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Standing Committee on Finance Presentation - Pre-Budget Consultation 2017
October 17, 2016, 9:00 am, Delta Fredericton

Good morning and thank you to the committee for including the Fredericton Chamber of Commerce in the discussion here today.

I am addressing questions two and three from the provided questions to panelists.

Question 2: “What federal action would help Canada’s businesses - in all regions and sectors - meet their expansion, innovation and prosperity goals, and thereby contribute to economic growth in the country?”

The Canadian Chamber of Commerce has identified policies that prevent small companies from becoming bigger as one of its Top 10 Barriers to Competitiveness in 2016 that I would like to focus on in response to this question.

1. Corporate tax rates: Companies are penalized when their incomes reach \$500,000. They must jump from the 11% small business rate to the 15% corporate rate. Add in provincial tax rates, and the jump is from 15% to 27%.
2. The cost and complexity of complying with Canada’s tax laws: This is a huge, time- consuming hindrance to businesses. For SMEs, dealing with the CRA can be a complicated process and many are required to make more than 30 remittances a year (GST/ HST, payroll taxes and income taxes). SMEs that make errors are faced with unforgiving penalties of the same proportions as large businesses and an appeal process that is complicated and costly.
3. Certain tax breaks that only help SMEs: The federal Scientific Research and Experimental Development (SR&ED) program provides a 35% credit for the first

\$3 million in expenditures for small firms but only a 15% credit for expenditures exceeding \$3 million.

4. Inheritance taxes that hurt family businesses: Canada's tax system treats the transfer of family-owned businesses in farming and fishing favourably but not in other sectors where family members face capital gains taxes. This can discourage the transfer of family-owned businesses to the next generation where they can remain profitable and continue to provide employment.

5. The small business deduction: The taxable capital threshold has remained at \$10 million, which disadvantages larger, highly-leveraged firms.

We have also made a submission to the committee requesting that New Brunswick's *Small Business Investor Tax Credit Act* be added to the list of acts under which a corporation may be registered to qualify as a Prescribed Venture Capital Corporation. We badly need more private investment in New Brunswick and I'm sure this is true across the country. This is a specific example, but the more broadly we can encourage private money into the economy, the better.

Question 3: "What federal measures would ensure that urban, rural and remote communities throughout Canada enable residents to make their desired contribution to the country's economic growth and businesses to expand, prosper and serve domestic and international customers in order to contribute to growth?"

My response to this question is "trade, trade, trade - trade enabling regulations, trade enabling agreements and trade enabling infrastructure". As this is a pre-budget consultation, I will focus my comments on trade-enabling infrastructure.

Canada is a trade-dependent country. Increasing our exports should be one of our top economic development priorities from coast-to-coast. The federal government plays several important roles in this regard, none more so than investing in appropriate trade-enabling infrastructure - both digital and physical.

Rural and remote areas in particular often have fewer economic growth opportunities and one of its most important - natural resource development is being hindered by Canada's inability to get its products to market - one of the Canadian Chamber of Commerce's Top 10 Barriers to Competitiveness. But this isn't just a rural issue - roads and bridges, pipelines and railways, airports and seaports - having the right infrastructure in the right places at the right time can make all the difference in the global economy. We need the government to allow business to compete. One of the best ways to do that is support the projects that help us to do just that.

I'd like to conclude with a specific example that our organization has been working on for several years - expanding the Fredericton International Airport.

The Fredericton airport is one of 26 airports that form the national airport system. These airports have been identified as being strategically important to the country's air travel system. However, NAS airports are excluded from ACAP funding - which was established specifically to help airports with fewer than 525,000 annual passengers with capital project funding. Fredericton is one of six such NAS airports that are small enough to otherwise need and receive ACAP funding but for this policy are ineligible.

Our airport, in the capital of New Brunswick, is operating at 75% over capacity. It was designed for 200,000 passengers annually and now serves 350,000. Best estimates have that number hitting 500,000 by 2030. To the best of our knowledge, the only factor that is holding up the expansion is this exclusion. Our representatives at all three levels of government support the project and the airport itself has a one-third local contribution ready to go.

It has been frustrating that a government focused on infrastructure renewal has not been able to find a solution to this issue yet. This is exactly the type of infrastructure project that the government should be focused on. It will have a long-term positive impact on economic development, while paying the government's contribution back through increased taxes in just six years.

Thank you for your time and I look forward to any questions.