

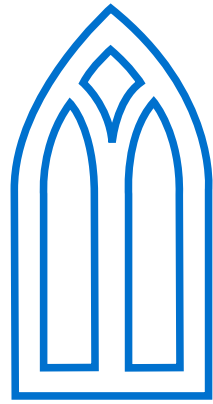
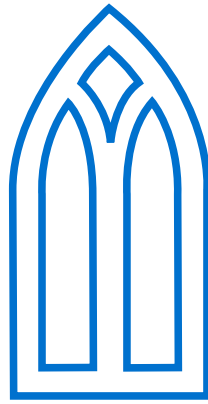


# ONTARIO CHAMBER OF COMMERCE

## 2017 FEDERAL PRE-BUDGET SUBMISSION







## ABOUT THE ONTARIO CHAMBER OF COMMERCE

For more than a century, the Ontario Chamber of Commerce (OCC) has been the independent, non-partisan voice of Ontario business. Our mission is to support economic growth in Ontario by defending business priorities at Queen's Park on behalf of our network's diverse 60,000 members.

From innovative SMEs to established multi-national corporations and industry associations, the OCC is committed to working with our members to improve business competitiveness across all sectors. We represent local chambers of commerce and boards of trade in over 135 communities across Ontario, steering public policy conversations provincially and within local communities. Through our focused programs and services, we enable companies to grow at home and in export markets.

The OCC provides exclusive support, networking opportunities, and access to innovative insight and analysis for our members. Through our export programs, we have approved over 1,300 applications, and companies have reported results of over \$250 million in export sales.

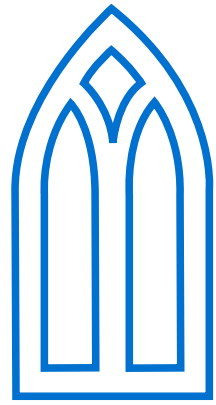
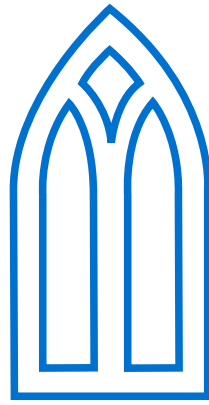


The OCC is Ontario's business advocate.

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## LETTER FROM THE PRESIDENT & CEO

Dear Minister Morneau,

The Ontario Chamber of Commerce is pleased to have this opportunity to present our recommendations to the federal government as it finalizes its 2017 Budget.

While Ontario is a leader in attracting global talent and investment, we face increasing international competition. Ontario's continued growth and prosperity depends on our capacity to translate innovation into real economic growth.

At the same time, the Canadian economy is facing significant challenges. The Canadian business community is deeply divided in its outlook for 2017, between optimism in sectors that are experiencing rapid growth (such as forestry, automotive and high-tech) and anxiety in those impacted by low commodity prices (like mining and energy).<sup>1</sup> All of these industries and sectors face uncertainty given changing international politics.

In this climate, competitiveness has become even more critical to our growth and prosperity. We believe that Canada needs a strategic plan for long-term economic growth, one that includes:

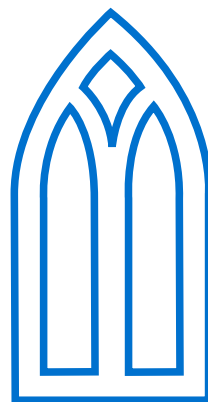
- Correcting the fiscal gap for Ontarians;
- Strengthening Canada's trade relationships to spur economic growth;
- Boosting productivity and growth through infrastructure spending; and
- Stewarding the innovation ecosystem through appropriate programs, incentives and taxation.

This submission lays out nine recommendations across four key policy areas that, if adopted, will form the basis of a long-term economic growth strategy for Canada. We look forward to the 2017 Budget and will continue to work with the federal government on behalf of Ontario's business community.

Allan O'Dette

*President & CEO*  
Ontario Chamber of Commerce





## FOUR KEY BUDGET PRIORITIES

### 1. Correcting the fiscal gap

- 1.1. Evaluate and reform the Employment Insurance (EI) program
- 1.2. Make the Equalization Program work for all Canadians
- 1.3. Re-establish the federal government's role as a partner in the health care system through the Canada Health Transfer (CHT)

### 2. Strengthening Canada's trade relationships to spur economic growth

- 2.1. Reaffirm our trade relationship with the United States
- 2.2. Encourage business to pursue greater international trade activity

### 3. Boost productivity and growth through infrastructure spending

- 3.1. Invest in trade-enabling infrastructure
- 3.2. Bridge the broadband gap

### 4. Steward the innovation ecosystem through appropriate programs, incentives and taxation

- 4.1. Ensure public programs and incentives are aligned to encourage businesses to scale up and innovate
- 4.2. Support the Travel Rebate Incentive Program (TRIP)



## 1. Correcting the fiscal gap

In spite of the \$250 billion in federal transfers and direct spending distributed in 2014-2015, fiscal federalism in Canada has failed to keep up with 21st century macroeconomic realities.<sup>2</sup>

Ontarians continue to be disadvantaged by the federal government's approach to the allocation of funds. As a result of systemic inequalities, Ontario's net contribution to the federation is between \$7.7 billion and \$9.1 billion, approximately 1.1 percent of provincial GDP.<sup>3</sup> In 2014-15, Ontarians accounted for 38.9 percent of the contributions to the federal treasury and received 35.9 percent of federal spending in return.<sup>4</sup> Ontarians receive disproportionately lower shares from important areas of federal spending, despite having a fiscal capacity lower than the national average.

In important sectors such as health and labour, Ontario requires predictability and sustainability in federal funding that reflects its fiscal capacity. With provincial health care systems facing the twin pressures of aging and growing populations – alongside structural change wrought by increased patient empowerment and rapidly innovative medical technologies – health budgets are decidedly strained. To prevent this scenario from wreaking havoc on provincial balance sheets, a re-examination of the Canada Health transfer (CHT) is needed. Furthermore, due to the evolving labour market a smaller segment of the Ontario labour force is now eligible for EI. This situation is worsened by the fact that significant amounts of funding for skills development and job training are tied to receipt of EI benefits, effectively barring many who need active labour market supports from those programs.

Additionally, Ontario appears to be a unique outlier as the only province to receive equalization payments that also makes a net contribution to the federation.<sup>5</sup> As a result of how money is allocated through federal transfers, Ontarians are not receiving adequate return on their investment in the federal transfer system. The federal spend should be allocated on a principled basis that reflects the relative fiscal capacity of provinces and helps to correct the fiscal gap.

### 1.1 Evaluate and reform the Employment Insurance (EI) program

Employment insurance is the single largest, and arguably the most important, labour market program in Canada. The EI program has long helped meet the needs of vulnerable Ontarians, with nearly 90 percent of unemployed workers covered by the system since the 1980s.<sup>6</sup> However, from the perspective of the business community, two major concerns have emerged with regards to the system's effectiveness.

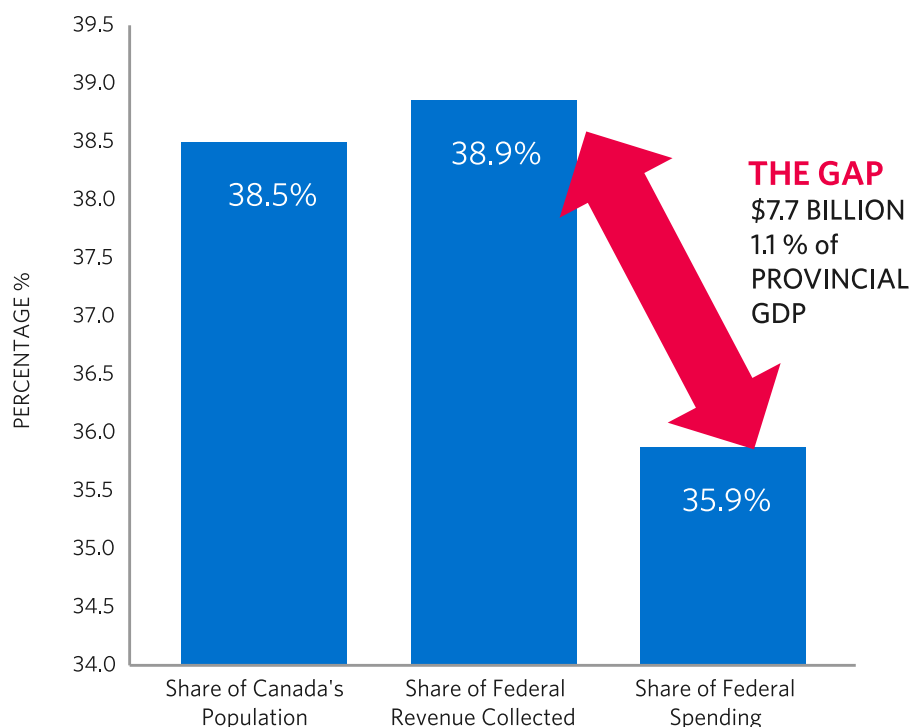
First, the EI program has failed to keep up with the realities of an evolving labour market. Certain segments of Ontario's labour force (such as urban workers, immigrants and youth) are distinctly underserved by the current system due to the concentration of their employment in part-time or contract work. Additionally, the program penalizes new entrants and re-entrants into the labour market. As a result, a smaller segment of the Ontario labour force is now eligible for EI.<sup>7</sup>

Secondly, the program is a net transfer away from Ontario employers and employees. Under its current structure, Ontario employers and employees are paying for greater EI benefits for unemployed individuals in other parts of the country. For example, where you live determines how many hours you have to accrue before becoming eligible to collect EI. Of those who have paid EI premiums in the 12 months leading up to their unemployment, only 55 percent of Ontarians were eligible, compared with 80 percent in the Atlantic provinces.<sup>8</sup> As a result, unemployed Ontarians are less likely to access EI than their unemployed counterparts in other provinces.

As a first step, the federal government should pursue a single national standard for qualification and benefit duration levels. This would help restore equity in the system, help close the gap between what Ontarians pay into the system and what they get back, and enhance labour market productivity.



## Ontario's Share of Revenue and Spending 2014-15



Source: [https://mowatcentre.ca/wp-content/uploads/publications/142\\_mind\\_the\\_gap.pdf](https://mowatcentre.ca/wp-content/uploads/publications/142_mind_the_gap.pdf)

### 1.2 Make the Equalization Program work for all Canadians

In 2016-17, the federal Equalization Program will deliver \$17.8 billion to provincial and territorial governments in an attempt to address the disparities in revenue raising (fiscal) capacity among regions.<sup>9</sup> Since the program's inception in 1982, equalization has redistributed more than \$300 billion, mostly from the Ontario, Alberta, and British Columbia tax bases to the rest of Canada.<sup>10</sup>

Ontarians have long supported the principle of equalization, however, there is currently a disconnect between the measurement of fiscal capacity in the Equalization Program and the overall net contribution that Ontario makes to the federation. Despite having one of the highest fiscal capacities in the country in 2014-15, Newfoundland and Labrador continued to be a net recipient of federal funds in that year. On the other hand, Ontario, despite having a fiscal capacity lower than the national average, continues to contribute more to the federal government in revenue than it receives in spending.<sup>11</sup> The net contribution made by Ontario relative to the benefits received by the other provinces is reflected on the chart on the next page.

A fairer, more transparent Equalization Program would reflect the changing structure of Canada's economy and cease to underserve Ontarians. A positive step would be to incorporate the cost of delivering services into the equalization equation. At present, the federal government only looks at fiscal capacity when calculating equalization payments. It does not take into account the actual cost of delivering those services.



## Equalization and Net Contribution/ (Benefit) by Province, 2014-15 (\$ per capita and \$ billions)

PROVINCE	EQUALIZATION PER CAPITA (\$)	EQUALIZATION (\$ BILLIONS)	NET CONTRIBUTION / (BENEFIT) (\$ BILLIONS)
Prince Edward Island	2501	.4	(1.2)
New Brunswick	2205	1.7	(4.5)
Nova Scotia	1784	1.7	(6.6)
Manitoba	1415	1.7	(4.0)
Quebec	1158	9.3	(14.9)
Ontario	150	2.0	7.7
Newfoundland	-	-	(1.4)
Saskatchewan	-	-	0.5
British Columbia	-	-	4.4
Alberta	-	-	23.9

Source: [https://mowatcentre.ca/wp-content/uploads/publications/142\\_mind\\_the\\_gap.pdf](https://mowatcentre.ca/wp-content/uploads/publications/142_mind_the_gap.pdf)

### 1.3 Re-establish the federal government's role as a partner in the health care system through the Canada Health Transfer (CHT)

While federal government funding as a share of provincial-territorial health care spending has increased somewhat in recent years from historic lows in the early 2000s, it still remains well below the original Canadian health care agreement of the 1950s and 1960s.<sup>12</sup> With provincial health care systems facing the twin pressures of aging and growing populations – alongside structural change wrought by increased patient empowerment and rapidly innovative medical technologies – health budgets are decidedly strained. To prevent this scenario from wreaking havoc on provincial balance sheets, transformative change is needed.

Fortunately, the need to transform the health sector represents a historic opportunity for the federal government to re-establish its role as a partner in the health care system. An under-investment in health care will impede the province's ability to deliver on any number of additional priorities and sets a precedent that we are not truly collective partners in the delivery or envisioning of the public health care system.

The federal government has currently proposed an ongoing base funding growth of 3.5 percent in the CHT. Under this proposal the share of provincial and territorial health spending would actually fall from the current 23 percent to 20 percent.<sup>13</sup> The new federal proposal does not provide sufficient funding to sustain core provincial-territorial health care services, nor does it provide the funding necessary to support an innovation agenda in health care. The federal government should demonstrate its commitment to a long-term funding partnership that reduces the cumulative burden of an aging population and contributes to each province's ability to innovate.



## 2. Strengthen Canada's trade relationships to spur economic growth

The global economy has changed significantly over the past decade, and dramatically in the past year. The enormous range and variability in this year's unknowns is daunting: negotiating Brexit; a new administration in the United States; the outlook for China's economy; and the impact of surging populism within European politics, all of which contribute to a deeply uncertain global economic outlook. In the midst of this environment, Canada's economy faces significant challenges and is therefore expected to grow moderately at 1.8 percent in 2017 and 2 percent in 2018.<sup>14</sup>

During this period of uncertainty, the importance of Canada's global relationships will grow. If Canada's domestic economy remains weak, it will have to depend more heavily on exports to drive growth and job creation. However, Canada's exports have been declining for two years, falling 1 percent in 2015 and 3 percent in 2016.<sup>15</sup> Canada, as one of the most trade-dependent nations in the world, must move to address issues affecting our global competitiveness and be proactive in our support for trade-boosting policies and infrastructure.

### 2.1 Reaffirm our trade relationship with the United States

For much of our shared history, Canada and the United States have benefitted from strong cooperation on a wide range of issues, including border management, trade specifically through the North American Free Trade Agreement (NAFTA), security and regulatory harmonization. In 2015, the trade relationship between our two nations generated considerable economic activity, as the province of Ontario alone exported \$194 billion worth of goods to the US while importing \$182 billion.<sup>16</sup> That same year Canada was the largest goods export market for the U.S. as well as the top export destination for 35 of America's 50 states. Within Canada, Ontario was the top customer for 30 of these states.<sup>17</sup>

International trade and renegotiating NAFTA were major features of the 2016 presidential campaign, as well as a particular focus on increasing benefits for the American worker. Since it was signed in 1994, NAFTA has contributed to increasing regional trade, from roughly \$290 billion in 1993 to more than \$1.1 trillion in 2016.<sup>18</sup> As a direct result of NAFTA, the enhanced economic activity and production in the region have contributed to the creation of jobs for many Canadians and Americans. The OCC believes that trade between Canada and many American States yields positive outcomes for workers and economies on both sides of the border. When Canadian businesses purchase American products or participate in the supply chains of American companies, they are contributing to the growth and prosperity of American businesses – and vice-versa. This is an essential message to convey to our American counterparts.

The fragility of our trade relationship with our U.S. neighbours must continue to be a top-priority for the government of Canada. While the OCC is encouraged by the prioritization of our relationship with the U.S. that the federal government has demonstrated by the appointment of a Parliamentary Secretary with an expressed mandate of strengthening our relationship with the U.S, the sending of Canada's top parliamentary staff to meetings with senior White House officials and the creation of a war room within the Prime Minister's Office (PMO), further action needs to be taken. We must ensure that the message of shared prosperity continues to be at the forefront of future trade discussions with the United States and specifically if NAFTA is renegotiated.

At the same time, there are changes that the governments of Ontario and Canada can make to facilitate greater cross-border trade and strengthen our economic ties to the U.S. These changes include:

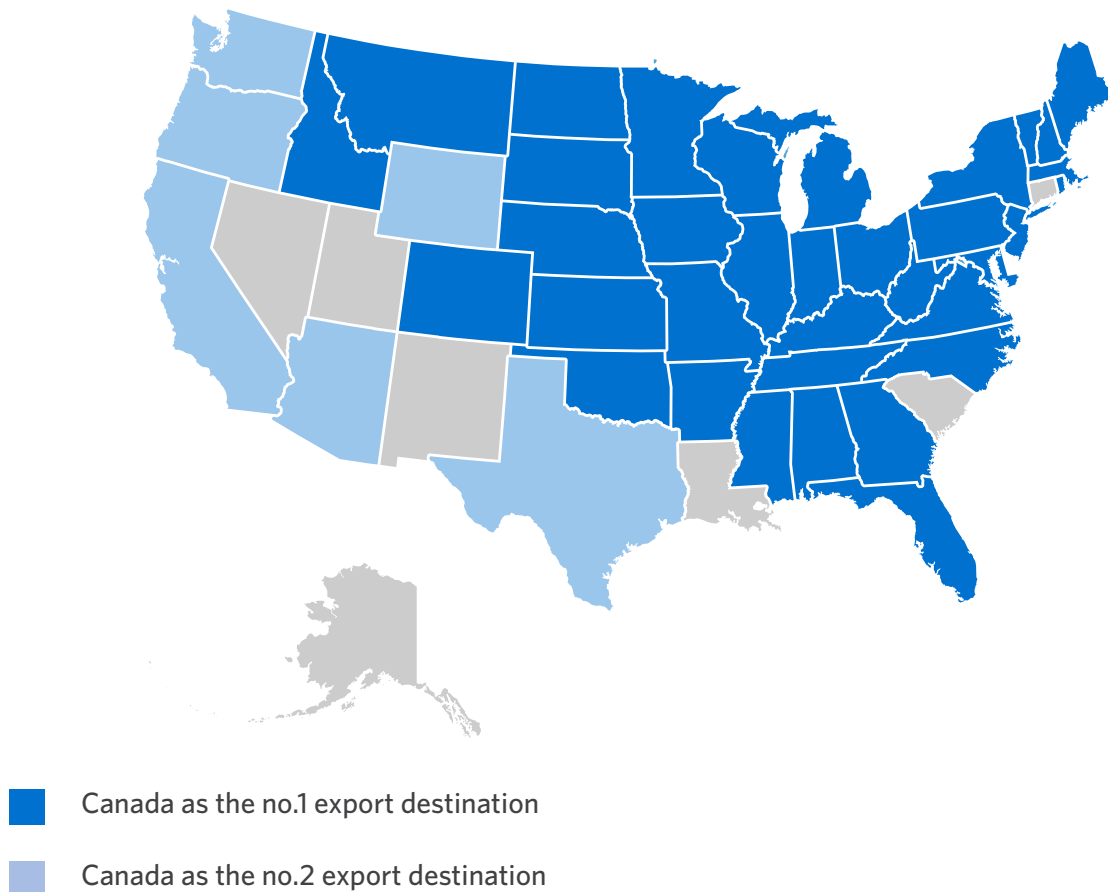
- Updating transportation corridors to provide efficient links to the Ontario-U.S. border;
- Starting discussions with the U.S. on practical proposals in areas of potential alignment such as energy security, infrastructure, border security and regulation;
- Establishing financial protection for produce sellers in Canada in the event of bankruptcies to align with the U.S. Perishable Agricultural Commodities Act;



- Increasing and expanding the scope of incentives and export grants aimed at helping small to medium sized companies reduce the time, cost and risk of exporting;
- Recommitting to the principles of the Canada-United States Regulatory Cooperation Council (RCC) in its initiative to harmonize regulatory requirements and practices on agri-food products between Canada and the United States; and
- Assuring ease of border access for travelers entering or exiting the United States by delaying the biometric exit-entry program.

In advocating for these and other changes, the business community in Ontario is affirming its commitment to continued and strengthened cross-border relations. Canada-U.S. trade has contributed significantly to the prosperity of workers on both sides of the border. With a sustained commitment to cooperation and collaboration, these mutual benefits will continue to increase into the future.

## Canada and U.S. Trade by State



**Source:** Statistics Canada 2016. [http://can-am.gc.ca/business-affaires/fact\\_sheets-fiches\\_documentaires/index.aspx?lang=eng](http://can-am.gc.ca/business-affaires/fact_sheets-fiches_documentaires/index.aspx?lang=eng)



## 2.2 Encourage business to pursue greater international trade activity

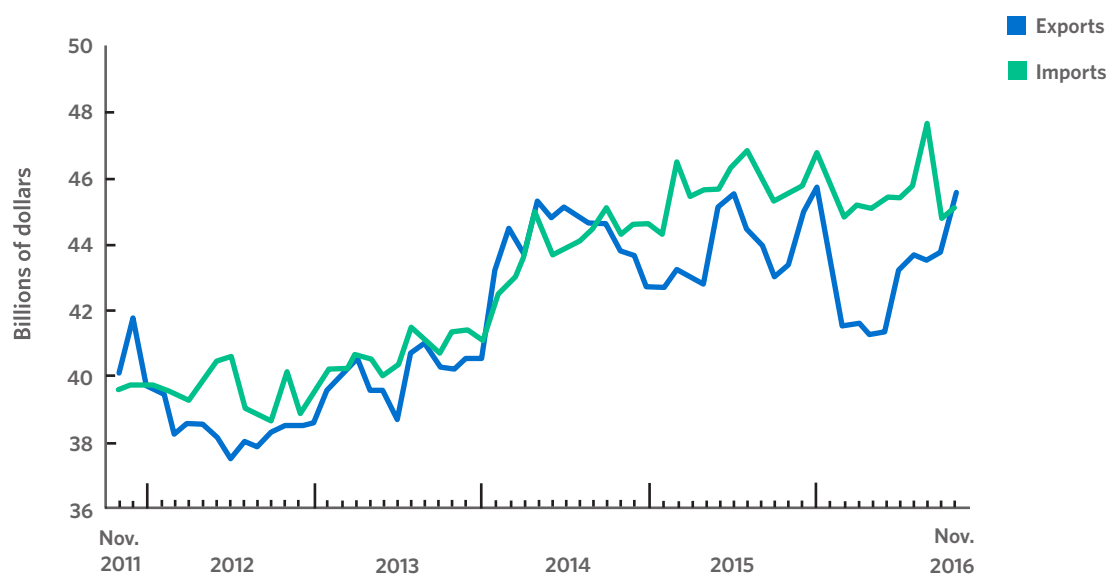
In the Canadian context, accessing new customers via international markets is an essential component of business growth. Due to the country's relatively small market, most companies looking to scale their business must go elsewhere for new customers. Data from the 2014 Survey on Financing and Growth of SMEs suggests that a small proportion of Canadian firms engage in trading activity. For example, less than 12 percent of Canada's SMEs exported; this proportion was slightly greater in Ontario at nearly 15 percent.<sup>19</sup> However, this is much lower than many European nations.

For Canadian firms, the benefits of international trade in terms of growth are clear. In a recent investigation of the drivers of firm growth in Ontario, the Institute for Competitiveness and Prosperity found that engagement in international trade exhibits a large return in both revenues per employee and size of the business by number of employees.<sup>20</sup> As a result, exporters disproportionately contribute to the Canadian economy. Between 1993 and 2002, for example, exporters accounted for less than six percent of firms but created 47 percent of jobs.<sup>21</sup>

While exporting is a key determinant of firm growth, most of Canada's business support programs do not directly support international trade. As such, the government should actively encourage this amongst a broader group of businesses alongside increasing support for firms already interested in exporting. The OCC recommends that the federal government seek to encourage businesses to scale up by:

- Increasing support for businesses to engage in international trade, such as through increased educational supports or financial investment targeted at SMEs seeking new export opportunities;
- Pursuing an approach to reconcile government's suite of business support programs to support high-growth potential firms; and
- Linking more business support programs (such as CanExport, Export Development Canada and Ontario's Going Global Export Strategy) to greater enhance international trade.

Value of Canada's Trade in Goods Nov. 2011 to Nov. 2016



**Source:** CANSIM Table 228-0059, Merchandise imports and exports, balance of payments basis, seasonally adjusted.



### 3. Boost productivity and growth through infrastructure spending

Infrastructure connects the province's people and businesses, powers our homes and industry, and facilitates our access to the world. The quality of our nation's infrastructure directly contributes to the productivity of our workforce.<sup>22</sup>

After decades of underinvestment, governments in Ontario and Canada are making large-scale investments to update and expand our infrastructure stock. The Government of Ontario currently has a plan to invest \$160 billion over 12 years, which began in 2014-15. At the same time, the Government of Canada intends to invest over \$180 billion in Canadian infrastructure projects over the next eleven years. In both cases, investments are being made across a range of sectors, including education, transit and transportation, and trade.

From the perspective of the OCC, these initiatives present the province with a critical opportunity to set the foundations for long-term, sustainable economic growth and prosperity. To accomplish this objective, it is essential that we invest in the right projects, and manage them effectively.

#### 3.1 Invest in trade-enabling infrastructure

Canada's export economy relies upon its roads, ports, waterways, railways, airports and pipelines to move Canadian products and services to the markets of its trading partners. Business leaders are concerned that only a small amount (just 7 percent) of Canada's infrastructure spending is dedicated to the trade-enabling infrastructure that will improve productivity.<sup>23</sup> This government has a unique opportunity to reshape Canada's economic future by making trade infrastructure a priority in its national infrastructure plan.

There are three significant reasons to make trade-enabling infrastructure an investment priority:

- **It delivers a significant return on investment (ROI).** The multiplier effect associated with increased public investment in trade infrastructure demonstrates that an increase in investment of one percent of real GDP produced an economic return as high as 2.5 times that in a three-year period.<sup>24</sup>
- **It could reverse Canada's trade infrastructure decline.** According to the World Economic Forum, the quality of Canada's overall infrastructure in 2015-2016 was 23rd among developed nations.<sup>25</sup> Canada's relative ranking in terms of the ability of its trade infrastructure to support the distribution of exports to destination markets is an important part of the competitive equation for Canadian suppliers.
- **It responds to the demand for Canadian goods from the global middle class.** Canadian exports have been identified as products that will be in high demand from the global middle class of consumers. This demand comes primarily from the growth of the middle class in Asia, where at the end of 2015, China's middle class overtook the U.S. to become the largest in the world. This new global middle class has both enough incomes to increase consumption and the power to exercise choice in what it consumes and from where. The number of these consumers is projected to grow from 1.8 billion today to five billion by 2030, representing unprecedented long-term growth in demand and changes in consumption patterns.<sup>26</sup>

Making trade-enabling infrastructure a priority will send an important signal to global customers, Canada's businesses and its workers that Canada is committed to improving its international trade competitiveness to generate more wealth and opportunities for its citizens.



## World Economic Forum – Quality of Overall Infrastructure

2008-2009	RANK	2015-2016
Switzerland	1	Switzerland
Singapore	2	United Arab Emirates
Germany	3	Hong Kong SAR
France	4	Singapore
Finland	5	Netherlands
Austria	6	Finland
Denmark	7	Japan
Hong Kong SAR	8	Austria
United States	9	Iceland
Canada	10	France
United Arab Emirates	11	Germany
Sweden	12	Denmark
Iceland	13	United States
Luxembourg	14	Spain
Belgium	15	Portugal
Japan	16	Malaysia
Netherlands	17	Luxembourg
Korea Republic	18	Qatar
Malaysia	18	Sweden
Barbados	20	Korea Republic
Cyprus	21	Chinese Taipei
Taiwan, China	22	Belgium
Portugal	23	Canada
United Kingdom	24	United Kingdom

Source: World Economic Forum: Global Competitiveness Report 2015-2016



## 3.2 Bridge the broadband gap

Inadequate access to high-speed internet is compromising the ability of communities across Ontario to attract and retain businesses. As highlighted in our *Small Business Too Big to Ignore* campaign, broadband shortcomings throughout the province are weighing on the ability of small businesses to compete in the technology-driven knowledge economy.<sup>27</sup> While the OCC was greatly encouraged by the Canadian Radio-television and Telecommunications Commission's (CRTC) recent declaration that broadband internet is a basic telecommunications service, as well as the joint Canada-Ontario financial investment in broadband infrastructure through the Southwestern Integrated Fibre Technology (SWIFT) initiative, the federal government now needs to go further in bridging the broadband gap.

In light of the CRTC's recent declaration, Canada has the opportunity to bridge the broadband gap and promote competitive access to the next generation fiber optic networks integral to the success of the Ontario economy. To achieve this, the OCC urges the federal government to take the following actions:

- Consider broadband as a component of infrastructure;
- Facilitate the creation of regional bodies that can help build the business case for federal and private sector broadband investment.



## 4. Steward the innovation ecosystem through appropriate programs, incentives and taxation

Ontario's continued growth and prosperity depends on our capacity to innovate and translate new ideas into real economic gains. To do so, we need to create an environment to let promising firms thrive. While Canada ranks as a global leader in entrepreneurship, particularly for early stage projects, there is a growing consensus among business leaders that the nation faces a critical gap in its business growth strategy: businesses are not "scaling up" into large, world-leading organizations.<sup>28</sup>

The federal government has signalled through its 2016 Budget and its Innovation Agenda that it is looking to take a concerted approach to helping businesses thrive and grow. Currently, Canada's failure to scale its companies is a critical gap in our nation's business growth strategy. Focusing on entrepreneurship to inject innovation into the economy is vital, but Canada will lose the long-term economic benefits of this activity if our most promising businesses are unable to grow.

To encourage more firms to scale up in Ontario and reap the economic benefits of this activity, a concerted effort must be made to reassess how governments allocate their resources and incentivize investment activity.

### 4.1 Ensure public programs and incentives are aligned to encourage businesses to scale up and innovate

The federal government and the Government of Ontario provide many business support programs to foster economic growth and development. However, the most important vehicle through which government interacts with the business community is the tax system. In Canada, federal and provincial governments offer numerous tax credits and taxation schemes to act as incentives or disincentives for certain types of business activity.

A close examination of the tax system suggests scaling up has not been a key priority. According to Institute for Competitiveness and Prosperity (ICP), the Government of Ontario currently offers 127 programs to support business growth in the province, yet they are not necessarily oriented towards factors that actually influence growth. Additionally, both provincial and federal programs are distributed across a wide range of sectors and business types, and can be duplicative and uncoordinated.

To encourage more firms to scale up, the OCC recommends that the federal government:

#### *Renew the Venture Capital Action Plan (VCAP)*

A possible means of utilizing public dollars, while allowing the market to operate without being crowded out by government, is an extension of the VCAP program. Set to expire in 2018, this program created a \$400 million matching fund for venture capital dollars that has resulted in an uptick in available venture capital across the country. The Business Development Bank of Canada estimates that \$900 million in private capital has been added to the ecosystem as a result of VCAP, leading to investments in nearly 100 Canadian firms.<sup>29</sup> We call on the government to renew VCAP, and to consider encouraging or incentivizing investment in this sector through a dedicated VCAP fund.

#### *Improve the Scientific Research and Experimental Development Investment (SR&ED) tax credit*

Government has sought to incentivize innovation through tax credits, the most significant of which is the SR&ED. The SR&ED was developed as a federal scheme in the 1980s to encourage business to conduct R&D in Canada and currently provides \$1.8 billion in benefits to 18,000 businesses annually.<sup>30</sup> However, the credit is not maximized to ensure the best and most appropriate uses. A Digital Entrepreneurship and Economic Performance (DEEP) Centre survey of executives found the application process to be "onerous, lengthy and a boon for consultants and lawyers".<sup>31</sup> For SMEs especially, narrow eligibility criteria and overly complex application processes can discourage them from even applying.



Access to SR&ED, and its effectiveness as a program, could be improved in three ways:

- Provide firms with the ability to choose a refundable R&D wage tax credit, which would help to attract and retain talent as well as support R&D. This would offset the impact of the recently reduced ability of firms to claim wage expenditures.
- Change SR&ED credit eligibility to allow non- Canadian firms that engage in commercial development research activities in Canada to benefit from the credit.
- Make the SR&ED credit application more predictable, broad, and easy to navigate by implementing a cross-jurisdictional government interface.

## 4.2 Support the Travel Rebate Incentive Program (TRIP)

Canadian border towns face serious economic challenges in an era of expanding online commerce and a significant sales tax percentage differential between Canada and the United States. Since 2002, the annual number of US visitors to Canada has declined by 50 percent (the number of same day visitors has declined 64 percent and overnight trips are down 28 percent) while Duty Free sales have dropped 40 percent.<sup>32</sup>

To address this, the Travel Rebate Incentive Program (TRIP) is a proposed tax rebate that would encourage U.S tourists to shop in Canada. Under this program American visitors traveling into and out of Canada would be eligible for a rebate of 5 percent (equal to GST) on purchases made during their trip. An evaluation of the economic impact of this program suggests positive spin-off effects for the Canadian economy such as:

- Produce between 340,000 and 610,000 new US tourism visits to Canada;
- Increase GDP by \$50 to 90 million;
- Support/create 782 to 1,407 new full time jobs.<sup>33</sup>

Therefore, TRIP could provide a boost to the Canadian economy by encouraging additional spending by U.S. travelers. The OCC urges the federal government to support a Canada-wide Travel Rebate Incentive Program.





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## CONCLUSION

Thank you for your consideration of the OCC's 2017 Federal Pre-Budget submission. The nine recommendations contained within this report, if adopted, will form the basis of a long-term economic growth strategy for Canada. As we have outlined above, in order for all Canadians to benefit from economic growth and increased prosperity this strategy should:

- Correct the fiscal gap for Ontarians;
- Strengthen Canada's trade relationships to spur economic growth;
- Boost productivity and growth through infrastructure spending; and
- Steward the innovation ecosystem through appropriate programs, incentives and taxation.

We firmly believe that the recommendations outlined in this submission will not only improve the economic and social well-being of Canadians in the short term, but provide a comprehensive economic growth strategy that will increase the competitiveness of Canadian business now and in the future. We look forward to the 2017 Budget and will continue to work with the federal government on behalf of Ontario's business community.



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