

## **Input to the Canadian Government in preparation of the 2012 Budget: August 12, 2011**

Addressing the following criteria:

- **how to achieve a sustained economic recovery in Canada,**
- **how to create quality sustainable jobs,**
- **how to ensure relatively low rates of taxation,** and
- **how to achieve a balanced budget.** In particular, the thoughts and suggestions of Canadians about how to attain high levels of job growth and business investment in order to ensure shared prosperity and a high standard of living for all are being sought.

### **Attention:**

Guyanne L. Desforges,  
Clerk of the Standing Committee on Finance

The Surrey Board of Trade board of Trade is concerned that the Canadian government maintain the fiscal advantage that they have so far been able to create and is pleased to be able to offer some comment with respect to the above stated goals in the planning for the next budget cycle.

As you are very well aware, a healthy business environment is critical in building an even stronger economy, which will benefit all Canadians by improving the climate for small business success and moving toward a stronger aviation sector which is critical in the life of Canada.

The Surrey Board of Trade recommends that the Government of Canada take action on two specific areas:

1. **Normalize the Accelerated Capital Cost Allowance for computer equipment purchases such that it is in the same asset class as computer software (Class 12).**

Capital Cost Allowances (CCA) rates are generally intended to reflect the economic benefit of the asset over time, specifically, over its useful life. The depreciation rate is intended to reflect the fact that depreciable assets contribute to earnings over a period of time and are not consumed in the year in which they are acquired. Given how quickly technology changes however, it would seem inappropriate to assume that computer equipment has a useful life and contributes to the earnings potential of a business over a period of more than 1 to 2 years. As such, computer equipment should not be distinguished from computer software which is amortized at a rate of 100%. Effectively, because of the application of the “half-year rule”, computer equipment would be fully amortized for income tax purposes over a period of two years, which should be more representative of its useful life.

2. **Move with all urgency to stem the enormous economic losses as a result of the loss of Canadian flyers to American border airports because of high Canadian air fares** by revising the relationship which Canadian airports have with the Federal government such that they become economic generators as

opposed to a source of rental income, along with the many other fees which create an enormous disparity between US and Canadian airports.

- loss of business to US Airports is estimated to cost the economy \$1.1 billion per year according to AirTrav Inc. a Toronto-based consulting firm

- The high Canadian airfares have been attributed to the “ground rent” that Ottawa charges major airports, as well as layers of taxes and security fees imposed by government

- Estimates are that half the passengers flying out of Bellingham Washington, are from Canada, and this is seen as standard for many border airports across Canada.

- 21% of Canadians (as reported in a recent McLean’s Magazine article) say they travel to American airports where the cost of a ticket can be half to three-quarters of the price in Canada

These issues are costing the Canadian economy dearly in lost jobs (along with the lost tax revenues) and potential revenue from a thriving, competitive aviation industry, as well as creating jobs in all areas of Canada and through many different supporting sectors, to handle the increased aviation-related business, as well as energizing the economies of communities connected to Canadian airports. The Surrey Board of Trade recommends that the Government of Canada undertake an urgent study to reduce and ultimately eliminate airport rent and fees in favour of economic returns from a growing and sustainable Canadian aviation sector which would become a major contributing economic engine in this country.

Thank you for your consideration.

Sincerely,

Mary Jane Stenberg, President  
Surrey Board of Trade  
Surrey, BC

*The Surrey Board of Trade represents over 3,600 business contacts. It provides advocacy for business at all levels of government, networking opportunities, cost-saving benefits, access to international markets and professional development.*