

August 18, 2020

The Honourable Chrystia Freeland, P.C., M.P.  
Deputy Prime Minister and Minister of Finance  
Finance Canada  
80 Wellington Street  
OTTAWA, Ontario  
K1A 0A3

Dear Minister,

On behalf of Canada's business leaders, I am writing to offer sincere congratulations on your appointment today as Canada's new Minister of Finance.

Since entering the federal Cabinet in 2015 and while serving in the portfolios of International Trade, Foreign Affairs, Intergovernmental Relations and Deputy Prime Minister, you have worked tirelessly to strengthen Canada at home and abroad. We know that you will bring the same high level of commitment to your new role as Minister of Finance.

Minister, it hardly needs to be said that you are assuming the finance portfolio at a time of great risk and uncertainty for the domestic economy. The COVID-19 pandemic has claimed the lives of more than 9,000 Canadians and inflicted long-term health effects on many others. It has thrown millions of people out of work, exposed gaps in our health care system and shattered the dreams of thousands of entrepreneurs in communities across the country.

When the crisis struck, the federal government moved swiftly and aggressively to address the health challenge and provide large-scale financial support for those in need. For the most part, we have supported these actions. While the pandemic has driven federal spending levels to previously unimaginable levels, we agree with many others that the cost of inaction would have been greater still.

We have two broad concerns going forward.

First, there is an urgent need for the government to pivot to an economic growth and prosperity agenda. We must stay focused on the structural issues affecting our economic competitiveness – aging demographics, climate change, 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 productivity gains in areas of strategic

importance. Demographic trends 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 the country's competitiveness.

Second, the government's fiscal capacity is not unlimited. By the end of this fiscal year, the net federal debt is projected to reach \$1.2 trillion and the federal debt-to-GDP ratio will hit 49 per cent, compared to just 31 per cent a year earlier. If Canada experiences a second coronavirus wave, or if the global economy suffers a sharper downturn, the fiscal situation will quickly get much worse. The government must preserve its capacity to confront future crises and challenges.

As business leaders and as employers of millions of people from coast to coast, we urge you to establish clear fiscal targets that provide a frame of reference against which to judge the incessant demands for new spending. Yes, the current cost of long-term borrowing is low, but interest rates will rise eventually and that will inevitably lead to higher taxes and cuts to vital programs. Canadians who remember the 1990s have seen this movie before and have no wish to experience it again. Younger people who are entering the workforce, building their careers or raising families shouldn't bear the responsibility of repaying today's deficits.

We recognize that the government is facing significant pressure for increased spending, but now is not the time for a massive re-engineering of time-tested social programs – many of which are, in any event, under provincial jurisdiction. What is most needed now is a serious plan to build confidence, encourage private-sector job creation and attract business investment. Equally, Canadians need to know that there is a plan to rein in federal spending and ensure the sustainability of government finances. Sound fiscal management and a growing economy are essential to ensure a rising standard of living and quality of life for all citizens.

In closing, let us again thank you for your contributions to Canada and your willingness to serve as Finance Minister at this crucial moment in the country's economic history. The members of the Business Council of Canada stand ready to help you in any way we can.

Sincerely,

A handwritten signature in blue ink, appearing to be 'A. Freeland', written in a cursive style.