its regional strengths and facilitate the development of specific industry clusters across the country while continuing to develop important business relationships worldwide. This would ensure that regions attract the best talent, enabling industries to constantly introduce new products and services into the market, strengthening our trade and investment presence around the world. Inter-provincial barriers should be reduced to enhance the movement of labour facilitating growth of regional clusters and meeting the needs of business.

Apprenticeships: Continued focus should be given to apprenticeship in higher value skills. Private support in companies should be sought after to support and finance this initiative. We also agree with the Organization for Economic Co-operation and Development (OECD)'s encouraging "the accumulation of knowledge-based capital at home, and to be able to capture as much value from the investment as possible. Through ensuring good business frameworks, such as those affecting the supply of skills and the operation of intellectual property rights, governments can help encourage firms to invest in certain high value functions, such as R&D, prototyping, [and] design." (OECD Observer No 292) By promoting the development of these highly valued skills, Canada will be better able to compete with similar value-added manufacturing export-driven economies.

2. Infrastructure and communities

What federal actions would ensure that Canada's communities have the infrastructure they need to support people and businesses, including in work, leisure and getting goods to market?

Renewed infrastructure, from roads to recreational facilities, fosters job creation and economic growth. This creates stronger communities that enhance quality of life and provide the socio-economic conditions in which safer communities can flourish. A solid economy leads to strong (and therefore safer) communities.

Promote infrastructure investment: The government is best placed to take the lead in identifying those large infrastructure projects that improve the lives of Canadians, through



leadership beyond finance

FEI Canada – Policy Forum
Pre Budget Submission, August 2015

improved health care facilities (e.g. long-term care or assisted living), improving transportation and efficient & effective public transit, and expanding our telecommunications footprint, including improved access to broadband internet in rural areas. Once identified, the government should then facilitate private sector involvement to realize these projects, as infrastructure improvements have achieved a level of success via a P3 model (public-private partnerships).

Cybersecurity: FEI Canada produced a study on Cyber Security and Business Continuity highlighting serious concerns with respect to the readiness of Canada’s IT infrastructure that could affect both the corporate world and the public domain. Cyber risks continue to increase in companies and governments managing critical infrastructure networks such as electrical grids, transport systems, communication and financial networks.

Our country’s dependency and reliance on system-controlled infrastructure creates a national threat that we must manage. In terms of technology, our members would ask the government to consider the importance of establishing a National Cybersecurity Protocol for Canadian business and industries. FEI Canada supports investment in the development of a National Cybersecurity Protocol and implementation of cybersecurity policies & standards. Development and implementation of these polices will protect and secure Canadian governments, business and industries, and the network infrastructure which our economy and national security depends upon.

3. Jobs

What federal actions would support Canadian residents as they secure employment, adapt their skills to meet the evolving needs of employers, and move to locations where jobs exist?

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 create incentives for 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 maintains a competitive advantage. For example, Canadian leadership in the area of environmental



leadership beyond finance

FEI Canada – Policy Forum
Pre Budget Submission, August 2015

remediation can also be exploited, similar to how Alberta marketed our oil industry expertise to the global market.

Investments in education and technology should be made with a long-term view as to the actual skill needs of the country. University programs and funding for research could be better aligned with current and future business needs, and co-op programs that offer work experience should be expanded. This could be accomplished with improved partnerships and better coordination with the provinces, 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 and agriculture in the west). Given that economic downturns create employment displacement, keeping actual business needs in mind is a necessity when demands increase for retooling our work force.

While we recognize that the government has made significant efforts to bolster 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 critical to our country's future success. It is vital for the next generation and critical to our economy that we invest today to create tomorrow's innovators and business leaders in areas of science, biotechnology, environmental, medical research, nanotechnology, robotics, business and engineering.

4. Taxation

What federal actions in relation to personal and business taxation would result in the desired incentives for work, saving, spending, investment, job creation and other positive outcomes?

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 attractive for capital investment. An economic Canada means managing and balancing the aggregate of federal, provincial and municipal debt in consultation with the provinces.

FEI Canada understands that this must be weighed against how recent economic shockwaves have impacted government revenues. As it did following the 2008 credit crisis, FEI Canada recommends, in the short term, the government give a higher priority to sustaining and enhancing the economy and protecting jobs.

FEI Canada – Policy Forum
Pre Budget Submission, August 2015

Tax simplification: Suggestions to reduce costs 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. There would be reduced costs by allowing consolidated tax return filings; the government could 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 tax credits in a related company.

Promote innovation: 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.

Promote savings: FEI Canada encourages the government to help Canadians plan for retirement by developing a national framework on adequate retirement income. FEI Canada continues to support a modest expansion of the CPP as indicated in prior submissions (see [CPP Expansion: A critical part of the solution](#)). Our recommendation provides a model that ensures long-term solvency of pension funds while maintaining stable contribution rates, migrating to a fully funded model over time.

Financial literacy is more important than ever, as individuals and families need help with budgeting, managing debt and saving for retirement as they manage household costs.

As indicated at the beginning of our submission, FEI Canada would also like to highlight the following topic for consideration by the Committee:

Promote Canadian exports: Exports represent about 30% of Canada’s total economic output¹, trade represents more than half of Canada’s GDP and exports are linked to approximately one in five Canadian jobs². We therefore suggest the government continue to explore opportunities to provide additional leadership and vision that enhances the collaboration between government, business and industry with the goal of improving market access for all Canadian exports; commodities, services or manufactured goods, to ensure our country’s continued economic growth.

¹ World Bank – Exports of goods and services (% of GDP). Retrieved from <http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS/countries?display=default>

² “Trade, in fact, is equivalent to more than 60% of our annual gross domestic product, and one in every five Canadian jobs is directly linked to exports.” – [Remarks](#) by Transportation Minister Lisa Raitt, July 10, 2015, Toronto Global Forum



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In the end, the Canadian economy requires access to global markets to succeed. Improving access to global markets can be achieved in part by keeping costs under control for Canadian companies.

Further, while market access and cost competitiveness are important, Canadian business needs to be nimble to succeed in the face of constant change. Canadian organizations need the ability to adapt and move forward rather than be impeded by what might be seen as overly rigorous regulatory frameworks.

In closing, FEI Canada recognizes the important role government can play in creating a future vision for Canada's business leaders and in providing an environment that nurtures and develops our future innovators and leaders.

We appreciate that the role of governments at all levels is to provide leadership supported with actions and programs enabling the implementation of a vision for their respective countries, provinces and municipalities. It is within this framework that governments must make balanced decisions that will move their constituents forward to a brighter future.

The government has access to a broad range of expertise and resources whose insight and knowledge can be leveraged to support the vision and leadership to move Canada forward.

Sincerely,

A handwritten signature in black ink, appearing to read "Norm Ferguson".

Norm Ferguson, CPA, CMA
Chair, FEI Canada Policy Forum
Managing Director, Ogilvie LLP

A handwritten signature in black ink, appearing to read "Michael Conway".

Michael Conway, FCPA, FCA, ICD.D
President & Chief Executive Officer
FEI Canada