Quebec
Employers'
Council

S'ALLIER POUR LA PROSPÉRITÉ

Comments of the Quebec Employers' Council

as part of the pre-budget consultations of the House of Commons Standing Committee on Finance for the 2015 federal budget

August 2014

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Sound public finances for a competitive tax system

The Quebec Employers' Council invites the federal government to continue working to eliminate the budget deficit, as it committed to do for 2015-2016, particularly through improved control of public spending while preserving transfers to the provinces. The Employers' Council welcomes the government's intention to table a balanced budget bill. It invites the federal government to make balanced and strategic use of future budget surpluses, first of all by reducing the corporate and personal tax burden. Second, the Employers' Council suggests that the government invest a portion of the surpluses in government programs that exert structural leverage on productivity, innovation, marketing and reduction of the environmental footprint of companies. With respect to transfers, we underscore the particular case of health transfers. The Employers' Council feels that tying health transfers to growth of GDP does not reflect the needs of an aging population such as we have in Canada, and particularly Quebec. Furthermore, an in-depth review of the *Canada Health Act* should be undertaken by the federal government in collaboration with the provinces. The government cannot impose a regulatory framework and accessibility and universality requirements on the provinces without giving them the resources and the flexibility necessary to take the actions required.

On the revenue side, it seems to us essential to resolve the online sales problem, which is not only depriving the federal and provincial governments of tax receipts, but also doing harm to the competitiveness of Canadian companies.

The tax burden and payroll taxes

Having achieved its important objective of reducing corporate income taxes to 15% in 2012, the federal government must now consider the funding of different programs that are paid through payroll taxes. Imposing high payroll taxes on employers can act as a curb on investment and job creation.

The Council has serious reservations about the different proposals to increase the Canada Pension Plan (CPP/QPP), which the finance ministers have fortunately chosen to examine no further for the moment, having failed to reach a consensus. On this subject, let us remember first of all that Canada ranks quite well at the international level in terms of retirement savings. That does not mean there will not be challenges to meet in the years ahead, including that of increasing the level of savings. As many studies and analyses have suggested, however, not everyone is in need of savings.

Therefore the proposal to increase the CPP/QPP is not necessarily meeting a need: on the contrary, it may well have certain perverse effects. One of these is the impact on economic activity that would follow from additional source deductions and the impact on investments, jobs and wages, which would run clearly counter to the objective of maximizing job creation. Furthermore, such an increase does not encourage the extension of working life, which is where the emphasis should be placed when the population is aging. Finally, this might simply result in a shift from private savings to public savings, something which does not seem to us desirable.

The employment insurance program

The Quebec Employers' Council is generally favourable to the changes made to the employment insurance program, which have the laudable objectives of promoting better matching of labour market requirements to job seekers and improving the operation of the labour market. However the Council is concerned about the potential impact of these changes on employers in certain seasonal industries, who might lose access to a motivated and productive workforce.

On this subject, the Employers' Council repeats its proposal that the federal government launch a strategic watch of the impacts arising from its employment insurance reform, and be prepared to make any adjustments to it that may prove necessary.

Introducing an employment insurance contributions credit for training expenses, especially expenditures on formal training when new investments are set up, is another way that the employment insurance program can help to maintain and create jobs. Permitting funds to be used for skills recognition and on-the-job training, for example, is also a way to make funds invested more cost-effective.

Finally, we ask the government once again to gradually reintroduce its contribution so that the employers' contribution can be kept under control (40% employer, 40% worker, 20% government). Such a contribution is all the more justified if one thinks back to the past surpluses paid into the consolidated revenue fund which were used by governments.

Training and labour force availability

The announcement of the Canada Job Grant in the 2013-2014 federal budget prompted sharp reactions all over the country, particularly in Quebec. The Employers’ Council is delighted that the federal government and the Quebec government have agreed to permit the province to withdraw from the program, with compensation, and to benefit from the conditions laid out in the Canada-Quebec labour market agreement. This will allow Quebec to retain control of its own workforce training programs.

The Employers’ Council hopes that the federal government and the Quebec government will continue on this path in the negotiations currently under way to renew the Canada-Quebec labour market agreement, so as to reach an accord that is satisfactory both to the two levels of government and to the partners concerned, especially the employers.

There is currently a federal tax credit for formal training expenses for apprentices under the “Red Seal” program. The employers we represent would like to see this measure extended to other apprenticeships managed by the Commission des partenaires du marché du travail in Quebec.

Finally, despite their laudable objectives, the recent changes made to the temporary foreign workers program which make the process of hiring these workers much more complicated and expensive may have negative repercussions on many employers who are facing real recruitment problems.

Regulations

Companies would appreciate continued implementation of the measures bringing regulatory and administrative relief and simplification. We can only applaud the government’s willingness to introduce the one-for-one rule on regulations.

On this subject, the new regulations that the government is considering in the field of transportation should adhere to the same one-for-one rule, so as not to unduly increase the administrative and regulatory burden on the companies concerned.

In the field of telecommunications and financial services, even though we support the government’s objective of consumer protection, we believe that the following principles should be taken into account: the one-for-one rule for regulations, and concern to preserve the competitiveness of companies and promote open competition without allowing advantages or privileges to foreign companies wishing to enter the Canadian market.

Finally, since the government of Canada has held consultations in the context of its commitment to support the OECD project in the interest of ensuring tax fairness and protecting the Canadian tax base, we feel that it should give priority to maintaining a competitive international taxation system, and also ensure that Canadian companies are competitive with their foreign counterparts for projects to be delivered in Canada. Attention must be paid to the potential cost to taxpayers of setting up new tax measures, especially in light of possible additional revenue.

Openness and market diversification

Maximizing job creation is achieved through innovation, openness and market diversification. Therefore the Quebec employers whom we represent are delighted at the signing of the agreement-in-principle for the conclusion of a comprehensive economic and trade agreement between Canada and the European Union. This agreement should come into force in about two years. To maximize its benefits, we suggest that those two years be used to better prepare our companies, including through training and information, to profit from the new business opportunities that will be open to them. The Quebec Employers' Council offers its collaboration in this endeavour.

We are also optimistic about Canada's participation in discussions surrounding other possible agreements, such as the Canada-Korea free trade agreement concluded earlier this year, and the Trans-Pacific Partnership.

Productivity and innovation

To create jobs, Canadian businesses will have to meet numerous challenges in the years ahead relating to their overall productivity, and more specifically their capacity to innovate. In this regard, the Industrial Technologies Office (ITO) could support strategic Canadian research and development and manufacturing innovation programs.

Infrastructure investment

Investment in transportation infrastructure remains a major concern for Quebec employers. With respect to the replacement of the major infrastructure that is the Champlain Bridge between Montréal and the South Shore, we encourage the federal government, the government of Quebec, and the stakeholders in Greater Montréal to initiate a constructive dialogue to arrive at solutions that can secure a broad consensus, especially on financing. The Employers' Council is in total agreement with the principle of tolls. However, it is clearly important to have a harmonized approach that takes account of the other links between Montréal and its suburbs, and the fact that this is a replacement for an existing infrastructure, not a new one. The need for Montréal to attract and not repel economic activity will also have to be taken into consideration.

The federal government should also invest more in Quebec's bridges and logistical hubs, as well as in foundation public transportation projects. It is important that Quebec's share of infrastructure investment from the P3 Canada fund should correspond to its share of the population.

The situation of the airports is another structural problem that needs examining. Particularly because of the various charges being imposed, the current situation puts Canadian airports at a clear disadvantage, and stiff American competition is beginning to weigh ever heavier on the Canadian economy. One Senate report submitted in 2012 proposes some promising possible solutions which should be given serious consideration in the interest of our economy's competitiveness.

Responsible exploitation of our natural resources and our energy

We must ensure the optimal development of our natural and energy resources, including their transport, in a manner that respects the environment and personal safety. In this process, it will be necessary to ensure that measures are put in place that can facilitate a trade-off between advantages and disadvantages for all parties under a framework that promotes economic development.

Combatting tobacco smuggling

Finally, the Quebec Employers' Council reiterates the importance for the federal government of stepping up its efforts to more effectively combat the smuggling of tobacco products in Canada. Increasing pressure is apparently being exerted to limit innovation in this industry, part of which is directed to reducing the health risks associated with cigarette smoke. It would not be appropriate to yield in this direction to certain lobby groups, to the detriment of consumers who might benefit.