



The path to prosperity: Report of the competition policy review panel

A new report presents a series of policy recommendations aimed at making Canada a more attractive destination for talent, investment and innovation.

By Alan Young

For several years, CMA Canada has been beating the drum of productivity with the Government of Canada through written submissions, appearances before parliamentary committees, and in correspondence with Cabinet Ministers.

Productivity growth is paramount to improving the living standards of Canadians. Moreover, there is a direct link between productivity and the capacity for governments to invest in social and economic programs and services of importance to Canadians. A new and important voice calling for improved productivity as a core objective of Canadian economic policy was heard on June 26, 2008: the Competition Policy Review Panel (the "Panel") released its much anticipated report, entitled *Compete to Win!*

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The Panel was tasked by the federal government to recommend changes to Canada's competition



and investment policies, find ways to enhance Canada as a destination for capital, talent, and promote the growth of globally competitive companies. It also offers an intelligent blueprint for improving Canada's productivity performance. The Panel observed that "greater competition is the key to increasing productivity and prosperity" given that competition is a key factor in driving innovation, in turn, a central driver of productivity growth.



greater competition will provide Canadians with a higher standard of living. It is not possible to examine the entire blueprint here; however, the following six are particularly interesting:

- Address the “thickening” of the Canada-U.S. border.
- Provide incentives to attract the brightest foreign students to study in Canada, with a goal of doubling the number of international students within 10 years.
- Continue to reduce corporate taxes to create competitive advantage for Canada, particularly relative to the U.S.
- Encourage the five provinces currently not harmonizing their sales tax with the GST to do so expeditiously.
- Eliminate internal trade barriers inhibiting the free flow of goods, services and people by June 2011.
- Regard immigration as an economic tool to meet labour market needs.

Perhaps the Panel’s most interesting recommendation, the one which the panel chair, Red Wilson, has described as the most important, is to establish a Canadian Competitiveness Council to carry on the work initiated by the Panel and to keep a sustained focus on competitiveness in the years ahead.

While the majority of the recommendations could be delivered comfortably by Prime Minister Harper’s government, the Panel was not afraid to “speak truth to power” in the prescriptions it offered. For example, it noted that reduced consumption taxes offer economic benefits, but do not encourage investment and work. The Panel found that income tax reduction should be given priority. Of course, one of the hallmarks of the Conservative government is the reduction of the GST — a consumption tax. Furthermore, the Panel recommended that the federal government provide leadership to deal with critical issues facing Canada’s largest cities. It is not clear how this prescription fits with the government’s views on the distribution of powers between itself and the provinces.

Government’s role

Compete to Win is now in the government’s hands. How will it respond? While the government’s reaction won’t likely be known until the fall 2008, it is reasonable to expect the government will adopt an extremely careful approach, for at least two reasons.

First, the blueprint represents a strongly business-oriented perspective. This reflects the outlook of former Minister of Industry, Maxime Bernier, who established the Panel. It does not reflect the perspective of the current Minister of Industry, the Honourable Jim Prentice, known for his populist approach to policy and politics.

Second, minority parliaments are unpredictable and can hamper the ability of a government to introduce an ambitious, comprehensive set of measures requiring parliamentary approval. A piece-meal, selective approach blending policy and regulatory measures that are not subject to parliamentary review with some legislative measures is more likely to be successful.

Whatever becomes of the Panel’s work, *Compete to Win* makes an important contribution to the public policy debate about improving Canadians’ living standards. It also offers strong support to CMA Canada’s long-standing calls for improving productivity and enhancing the prosperity of Canadians. ■

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¹ *Compete to Win — Final Report*. Competition Policy Review Panel; June 2008.

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