

July 25, 2017

Rt. Hon. Justin Trudeau, P.C., M.P.
Prime Minister of Canada
Office of the Prime Minister
80 Wellington Street
Ottawa, ON K1A 0A2

Dear Prime Minister:

First, we want to congratulate your government on the efforts it is making to address the threat posed by climate change. You have rightly made climate change a key government priority, and in general we support the flexible and coordinated approach outlined in the Pan-Canadian Framework for Clean Growth and Climate Change.

Addressing climate change without seriously undermining Canada's competitiveness will require close collaboration between governments and the private sector. As business leaders and Canadians concerned about both our future prosperity and environmental sustainability, we feel compelled to raise an issue that threatens to derail progress in both these areas.

Resonating throughout the Canadian Chamber Network is a consistent message: the cost of doing business in Canada is rising. This concern is not limited to the costs generated by the fight against climate change, but reflects the serious cumulative impact of the growing burden posed by fees, taxes and regulations the private sector is being asked to bear. Our members are deeply worried about their ability to both grow their businesses within Canada or compete for investment and customers from abroad. This concern becomes even more substantial when we see the determination of the U.S. administration to dramatically cut both regulation and business taxes in that country.

We understand the need for action on climate change, and support measures to move Canada towards a low carbon economy. Our members accept that this transition will mean an increase in the cost of doing business. There is no single determinant of competitiveness, and a disadvantage in one area could be balanced by an advantage in another, for instance when high labour costs are offset by the benefits of a highly productive workforce.

Our concern is that Canada's competitiveness is eroding across the board. We cannot balance the impacts of becoming a high carbon cost economy if we are slipping in many other areas at the same time. Mr. Prime Minister we ask you to consider the following:

- Canada is a high labour cost jurisdiction, [with wages among the highest in the OECD](#).

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- Low rates of labour productivity growth as well as poor performance on other measures of innovation performance has been a concern for over a decade.
- Canada's regulatory system is a source of costs and uncertainty. In 2007 the World Bank ranked Canada's business regulatory system 4th among 190 countries. Ten years later we've slipped to 22nd, an incredibly fast decline.
- Many parts of Canada are facing rising electricity costs that will undermine what was once a key advantage.
- In Budget 2017, the federal government introduced a provision that will automatically increase the fees charged to business each year without the need to return to Parliament for approval.
- Canada Pension Plan contribution rates will increase by 2% beginning in 2019. Some jurisdictions are also in the process of increasing the minimum wage, which will drive up the cost of employing Canadians.
- While Canada's corporate tax rates are near the middle of the pack among the rich countries, we fear that Canada will fall further behind as our trade partners and competitors work to reduce taxes.
- In 2015, the Employment Insurance rate was projected to decline to seven-year break-even rate of 1.49. Instead, it will be 1.67, largely because of increased costs of EI programs.

This is the context in which new climate change policies are being introduced. The overall burden of government-imposed costs is hampering the ability of Canadian business to create jobs and provide tax revenues that support government services. Canada has experienced nine consecutive quarters of declining business investment and two years of zero export growth.

The solution is not to ignore climate change, but to proceed in a way that makes sense for Canada's economy. We believe that that negative impact of carbon pricing mechanisms on competitiveness can be minimised if they are designed with competitiveness in mind and offset by cost reductions in other areas. We ask you to make the competitiveness of Canada's economy a priority by considering the following actions:

- The Pan-Canadian Framework for Clean Growth and Climate Change stated that it will bring the provinces and territories together to assess the competitiveness impact of the national program in 2020. We ask that this conversation be launched as soon as possible, and that measures to protect Canadian business be included in the national plan to address climate change. In particular, governments should prioritize using revenues from carbon pricing to protect jobs in the sectors that would be impacted the most.

- The Canadian Chamber Network has supported adopting a price on carbon since 2011 as the most efficient way to reduce emissions. We ask your government to trust the market, and not layer regulation on top of carbon pricing policies, an approach that not only adds costs but negates one of the main benefits of carbon pricing: the flexibility it offers to business. In particular, we are concerned with how the proposed natural gas electricity generation regulations are evolving, as well as the breadth of the proposed Clean Fuel standard.
- Our members are deeply concerned that, if implemented, the recommendations made by the Expert Panel on Environmental Assessment (EA) Processes would result in an unworkable system that would effectively end investment in Canada's natural resource sectors, a crucial part of our economy. Several of our members have written to Minister McKenna on this issue or else have commented via the letstalkea.ca portal in more detail. We ask that any new EA process respect provincial and territorial jurisdiction, focus on a clear and simple process and aim for transparency, rigour and fairness rather than consensus in its deliberations.
- Recognizing that provincial and territorial governments also play a crucial role in Canada's competitiveness, consider recreating the process that led to the Pan-Canadian Framework with a focus on lowering the cost of doing business and improving Canada's competitiveness.
- Greenhouse gas reduction regimes must recognize past and current efforts. Some sectors have already incurred significant costs and made important progress. Government policies should recognize that as relevant to the issue of ongoing competitiveness.
- Revenues from carbon pricing mechanisms must be directed to research and development of climate-friendly technologies and not to general government funds.

To lead on climate policy without putting Canadian business at a serious disadvantage, our governments at all levels will need to not only design policies carefully, but also consider the full range of factors that weaken our competitiveness. As we increase business costs to address climate change, we urgently need to find ways to lower costs elsewhere. A pan-Canadian approach to addressing climate change must go hand-in-hand with a pan-Canadian approach to strengthening Canada's economic competitiveness. We urge you to put this issue on the agenda at your next First Ministers' meeting.

Sincerely,



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