

October 30, 2007



THE CANADIAN CHAMBER OF COMMERCE
LA CHAMBRE DE COMMERCE DU CANADA

news@chamber.ca

Canadian Chamber of Commerce Applauds Economic Statement with Tax Relief for Individuals and Businesses

Yesterday Finance Minister James Flaherty presented the government's *Economic Statement* to the House of Commons. Key measures announced include:

- The general federal corporate income tax rate to be reduced to 15% by 2012 from its current rate of 22.1%.
- The small business tax rate to be reduced to 11% as of January 1, 2008 instead of 2009
- The GST to be reduced by a further 1 percentage point, to 5%, as of January 1, 2008.
- The GST credit for low- and modest-income Canadians to be maintained at its current level even though the GST rate is being reduced.
- The lowest personal income tax rate to be reduced to 15% from 15.5% retroactive to January 1, 2007.
- The amount that all Canadians can earn without paying federal income tax (i.e. the Basic Personal Amount) to be increased to \$9,600 for 2007 and 2008, and to \$10,100 for 2009.
- The government is willing to work with the five provinces that still have Retail Sales Taxes (RSTs) to help facilitate the transition to provincial value-added taxes (VAT) harmonized with the GST.
- Air Travellers Security Charge (ATSC) Rates to be reduced slightly as a result of the proposed reduction in the GST or the federal portion of the harmonized sales tax - GST/HST.
- The government plans to reduce the federal debt by \$10 billion this year. The government will continue to plan on debt reduction of \$3 billion in 2008–09 and each year thereafter. The target for reducing the debt-to-GDP ratio to below 25% is expected to be achieved by 2011-12.
- The government's Tax Back Guarantee (which ensures that interest savings resulting from debt reduction are being returned to Canadians in the form of lower personal income taxes) is expected to reach \$2.5 billion by 2012-13.

The Canadian Chamber of Commerce was pleased to see that a number of our key recommendations were adopted by the federal government. The reduction in the general corporate income tax rate to the level recommended by the Canadian Chamber will strengthen Canada's ability to attract business and compete effectively. Similarly the reduction in the lowest marginal personal income tax rate to 15% will help stimulate work effort, saving and investment - all of which have a direct bearing on our nation's productivity, competitiveness and prosperity. Raising the Basic Personal Amount will reduce

420-360, rue Albert St., Ottawa, Ontario K1R 7X7
Tel/Tél: (613) 238-4000 Fax/Télé: (613) 238-7643 www.chamber.ca info@chamber.ca
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average tax rates for taxpayers at all income levels, but more so – in relative terms – for lower income Canadians. It would also encourage more people to enter the workforce.

The Canadian Chamber of Commerce has long recognized that Canadians are overtaxed and today's announcements take concrete measures to address the situation in an immediate and bold fashion. These measures are particularly welcome as global competitive pressures intensify and underscore the need for international tax competitiveness.

Further details can be found in the Chamber's analysis document at <http://www.chamber.ca/cmslib/general/EconomicStatement2007.pdf>. For more information, contact Tina Kremmidas, Assistant Vice President and Senior Economist, (416) 868-6415, x222, tkremmidas@chamber.ca.

EI Commission Sets EI Rates for 2008

On October 30th, the Employment Insurance (EI) Commission set the EI Rates for 2008 based on the calculations put forward by the Chief Actuary earlier this month. The break-even numbers for 2008 are \$2.42 for employers (a drop of 10 cents over 2007) and \$1.73 for employees (a drop of 7 cents over 2007). The proposed rates in Quebec are \$1.95 for employers (a drop of 9 cents over 2007) and \$1.39 for employees (a drop of 7 cents over 2007). The Maximum Insurable Earnings automatically increased from \$40,000 in 2007 to \$41,100 in 2008.

For more information on this issue contact Ryan Stein, Policy Analyst, (613) 238-4000, x250, rstein@chamber.ca.

Bill C-415 Update – Action Required

Bill C-415, *An Act to Amend the Canada Labour Code (replacement workers)*, has been traded down on the order paper and will most likely have its first hour of second reading on Friday, November 16th.

Last week, the Canadian Chamber sent a template letter to its entire membership to encourage further communication with local Liberal MPs and the Liberal leadership office leading up to second reading. Despite the bill being traded down, the Canadian Chamber urges its membership to continue its communication efforts with local Liberal MPs. It is imperative to ensure that Liberal MPs are aware that Bill C-415, like its predecessor, Bill C-257, will negatively affect Canadians and the Canadian economy.

For more information on this issue, contact Ryan Stein, Policy Analyst, (613) 238-4000 x250, rstein@chamber.ca.

Competition Policy Review Panel Releases Consultation Paper

On October 30th, the Competition Policy Review Panel released its consultation paper entitled "*Sharpening Canada's Competitive Edge*". The panel is chaired by Mr. Lynton Ronald Wilson. The other members of the panel are: Mr. N. Murray Edwards, Ms. Isabelle Hudon (President & CEO of the Montreal Board of Trade), Mr. Thomas Jenkins and Mr. Brian Levitt. The committee is mandated to assist Canada's economic performance by promoting Canadian direct investment abroad and creating the domestic conditions to foster the development of Canadian businesses; and maximizing Canada's attractiveness as a destination for talent, capital and innovation, echoing some of the themes that were

laid out in the blue ribbon panel report from the Expert Panel on Commercialization. The release of the consultation paper launches the panel's public consultations. Written submissions from interested parties are welcomed and must be received by January 11, 2008.

The panel will examine: Canada's policies regarding foreign direct investment (including current restrictions in place on foreign and domestic ownership of firms in selected sectors); competition policies and how the *Competition Act* can affect the nation's overall competitiveness; the promotion of Canadian direct investment abroad; and Canada's attractiveness as a destination for talent, capital and innovation.

The Canadian Chamber of Commerce believes that the Competition Policy Review Panel is an excellent opportunity to make Canada a more competitive, prosperous and productive economy with a policy framework that rivals the best of our trading partners. The Canadian Chamber of Commerce has struck a steering committee to assist in the preparation of a submission to the panel. We will ensure that members are consulted for their input. The panel will report to the industry minister, on behalf of the government of Canada, by June 30, 2008 with concrete recommendations to further enhance competition in Canada.

For more information about this issue, contact Brian Zeiler-Kligman, International Policy Analyst, (613) 238-4000 x225, bzeiler-kligman@chamber.ca or Chris Gray, Policy Analyst, (613) 238-4000, x251, cgray@chamber.ca or go to www.competitionreview.ca.

Government Responds to Parliamentary Committee Reports

Counterfeiting and Piracy: On October 17th, the government tabled its official response to the House of Commons Industry, Science and Technology and the Public Safety and National Security Committees regarding their studies and reports on the issue of counterfeiting and piracy. Both parliamentary committees studied this issue in the spring and the Canadian Chamber appeared before both committees stating that the government needed to begin to take action to address the issue of counterfeited goods posing a health and safety issue to Canadians, not to mention the negative impact on the economy of counterfeited products. While not particularly detailed in its response to the two reports, the government recognizes the seriousness of the issue.

Virtually no industry escapes IP crime. Intellectual property is an essential element for promoting investments in research and innovation, international trade and investment, consumer protection and overall economic growth.

PIPEDA (*Personal Information Protection and Electronic Documents Act*): Also on October 17th, the government issued its official response to the Access to Information, Privacy and Ethics Committee's report on the statutory review of PIPEDA. The Canadian Chamber of Commerce appeared before the committee on February 1st to convey members' views on PIPEDA to the committee and worked with other associations, businesses and the Office of the Privacy Commissioner to develop voluntary privacy breach notification guidelines that a company could use in the event of a privacy breach. The government's response mostly reflected the committee's earlier recommendations and the Canadian Chamber is pleased with the response overall.

The Canadian Chamber will be following both of these issues closely to monitor and address any legislative amendments that are introduced.

For more information about this issue, contact Chris Gray, Policy Analyst, (613) 238-4000, x251, cgray@chamber.ca

NEXUS and FAST Application Fees to be Reduced to \$50

Minister of Public Safety Stockwell Day recently announced that the application fees of \$80 for the NEXUS and FAST programs will be reduced to \$50 on December 1, 2007. NEXUS is a joint Canada-U.S. program designed to expedite the movement of pre-approved low-risk travelers and is currently available at eight major Canadian airports and 11 land border crossings. FAST is another joint program that provides pre-approved and security-cleared carriers, importers, and drivers with a more efficient clearance process at 22 Canada-U.S. land border crossings.

For more information on this issue, contact Ryan Stein, Policy Analyst, (613) 238-4000 x250, rstein@chamber.ca.

Federal Government Reintroduces Legislation to Provide Foreign Investment Protection

On October 29, the federal government reintroduced legislation for Canada to implement the *International Convention on the Settlement of Investment Disputes* (ICSID Convention). At present, 144 countries have ratified the ICSID Convention, which provides foreign investors with access to an investor-state dispute settlement mechanism (similar to NAFTA's Chapter 11). The legislation passed second reading and was referred to the Foreign Affairs and International Development Committee for review. The Canadian Chamber welcomes this development and has worked hard over the years to attain ratification of the ICSID Convention. A number of policy resolutions over the years, including one passed this year regarding Attracting Foreign Direct Investment to Canada, have recommended that the federal government ratify the ICSID Convention.

For more information, contact Brian Zeiler-Kligman, International Policy Analyst, (613) 238-4000 x225, bzeiler-kligman@chamber.ca

Consumer, Industry and Health Concerns Outlined in Letter to Prime Minister on Cheese Standards

An informal coalition spearheaded by the Canadian Chamber of Commerce was formed over the summer months and has been sharing their concerns regarding the proposed changes to cheese compositional standards in Canada, as published in the *Canada Gazette, Part I* on June 16, 2007 (the "proposed regulations"). Recently this coalition, which represents a number of industry-specific, consumer and health-related associations, raised its concerns regarding proposed changes to cheese compositional standards in a letter to Prime Minister Stephen Harper. Specifically, these concerns include:

- the inadequate consultation process on this issue, as well as the fact that the proposed regulations are not in conformity with the government's *Cabinet Directive on Streamlining Regulations*;
- the negative impact on the health of Canadians;
- the negative effect on consumer marketplace choice;

- the disadvantageous impact that the regulations will have on Canadian competitiveness and innovation;
- that the proposed regulations are in direct violation of Canada's international trade obligations and
- that the proposed regulations are not enforceable and do not propose a realistic enforcement mechanism.

There are significant negative impacts associated with these proposed regulations that will be distributed across the entire Canadian economy. The coalition recommends in its letter that the Canadian Food Inspection Agency reassess the proposed regulations in light of the federal government's obligation to its citizens and to the international community within which it operates. Specifically, the coalition stated in its letter that:

- The proposed regulations should not proceed to *Canada Gazette, Part II*;
- The issue of cheese compositional standards should be the subject of inclusive consultations among a broader and more complete range of interested and affected stakeholders; and that
- Any proposed revisions to cheese compositional standards should be consistent with our international trade obligations.

For more information on this item, contact Brian Zeiler-Kligman, International Policy Analyst, (613) 238-4000 x225, bzeiler-kligman@chamber.ca.

The entire letter outlines these issues in more detail and can be accessed on the Canadian Chamber's Web site at <http://www.chamber.ca/cmslib/general/071025Harper.pdf>.

Survey on Capital Gains Taxes and More

Through an on-line survey the Canadian Real Estate Association (CREA), which is one of Canada's largest single-industry trade associations, representing more than 92,000 real estate brokers/agents and salespeople in Canada, is seeking input from members of the Canadian Chamber of Commerce on several issues, including capital gains tax issues and the service value of commercial REALTORS®.

All responses will be kept confidential, and will be used for aggregate reporting purposes only. The questions dealing with capital gains are part of the research that CREA is conducting as part of a proposal for a new capital gains rollover program which they hope the federal government will consider.

To participate in this brief online survey, go to <http://www.response-centre.com/crea-chamber/>.

Customs & Freight Manual for '08 Beijing Olympic/Paralympic Games now Available

The Canadian Chamber of Commerce has the Customs and Freight Manual for the 2008 Beijing Olympic and Paralympic Games as well as information concerning the acceptance by Chinese Customs of the use of ATA Carnets in the context of the 2008 Olympic Games.

More detailed information will be circulated by the International Chamber of Commerce as soon as they receive some clarifications from the National Guaranteeing Organization in China (i.e. CCOIC/CCPIT), especially as regards the following points:

- (1) The declaration to be presented to China Customs;
- (2) The request for a guarantee to be issued by the Beijing Organizing Committee (BOCOG), considering that ATA Carnets are already guaranteed within the framework of the ATA Chain;
- (3) The period of time during which the procedure will be applicable and
- (4) The role of BOCOG in the overall process, as well as its relations/interface with CCOIC/CCPIT in this context.

If members wish to receive a copy and be kept current as information is received by the Canadian Chamber of Commerce, e-mail your request to carnet@chamber.ca. Your name and coordinates will be included on our mailing list.

Uniform Custom and Practice for Documentary Credits (UCP 600) Publications now Available

Commercial letters of credit are the lifeblood of the international trade system and, for more than 70 years, the International Chamber of Commerce (ICC) has established the rules governing documentary credits worldwide.

The Canadian Chamber of Commerce is pleased to offer the 7th revision of *Uniform Custom and Practice for Documentary Credits*, ICC Publication No. 600. UCP 600 entered into force on July 1, 2007 and contains substantive changes to the existing rules that businesses need to know now. This publication is available in English or a bilingual format.

International Standard Banking Practice (ISBP ICC Publication 681) for the Examination of Documents Under Documentary Credits, 2007 Revision for UCP 600, reflects international standard banking practice for all parties to a documentary credit under UCP 600. *ISBP* was conceived as an intelligent checklist of procedures for document checkers to follow in examining documents presented under letters of credit. While not a substitute for the UCP, which remains the guiding text, *ISBP* demonstrates how the UCP is to be integrated into everyday practice. This publication is available in English or French.

Also now available is *Commentary on UCP 600* (ICC Publication No. 680), written by members of the UCP 600 drafting group and reflects the drafting group's personal views. Each article or sub-article is analyzed under four different topics, and provides valuable insight into the thinking of those who drafted UCP 600. It will be the reference book of choice for students and users of letter of credit rules. This publication is available in English only.

To order these publications or other ICC publications visit our Web site at <http://www.chamber.ca/article.asp?id=3593>. A catalogue of publications is available.

Calendar of Events

November 27th – Toronto The Canadian International Executive of the Year Award dinner takes place at the Royal York Hotel. This year's honouree is Donald Stewart, Chief Executive Officer of Sun Life Financial. *For more information on this event, visit the Chamber's Web site at <http://www.chamber.ca/article.asp?id=5831>.*