

March 11, 2020

The Right Honourable Justin Trudeau, P.C., M.P.  
Prime Minister of Canada  
House of Commons  
Ottawa, Ontario  
CANADA S4S 0B3

**Subject: Small business priorities ahead of First Ministers' meeting**

Dear Prime Minister Trudeau,

As Canada's largest small business association, CFIB represents 110,000 small and medium-sized enterprises (SMEs) from coast to coast to coast. On behalf of our SME members, we are writing to all premiers to share our members' priorities in advance of the upcoming First Ministers' meeting taking place in Ottawa.

Small business owners are currently facing many challenges as a result of economic uncertainty created by rail blockades, ongoing protests around national energy projects and concerns related to the impacts of the coronavirus disease (COVID-19) on their business and employees. We hope that, at your upcoming meeting, you will determine a clear path forward to strengthen Canada's economy, increase business competitiveness and reduce regulatory and trade barriers for SMEs.

**Strengthening Canada's economy**

As part of a recent CFIB survey, small business owners were asked whether they believe Canada is currently facing serious challenges with regards to investor confidence. Almost two thirds (65%) of respondents agreed with the statement, while 23% were unsure and only 12% did not agree<sup>1</sup>. While small business owners in Alberta and Saskatchewan were much more concerned, at 92% and 82% respectively, these sentiments are felt across the country.

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<sup>1</sup> CFIB, *National Energy and Environment Survey*, January 16 to February 18, 2020, n = 4,969.

Part of the concern is due to uncertainty around major infrastructure projects. In fact, half of small business owners (51%) say that their business has been negatively impacted by the uncertainty affecting major energy projects in Canada (e.g. pipelines, powerlines)<sup>2</sup>.

When asked how the federal government can create greater investor confidence to ensure that all parts of Canada can thrive, a strong majority (83%) of small business owners indicated **establishing a clear and predictable pathway for the approval of large natural resource infrastructure projects**, such as pipelines and mining projects, followed by 81% that selected **halting further increases in the overall tax burden (e.g. Canada Pension Plan and carbon tax)**. Other solutions included **working to improve Canada's overall tax competitiveness** (73%) and **regulatory competitiveness** (70%).

### Impacts of pipeline protests and rail blockades

Concerns about the overall economic climate and national unity have been further compounded by recent pipeline protests and rail blockades in many provinces. In a recent CFIB survey, one out of five (22%) small businesses stated they were negatively impacted by the rail blockades with another half saying they expected they would soon be impacted had the blockades continued<sup>3</sup>. Small businesses in the four western provinces were affected the most, followed by those in New Brunswick and Nova Scotia. In terms of sectors, agriculture was hardest hit, followed by wholesale, natural resources, transportation and manufacturing. That said, all sectors and provinces reported negative impacts, including almost a quarter of retailers (23%) that said they were affected by the disruption<sup>4</sup>.

Of those businesses affected, an average loss of \$60,000 was reported. These are very real concerns expressed by Canada's small employers – already facing major cost restraints and often not in position to recuperate these losses without very real consequences such as layoffs and even business closure. CFIB believes that governments must work to restore investor confidence by implementing a clear path forward to balance economic development, environmental policy and Indigenous land rights to avoid repeating this situation in the future.

- ✓ **Create clear and predictable pathways for the approval of large natural resource infrastructure projects.**

Almost all (90%) of small business owners agree that the health of Canada's oil and gas sector is important for the whole country, and another 70% agree that Canada is one of the most responsible countries in the world for natural resource development<sup>5</sup>. We strongly believe it is well past time for Canadians to get back to work on major infrastructure projects.

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<sup>2</sup> CFIB, *Pipeline Protests and Blockades Survey*, February 21 – March 3, 2020, n = 7,654.

<sup>3</sup> *Idem.*

<sup>4</sup> *Idem.*

<sup>5</sup> CFIB, *National Energy and Environment Survey*, January 16 to February 18, 2020, n = 4,969.

## Tax competitiveness

For labour-intensive businesses such as SMEs, payroll taxes represent an important financial burden as they are profit insensitive – businesses have to pay them whether they make any money or not. In Canada, both federal and provincial governments impose payroll taxes and, depending on where a business is located, an employer can face between three and seven payroll taxes (e.g. in Quebec). Further, when asked which form of taxation affect the growth of their business the most, payroll taxes such as EI and the Canada Pension Plan (CPP) and Quebec Pension Plan (QPP) consistently come out on top (73%), ahead of corporate income taxes (43%) and personal income taxes (39%)<sup>6</sup>.

As Canada's biggest job creators, **small business owners cannot currently afford any additional tax increases**. While EI rates are currently projected to be stable (i.e. a premium rate of 1.58% from 2020 to 2026)<sup>7</sup>, contributions to the CPP/QPP increased by 15 to 25% starting in 2019 and will continue until 2025 - the biggest federal payroll hike in more than a decade. CFIB has long cautioned against CPP increases and strongly recommends measures to offset the burden on small employers.

At a time when small employers are facing major cost constraints with rising minimum wage rates across many jurisdictions and increases in CPP/QPP, we believe it would be more beneficial for governments to, instead, **consider ways to offset the financial burden on SMEs to allow them to continue to hire and train Canadian workers**. In fact, 85% of small business owners believe decreasing payroll deductions such as CPP/QPP, EI and provincial employer payroll taxes would be either somewhat (24%) or very useful (61%) for their business<sup>8</sup>. We urge provincial, federal and territorial governments to work together to find ways to make this happen.

- ✓ **Create measures to offset tax increases on small employers such as the planned CPP/QPP increases and minimum wage hikes.**

## Making progress on interprovincial trade

Another way governments can strengthen investor confidence is to work to improve Canada's regulatory competitiveness by dismantling interprovincial trade barriers within Canada. We were very pleased when governments across Canada came together to sign the Canadian Free Trade Agreement (CFTA) in 2017. The agreement has the potential to have a substantial effect on economic growth in our country, but so far, progress has been slow.

Provincial, territorial and federal governments have a great opportunity to continue to show leadership by working together on an issue that can have tangible benefits for all Canadians. Below are a number of recommendations to help reach this important goal:

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<sup>6</sup> Source: CFIB, *2015 Federal budget and Election survey*, October 2 – November 6, 2014, n= 6,876.

<sup>7</sup> Government of Canada, 2020 Employment Insurance Premium Rate. <https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/reports/premium/rates2020.html> (accessed: March 2, 2020)

<sup>8</sup> CFIB, *Your Views on Employment Survey*, August 24 – October 30, 2018, n = 7,916.

- ✓ **Make interprovincial trade a standing item on the First Ministers and Council of the Federation meeting agendas moving forward.**
- ✓ **Report annually at the First Ministers' meeting on:**
  - **The progress of the Regulatory Reconciliation and Cooperation (RCT) table and its future plans.**
  - **The progress of subgroups working on trade barriers (e.g. Alcoholic Beverages Working Group).**
  - **The bilateral agreements signed, and**
  - **The status of exemptions put in place by individual provinces and territories.**

### **Mitigating risks associated with COVID-19**

For a number of weeks, CFIB has been hearing from small business owners regarding the impacts of COVID-19 on their businesses' supply chains and their employees. As the number of confirmed cases of the virus in Canada and internationally continues to grow, we can expect small businesses to increasingly feel both direct effects (e.g. interruptions of supply chains, sick or worried employees, reduced customer traffic) as well as indirect effects (stress, concern for the future, lower investment intentions).

In fact, some business owners are already experiencing supply chain interruptions or delays in receiving shipments from China, leading to unfilled orders and dissatisfied customers. CFIB recently heard from a small business owner that imports specialty garments from China. His business has been slowed to a trickle and is almost out of current stock. This has been further compounded by the fact that goods typically reach his business by rail, which made it almost impossible for this small business to survive. We have also heard from a number of restaurants and hospitality businesses, in particular those in Asian communities that are facing catastrophic declines in revenue which has led some to worry that they may have to close their doors permanently.

It is important to take early action to help stabilize the economy as best we can. We are pleased with the federal government's recent announcement of a \$1 billion response fund to help combat the impacts of COVID-19. CFIB supports measures such as waiving the EI waiting period for workers, strengthening the workshare program for employers facing a downturn and making credit readily available for struggling businesses. As the situation is evolving rapidly, we encourage governments across Canada to remain vigilant as they continue to find ways to mitigate the impacts of the outbreak on Canadians. There are a number of additional recommendations we believe will help protect Canada's small businesses and the communities they support. They include:

- ✓ **Provide relief from penalties and interest for late remittances of GST/HST, workers' compensation premiums and other tax obligations.**
- ✓ **Put planned increases of CPP/QPP on hold.**
- ✓ **Press pause on routine audits. This process is already stressful for small business owners.**
- ✓ **Continue to provide assistance to small businesses who may have to shut down temporarily or even permanently.**

- ✓ **Consider additional relief measures for those experiencing significant impacts as with any other natural disaster.**

## Conclusions

Lastly, we recommend that premiers agree to dedicate an upcoming meeting to discussing how to strengthen Canada's economy, with a particular focus on small business. We would be happy to provide more input on possible topics.

Thank you for considering our ideas. We are anxious to see decisive action by Canada's Premiers and the Prime Minister to strengthen the economy and improve investor confidence. On behalf of our members, we hope that your upcoming First Ministers' meeting will be a productive one. Should you have any questions or would like to discuss further, you can reach us at 613-235-2373 or by email at [jasmin.guenette@cfib.ca](mailto:jasmin.guenette@cfib.ca) and [Corinne.Pohlmann@cfib.ca](mailto:Corinne.Pohlmann@cfib.ca).

Sincerely,



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Senior Vice-President,  
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Jasmin Guénette  
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National Affairs.

Cc: All provincial and territorial premiers and the Prime Minister of Canada