



Phone: 306.242.3060
Fax: 306.242.2205
Email: info@nsbasask.com
Website: www.nsbask.com

#9 -1724 Quebec Avenue, Saskatoon, SK S7K 1V9

August 1, 2017

The Honourable Bill Morneau
House of Commons
Ottawa, Ontario
Canada
K1A 0A6

Re. 2018 Federal Budget Consultations

Dear Minister Morneau,

The NSBA is a member-driven and focused organization that serves, promotes, and protects business throughout Saskatoon and beyond. Although our origins and roots are in Saskatoon's northern industrial region, today we encompass far more than that. From its grassroots origins of a handful of businesses, today's NSBA consists of a membership in excess of 700 companies. Members range from single owner-operator proprietorships to large multinational corporations that employ thousands. Despite this diversity, our membership consists of a strong community of like-minded business people.

We would like to thank you and your Ministry for the opportunity to offer commentary ahead of the 2018 Federal Budget. We appreciate the opportunity to speak on behalf of our membership on issues that affect their ability to grow, sustain, and start businesses in Canada, Saskatchewan, and Saskatoon, in particular.

Our commentary below has been divided into two categories: Challenges and Opportunities. Challenges represent areas where our membership has concerns with the direction taken or stated to be taken in previous budgets or announcements; these areas represent challenges that our membership, and by extension businesses across Canada, will need to overcome going forward. Opportunities represent areas that we feel the federal government could capitalize on to create positive impacts in communities across the country, and especially in entrepreneurial Saskatchewan.

We would like to preface this commentary by reflecting on the current economic climate that is just starting to turn around after a few years of uncertainty. Our members, and other businesses across the country, have been hit hard and are still treading a fine line between growth and recession. We would encourage governments at all levels to be mindful of this climate when evaluating the suitability of economic and taxation policies that affect businesses. As a country, we must foster opportunities for growth first and foremost.

Opportunities:

The NSBA sees an opportunity for the federal government to capitalize on the agri-food and bio-tech industries prevalent in Saskatchewan as part of the Innovation Superclusters introduced in the 2017

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Budget. We feel that there is a natural synergy between the activity already taking place in Saskatchewan to create efficiency in these industries and the government's goal to encourage growth and development in these sectors. Given some of the difficulties encountered in growing and implementing these superclusters, we strongly encourage the government to take a targeted approach to matching funding with existing areas of excellence and innovation.

Also on the topic of innovation, the NSBA encourages the government to build on the examples of the Government of Quebec and the Government of Saskatchewan and create a "patent box" or an "innovation box" for the purpose of federal tax income returns. This initiative would allow persons to pay a lower rate of income tax on income earned from patents (but this benefit can also be extended to other types of intellectual property, such as industrial designs, plant breeders' rights, copyrights and trade secrets) over a set number of years. We believe that this initiative would help encourage the commercialization of intellectual property, foster innovation and entrepreneurship, and spur economic growth in Saskatchewan and across Canada. As such, we believe it is something that the Government of Canada should strongly consider for Budget 2018.

Overall, the NSBA encourages the government to continue to support innovation, trade, and business growth. We would also like to emphasize that the government look to areas such as Saskatoon and other markets as major players in the nation's network of trade and innovation. This includes making investments in transportation and trade corridors (e.g. the Saskatoon Freeway or Rail Relocation projects) outside of the Toronto, Montreal, or Vancouver marketplaces. We support getting goods to market and investment needs to be made at every step of the process to make that movement as seamless as possible.

We envision that the people who will benefit the most from these opportunities are small business owners and entrepreneurs who are able to grow as a business, provide more and better jobs, and harness their energy and passion for business and the country.

Challenges:

The white paper released on July 18, 2017 proposes significant changes to the taxation of private corporations and their shareholders. In most cases, the additional taxes on the small business and family unit combined will be significant. When making these proposals we urge the government to take into account the element of risk (both personal and financial) that is part and parcel of starting a small business as well as the substantial benefits small business owners provide to their employees through stable jobs and incomes, benefits programs, and social security and pension contributions. Substantial changes to tax programs that hit small business owners, even if unintended, serve to reduce the likelihood for growth and reinvestment in these businesses and generally discourage new business ventures and entrepreneurial spirit.

In the 2017 Budget document, the government outlined the intention to invest an additional \$886 million into supplemental EI programs over 6 years using existing funds from within the EI program, including funds generated through employer contributions. Our concern is with the decision to direct

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employer-contributed excess funds into supplemental programming rather than reducing employer contribution rates to match the expected need. We feel strongly that excess funds collected from employers should be refunded to employers and rates adjusted to correct the surplus position. The combined effect of a refund and rate correction can have a large impact on an employer's ability to reinvest in their staff and provide other employee benefits. This is a principle that we feel should be applied across all government programs to which employers contribute.

The NSBA has long been an advocate for balanced budgets in government, while recognizing the need for strategic deficits at times. However, we are very concerned with the consistently large deficits that have been returned in recent years and are projected to continue into the foreseeable future. We do not feel that this spending is sustainable and is potentially damaging for our country's economy above and beyond the impact of investments that are being made through the budget. We strongly encourage the government to develop a plan to return to balanced budgets, with a focus on reducing expenses.

In conclusion, the NSBA would like to emphasize that the 2018 Budget encourage growth for businesses around the country, particularly the small businesses that make up the majority of the NSBA's membership. Growth for small business has large benefits for the entire country and it is our hope that this and future budgets will make a commitment to growth in every area of the country.

As always, the NSBA is always willing and available to discuss the contents of this submission. We welcome constructive dialogue that leads to a better future for business in Saskatoon, Saskatchewan, and Canada as a whole.

Sincerely,

A handwritten signature in black ink, appearing to read 'Keith Moen', written in a cursive style.

Keith Moen
Executive Director

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