

June 27, 2016

Dear Prime Minister, provincial and territorial premiers:

On behalf of the 109,000 members of the Canadian Federation of Independent Business (CFIB), we are writing to express our alarm with the recent agreement to expand the Canada Pension Plan (CPP). We are extremely concerned that your government has tentatively agreed to the deal without consulting with the Canadians as was promised in your recent budget, and, in our case, small business owners.

We believe finance ministers from across Canada have seriously underestimated how close to the edge at which many small business owners are operating. With our flat economy today, and very few economists predicting anything other than slow growth for the foreseeable future, we are alarmed that governments would propose significant increases in Canada's largest payroll tax.

We urge you to do the following:

1. Say no to any CPP expansion over the medium-term.

We do not see the current proposal as a modest increase, with 20 per cent hikes planned for most income levels and even more above the current Yearly Maximum Pensionable Earnings (YMPE). We also believe there are other, less economically destructive, options available to address gaps in Canadians' retirement savings.

2. Delay the July 15th final agreement deadline to allow consultation and economic analysis.

While we view the elimination of the Ontario Retirement Pension Plan (ORPP) as a high priority, we do not believe the provinces should be forced to agree to a proposal without an opportunity for careful analysis and consultation.

Four weeks is simply an unacceptable window to be able to allow provincial governments to consider the benefits and costs. Indeed, it appears not a single government has embarked on any consultative process since the agreement was struck. Other than Ontario's threats, it appears there is no reason why Canadians cannot be given the summer and fall to provide feedback to governments in advance of the December meeting of finance ministers. We believe small business owners and all Canadians deserve at least that.

In addition, we ask you to release all economic analyses and impact assessments of the CPP proposal. CFIB is finalizing Access to Information requests federally and in all provinces to allow us to gain a better understanding of the work that guided your leadership on this plan.

We also remain deeply disappointed that time was not permitted to study or implement other ideas to address the goal of ensuring Canadians are adequately prepared for their retirement. For our part, CFIB has been working hard to introduce a Pooled Registered Pension Plan in jurisdictions where the legislation and regulations are in place. Many provinces tell us such rules are just days away from allowing such plans.

3. Consider amendments to the current CPP expansion proposal.

While our members oppose any increase in CPP premiums, if governments are determined to go ahead with an expansion, we urge you to fully consider amendments that would minimize the impact on small business as much as possible. We have consulted with our members on each proposal to amend the CPP as they have been made public in the past. As we've communicated, we remain committed to going to our membership with any draft agreement to seek their views and solicit ideas for improvements. Despite the elimination of any consultation process, we have fast-tracked a survey of our members to get their views on this deal. We will share these data in the coming days. In advance of the survey data and based on our studies of previous proposals, we suggest you consider the following amendments to the deal:

- a. Increase premiums on the employee side only (in an earlier CFIB survey, a majority of our members supported this idea).
- b. Implement Quebec's proposal to exempt additional employer and employee premiums on the first \$27,500 in income. While the Working Income Tax Benefit will help reduce some of the immediate impact on lower income Canadians, they will not be able to fully benefit in retirement from their additional premiums due to claw-backs in other income supports. Many small firms employ Canadians at these income levels and this would help reduce the impact on them.
- c. Exempt the self-employed from additional premiums. Self-employed Canadians already must pay double the rate of others and the increased burden will be significant.

CFIB does not have a mandate from its members to agree to any increase in premiums, but we believe these measures would help cushion the economic fallout from the planned premium increase.

4. Announce compensating measures to help small firms manage the increased burden.

While governments took some care to consider the impact of premium hikes on lower income Canadians, no relief was offered to small business owners. If CPP expansion goes ahead, we urge the federal and provincial governments to implement commensurate reductions in other employer taxes, contributions and obligations. This should include:

- Reductions in Employment Insurance (EI) premiums: It should be noted that effective EI rates for small business will rise in 2017 due to the elimination of the Small Business Job Credit, while rates for larger firms and employees will fall.
- Reinstatement of promised federal reductions in the small business corporate tax rate.
- Provincial cuts in small business corporate taxes and/or payroll based levies.
- A freeze in minimum wages during the implementation period.

It must be noted that the increased payroll taxes are also likely to coincide with new carbon taxes or government mandated plans to put a price on carbon. CFIB is currently surveying our members on their views on such plans, but it is important to note now that CPP hikes will not be the only increased tax or charge small business owners are likely to face.

Since the agreement was reached last week, CFIB has heard from hundreds of members expressing their concern about the plan and the lack of consultation and analysis. We believe it is critical to ensure evidence-based decision making is used prior to locking in plans to increase payroll taxes for many years to come.

Despite our concerns, CFIB stands ready to work with you on any of the items listed above. We are available at any time to provide additional information. We will be sharing more on the small business reaction to the recent announcement on CPP when our survey is complete.

Sincerely,



Dan Kelly
President & CEO



Corinne Pohlmann
Senior Vice President of National Affairs and Partnerships

cc. Federal and Provincial Finance Ministers