



Business Council
of Canada

Business Council of Canada Submission to the Pre-Budget Consultations in Advance of the Upcoming Federal Budget

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Our country is in a very different place today than it was just a few months ago. We are faced with a dual challenge of considerable magnitude: a difficult and non-linear transition to a safe and sustainable recovery and the necessity to pivot to a long-term economic growth and prosperity plan.

The full scale of the challenge in front of us is staggering: certain sectors of the economy have been severely, possibly permanently, damaged. For many Canadians, there will be no jobs to get back to. Consumer confidence will remain subdued for a considerable period. In the absence of a universal vaccine, the fear of contagion from the virus will not go away and will continue to affect economic behaviour. We urge the federal government to continue working tirelessly with all provinces and territories to implement a comprehensive, Canada-wide COVID-19 testing and tracing strategy.

Short-term considerations

Containing the spread of the virus should continue to be priority number one for the government. A second wave with additional lockdowns would be catastrophic both for the economy and the government's capacity to fill the gap on the fiscal front. A much longer suppression of economic activity would be devastating as governments will eventually run out of fiscal room to ensure income support for individuals and businesses as well as economic stimulus.

In that context, ensuring we all work collectively to allow the safe reopening of schools and childcare is paramount. If not done properly, the labour market will be seriously affected, and many parents will be unable to return to their daily jobs. Rebuilding consumer confidence by adhering to and following strict health protocols is - and will continue to be - key for all businesses.

The Business Council of Canada is proud to have spearheaded the POST-Promise Initiative. The POST Promise is a training & education platform which results in a voluntary declaration from a business to its customers and employees. Our partners include the Retail Council of Canada, Canadian Global Cities Council, the Canadian Federation of Independent Business and the Building Owners and Managers Association of Canada.

Some sectors are faced with significant challenges as demand has almost completely collapsed and will not return to any semblance of normalcy any time soon. This is the case for the airline, tourism and hospitality sectors, and for many businesses in the services industry. Specific measures for these sectors that face a longer transition to viability will need to be considered. Furthermore, the government should expand training support programs for displaced workers in sectors that will struggle to recover from the economic effects of COVID-19.

The precipitous drop in demand as a result of pandemic containment measures has added to the strain on the oil and gas sector, which was already suffering from a global price war. Additional liquidity measures should be considered to assist small to medium sized players in particular to weather the recent price volatility.



A long-term economic growth and prosperity plan

The profound impact of COVID-19 is not just felt domestically, but on a global scale. The geopolitical ramifications — how nation-states will come to redefine their economic and political interests in a world where structural forces are making them revert to protectionism and self-preservation — will be very consequential. Indeed, it may be the most lasting impact of this extraordinary crisis. Countries are responding by moving swiftly to assert their competitive advantage in wooing talent and investment. Canada must do the same.

Before COVID, Canada was already facing significant economic headwinds. As policymakers contemplate recovery measures and strategies, they must stay focused on the structural issues affecting our economic competitiveness – aging demographics, declining labour productivity, low levels of business investment, structural impediments to scaling firms and regulatory obstacles that go well beyond pipelines. Canada is losing the advantage of a young population, large injections of foreign capital and of productivity gains in areas of strategic importance. The demographic trends alone are squeezing labour markets and talent pools while depressing tax revenues and increasing health and social spending. This needs to be turned around through a sustained policy agenda that enhances our competitiveness.

Last year the Business Council of Canada launched a task force on Canada's economic future, in which we engaged Canadians from across the country to advance policies that enhance growth and ensure a better future for all.

The task force report and recommendations outlined how government, business and other stakeholders can work together to strengthen Canada's economic capacity and spur investment for the benefit of all Canadians. It also called on employers to enhance Canada's human potential by embracing diversity and inclusion in the workplace, promoting mental health, and supporting a more skilled and innovative workforce.

The report focused on key productivity enhancing initiatives such as modernizing the regulatory environment, prioritizing nationally significant infrastructure projects, modernizing and simplifying the tax system, rethinking Canada's foreign policy in a changing world, increasing immigration flows to build the future labour force that Canada needs and, finally, developing a national resource and climate strategy. Going forward, Canada also needs to contend with the rise of protectionism and managed-trade inducing countries to reassert their role as resolute architects of their futures.

The shift to an economy increasingly driven by intangible assets such as intellectual property, software, data, and brands, is transforming where economic value is derived and who participates in it. Over 90% of the S&P 500 value now resides in these intangible assets. Their unique features and characteristics mean that our conventional policy toolkit requires updating if Canada is to cultivate innovative domestic firms that can compete globally in the age of intangibles. Canada needs a new data and intellectual property strategy to harness the full value of its innovation assets.



Along with the rest of the world, we must also prepare for the multi-faceted challenge of global climate change, including the need for more climate-resilient infrastructure and significant financial investments to support the transition to a low-carbon society.

As COVID has shown us, great things can come out of an enhanced partnership between Canadian businesses and governments. The Plan to Mobilize Industry to fight COVID-19 announced by the government last March showed the strength of our industrial base and the resourcefulness of our companies in responding to the challenge of finding the solutions to complex and urgent problems. There is promise in deploying a challenge approach with public policy tools such as procurement to create new demand for Canadian products and services and stimulate innovation.

Overall, Canada needs to adopt a more intentional economic policy and a sound economic framework to remain competitive. Over the long run, the level of productivity is the single most important determinant of a country's standard of living. Canada's productivity rates have lagged for decades, resulting in lower incomes and lower household purchasing power.

A long-term competitiveness policy agenda is not about corporate balance sheets or global market share but about enabling more dynamic growth in serving the cause of opportunity, jobs and prosperity for all Canadians. The decisions we face and the choices we make will have long term impact for Canada's future prosperity. We urge the government to work collaboratively with the business community on a policy agenda to rebuild our economy and make it more competitive.

