



leadership beyond finance

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FEI Canada – Policy Forum
Pre-Budget Submission, February 2016

February 18, 2016

The Hon. Wayne Easter
Chair, House of Commons Standing Committee on Finance
Ottawa

Email: finapbc-cpb@parl.gc.ca

Dear Mr. Easter:

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 consists of Chief Financial Officers, Audit Committee Directors and senior executives in the Finance, Controller, Treasury and Taxation functions, representing 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. The shift in the global economy emphasizes the need for Canada to further examine and focus our national policies and strategies that develop and enhance export and trade, innovation and entrepreneurship, infrastructure, cybersecurity, energy and environment sustainability.

We submit the following comments and recommendations for your perusal and consideration.

Export and Trade

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 jobs. We encourage the government to put forward a strong vision, demonstrating leadership in infrastructure enhancements that increase and improve access to export markets. We recommend the government promptly affirm the national importance of pipelines, rail and highway networks that enable and enhance

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

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Canada's export ability by developing and implementing a long-term strategy on accessing the global economy.

Develop a National Sovereign Fund: To improve Canada's global competitiveness, the government should create a National Sovereign Fund. The primary goal of creating a National Sovereign Fund would be to globally invest, acquire and source emerging technologies that can drive future innovations and development by Canadian companies and establish local centres of excellence supporting and benefiting 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 public-private partnerships to cooperatively oversee, regulate, and manage such strategic 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, thereby facilitating growth of regional clusters and meeting the needs of business.

Apprenticeships: Continued focus should be placed on apprenticeships in higher value skills. Corporate support should be sought to support and finance this initiative. We agree with the Organization for Economic Co-operation and Development (OECD) statement² 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."* 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 OECD Observer No. 292

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Inter-provincial Trade Barriers: Governments should continue to support the elimination of inter-provincial barriers that hamper the transfer of skilled labour between provinces, thus aiding the federal government’s efforts to promote the availability of jobs across Canada. We recommend the government continue to explore opportunities and provide leadership and vision to enhance collaboration between governments, business and industry, with the goal of improving market access for all Canadian exports – commodities, services and manufactured goods – and enhancing our country’s economic stability.

Innovation and Entrepreneurship

FEI Canada recognizes the important role government can play in supporting a collaborative relationship in the development of a future vision with Canada’s business leaders, and providing an environment that nurtures and develops our future innovators, entrepreneurs, and leaders.

Promote innovation: Innovation plays a significant role in achieving a strong and sustainable economy. Investments in education and technology should be made with a long-term view as to the actual skillset needs of the country. University programs and funding for research could be better aligned with industry to meet both current and future business needs; co-op programs that offer work experience should also be expanded. This could be accomplished with improved partnerships and better coordination between the federal government, the provinces, business, and academic institutions, as has been done in other countries. Emphasis should be placed on academic programs that focus on leveraging regional competitive strengths (e.g. aviation and pharmaceuticals in Montreal; sustainable energy and agriculture in the Prairies). 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 FEI Canada recognizes the government has made significant efforts to bolster apprenticeship programs in the skilled trades, efforts should continue to ensure these programs are readily available across the country to deal with youth unemployment and anticipated future skill shortages that will result from current demographic trends.

Entrepreneurship: Although it is difficult to predict business needs decades from now, promoting entrepreneurship amongst our youth today is imperative to our country’s future success. It is vital for the next generation and critical for our economy that we invest today to create tomorrow’s innovators and business leaders in the areas of biotechnology, environmental protection and enhancement, medical research, nanotechnology, robotics, business and engineering.

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The government's job creation strategy should be comprehensive and clearly communicate 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, could invest in productivity technologies to the extent that Canada maintains a competitive advantage. For example, leadership in the area of environmental remediation could be developed and exploited, similar to how Canadian oil industry expertise was exported to the global market.

Canadian businesses require economic and taxation policies that facilitate innovation, particularly to support the development of smaller Canadian companies. The government should consider allowing companies engaged in innovation to issue flow-through shares to monetize development and related commercialization expenses and continued SR&ED credits.

Infrastructure, Cybersecurity, Energy and Environment Sustainability

Infrastructure investment: The federal government, in collaboration with provinces, is best able to identify those large infrastructure projects that will improve the lives of Canadians.

From roads to northern shipping lanes, strategic infrastructure investment coupled with sustainable environmental policies can foster job creation and economic growth. Revitalization of our cities and communities can be supported through improved health care facilities (e.g., long-term care or assisted living), enhanced transportation networks, efficient and effective public transit, and expanding our telecommunications infrastructure, including improved access to broadband internet in rural areas. A strategic infrastructure investment approach can create stronger communities with enhanced quality of life and provide the socio-economic conditions in which safer communities can flourish. A solid economy leads to stronger, safer communities.

Once these infrastructure projects are identified, the government should facilitate private sector involvement to realize these projects, as infrastructure improvements have achieved a level of success via a P3 (public-private partnerships) model.

Cybersecurity: FEI Canada's research foundation produced a study on [Cyber Security and Business Continuity](#) highlighting potential shortfalls with the readiness of Canada's IT infrastructure to combat cyber threats. With critical infrastructure networks such as electrical grids, transport systems, communication and financial networks exposed to the

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risk of a cyber-attack, there has never been a greater need for systems and policies to safeguard the operation of Canada's businesses and government institutions.

As a matter of national security and as a prime concern to our members, FEI Canada proposes the government establish a national initiative, working in collaboration with industry, to manage the implementation of policies, protocols and best practices to maintain the integrity of the nation's information systems. Within the portfolio of the Minister of Public Safety, this National Cybersecurity Initiative's mandate would be to invest in technologies and expertise to repel cyber threats, establish protocols to ensure the security and privacy of data maintained in Canada and to promote best cyber security practices to Canada's businesses and government institutions.

Energy and Environment: As an export driven economy, infrastructure investment could support our ability to be self-sustaining, while providing vital links in our ability to export Canadian products. The construction and long-term operation of port and pipeline infrastructure can provide lasting economic benefits to all Canadians and export opportunities for all of Canada.

Infrastructure priorities should focus on what best can help drive the economy, protect our environment and meet regional priorities. Investment in renewable energy infrastructure would help secure the long-term energy needs for Canada, while diversifying the economy, promoting the development of new technologies and value-added products. An integrated, collaborative approach stimulating energy development, emerging and sustainable technologies and alternative energy sources such as wind, solar, biomass, gas, hydroelectric, oil extraction techniques and/or geothermal, should all be encouraged. Finally, to facilitate the export of energy projects to overseas markets, the government should ensure Canada has modern port infrastructure and world-class spill prevention and response protocols.

FEI Canada believes that, in ordinary course, government should balance budgets and reduce the debt-to-GDP ratio without raising taxes, to be globally competitive and remain attractive for capital investment. An economically sustainable Canada means managing and balancing the aggregate of federal, provincial, and municipal debt in consultation with these jurisdictions. FEI Canada understands that this must be weighed against recent economic shockwaves that negatively affected 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.

Tax simplification: Suggestions to reduce costs include maintaining budgetary control over spending. One opportunity is to simplify the Income Tax Act to reduce tax

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administration costs for both the government and taxpayers. Reduced costs could be achieved 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 savings: 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. 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 Canada Pension Plan 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.

In closing, FEI Canada recognizes the important role government can play in creating an environment for business to succeed and providing an environment that nurtures and develops our future innovators and leaders. In the end, the Canadian economy requires access to global markets to succeed. The government has access to a broad range of expertise and resources whose insight and knowledge can be leveraged, supporting the vision and leadership that can move Canada forward.

Sincerely,



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