



GREATER CHARLOTTETOWN AREA
CHAMBER OF COMMERCE

**Federal Pre-Budget Consultations
August 5, 2016**

The Greater Charlottetown Area Chamber of Commerce appreciates this opportunity to provide information that we believe is important to the preparation of the 2017/18 Federal Budget. While our comments centre on Prince Edward Island issues, where applicable, we shall also refer to a number of recommendations made by the Canadian Chamber of Commerce (Appendix I). Doing so emphasizes the concurrence between local and national concerns. The issues we face in realizing our economic goals are very similar to those of others. The main difference is scale, which we believe is to our advantage.

Prince Edward Island, if it is to prosper, must have a business development strategy that is private sector driven, export oriented, focused on innovation, and has the quality and quantity of human capital and strategic infrastructure appropriate to the task. This is a core message of our Chamber, and one that drives our advocacy efforts on behalf of our members.

We will limit our intervention to five issues that can be influenced by the Federal Government:

- i) **demographic** and **labour** issues and challenges
- ii) issues surrounding access to **capital**
- iii) driving **innovation** and commercialization
- iv) strategic physical **infrastructure**
- v) **taxation** considerations

So, what do we see as the Federal role to address these issues?

i) Demographic and Labour Market Issues

The Chamber continues to stress the central role that international immigration must play for Prince Edward Island in avoiding overall population decline and sustaining a labour force necessary for business and economic expansion. Thus,

The Federal Government should strive to set international immigration caps that reflect the specific needs of Prince Edward Island. The Chamber was pleased to learn of the Federal Government's Atlantic growth strategy consisting of a three-year pilot project that would see 2,000 new immigrants in the region in 2017. The

Chamber looks forward to learning more about this strategy and how it will be implemented on PEI.

While attracting international immigrants is important, retention through integration is key. The Chamber has been at the forefront of integration efforts through its PEI Connectors Program. Obtaining ongoing funding commitments to continue this service to entrepreneurial immigrants, however, is proving to be difficult. Thus,

The Federal Government needs to reduce the administrative burden associated with funding commitments for the PEI Connectors Program. A multi-year commitment is required.

The Chamber recognizes that the Temporary Foreign Worker program has been an essential resource for businesses in various sectors on Prince Edward Island - particularly, agriculture and fisheries. The program has allowed many employers to keep their businesses open when labour shortages would have meant work stoppages or complete closure. The Chamber has commended the federal government's removal of a 20 per cent cap on temporary foreign workers to allow employers in seasonal industries to hire as many workers as required. However, the Chamber is aware that similar labour shortages impact other industry groups on Prince Edward Island, given the nature of PEI's seasonal economy. Thus,

The Federal Government must assess the impact of Temporary Foreign Worker restrictions on all industries and consider expanding the eligibility requirements to include other industries experiencing significant labour shortages.

There is need for better labour market intelligence if Prince Edward Island is to ensure that policy and programs accurately reflect evolving market forces. The Chamber has previously argued for a detailed assessment of future labour market demand and supply, including the appropriateness of training and credential recognition. The Chamber was pleased to be consulted on this topic through the recent stakeholder roundtable that aimed to gather information for the Forum of Labour Market Ministers. We look forward to the outcomes of this consultation and in the meantime propose that,

The Federal Government, in partnership with the Province and institutions, must improve labour market intelligence to identify where new jobs are coming from (both by industry and occupation), what types of workers will be needed in the near future (by skill level) and how wage rates vary by location.

There has been an ongoing need for programming to help our skilled youth get the work experience they need to meet the ongoing expectations of the business community. There is also need for the curriculum and training programs for youth to be relevant to labour market needs. The Chamber was encouraged by the government's additional investments in skills training announced in the 2016 Budget and delivered through the Labour Market Transfer Agreements. Further to this,

The Federal Government should work strategically with provincial partners in government and industry to develop training programs that provide incentives for industries experiencing skills shortages, as well as promote collaboration on educational programming between post-secondary institutions and industry.

ii) Access to Capital

Venture capital is essential to start-ups and commercialization. While there are numerous financing programs available (both federal and provincial), gaps remain - particularly in meeting 'early stage' developments. Locally, via the Island Advance initiative, the Chamber is actively expanding connections among potential investors and entrepreneurs and, generally, is enhancing the flow of information on ways and means of improving the access to capital. But the challenge remains. Thus,

The Federal Government should clarify its intentions regarding the status of the previous government's Venture Capital Action Plan and its stance on tax credits for venture capital investments, both pooled and individual. In general, the Federal Government should actively develop new methods to improve access to capital for businesses at various stages.

iii) Driving innovation and commercialization

Growing a private sector driven economy in Prince Edward Island is largely dependent on how businesses (both established and yet to be established) develop and bring to fruition new or more effective products or services which have value in the global marketplace.

For individual firms to be successful in innovation and commercialization, Prince Edward Island must continue to develop a knowledge based infrastructure which can support innovation. That infrastructure must be both physical/organizational¹ and financial. The Chamber is pleased that the government thus far has acknowledged the economic importance of developing this infrastructure, particularly through investments in post-secondary institutions and innovation cluster development. The Chamber emphasizes,

It is critical that the Federal Government continue to support, through its various agencies and programs, the building of Prince Edward Island's knowledge based infrastructure. The importance of Federal R&D financial assistance programs such as SRED² and the National Research Council's Industrial Research Assistance Program (IRAP) cannot be underestimated.

iv) Strategic physical infrastructure

The quality and quantity of local infrastructure (roads, water and sewer, electrical power,

¹ UPEI, Atlantic Veterinary College, Holland College, the National Research Council, Agriculture Research Station, the BioAlliance, ACOA, Innovation PEI, etc.

² The Scientific Research and Experimental Development program is a federal tax incentive program that encourages Canadian businesses of all sizes, and in all sectors, to conduct research and development (R&D) in Canada.

broadband internet, etc.) are of great importance to advancing the Island economy. While these are costly, they are truly the base on which the vitality of the Island economy and Island communities depends.

The Federal Government has recognized the ongoing, essential infrastructure needs of the country. Through Phase 1 of the new Federal Infrastructure Program, investments are being made in public transit, clean water and affordable housing; however, it is not clear where the second phase of funding will be allocated.

The Canadian Chamber, in its 2013 Report: The Foundations of a Competitive Canada, stressed that “public infrastructure investment must be strategic. It is not more infrastructure that contributes to growth and productivity but the right infrastructure in the right places.” We fully support this as a criterion for setting priorities on federally funded infrastructure projects in the province. The federal and provincial governments have made important strategic infrastructure investments over the past decade, at our post-secondary institutions UPEI and Holland College, and scientific research organizations like the National Research Council and Agriculture and Agri-Food Canada. Further investment in this enabling infrastructure is critical to supporting the growth of businesses in the aerospace, ITC, bioscience, food processing, and advanced manufacturing sectors. Thus,

The Chamber recommends 'Phase 2' federal investment in key innovation and commercialization infrastructure projects currently being developed through industry-government collaborations that will accelerate new product development, local manufacturing, and scaling of export-oriented businesses. In addition, with regard to the province's only publicly used airport, the Charlottetown Airport, the Federal Government is urged to revise the Airports Capital Assistance Program (ACAP) to include the country's six small National Airports System (NAS) airports.

v) Taxation considerations

Without question, the business community is the lifeblood of Prince Edward Island's future prosperity. A competitive tax system in Canada is one essential measure to encourage private sector led economic growth.

The previous Federal Government had announced legislation to decrease the small business corporate tax rate from 11% to 9% over four years. Despite an election promise to keep the small business tax rate reduction, a 10.5% rate was adopted by the current government and future reductions have been deferred. Thus,

The Federal Government should facilitate private sector-led economic development through the adoption of competitive tax measures, in particular the reduction of the small business tax rate to 9% by the year 2019.

Building a culture of entrepreneurship is a core objective of the Chamber, as evidenced by the activities of Island Advance – a Chamber supported, province-wide initiative that serves as a catalyst for entrepreneurship in the province. Entrepreneurship plays a significant role in the Canadian economy and enhanced participation in this career path contributes immensely to greater innovation and overall prosperity for the country. Thus,

The Federal Government should pursue additional initiatives to support entrepreneur development. As a starting point, the Chamber recommends the introduction of a two-year tax waiver for young entrepreneurs starting their first business. One way this could be achieved is by providing a nil tax rate for incorporated businesses and excluding business income from unincorporated businesses' tax calculation.

Thank you for this opportunity and for taking a sincere interest in receiving the views of the Greater Charlottetown Area Chamber of Commerce and the local business community.

Appendix 1

A Canada That Wins

www.chamber.ca/media/blog/150930-access-to-capital-is-essential-to-stimulate-business-growth/

The Canadian Chamber of Commerce called on political parties to engage with businesses and commit to practical solutions and actions in the four areas that are critical to the competitiveness of the Canadian economy:

1. Access to a powerful workforce
2. Access to capital
3. Access to technology and innovation
4. Access to markets

Top 10 Barriers to Competitiveness

www.chamber.ca/advocacy/top-10-barriers-to-competitiveness/

Barrier I: Silos in skills development

Barrier II: Entrepreneurs lack capital for Canada's fastest-growing companies

Barrier III: Lack of clarity regarding duty to consult with Aboriginal peoples

Barrier IV: Internal barriers to trade

Barrier V: Canada's tax system is too complex and costly

Barrier VI: Canadian trade is constrained by infrastructure deficiencies

Barrier VII: Canada is uncompetitive in the world's tourism sector

Barrier VIII: Innovation rate is not sufficient to help manufacturing rebound

Barrier IX: Territorial businesses don't have the tools they need

Barrier X: Canada is missing out on foreign trade opportunities