FCCQ
Fédération des chambres de commerce du Québec

Recommendations for the Government of Canada in Advance of Budget 2024–2025

Summary

August 2023

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Recommendation #1 | Public Finances: that the government submit a plan for balancing the budget within five years and subsequently pass balanced budget legislation to ensure that a balanced budget always follows a deficit budget.

Recommendation #2 | Taxation and Innovation: that the government promptly release the findings of the review of its scientific research and experimental development (SR&ED) tax incentive program, expand the program's eligibility criteria to include incremental innovations and introduce an equipment modernization and cybersecurity (EM&CS) tax credit.

Recommendation #3 | Green Economy and Industrial Development: that the government make the fiscal and financial incentives provided in Canada's Plan for a Clean Economy contingent on flexible Canadian or ally (free trade partner) content criteria.

Recommendation #4 | Transportation Infrastructure and Logistics: that the government immediately set aside funds to establish a high-speed, high-frequency rail connection between Quebec City, Montreal and Ontario, with an accelerated schedule of completion:

- Immediately confirm the allocation of increased federal funding to support expansion plans at the Port of Montréal (Contrecoeur terminal) and the Port of Saguenay (industrial port zone).
- Enhance the Airports Capital Assistance program to meet the urgent needs of Quebec's airports.
- Review the high tariff rates charged to air carriers that use Canadian airports.

Recommendation #5 | Student Work Placement Program: that the government promptly announce future investments under the Student Work Placement Program up to 2030.

Recommendation #6 | Canada Training Credit Overhaul: that the government replace the Canada Training Credit with a voluntary professional development savings plan [FRENCH ONLY].

Recommendation #7 | Experienced Workers: that the government implement more robust measures to raise the average age of retirement;

- Launch an awareness campaign to promote the retention and hiring of experienced workers.
- Develop an action plan to promote the retention and hiring of experienced workers.
- Increase the income threshold for reducing the Guaranteed Income Supplement (GIS).

- Review the restrictions, conditions and tax implications involved in converting an RRSP to a RRIF.

- Exclude employment income from the Old Age Security recovery calculation.

Recommendation # 9 | Immigration Processing Times: that the government reinvest in North African embassies to reduce processing times for immigration applications from this area.

Recommendation #10 | Life Sciences: that the government ensure that the new pan-Canadian pharmacare program complements the existing system in Quebec to maintain the flexibility and universality that have made it so successful.

Recommendation #11 | Natural Resources: that the government establish a $50-million program to provide non-repayable contributions and/or interest-free loans specifically to Quebec SMEs affected by the summer 2023 forest fires.

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Background and Rationale

Recommendation #1 | Public Finances

The budget deficit posted in the 2022–2023 fiscal year amounts to more than $41 billion, or $10 billion more than initially forecast in the fall 2022 economic update. Against a backdrop of steep interest rate hikes, the deficits expected over the next few years ($14 billion in 2027–2028) will significantly add to public debt charges.

In 2022–2023, debt charges amounted to more than $35 billion, tying up public funds that could otherwise have been spent on economic priorities. To boost the recovery following the 2023–2024 economic slowdown, the government needs to restore flexibility and balance.

Recommendation #2 | Taxation and Innovation

The review of the SR&ED program has been awaited for a year and a half. No details have been given concerning its terms and conditions, except for the idea of a “patent box regime” mentioned in Budget 2023–2024. Canadian companies need details about the fiscal framework that will apply to their investment plans in the coming years.

The FCCQ is calling for the new SR&ED to include the commercial production of a new or improved material, device or product, or the commercial use of a new or improved process. Innovation does not depend exclusively on experimental R&D or patenting; the marketing of incremental innovations also has strategic value.

Lastly, the FCCQ recommends a tax credit for equipment modernization and cybersecurity. Canada’s lagging productivity is partly due to its slowness to adopt emerging technologies such as manufacturing intelligence. These technologies are expensive and pose major cybersecurity challenges. The investment they require deserves better support.

Recommendation #3 | Green Economy and Industrial Development

Canada’s imports from China have doubled over the past 10 years, rising from $52 billion to $100 billion. At the same time, Canada’s trade deficit with China has climbed from $32 billion to $71 billion. Imports of critical metals and the electrical and electronic products needed to transition to a green economy play a major role in this situation. Its growing dependence on China is exposing Canada to major supply chain risks and discouraging domestic growth in these niche manufacturing sectors.

The FCCQ supports Canada’s Plan for a Clean Economy but wants certain business concerns addressed as well. The European Union and the United States have both made their tax and financial support programs for green economy niche sectors contingent on criteria related to content and manufacturing being supplied domestically or by allies and trading partners. Canada must follow suit to ensure that incentives primarily benefit Canadian manufacturers and lower the risks involved in procuring from Chinese.

Recommendation #4 | Transportation and Logistics Infrastructure

The condition of strategic transportation and logistics infrastructure is a concern in the rail, shipping, airport and public transit sectors. The FCCQ recommends that the government:

- Immediately set aside funds to build a high-speed, high-frequency rail connection between Quebec City, Montreal and Ontario, with an accelerated schedule of completion;

- Enhance the Airports Capital Assistance program through increased funding for airport infrastructure maintenance;

- Immediately confirm the allocation of increased federal funding to support expansion plans at the Port of Montreal (Contrecoeur terminal) and the Port of Saguenay (industrial port zone), given that inflationary pressures are expected to cause project costs to rise and that every effort must be made to avoid jeopardizing project completion; and

- Review the high tariff rates charged to air carriers that use Canadian airports, considering the negative impact on their competitiveness and the effects on the costs paid by their clients, including business clients.

Recommendation #5 | Student Work Placement Program

Work placements are an excellent opportunity for students to learn their trade in the field and get a better handle on workplace realities. Companies also stand to benefit through access to a new cohort of better trained workers.

To improve predictability for businesses and students alike, the FCCQ recommends that the government promptly announce future investments under the Student Work Placement program up to 2030.

Recommendation #6 | Canada Training Credit Overhaul

The Canada Training Credit is capped at $250 per year, up to a cumulative maximum of $5,000. In the FCCQ's opinion, this amount is inadequate, and a tax credit is not an appropriate vehicle. Training courses cost far more than $250. At this rate, it would take a worker until 2029 to accumulate a tax credit that covers a significant portion of their actual training costs. In addition, the minimum $10,000 in working income is a barrier for unemployed persons who are precisely the clientele likely in greatest need of training.

The FCCQ recommends that the government replace the Canada Training Credit and the Training Support Benefit with a voluntary professional development savings plan [French only] to encourage Canada's labour force to take more work-related training.

Recommendation #7 | Labour Shortages and Experienced Workers

Experienced workers are an underused labour pool. The government of Canada needs to focus on having them return to the workforce and remain there. However, persons aged 60 and over still confront employability barriers that cause many to give up on their job search or retire early. The FCCQ recommends that the government:

- Launch an awareness campaign to promote the retention and hiring of experienced workers;
- Develop an action plan to promote the retention and hiring of experienced workers;
- Increase the income threshold for reducing the Guaranteed Income Supplement (GIS), and introduce a career extension tax credit;
- Review the restrictions, conditions and tax implications involved in converting an RRSP to a RRIF to limit barriers to experienced workers who wish to remain in or return to the workforce; and
- Exclude employment income from the Old Age Security recovery calculation.

Recommendation #8 | Labour Market Development Agreement

Labour market development agreements (LMDAs) serve an important purpose by helping workers get training and develop specific skills. The workplace is undergoing a technological revolution, and workers need support to improve their skills and remain active in the labour market.

The FCCQ recommends that the government keep investing in skills development and renew the LMDA with the Government of Quebec.

Recommendation #9 | Immigration Processing Times

Immigration processing times have become unreasonable and are inconsistent for applications from different parts of the world. The FCCQ recommends that the government reinvest in North African embassies to reduce processing times for immigration applications from this region, especially for francophone applicants.

Recommendation #10 | Life Sciences

The Government of Canada has committed to creating a pan-Canadian pharmacare plan. However, Quebec already has a universal prescription drug insurance plan that includes public

RAMQ coverage and private insurance coverage. The public gets the drugs they need, and employers can include more generous private insurance plans in their terms of employment to attract and retain employees.

The FCCQ recommends that the government consider this aspect when it deploys the new pan-Canadian plan. The new plan will have to complement the existing system and offer the same flexibility and universality that have made Quebec's drug insurance plan so successful.

Recommendation #11 | Natural Resources

The costs of the historic summer forest fires of 2023 have compounded the inflation and debt problems confronting many Quebec SMEs. The Government of Quebec was quick to offer $50 million in emergency loans and loan guarantees to forest operators, sawmills, paper mills, outfitters, tourism companies and retail businesses. The federal government should match that contribution.