GREATER KITCHENER WATERLOO
CHAMBER OF COMMERCE
125 YEARS BUSINESS BUILDING COMMUNITY

2011 PRE-BUDGET SUBMISSION

TO THE

HOUSE OF COMMONS

STANDING COMMITTEE ON FINANCE

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The Greater Kitchener Waterloo Chamber of Commerce and Waterloo Region – A Profile

The Greater Kitchener Waterloo Chamber of Commerce serves over 1500 members representing all sectors of the local community. Our membership includes small, medium, and large employers in one of Canada's most progressive and economically diverse regions.

Waterloo Region is designated as Canada's tenth and Ontario's fourth largest urban area, with a current population of 530,000 expected to reach 729,000 by 2031. The regional Gross Domestic Product in 2006 was $21.5 billion, with an estimated $347 million directed to business R&D expenditures.

Our local economy is among the most diverse in Canada, with concentration across advanced manufacturing, insurance, automotive, and information technology. Industry analysts have frequently cited this diversity as one of the fundamental strengths and foundations in the Waterloo Region entrepreneur-driven economy.

Priority Recommendations for the Federal Budget

1) Deficit Reduction and Limiting Growth in Government Spending

A priority measure for the federal government and their provincial/territorial counterparts should be returning to a balanced position over the medium term. Deficits can drive up interest rates, drain government savings, and reduce the flexibility for responding to unexpected circumstances.

Our Chamber supports the plan, outlined in the June 6, 2011 Budget, for returning to a balance by 2014-15 without raising taxes. A June 6, 2011 report from CIBC World Markets[1] noted that stronger than expected 3.2 percent economic growth during the calendar year saw the deficit fall to $36.2 billion, a $13 billion improvement from projections in the 2010 Budget and $4 billion lower than the Budget delivered in March of 2011. Therefore, a balance in less than five years is now a realistic expectation.

The June 6 report from CIBC noted that future economic growth alone will not close the revenue-spending gap. Program spending is expected to increase by 3.1 percent in 2011/2012. While that estimate is higher than previously anticipated, the major single factor is the transitory $2.2 billion for Quebec sales tax harmonization.

The Canadian Chamber of Commerce has proposed that growth in program spending should be restrained to approximately 1.6 percent through fiscal 2014-2015. Also, the scope of spending reviews should be broadened beyond direct program expenses. All government spending should be reviewed on a four-year cycle to determine where the benefits are greatest and areas where expenditures can be reduced or eliminated.

Our Chamber opposes any cuts in transfer payments to provincial and territorial governments. Waterloo Region per-resident funding for many critical social and health care services is among

[1] 2011 Federal Budget Update. CIBC World Markets

the lowest in Ontario, therefore any decrease in federal support would create significant budgetary pressures for local hospitals and service providers.

The Greater Kitchener Waterloo Chamber of Commerce Health Care Resources Council coordinates physician recruitment activities across our municipalities. Through our efforts with many stakeholders, we have significantly decreased the number of local residents without a family doctor. Continued support for health care services will be critical as we move to our goal of eliminating the physician shortage in five years.

The two-year extension of the accelerated capital cost allowance for investment in machinery and equipment will benefit manufacturers across Waterloo Region and Canada. Our Chamber has been a supporter of this initiative since it was introduced in 2007 and recommended extension in subsequent pre-budget submissions to the House of Commons Finance Committee.

Recommendations

The federal government should maintain their commitment to no new business and personal taxes as the Budget moves towards a balanced position by 2014-2015.

Growth in program spending should be limited to approximately 1.6 percent annually until the Budget is balanced.

Transfers to the provinces/territories for critical health and social services should not be cut.

2) Red Tape Reduction

Red tape is a serious barrier to business and a major disincentive to investment. Excessive paperwork, delays for project approval and demanding reporting obligations are a concern for businesses of all sizes in all sectors of the national economy.

The Canadian Chamber of Commerce (CCC), in a June 8, 2011 submission to the Red Tape Reduction Commission, noted that the regulatory burden placed on businesses is further compounded by the strict approach to compliance assumed by government officials. A shift needs to occur from a zero tolerance-process focused enforcement to an outcome sensitive approach. A clear accountability framework for regulators is required.

In the taxation portfolio, the administrative and compliance burden on businesses of all sizes must be reduced. Small and medium-sized enterprises (SMEs) carry a disproportionate share of the costs as the smaller a business, the higher the tax compliance cost per employee. Factors contributing to tax compliance costs include the high amount of paperwork, the complexity inherent in the tax system, frequent changes in tax legislation, different rules across jurisdictions, and the requirement to deal with multiple audits.

Recommendations

In order to decrease excessive administrative burdens for business, the following guidelines and principles should be recognized:

- **Single points of contact where businesses can obtain all relevant information and complete all necessary procedures by electronic means need to be established;**
- **Prior to drafting a regulation affecting business, the process needs to be communicated, defining the objective and cost of compliance. Sunset clauses should be considered;**
- **Affected business sectors should be consulted and changes not made without appropriate notice;**
- **Information needs to be disclosed regarding whether a proposal is new or a revision to existing regulations.**

3) Infrastructure Funding for Post Secondary Institutions

The University of Waterloo, Wilfrid Laurier University, and Conestoga College have all benefitted from the federal Knowledge Infrastructure Program (KIP) and accompanying financial support from the Ontario Government to significantly upgrade their facilities.

It is estimated that joint federal-provincial post-secondary infrastructure funding over the past two years created 11,000 jobs, increased revenues for local municipalities, and generated spinoff benefits for supplier companies that provide materials and service to construction projects.

In December of 2010, the deadline for the completion of all projects under the KIP was extended from March 2011 to October 2011. Based on the overall relative success of this initiative and the on-going importance of training and skills development for the Waterloo Region and national business sectors, longer-term funding should be available for ensuring campus infrastructure meets workforce and student requirements.

Recommendation

To ensure post-secondary institutions across Canada have sufficient infrastructure, both new and renovated, for addressing the growing number of students entering the system over the next five years, the Knowledge Infrastructure program (KIP) should be extended.

4) Pension Reform

Issues related to pension reform and retirement income are particularly important for the Waterloo Region business sector, as we are home to 12 major insurance companies with over 7,000 total employees. Major organizations include Sun Life Financial, Manulife Financial, The Economical Insurance Group, and Equitable Life Insurance.

In November of 2010, our Chamber provided a written submission to the Ontario Ministry of Finance in response to their discussion paper *Securing Our Retirement Future.* The Ontario Government has been conducting a series of recent consultations with stakeholders on the retirement income system with the objective of formulating a provincial position for advancing to the federal government and other provinces/territories.

Our submission last November noted that the national retirement system is among the best in the world and not in need of fundamental reform. Generally, if governments want to help

Canadians save more, the best option would be a legislative and regulatory regime that would allow more small and medium sized employers to offer workplace savings plans to their employees.

Our Chamber also supports the establishment of Registered Health Savings Plans, or RHSPs, a federal instrument that would allow Canadians to create a health spending account using pre-tax dollars that could be withdrawn for approved costs on a tax-free basis in retirement.

Recommendation

The federal government should review a Registered Health Savings Plan (RHSP) for relieving health care costs and assisting employers and employees prepare for post-retirement expenses.

The Greater Kitchener Waterloo Chamber of Commerce would like to thank the House of Commons Standing Committee on Finance for considering our recommendations.