



THE CANADIAN CHAMBER OF COMMERCE
LA CHAMBRE DE COMMERCE DU CANADA

**Election 2004:
Choosing Policies that Promote Prosperity**

Notes for an address by

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(Check against delivery)

Good morning everyone.

Thank you Beth for the warm introduction. We really appreciate your presence here and the support of American Express to make this event possible.

Thank you to Mark for inviting me to speak at the Economic Club of Toronto. I'm delighted to be here and to see so many members of the Canadian Chamber of Commerce in the audience. And for those of you who are not yet members, I hope that my presentation will convince you of the value of membership.

The Canadian Chamber is as was mentioned earlier, Canada's largest and most representative advocate on business issues at the national and international levels. We reach right down to small communities and local businesses in every corner of Canada and we include our friends here on Bay Street and elsewhere in Toronto.

We work with local chambers and boards of trade, such as the Toronto Board of Trade. I'm proud of the work of Ed and his team, and Len and his staff and volunteers at the Ontario Chamber, on our common goals, which is to ensure that we build the kind of country that benefits not only our members, but all Canadians.

It is the breadth and diversity of this network, consisting of 350 chambers, representing more than 170,000 businesses, big, small and in between, from St. John's to Victoria, that gives us our credibility when we speak to governments. And why governments listen. It also means that when we take a policy position, we have members in every election riding in Canada who are making their voices heard.

This brings me to what I want to say to you this morning. In just 26 days, Canadians will be going to the polls to elect the next federal government that will chart the course for the country for the next few years.

As business leaders, we can and we must help steer this course.

So, we at the Canadian Chamber have set out our policy priorities in six key areas and compared them to the policies of the major parties.

Our analysis is available today and we are asking all our members across Canada to use it when meeting with local candidates. We have also sent it to the four leaders. I should also make it clear that the Canadian Chamber of Commerce is non-partisan and that we will work with whichever party forms the government.

For our members and most Canadians, this is not a single-issue election. It is not simply about tax cuts or no tax cuts. It is not only about health care. It is about so much more.

It is about Canada's future, our future.



It is about creating the most conducive conditions for economic growth, for attracting and keeping investment, innovators and talent in Canada – the people who will make Canada a leading edge economy.

It is about spending our tax dollars wisely.

It is about enabling Canadians to have the best health care system in the world, and the resources to build and sustain it.

It is about opening markets for our goods and services internationally, deepening our trade and economic links with our largest trading partner, the United States, and around the world.

It is about the environment and making sure that we put in place strategies that will not only address the environmental challenges but will keep jobs and businesses in Canada.

It is about building and rebuilding the necessary infrastructure to make our large cities and smaller municipalities better places to live and to work.

And it is about education and life-long learning and creating opportunities for Canadians and new Canadians to be the most productive that they can be.

We all know that elections are too often about image and not substance. But we must make sure that this election will be decided on the issues that truly matter, the building blocks that will ensure our economic and social well-being in this increasingly competitive world.

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Let's begin by looking at the core issue – your tax dollars and how the government spends them.

Fiscal priorities

As business leaders, you know all too well the importance of fiscal prudence and fiscal responsibility — both in business and in government. For the federal government, this means having a competitive tax structure, keeping a tight rein on spending, and bringing down the national debt. Getting these fundamentals right is essential to building a vibrant, and competitive economy.

It is a false argument to pit our soft hearts – Canada's social programs – against our hard heads, which are the things necessary to ensure businesses prosper and the economy grows.



It is a false argument because we could not afford our social safety net without a competitive, prosperous economy, and we can't get all we can out of our economy if we don't continue to get our fundamentals right.

I should add, that the federal government has made significant progress – with balanced budgets, reducing the debt and even on taxes. We have low inflation, low interest rates and the economy is starting to grow stronger.

Here is what we are proposing.

Taxes and spending

The Canadian Chamber is calling for a five-year fiscal strategy – one that combines a cap on program spending increases with tax cuts and debt reduction. The way we get there is to put the federal government on a diet – a spending diet.

Like any diet, it takes willpower, dedication, discipline, and the prospect of real gains at the finish line. No one diets because they want to; they diet because they have to, because they'll be better off. The government must stop binging on our money — we'll all be better off in the end.

There are three elements to this diet. First, the government must commit itself to an annual cap of 3 per cent growth in spending for the next five years. Which by the way, will still give the government over \$23 billion for new spending in the next five years.

Second, we must bring the debt burden down.

And third, we must allocate a portion of the available planning surplus to tax reduction.

The government should use savings realized from constrained spending for across-the-board meaningful tax cuts. Combined with growing budgetary revenues, we believe that there will be over \$36 billion available for tax cuts over the next five years.

Why do we think this is critical for Canadians?

There's been much discussion and disgust in recent times about government boondoggles, and it's true, there have been too many boondoggles. But the reasons for going on a fiscal diet go beyond stopping government waste.

First, Canadians have not had a break on personal income tax rates since 2001. It's time they got a second installment. We want the next government to commit to reducing taxes for all taxpayers, regardless of income, but particularly for the low and modest income families — those earning between \$25 and \$35,000 annually — who are most in need of a break.



These families are the ones who end up paying higher tax rates when public transfers like child tax benefits, and GST and provincial tax credits, end up being clawed back as income.

Second, we currently pay more taxes, much more, than our neighbours to the South, who are our primary competitors. Canada's overall tax burden is 42%, while in the U.S., it is only 32%.

We can't afford such a tax gap. And it won't go away unless we reduce taxes. What will go away is businesses and brains, investment, innovators and those young people that we helped educate to lead our economy.

What will also go away are highly skilled immigrants who will seek work south of the border, or simply won't come here. It's little understood, but Canada is in competition for skilled immigrants, and with our aging work force and low birth rate, we can't afford to lose that competition.

We had better do something about making it rewarding for our entrepreneurs to start new businesses, create employment and to generate tax revenue in Canada. This means lowering the top marginal personal income tax rate and raising the threshold at which it kicks in.

We also believe that the next government should further reduce the general corporate income tax rate. Even after the significant reductions in corporate taxes in the past several years, Canada's effective tax rates on capital are well above those in the United States, Great Britain, Sweden and Ireland, to name a few countries. As of this year the effective corporate rate on capital for large corporations is over 31% in Canada, compared to about 20% in the U.S. Canada's business tax system is simply uncompetitive.

All this is doable if the government changes its spending habits. It is no secret that the federal government doesn't have a handle on spending. Over the past five years, it has increased its appetite for spending at an average rate of almost seven per cent (7%). This is a government that believes in the super-size me slogan.

A three per cent cap takes into account both the growth in population and expected inflation.

As I said earlier, this will take the kind of discipline that governments seldom exhibit. But there is a huge payoff to this diet, because getting the tax and spend fundamentals right will attract investment, encourage entrepreneurship, help businesses stay competitive, lead to more jobs, and keep Canada sufficiently prosperous to sustain a generous social safety net.



And if we don't go on a diet? All I can say is that no amount of wishful thinking or election promises can pay for social services the country has not earned the old fashioned way — through a healthy economy.

Debt reduction

The other fiscal measure we strongly recommend is that the government commit to a debt reduction plan.

Canada's national debt currently stands at over \$500 billion. Over 20 cents of every tax dollar goes to servicing the debt. The Canadian Chamber believes that burden should be reduced to 12 cents, or less than 25 per cent of GDP, by 2013. In fact, if our fiscal strategy is implemented, there would be about \$20 billion available over the next five years to pay down the debt.

We can meet this target. More importantly, we must meet this target and we must start now while we still can, because in ten years, thanks to our aging workforce, we will be in trouble and we'll need all the fiscal room we've been able to clear. For example, we will have even more demands and pressure on the health care system. Individuals over 65 cost our health system five times as much as individuals under 65.

Which brings me to the other major issue that has arisen in this election — health care.

Health Care Reform

Health care reform has been a key issue for the Canadian Chamber for the past several years. To put it simply, a world class health care system matters to Canadian business.

This is true because the private sector has a stake in the delivery of health care in Canada and it is true because a world-class health care system helps Canadian business be more competitive.

So we agree that health care should be a major campaign issue, and that it needs to be fully debated. Unfortunately, the debate around health care today is not about reform but about who can spend the most.

Health care is already squeezing out other priorities such as education and infrastructure. In recent years it has grown more than any other provincial expenditure. In 1992, health care spending accounted for about 34% of total government program expenditures. Now it's about 41%. Four years ago, the federal government injected \$24 billion into health care, then following Romanow it added \$35 billion more, and now the Prime Minister is promising another \$9 billion and Jack Layton says it needs \$28 billion.



The trouble is it won't stop. It makes me think of the gluttonous house plant in the musical *Little Shop of Horrors* that incessantly cries out "feed me" because it needs more and more food to survive and to grow.

Frankly, I admit that I don't know how much, or even whether, more money is needed. But I do know that more than money is needed to fix health care, and what's more, every politician in this country knows it as well. If only they would show the courage to talk about it to Canadians.

What the system needs before we sink in even more money into it, is reform. It needs to be more efficient, and more accountable and open to taxpayers about its outcomes and how it spends our money.

I have to say that instead of using the upcoming election as an opportunity to realistically debate the challenges facing health care, the campaign has been used as an excuse to evade the issue of reform. For instance, our political leaders have tended to ignore the fact that the private sector is already deeply involved in health care delivery in Canada, and needs to be involved in the search for solutions.

That's a shame, because the private sector has much to contribute. Many routine diagnostic services, such as laboratory tests and x-rays, as well as many therapeutic services that were formerly provided in hospitals, including physiotherapy and laser eye surgeries, are now being provided by the private sector.

As well, there is a growing reliance on the private sector for advanced diagnostics, such as MRIs and CT (computed tomography), and to deliver continuing and long-term care.

The time has come to acknowledge the private sector's role in health care, and to tap its expertise and potential. It can bring new resources into the health system, and it can help reduce waiting times.

Furthermore, the federal government should make greater use of public-private partnerships as a means to obtain additional investment and expertise for the construction and operation of new health services infrastructure.

It'll surprise some that nothing I've said here contravenes the Canada Health Act. There is considerable confusion on this matter.

In our view, the public administration principle of the Canada Health Act refers to the funding of hospital and doctor services, not to the delivery of those services. Indeed, there is nothing in the Act that prohibits private delivery, so long as patients don't have to dig into their pockets to pay for needed services.

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I would now like to turn to some of the other policies that we are putting forward as keys to building Canada's economy.

Municipal Infrastructure

If you were to ask Canadian Chamber members where else the government should spend, most would say infrastructure for municipalities. I want to congratulate our colleagues at the Toronto Board of Trade and in other chambers across Canada for having taken a leadership role and succeeding in bringing this important issue to the forefront.

While this is a municipal issue, it is also a pan-Canadian issue. And that means that the federal government has a role in helping the cities. All the national parties have called for giving municipalities more resources.

But we believe the most effective way to do that is to let municipalities levy their own tax, using the existing federal or provincial consumption-based tax, matched by an identical reduction in the consumption taxes currently collected by these higher levels of government. The burden on the taxpayer would not change; only which level of government gets to spend it.

That's how it should be. After all, the municipalities that know best what their needs are, and they should also be held accountable by the taxpayer for how they spend our money.

Energy and the Environment

Our fourth key issue is energy and environment policy. The Chamber has been on record for the past three years asking the government for a plan on climate change. We don't believe that the Kyoto Accord is workable, nor do we believe that the government has really understood or explained to Canadians how we will achieve these targets.

What we need is a longer term view that provides for the introduction of new technology to help reduce greenhouse gas emissions and makes sense for the economy.

And we need a coherent energy strategy that meets the requirements of Canada within the context of the North American market that at the same time understands the needs of producers and major consumers.

International and U.S. relations

While not an issue in the campaign to date, getting the Canada-U.S. relationship right has to be a major priority for the next government.

For our members, and really for the sake of the economic well-being of our country, that means fixing the problems at the border. It means working with our American friends on continental security. It means exploring ways to deepen our economic relations with the



U.S., and it means working to resolve outstanding trade disputes and finding ways to head them off in the future.

And it means not using the campaign as an excuse to bash our neighbours and most important economic partner. That's not only short-sighted, it's self-defeating.

Finally, we want a government that will continue to create trade opportunities for Canadian business around the world.

Innovation policies

The last policy area that we are putting forward, I will call, for want of a better word, Innovation.

If we think back a few years there was something called the Innovation Agenda or Strategy. Some of this was just a lot of government rhetoric, but some of it was actually quite constructive in terms of helping to foster innovation and make Canada more competitive.

For instance, we at the Chamber advocate for greater investment in education and skills development. There continues to be a shortage of skills in many sectors and this will only worsen with the retirement of many skilled workers in the near future.

The government has also talked a lot about "smart regulation." For example, there is the idea of a single national securities regulator. We think this idea is long over due and that the next government ought to make this a priority in its discussions with the provinces. That is one example of an inter-provincial trade barrier, there are many others. The goal should be to eliminate them and make free trade happen in Canada.

Getting regulatory policy right for so many sectors of the economy – such as transportation, information and communication technology, biotechnology – just to name a few, will be critical to future economic growth.

In addition, using immigration to bring needed skills to Canada, and the recognition of qualifications for immigrants is something that has to be moved along quickly if we are to use the talent that has recently come to our country, and if we are to attract more.

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Conclusion

In the spirit of this political season, I have given you the Canadian Chamber's six-point platform for the Canada we want to build. Our five-year fiscal plan is central to our plan because it is the foundation on which you build a strong economy and a quality of life second to none for all Canadians.



How do the known positions of the political parties measure up against what we have laid out for you today? We are releasing a comparison chart based on statements released so far. We are asking that you and all our members use it in asking the candidates about where they stand on the issues that matter most to business. Business issues and the economy must be debated in this election.

We must make it clear to all candidates and all parties that economic growth cannot be taken for granted. We need a government that is prepared to commit to the kind of goals that we have set out here today.

As the leaders and the parties put forward their ideas during the campaign we will be there to comment and to urge them to take up our policies. We will be updating our members and putting out further public statements on the party platforms.

On June 28, Canadians will choose a new government, and whoever emerges victorious, with a majority or minority, the Canadian Chamber will work with them to ensure that the agenda of our members is part of the government's agenda. The final exam for the new government doesn't end on June 28 it begins on that day.

Thank you.

