



***WORKING TOGETHER  
TO RESPOND TO THE GLOBAL CRISIS:  
A COMMITMENT FROM CANADA'S  
BUSINESS LEADERS***

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***A STATEMENT OF THE  
CANADIAN COUNCIL OF CHIEF EXECUTIVES***

***OTTAWA  
OCTOBER 31, 2008***



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As leaders of Canadian enterprises in every sector of our economy, we have confidence in Canada's strengths.

Events beyond our country's control have rocked global financial markets, sapping consumer and business confidence around the world. Canada cannot escape the consequences: our economy must deal with daunting challenges and our families and communities face real pain. No matter what we do, the economic situation is likely to get worse before it gets better, but governments and business can take action now to minimize the damage and lay the groundwork for early and sustained recovery.

Canadians are better off than many other people around the world. We came together as a society to make some tough choices during the economic downturn of the early 1990s. We endured spending cuts and tax increases to eliminate government deficits. We put up with higher interest rates to beat down inflation and launch an era of price stability. We went through painful restructuring as we opened ourselves to freer trade. The payoff has been the best-performing economy in the G7 and a decade of budget surpluses that allowed governments to expand public services, cut taxes and pay down debt.

Canada's leaders in government and business kept their heads while others around the world bubbled with excess enthusiasm. Regulators maintained sensible standards for financial institutions that others are now struggling to emulate. Corporate managers and boards, once criticized in some quarters for their aversion to risk, are now reaping the rewards of prudent strategies focused on creating long-term value.



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No matter how well prepared we may be, Canadian enterprises face major challenges. The resource sector is suffering from an implosion of commodity prices. Manufacturers and service providers are seeing exports evaporate. Our strong financial sector must cope both with the wild swings in global markets and with the fact that other countries have brought forward rescue packages that have given their own less prudent institutions a competitive advantage. The credit squeeze is taking a heavy toll on capital investment in new industrial projects and in commercial and residential construction.

We remain confident in Canada's potential. Some businesses have been forced to shrink and to lay off workers, and more jobs will likely disappear in the months ahead. But our goal remains growth. As investors and employers, we will be focused not only on survival, but on making the most of the opportunities that any crisis creates. We are committed to working with our employees, suppliers, customers and investors to maintain as many jobs as possible through the downturn -- and to create the conditions for both more and better jobs as our economy emerges from today's uncertainty and returns to stronger growth. During this downturn, Canada's leading companies will invest in their and Canada's future. We urge Canada's governments to do the same.

Business does not operate in isolation. Sound public policy created the conditions for the healthy economic growth that Canadians have enjoyed for more than 15 consecutive years. As Canada faces today's global crisis, business and governments must work together to ensure



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that sound public policy continues to reinforce entrepreneurial spirit in building a better future for all Canadians.

In government as in the private sector, an economic downturn imposes new limits on what is financially wise even as it creates greater demand for new investment. Despite the fiscal pressures facing governments across Canada today, there is much that they can and should do to shape public policy in ways that will return Canadian communities to growth in jobs and incomes as quickly as possible.

Governments will not serve Canadians well if they react in haste and in panic or in a piecemeal fashion. This is a time when political leaders must come together across partisan and jurisdictional lines to shape the solutions that Canadians need.

We appreciate the strong leadership being provided at home and abroad by federal Finance Minister Jim Flaherty and Bank of Canada Governor Mark Carney. We are heartened by signs that members of the new federal Parliament will take a more constructive and collaborative approach. We welcome the active engagement of provincial premiers in the national discussion -- both individually and through the Council of the Federation -- since they bear responsibility for dealing with some of the most difficult consequences of the crisis. We strongly support the decision of Canada's First Ministers to meet on November 10 to ensure that federal and provincial governments pull together in responding to the crisis, and we stand prepared to offer whatever advice and assistance they might find useful.



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Now more than ever, Canada needs a comprehensive economic strategy that will restore confidence and position our country for sustainable growth in the years ahead. The essential elements of such a strategy are well understood. The federal government developed its *Advantage Canada* plan in 2006. The June 2008 report of the *Competition Policy Review Panel* offered valuable suggestions for building on this foundation. Recommendations for strengthening competitiveness were important even while the global economy was strong. The same recommendations are even more urgent amidst the current turmoil.

Canadians have learned the hard way that a smart strategy cannot be based on borrowing money to meet the increased demands for public spending that arise during any economic downturn. Deficits are simply a recipe for higher taxes and lower growth in future. Governments therefore should do their utmost to maintain fiscal discipline. This requires in particular that they keep a lid on overall spending growth. There will be a need for new spending initiatives, but now more than ever it is vital to make careful choices about spending priorities. Spending should be concentrated on those areas which will have maximum impact on improving the potential of our economy: in infrastructure, in education, and to support research and development and innovation. As Prime Minister Stephen Harper said yesterday, Canadians deserve “the highest standards of competence, prudence and accountability”.

Similarly, while Canada has taken advantage of strong growth to reduce both personal and corporate tax rates significantly, we do not favour using deficits to fund new tax cuts. Tax competitiveness



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remains critical to encouraging business investment. The upcoming report of the *Advisory Committee on Canada's System of International Taxation* will deserve serious consideration, especially for measures that could have a meaningful impact on business decisions at low fiscal cost. Permanent measures such as accelerated capital cost allowance (CCA) rates stimulate investment while only deferring tax revenue. Accelerated CCA should be concentrated in the areas of maximum impact: information and communication technology, manufacturing equipment and sustainable energy. Converting remaining provincial sales taxes that apply to business inputs to a value-added base compatible with the Goods and Services Tax would drive more business investment with no change in the revenue.

Other priorities for action include:

- **Innovation.** Governments must take a hard look at programs and tax policies that support innovation to ensure that they are as effective as possible in driving business investment in new technologies, including technologies that can help reduce the risks of global climate change.
- **Infrastructure.** Efficient transportation and energy infrastructure contributes to competitiveness, and speeding up federal and provincial investments could ease some of the short-term pressures on our economy. Public-private partnerships could enable governments to get more projects underway sooner and at lower cost to taxpayers.



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- **Regulation.** Smarter regulation is vital to accelerating investment in infrastructure and major capital projects, while the promised 20 percent cut in the administrative burden of all federal regulation would help businesses large and small.
- **Economic union.** Provincial governments have been making welcome progress in reducing barriers to the movement of people, goods and services within Canada, but should redouble their efforts.
- **Canada-United States.** The election of a new President in the United States will provide a critical opportunity to renew Canada's most important relationship. A more efficient flow of goods, services, people and capital between our two countries would help companies and communities on both sides of the border.
- **International trade and investment.** History shows the folly of responding to a slowing economy through isolationism and protectionism. Open markets and open trade have always been vital to Canada's prosperity, and our country must work hard to ensure that these principles are maintained globally.

Canadians did not cause the global financial crisis. In our homes and in our businesses, we avoided most of the excesses that others embraced. We cannot avoid the consequences, but Canada's past public policy choices have served us well.

Now Canadians in government, business and across our communities must work together. We must make the most of our many strengths,



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seize the opportunities created by the global crisis and ensure that our economy and our society emerge stronger than ever.

*The Canadian Council of Chief Executives (CCCE) is Canada's senior business association, composed of the chief executive officers and entrepreneurs heading 150 of Canada's leading enterprises. Its members lead companies that collectively administer \$3.5 trillion in assets, have annual revenues of more than \$800 billion, and are responsible for the vast majority of Canada's exports, investment, research and development, and training.*

*This statement flows from the CCCE Autumn Members' Meeting in Montreal on October 27-28, 2008, at which Finance Minister Jim Flaherty and Bank of Canada Governor Mark Carney joined members to discuss the impact of the global financial crisis on the Canadian economy, business strategies and public policy priorities.*