

CANADIAN COUNCIL
OF CHIEF EXECUTIVES*



CONSEIL CANADIEN
DES CHEFS D'ENTREPRISE

Thomas d'Aquino
Chief Executive and President
Chef de la direction et président

July 8, 2008

The Honourable Jean Charest, P.C.
Premier
Government of Québec
Honoré-Mercier Building
835, René-Lévesque Boulevard, East
3rd Floor
QUÉBEC, Québec
G1A 1B4

**PROVINCIAL PRIORITIES
FOR CANADIAN COMPETITIVENESS**

Dean Premier Charest,

On behalf of the members of the *Canadian Council of Chief Executives* (CCCE), I am writing to offer our sincere best wishes as you assume the Chair of the *Council of the Federation* and prepare to host its 2008 Summer Meeting in Québec City. Since its creation in 2003, the *Council of the Federation* has played a leadership role in revitalizing the Canadian federation and building a more constructive and cooperative federal system. You and your provincial and territorial counterparts are to be congratulated for your efforts to strengthen Canada's economy and society.

Our country today faces serious economic challenges. The subprime mortgage crisis in the United States has had a significant impact on consumer confidence in that country, and the result is likely to be continuing weakness in demand for Canadian-produced goods and services. Here at home, sharply higher energy prices are eroding the purchasing power of Canadian families and forcing many manufacturers to lay off workers. At the same time, companies and workers are confronting increasing competitive pressures from emerging giants such as China and India. Now more than ever, it is vital that Canadians work together to improve our country's productivity to achieve a more secure and prosperous future.

88 Bank Street, Suite 1001, Ottawa, Canada, K1P 6B9 Telephone (613) 238-3727, Facsimile (613) 238-8870

88, rue Bank, bureau 1001, Ottawa, Canada, K1P 6B9 Téléphone (613) 238-3727, Télécopieur (613) 238-8870

leaders@cccouncil.ca

www.cccouncil.ca

*formerly Business Council on National Issues

At the last meeting of the *Council of the Federation*, in January 2008, you and your fellow Premiers reported progress on a five-point plan to strengthen domestic trade among the provinces and territories, including measures to enhance labour mobility, reconcile regulations for the transport sector, and ensure greater compliance with the *Agreement on Internal Trade* (AIT) through the introduction of a new dispute settlement system. In addition, Premiers discussed the importance of expanding Canada's trade in key international markets. CCCE members strongly endorse these initiatives and urge you and your colleagues to redouble your efforts to complete your work in these areas.

At the same time, CCCE member chief executives would encourage you and your colleagues to consider the following specific recommendations:

Internal barriers to trade. To realize our full economic potential, Canada needs an open and competitive domestic marketplace. As business leaders, we urge Canada's Premiers to adhere to the announced deadline of April 1, 2009, for full compliance with the existing obligations of the AIT as well as the commitment to put a plan in place to achieve full labour mobility. The Energy chapter of the AIT should be finalized and implemented as soon as possible, as should the revised chapter on Agriculture. The dispute settlement mechanism endorsed by all Premiers this past January, including the creation of a standing tribunal that would be accessible to all Canadians, should be set up before the end of the year. More progress on regulatory cooperation and coordination will be essential to the future effective functioning of the Canadian economy, in particular in the transport sector. We also would encourage all Premiers to support the ongoing work of the *Expert Panel on Securities Regulation* in developing a model common securities act that, especially in conjunction with a single regulator, would make a major contribution to more efficient and competitive capital markets and better protection for Canadian investors.

International trade and investment. Premier, you are to be congratulated for your strong advocacy of deeper commercial ties between Canada and its key trading partners. The *Council of the Federation* should collectively make the same commitment to open markets bilaterally, regionally and multilaterally. Building on the Council's declared support for a new economic partnership with the European Union, Canada's Premiers should undertake to address important aspects of such an agreement that fall under provincial and territorial jurisdiction, notably government procurement, labour

mobility and other service sectors. Similarly, we welcome the Council's announced support for closer economic relations with emerging markets in the Asia-Pacific region, and urge you to support quick action to deepen and accelerate the growing ties between India and Canada.

You have called upon the federal government to include the provinces at the table when it comes to the negotiation of international trade and investment agreements. The Government of Canada should give serious consideration to a stronger provincial voice in such deliberations.

The next few weeks will be critical for the World Trade Organization's Doha Development Agenda negotiations. A successful conclusion to these negotiations would stabilize and further open global markets, lifting hundreds of millions of people out of poverty and providing an important boost to economic growth at a time of growing uncertainty. Canada can help to break the Doha deadlock, but only if our elected leaders show the political will and flexibility necessary to reform our country's outdated and counter-productive agricultural supply management systems. We believe this can be done in ways that will improve agricultural productivity and benefit consumers while ensuring fair treatment for farmers.

An integrated approach to climate change policy. Last October, a CCCE Task Force of 33 chief executives from across Canada reached an unprecedented consensus on the key elements of an effective, sustainable and long-term plan to reduce Canadian greenhouse gas emissions. Among other recommendations, we called for a more integrated approach to climate change policy, involving all parties in Parliament and all levels of government -- federal, provincial, territorial and municipal. Unfortunately, and despite some recent efforts by you and other Premiers to coordinate the actions of various jurisdictions, we are still faced with a mosaic of different timelines, different targets and different mechanisms.

As business leaders, we recognize that provinces may choose diverse paths to achieve similar outcomes. Nevertheless, in your discussions both next week and beyond, we would encourage Canada's Premiers to strive for the highest possible degree of policy cohesion and compatibility in climate change policy. The goal should be to maintain a competitive playing field domestically, while positioning Canada within a globally inclusive framework for meaningful, long-term action. Equally important, any plan to address climate change must apply to everyone -- large and small businesses, urban and

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rural consumers, building owners and public institutions. All will have to do their part if Canada is to achieve real and meaningful reductions in greenhouse gases.

Finally, Premier, we commend to you and your colleagues the recently released report of the federal *Competition Policy Review Panel*, which offers both a comprehensive assessment of the competitive challenges facing Canada and a solid plan of action for enhancing Canada's economic performance. The CCCE strongly endorsed the Panel's report and believes that a number of the its key recommendations -- in the areas of tax reform, skills development, regulation and corporate governance -- are salient to your preparations for the Council's Summer Meeting. We would note in particular the Panel's recommendations for provincial action to continue to reduce corporate tax rates, eliminate all capital taxes and convert remaining provincial sales taxes to value-added taxes.

In our public response to the Panel's report, we noted that many of the issues it addresses have been debated by Canadians for more than two decades. There is, effectively, a national consensus on what needs to be done. All that remains is the vision to proceed with reforms with a minimum of delay. By embracing these recommendations, Canada's Premiers can make a vital contribution to stronger economic growth, better jobs and a higher quality of life for all Canadians.

We wish you every success as Chair of the *Council of the Federation*.

*Kind regards,
Sincerely,
Tom Iltis*

- c.c. The Honourable Gordon Campbell, M.L.A.
Premier, Government of British Columbia
- The Honourable Gary A. Doer, M.L.A.
Premier, Government of Manitoba
- The Honourable Dennis Fentie, M.L.A.
Premier, Government of Yukon
- The Honourable Robert W.J. Ghiz, M.L.A.
Premier, Government of Prince Edward Island
- The Honourable Shawn Graham, M.L.A.
Premier, Government of New Brunswick
- The Honourable Rodney J. MacDonald, M.L.A.
Premier, Government of Nova Scotia
- The Honourable Dalton McGuinty, M.P.P.
Premier, Government of Ontario
- The Honourable Paul Okalik, M.L.A.
Premier, Government of Nunavut
- The Honourable Floyd Roland, MLA
Premier, Government of Northwest Territories
- The Honourable Ed Stelmach, M.L.A.
Premier, Government of Alberta
- The Honourable Brad Wall, M.L.A.
Premier, Government of Saskatchewan
- The Honourable Danny Williams, M.L.A.
Premier, Government of Newfoundland and Labrador