Business Council of Manitoba

November 10, 2023

The House of Commons Standing Committee on Finance
Government of Canada
House of Commons
Ottawa, ON
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To Members of the Committee,

The Business Council of Manitoba and our members would like to thank you for the opportunity to provide input for the 2024 Federal Budget. With the Canadian economy experiencing high inflation and threats to future GDP growth from higher interest rates, we believe it is critical to contain Federal debt levels and align spending toward areas which will support Canada's GDP growth.

Our recommendations:

1) **Control the levels of government debt and debt-servicing costs while maintaining a globally competitive tax structure.**

The more the federal government spends on servicing debt, the less capacity it has for critical areas such as providing health care and social programs and investing in strategic sectors for economic growth. Deficit-financed spending at higher interest rates typically leads to higher taxation and cuts to spending areas.

It is critical for Canada's global competitiveness that the tax structure be regularly benchmarked to other OECD countries, with the objective to first improve Canada's position and then continue to maintain it. This, in addition to growth-supporting investments, will make Canada a more attractive country to invest and do business in – leading to GDP growth and increased funding through taxation.

A comprehensive program review of government spending areas should be undertaken to rationalize existing programs. The review should focus on efficiencies in service delivery and maximizing technology. This will allocate more resources to be used in spending areas that will drive economic growth — including incentives for capital investments, programs to address labor market challenges, and investments in strategic growth sectors such as life sciences and clean technologies.

2) **Labour Markets**

Canada is experiencing a shortage of labor suitable to meet employer needs. In addition, labour productivity rates in Canada have been decreasing over the past several decades in comparison to other nations such as the United States.

The recent increases in Federal immigration levels and Provincial Nominee Program allocations are a positive development. However, a reform of the immigration point system to ensure it closely aligns with actual employer labor needs is critical.

Newcomers to Canada often face under or unemployment as they do not hold Canadian equivalents to their foreign credentials. We recommend the creation of a Credential Alignment Tax Credit – a tax credit for new Canadians pursuing Canadian equivalents to their foreign credentials. Gaining Canadian credentials will be

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less financially burdensome with this tax credit, and it will help reduce under-employment and boost GDP at a quicker pace.

To address the goals of economic reconciliation and reduce the social costs of underemployed populations, there must be investment in programs which will increase workforce participation rates — including our female, Northern, and Indigenous citizens.

Positive program examples are work-integrated learning programs provided through employers, tax-credit programs to offset the costs for employer-led training, and strategic alignment of university education funding with employer needs.

Lastly, there is immediate need for a joint funding program to build/create new day care spaces and recruit and train workers in support of the national $10/day care program.

3) **Housing**

Housing supply is insufficient in comparison to demand. The significant volume of immigration to Canada, severe effects of inflation in building costs, and increases in interest-rates that affect mortgage affordability are all contributing factors to this issue. The adjacent issue of lack of affordable housing for the population considered unhoused due to socio-economic factors is also of concern.

The shortage of skilled trades labor will be a permanent impediment to property development unless programs can be enacted to attract workers to these careers. Increased funding to provinces via the Labour Market Development Agreements is critical for the construction industry and educational institutions to invest in additional training and apprenticeship programs. Targeting trades skills within the immigration program is another opportunity where labour market needs could be addressed.

The increase in construction costs and interest-rates over the past three years have rendered development projects in many geographic areas and in the affordable housing space uneconomical. Enhanced incentive programs through CMHC, such as lower-rate financing or developer tax credits, are critical to addressing this issue.

4) **Infrastructure**

Canada's competitive ranking in terms of critical trade infrastructure has dropped significantly over the past decade. The COVID-19 pandemic period further emphasized the necessity of robust supply chains and infrastructure for competitiveness.

We recommend that there be a long-term, integrated, National trade corridor strategy developed, through collaboration between the Federal and Provincial governments and the private sector. Building upon the existing trade corridor strategy, the National trade corridor strategy should include transportation systems, supply chain design, and the review of trade opportunities arising from existing and prospective mining and port activities in Northern areas. We also recommend an immediate recapitalization of the proven National Trade Corridors program.

In addition, the scope and criteria used for the Canada Infrastructure Bank should be revised and expanded to ensure that the funding (previously allocated in past budgets) can be productively utilized toward priorities in infrastructure investments (including airports).

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5) **Other Areas of Budget Development**

Ownership Transitions in Canada

75% of existing business owners in Canada are planning to exit their business in the next 10 years. This will create substantial risk that many of these companies become foreign-owned "branch" subsidiaries or are directly relocated to the United States or other countries. One recommendation to ensure companies remain in Canada is to facilitate employee ownership transitions.

Canada is falling behind in comparison to the United States and United Kingdom in employee ownership transitions. Despite recent changes to Trust legislation in 2023, the major incentive to facilitate employee-owner transitions was not addressed.

Eliminating the capital gains tax impact on owners would differentiate those owner-employee transitions from other third-party transactions, and dramatically increase the likelihood of the business remaining and growing in Canada.

Green Economy

Manitoba is a leader in clean energy with its usage of hydroelectricity. Therefore, the impact of reducing emissions is much less in Manitoba compared to other provinces which are dependent on hydrocarbon fuels. The Federal government incentive programs for GHG reductions should be adjusted for the relative proportions of hydro-power to ensure provinces like Manitoba are able to participate on a level-playing field.

We encourage the Federal government to work with the new Manitoba Provincial Government to ensure the proceeds of the carbon pricing system are utilized to provide incentives for investing in green technologies — including development of hydrogen power and electrification of transportation.

The Canada Infrastructure Bank's programs should continue to be refined to ensure the funds available are more fully utilized to facilitate investments in green building technologies. In addition, through the Bank, or other tax credit programs, the Federal government can play a significant role in the development of the domestic supply of Sustainable Aviation Fuel (SAF).

Airport Authorities

Canada's airports are critical infrastructure for the economic contributions of both passenger and freight traffic. Airports were amongst the hardest hit businesses during the height of COVID-19. That, combined with the airports being subject to the high levels and cyclical phases of capital investment and reinvestment, has put significant pressure on airport finances.

To ensure continued competitiveness of Canada's airport infrastructure and increased opportunities to capture growth in supply and passenger activity, consideration should be given to reinvestment of airport rent payments toward infrastructure; ever-greening of lease terms to allow greater access to private capital and better planning of infrastructure investments; and increasing (by 2-3X) the amount of the Airport Capital Assistance Program funding with the inclusion of small commercial airports.

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Biotechnology Sector

Canada can continue to strengthen the security of its health system while leveraging domestic biotechnology sector growth potential. This can be advanced by addressing key areas of challenge for the biotechnology sector such as: modernization of Canada's regulatory environment; creating R&D tax incentives which are globally competitive, such as increasing funding for innovation through capital-matching programs like IRAP; and investing $350M in a Life Sciences Venture Capital Catalyst Initiative.

The Business Council of Manitoba is cautiously excited about Canada's great opportunities, and we look forward to further dialogue on these issues.

Sincerely,

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