April 12, 2006

Consultations and Communications Branch
Budget 2006 Consultations
Department of Finance Canada
140 O'Connor Street
19th Floor, East Tower
L'Esplanade Laurier
Ottawa, Ontario K1A 0G5

Re: Online Pre-Budget Consultations for Budget 2006 and Beyond

It gives us great pleasure to present the views of the Burlington Chamber of Commerce as you proceed with pre-budget consultations. Prime Minister Harper has indicated that he will focus on five top priorities for the immediate term that he highlighted during the election campaign – passing a *Federal Accountability Act*, cutting the GST, cracking down on crime, funding for childcare, and establishing (with the provinces) a waiting times guarantee in healthcare.

The Burlington Chamber of Commerce encourages the federal government to live up to the commitments it made to Canadians during the election campaign. At the same time, we encourage the federal government to think long-term. A critical issue facing Canada is our dismal productivity performance and it is our hope that in the months head, the new government will turn its attention to putting in place a wide-ranging and comprehensive strategy aimed at increasing productivity growth in Canada. The most effective means of doing so is to outline measures that promote the incentive to work, save and invest. The focus must be on reducing punitively high marginal tax rates, burdensome regulations, barriers to trade, and investing in productivity-enhancing areas (like education and infrastructure – including border infrastructure) while ensuring that all government programs are delivered and managed in the most efficient and cost-effective manner.

We strongly believe that by undertaking the right investments and focusing on long-term goals, sound government policy can create favourable conditions that promote productivity-led growth that will raise the standard of living of Canadians in the years to come.

With this in mind, the Burlington Chamber of Commerce offers the following recommendations to the federal government for budget 2006 and beyond.

Program Spending

- Cap federal program spending at 3% growth per year.
- End the last minute (i.e. fiscal year-end) new spending initiatives.
- Continue to review all programs at least every three years to determine where the payoffs are the greatest and to identify areas where spending can be reduced or eliminated.
- Reallocate from lower to higher priority spending (e.g. infrastructure and post secondary education).

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Debt Reduction

- Reduce the debt-to-GDP ratio to less than 25% by 2013.
- Continue to allocate the contingency fund if unused to debt reduction. If the economy performs as forecast, the reserve for economic prudence should also be committed to debt reduction.
- Allocate any unanticipated surplus arising at year-end to debt reduction.

Tax Policy

- Continue to put the highest emphasis on reducing personal income tax rates across all income tax brackets, but particularly for low- and modest-income earners who face the most punitive effective marginal tax rates of all.
- Raise the threshold at which the top federal marginal personal income tax rate kicks in to $150,000 from the current $118,285 in order to attract and retain highly skilled and productive human capital.
- Ensure that Capital Cost Allowance rates in Canada line up with the true economic life of the relevant asset.
- Reduce the general corporate income tax rate to 20% immediately and by one percentage point in each of the following three years.
- Support elimination of Capital Tax in 2006.
- Raise the threshold for the small business tax rate from $300,000 to $400,000.
- Gradually reduce the small business rate to 11% over five years.
- Extend the elimination of the corporate income surtax to all corporations in 2008.
- Cut the taxation of dividends to better level the playing field between dividend paying stocks and income trusts.
- Encourage further research and development (R & D) investment by making all Scientific Research and Experimental Development (SR & ED) Investment Tax Credits (ITCs) 100% refundable and permitting companies to apply their unused ITCs to offset other taxes owing (such as payroll remittances). Create a more focused and sustainable effort to encourage small and medium-sized enterprises to enter the SR & ED tax credit program.
- Facilitate further reductions in Employment Insurance (EI) premium rates by operating the EI program as a true insurance program. Gradually reduce the employer EI premium rate to equal the employee premium rate. Immediately implement a system that allows for over-contribution by employers to be refunded. Gradually phase in an experience rating system for employers.

We believe that implementing these recommendations will expand opportunities for workers, families, and businesses, boost productivity, increase the standard of living of all Canadians, and boost the global competitiveness of the Canadian economy.

Sincerely,

John Doyle
Chair

Keith Hoey
President