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IMPROVING PRODUCTIVITY IN CANADA

Report of the Standing Committee on Industry and
Technology

Ben Carr, Chair

MARCH 2026
45th PARLIAMENT, 1st SESSION

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**Ben Carr
Chair**

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NOTICE TO READER

Reports from committees presented to the House of Commons

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

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THE STANDING COMMITTEE ON INDUSTRY AND TECHNOLOGY

has the honour to present its

FIRST REPORT

Pursuant to its mandate under Standing Order 108(2), the committee has studied Canada's underlying productivity gaps and capital outflow and has agreed to report the following:

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LIST OF RECOMMENDATIONS

As a result of their deliberations committees may make recommendations which they include in their reports for the consideration of the House of Commons or the Government. Recommendations related to this study are listed below.

Recommendation 1

That the Government of Canada adopt a sector-specific approach in its productivity analyses and reporting to improve data, efficiency and transparency and more accurately identify performance gaps within individual sectors.

Recommendation 2

That the Government of Canada develop a national productivity strategy, including a dedicated strategy for the manufacturing sector.

Recommendation 3

That the Government of Canada, in collaboration with the provinces and territories and in compliance with existing labor market agreements, develop learning and skills development strategies to better align workers' skills with higher-productivity sectors and to retrain workers affected by economic shocks and to upskill workers so they can fully benefit from the adoption of new technologies, namely by supporting training, re-skilling and labour mobility.

Recommendation 4

That the Government of Canada, in accordance with Quebec's autonomy in selecting and welcoming immigrants and the immigration agreements established by the provinces and territories, align immigration targets more closely with productivity and GDP-per-capita outcomes by favouring highly skilled immigrants and significantly accelerating application processing in high-skill streams, while acknowledging ongoing sector specific labour requirements.

Recommendation 5

That the Government of Canada implement measures to address labour shortages in certain skilled trades, including by supporting the immigration of skilled workers.

Recommendation 6

That the Government of Canada implement measures to address labour shortages in certain skilled trades, including by further encouraging underrepresented groups in these careers, to broaden the talent pool.

Recommendation 7

That the Government of Canada, working alongside provinces and territories, strengthen support for the immigration of skilled workers and their retention, by expediting visa processing for these workers, facilitating and accelerating the recognition of skills and credentials, and simplifying the issuance of work permits.

Recommendation 8

That the Government of Canada continue to support innovation by targeting incentives to encourage businesses to increase investment in the adoption of advanced technologies, to improve productivity.

Recommendation 9

That the Government of Canada modernize the Scientific Research and Experimental Development (SR&ED) tax incentive program, in particular by simplifying access to it and ensuring greater efficiency in approval processes.

Recommendation 10

That the Government of Canada establish a preferential tax regime for patent income.

Recommendation 11

That the Government of Canada strengthen support for commercialization, particularly through funding mechanisms and tax credits that promote partnerships between businesses and research institutions, including colleges and polytechnics, and through targeted support for technology transfer offices, incubators and accelerators.

Recommendation 12

That the Government of Canada increase support for applied research in Canada by extending eligibility for all federal research programs to Canadian colleges and polytechnics.

Recommendation 13

That the Government of Canada include applied research in major federal innovation programs to explicitly integrate innovation centres into productivity support programs.

Recommendation 14

That the Government of Canada strengthen the participation of SMEs and universities in large-scale projects of national interest, such as the Defence Industrial Strategy, in order to increase SME integration into national supply chains, strengthen Canada's talent pool and promote the development of Canadian technologies.

Recommendation 15

That the Government of Canada embed intellectual property identification, protection, and commercialization supports in its applied research investments in order to prevent the loss of intellectual property abroad and retain more economic value in Canada.

Recommendation 16

That the Government of Canada further encourage the purchase of Canadian products and technologies by allowing immediate deductibility for Canadian companies that acquire Canadian technologies and by promoting public procurement of competitive Canadian solutions.

Recommendation 17

That the Government of Canada undertake a review of value for research and development funding, with a particular focus on a comparative analysis between colleges and polytechnics and research conducted by universities, to better understand:

- **the return on investment for each dollar of federal research and development spending, with a particular focus on the economic benefit generated by both basic and applied research;**
- **and the role that colleges and polytechnics can play in fostering private-sector co-investment, reducing the burden on taxpayers, and delivering measurable productivity outcomes.**

Recommendation 18

That the Government of Canada strengthen support for the development of the next generation of entrepreneurs by implementing initiatives specifically aimed at business succession and business transfers.

Recommendation 19

That the Government of Canada work with provinces and territories to reduce the regulatory burden by addressing irritants systemically rather than individually to improve the overall impact of regulatory decisions, support innovation, encourage investment in Canada bring down prices for consumers. This may include but is not limited to:

- **streamline regulations surrounding domestic food processing and manufacturing, to encourage investment in Canada;**
- **adopting legislation requiring all federal regulatory agencies to explicitly consider competitiveness and business growth in the performance of their duties by rigorously assessing the potential impacts of regulatory decisions on economic growth beforehand, rather than as an afterthought;**
- **expanding the scope of the *Red Tape Reduction Act* by reducing or eliminating the exemptions it currently provides; and**

- **establishing an independent body, modeled on the United Kingdom’s Regulatory Policy Committee, responsible for publicly assessing the quality of regulatory impact assessments.**

Recommendation 20

That the Government of Canada undertake a comprehensive review of federal regulatory and permitting systems in order to identify and remove unnecessary regulatory and reporting burdens – particularly where they disproportionately affect small and medium-sized enterprises – with the objective of reducing duplication, accelerating timelines, improving predictability for investors and aligning regulation with trusted jurisdictions where appropriate in order to free up capital and management time for growth and technology adoption.

Recommendation 21

That the Government of Canada, in collaboration with the provinces and territories, continue and intensify efforts to remove interprovincial barriers to trade and logistics bottlenecks that limit firm scale, capital investment, and productivity growth, in order to make Canada’s domestic market more competitive and produce an annual report on progress made in harmonizing standards and regulations across provinces.

Recommendation 22

That the Government of Canada implement measures to strengthen Canada’s tax competitiveness. This can include, in the short term, introducing a temporary investment tax credit namely a tax credit for businesses based on growth in research and development investment in order to encourage sustained increases in such investment, and over the longer term, reforming its tax system.

Recommendation 23

That the Government of Canada implement measures to support a greater number of small and medium-sized enterprises, namely by converting a portion of direct financial assistance programs into tax credits and by simplifying and broadening eligibility for business tax credits.

Recommendation 24

That the Government of Canada undertake a comprehensive review of Canada's tax system as it relates to investment attraction and talent retention, with particular attention to corporate income tax, capital gains taxation, and top marginal personal income tax rates, benchmarked against Canada's largest competitors, including the United States, along with other Organisation for Economic Cooperation and Development countries.

Recommendation 25

That the Government of Canada examine the impact of top marginal personal income tax rates and capital gains taxation on entrepreneurship, head-office location decisions, and risk-taking, including whether current rates discourage investment relative to peer jurisdictions.

Recommendation 26

That the Government of Canada assess options to improve corporate tax competitiveness – including rate structures, investment tax credits, and simplification measures – to ensure Canada remains an attractive destination for capital-intensive and productivity-enhancing investment.

Recommendation 27

That the Government of Canada undertake a focused assessment of the impact of persistent federal deficits and elevated government borrowing on private-sector investment, productivity growth, and capital outflows, and, informed by that assessment, develop and publicly articulate a realistic and credible plan to end historic deficit spending and restore fiscal anchors that support long-term economic competitiveness.

Recommendation 28

That the Government of Canada work with the Government of Quebec to reach an agreement to introduce a single income tax return.

Recommendation 29

That the Government of Canada review its government programs to streamline them and ensure their outcomes are met.

Recommendation 30

That the Government of Canada accelerate procurement processes to reduce delays and present an annual report to Parliament on progress made.

Recommendation 31

That the Government of Canada enhance the small business deduction by increasing the eligible taxable income threshold from \$500,000 to \$1 million.

Recommendation 32

That the Government of Canada extend indefinitely the accelerated investment incentive, which ended in 2023, and expand its eligibility to the mining and defence sectors.

Recommendation 33

That the Government of Canada further support business growth by strengthening investments and support measures for export and market diversification for businesses. This may include:

- **Putting in place measures to prioritize port capacity expansion, trade corridor reliability, and freight rail competition;**
- **Reforming the CanExport program;**
- **Expediting the implementation of the National Trade Corridors Fund and;**
- **Supporting SME access to new markets.**

Recommendation 34

That the Government of Canada review measures related to competition policy in the telecommunications, transportation and financial services sectors to strengthen competition in Canada.

Recommendation 35

That the Government of Canada provide more targeted support to medium-sized businesses through better access to capital and through programs tailored to their specific needs in terms of financing, innovation and international growth.

Recommendation 36

That the Government of Canada review its procurement processes to ensure opportunity for women and Indigenous-owned SMEs.

Recommendation 37

That the Government of Canada review its entrepreneur financing programs to ensure taxpayer-backed loans are tied to clear conditions that support measurable economic benefit for Canadians; that priority be given to high-potential firms with demonstrated need; and that access to financing be guided primarily by economic merit and growth potential.

Recommendation 38

That the Government of Canada increase support to start-ups, particularly in the technology sector, by eliminating capital gains tax on certain investments in tech start-ups and offering a tax credit to Canadians who invest in Canadian start-ups.

Recommendation 39

That the Government of Canada recognize the shortage of capital for high-potential, high-growth firms and startups in the existing financial ecosystem and adopt a more permissive approach to an open banking framework, with the goal of establishing new banks and introducing competition in the sector, with an end of raising the total capital stock and reducing the cost of financing.

Recommendation 40

That, given the significant role natural resources play in Canada's economy, the scale of Canada's natural gas reserves, and increasing global demand – particularly from allied nations seeking secure and lower-emissions transition fuels – the government support the sustainable expansion of Canada's liquefied natural gas capacity and undertake a review of the regulatory system to ensure it is efficient, predictable, and aligned with both economic and environmental objectives.



IMPROVING PRODUCTIVITY IN CANADA

BACKGROUND

On 17 September 2025, the House of Commons Standing Committee on Industry and Technology (the Committee) adopted the following motion:

The committee undertake a study, of no fewer than five meetings, on Canada’s underlying productivity gaps, and capital outflow; the Committee invite the Minister of Finance and the Minister of Industry (on separate panels), along with industry representatives, impacted stakeholders, experts, and other relevant witnesses, to analyze the causes of these challenges and potential solutions, including how the federal government can best collaborate with the private sector to boost Canadian productivity and competitiveness; and that the Committee report its findings and recommendations to the House.¹

Over the course of the study, between September and December 2025, the Committee received three briefs and heard 30 witnesses, all of whom emphasized the importance of the Committee addressing the issue of productivity in Canada. For example:

- Theo Argitis, Senior Vice-President, Policy, Business Council of Canada, said that productivity and investment are “absolutely foundational” to building a “stronger, more competitive and more prosperous Canada.”²
- Eric Santor, Advisor to the Governor, Bank of Canada, said “Productivity allows the economy to grow when resources are limited. It supports higher wages without fuelling inflation. When productivity is rising, everyone benefits from a higher standard of living.”³
- Jim Estill, Chief Executive Officer, Danby, said productivity is about “creating conditions where businesses can thrive, innovate and compete

1 House of Commons, Standing Committee on Industry and Technology [INDU], *Minutes of Proceedings*, Meeting 2, 17 September 2025.

2 INDU, *Evidence*, 17 November 2025, 1215 (Theo Argitis, Senior Vice-President, Policy, Business Council of Canada).

3 INDU, *Evidence*, 24 November 2025, 1210 (Eric Santor, Advisor to the Governor, Bank of Canada).



globally. If we get this right, we don't just boost productivity; we build a stronger, more resilient Canada."⁴

Furthermore, amid growing trade uncertainty with the United States (U.S.) and the upcoming review of the Canada-U.S.-Mexico Agreement, efforts to spur investment are even more important, but also more difficult.⁵

Accurately measuring an economy's productivity can be complex, and witnesses shared their perspectives. The most common measure, labour productivity, assesses how efficiently hours worked produce a good or service.⁶ Although this measure is widely used, Mr. Estill noted that it can result in "apples-to-oranges" comparisons, as it captures brand strength, market conditions and other external factors beyond actual work efficiency.⁷ In addition, traditional indicators should be complemented by other measures to better capture the full range of social and economic impacts.⁸ For example, the economic impact of the outdoor recreation sector is difficult to fully quantify due to significant but hard-to-measure indirect benefits.⁹ Lastly, not all productivity gains are equal, as some sectors have a greater knock-on effect on the economy.¹⁰

Several witnesses noted that Canada has faced significant and growing productivity challenges for many years.¹¹ Witnesses presented a variety of data to paint a picture of productivity in the country. Philippe Noël, Vice-President, Public Affairs, Competitiveness and Market Access, Fédération des chambres de commerce du Québec, said that, in 2023, every hour worked in Canada generated approximately \$14 less than the

4 INDU, [Evidence](#), 24 November 2025, 1105 (Jim Estill, Chief Executive Officer, Danby).

5 INDU, [Evidence](#), 24 November 2025, 1110 (Stephen Tapp, Chief Executive Officer, Centre for the Study of Living Standards).

6 INDU, [Evidence](#), 20 October 2025, 1100 (Dawn Desjardins, Chief Economist, Deloitte); INDU, [Evidence](#), 24 November 2025, 1220 (Richard Dias, Global Macro Strategist, as an individual).

7 INDU, [Evidence](#), 24 November 2025, 1105 (Estill).

8 INDU, [Evidence](#), 6 October 2025, 1105 (Ryan Greer, Senior Vice-President, Public Affairs and National Policy, Canadian Manufacturers and Exporters).

9 INDU, [Evidence](#), 24 November 2025, 1110 (Tapp); INDU, [Evidence](#), 1 December 2025, 1100 (Natalie Knowles, Researcher, Protect Our Winters Canada).

10 INDU, [Evidence](#), 6 October 2025, 1105 (Ryan Greer, Senior Vice-President, Public Affairs and National Policy, Canadian Manufacturers and Exporters); INDU, [Evidence](#), 24 November 2025, 1255 (Santor).

11 INDU, [Evidence](#), 17 November 2025, 1210 (Frances Donald, Senior Vice-President and Chief Economist, Royal Bank of Canada); INDU, [Evidence](#), 20 October 2025, 1100 (Desjardins); INDU, [Evidence](#), 24 November 2025, 1110 (Tapp); INDU, [Evidence](#), 24 November 2025, 1220 (Dias); INDU, [Evidence](#), 24 November 2025, 1215 (Ludovic Soucisse, Chief Executive Officer, Réseau des CCTT); INDU, [Evidence](#), 24 November 2025, 1210 (Santor).

average of advanced Organisation for Economic Cooperation and Development (OECD) economies and \$17 less than that of the U.S.¹² According to several witnesses, this gap has negative effects not only on the competitiveness of businesses and industries but also on collective wealth.¹³ Mr. Noël added that, in 2023, Canada’s gross domestic product (GDP) per capita was \$4,500 less than the average of advanced OECD economies and nearly \$21,000 less than that of the U.S.¹⁴ Ryan Greer, Senior Vice-President, Public Affairs and National Policy, Canadian Manufacturers and Exporters, stated that “Canada's labour productivity lags nearly 30% behind the U.S., and business investment per worker has dropped to half of U.S. levels. This gap leaves our economy exposed.”¹⁵ Some witnesses argued that, in terms of productivity, we are facing an “emergency”¹⁶ or even a “crisis.”¹⁷

Some witnesses noted that low levels of private investment contribute to the country’s productivity challenges.¹⁸ Mr. Tapp stated that “the biggest drivers of Canada's poor productivity are slow technological progress and chronically weak business investment.”¹⁹ Mark McQueen, Founder of Wellington Growth Partners Inc., appearing as an individual, noted that, while the U.S. has roughly eight times Canada’s population, it invests nearly 22 times more capital in start-ups each year.²⁰ Mr. Argitis added that “our productivity crisis is really an investment crisis. Our industries and our workers are capital starved.”²¹ Richard Dias, Global Macro Strategist, appearing as an Individual, echoed this view, stating that the lack of private-sector investment in Canada,

12 INDU, [Evidence](#), 6 October 2025, 1110 (Philippe Noël, Vice-President, Public Affairs, Competitiveness and Market Access, Fédération des chambres de commerce du Québec).

13 INDU, [Evidence](#), 6 October 2025, 1110 (Noël); INDU, [Evidence](#), 17 November 2025, 1215 (Argitis); INDU, [Evidence](#), 17 November 2025, 1100 (Michael R. Veall, Professor, as an individual); INDU, [Evidence](#), 24 November 2025, 1220 (Dias).

14 INDU, [Evidence](#), 6 October 2025, 1110 (Noël).

15 INDU, [Evidence](#), 6 October 2025, 1105 (Greer).

16 INDU, [Evidence](#), 24 November 2025, 1210 (Santor).

17 INDU, [Evidence](#), 24 November 2025, 1220 (Dias); INDU, [Evidence](#), 24 November 2025, 1215 (Soucisse).

18 INDU, [Evidence](#), 6 October 2025, 1110 (Noël); INDU, [Evidence](#), 17 November 2025, 1215 (Argitis); INDU, [Evidence](#), 24 November 2025, 1110 (Tapp); INDU, [Evidence](#), 24 November 2025, 1220 (Dias).

19 INDU, [Evidence](#), 24 November 2025, 1110 (Tapp).

20 INDU, [Evidence](#), 20 October 2025, 1220 (Mark McQueen, Founder, Wellington Growth Partners Inc.).

21 INDU, [Evidence](#), 17 November 2025, 1215 (Argitis).



particularly in capital assets, technology, and intellectual property, is “by far the biggest issue.”²²

A few witnesses acknowledged the importance for the Government of Canada of addressing the country’s productivity situation, while presenting a different interpretation of Canada’s situation.²³ Professor Michael R. Veall said that, “[b]y the measures I judge most reliable, Canada is doing about the same as our comparator countries, except the U.S.” He added that, “[w]hile Canada must do better, some of the story is that the U.S. has exceptionally fast measured productivity growth compared to almost all other countries.”²⁴ According to data presented by Linda Hasenfratz, Executive Chair, Linamar Corporation, a sectoral analysis shows that business productivity in Canada has grown in recent years and has even outpaced the U.S. in several sectors, including manufacturing and financial services. She noted that stagnant productivity in the government and non-business sectors is weighing on overall business productivity results.²⁵

Several factors, often interrelated, contribute to productivity challenges in Canada and hinder investment. Witnesses highlighted workforce performance, technology adoption, tax policies, commercialization, burdensome regulations and the level of competition.²⁶ According to some witnesses, the lack of entrepreneurial culture in the country is contributing to these challenges.²⁷ They also emphasized the government’s role in creating a stable and predictable investment environment.²⁸ Some stated that excessive government spending may be contributing to part of the country’s weak productivity.²⁹

22 INDU, [Evidence](#), 24 November 2025, 1220 (Dias).

23 INDU, [Evidence](#), 17 November 2025, 1100 (Veall); INDU, [Evidence](#), 20 October 2025, 1105 (Linda Hasenfratz, Executive Chair, Linamar Corporation).

24 INDU, [Evidence](#), 17 November 2025, 1100 (Veall).

25 INDU, [Evidence](#), 20 October 2025, 1105 (Hasenfratz). See also The Privileged Group Inc., [Brief](#).

26 INDU, [Evidence](#), 17 November 2025, 1210 (Donald); INDU, [Evidence](#), 17 November 2025, 1100 (Veall); INDU, [Evidence](#), 17 November 2025, 1215 (Argitis); INDU, [Evidence](#), 24 November 2025, 1225 (Santor).

27 INDU [Evidence](#), 20 October 2025, 1225 (Stein); INDU, [Evidence](#), 20 October 2025, 1245 (McQueen); INDU, [Evidence](#), 24 November 2025, 1210 (Santor).

28 INDU, [Evidence](#), 17 November 2025, 1215 (Argitis); INDU, [Evidence](#), 24 November 2025, 1105 (Estill); INDU, [Evidence](#), 24 November 2025, 1220 (Dias); INDU, [Evidence](#), 24 November 2025, 1140 (Gabriel Miller, President and Chief Executive Officer, Universities Canada).

29 INDU, [Evidence](#), 24 September 2025, 1745 (William Robson, President and Chief Executive Officer, C.D. Howe Institute); INDU, [Evidence](#), 24 November 2025, 1245 (Dias); INDU, [Evidence](#), 24 November 2025, 1120 (Estill).

Finally, several witnesses pointed out that productivity challenges do not stem from a single cause or sector and cannot be addressed by a single measure.³⁰ Mr. Santor stated that: “While we may all want a quick fix, the reality is that it won't be easy. We need to create the conditions that spur business investment. We need to encourage risk-taking, innovation and growth.”³¹ Frances Donald, Senior Vice-President and Chief Economist at the Royal Bank of Canada, said that, while some general measures – such as improving tax competitiveness – can support productivity, the most effective measures are often sector-specific. In her view, given the diversity of issues, it is no longer a matter of finding a single solution, but rather of choosing a starting point and moving forward.³²

Several witnesses highlighted measures in the 2025 Federal Budget that could improve Canada’s competitiveness. Michael Graydon, Chief Executive Officer, Food, Health and Consumer Products of Canada, and Namir Anani, President and Chief Executive Officer, Information and Communications Technology Council, both credited the Budget’s new productivity super-deduction as significant steps in the right direction.³³ Mr. Argitis said “[i]t contains a number of measures that point in the right direction: steps towards a more competitive tax system, some signalling around improving the regulatory landscape, some efforts to attract talent and some additional financing for major projects.”³⁴ Gabriel Miller, President and Chief Executive Officer, Universities Canada, said “[a] very encouraging development recently was the announcement of a \$1.7-billion talent attraction strategy in this year's budget.”³⁵

DRIVERS OF PRODUCTIVITY

Labour-Related Factors

Witnesses discussed the importance and value of Canada’s workforce. M. Anani said that “[t]alent is the cornerstone of any high-performing economy and the driving force behind innovation and global competitiveness.”³⁶ Mr. Miller added: “Prosperity and productivity go hand in hand, as you all know, and both depend on a highly skilled

30 INDU, [Evidence](#), 20 October 2025, 1100 (Desjardins); INDU, [Evidence](#), 17 November 2025, 1215 (Donald); INDU, [Evidence](#), 17 November 2025, 1100 (Veall); INDU, [Evidence](#), 24 November 2025, 1210 (Santor).

31 INDU, [Evidence](#), 24 November 2025, 1210 (Santor).

32 INDU, [Evidence](#), 17 November 2025, 1215 (Donald).

33 INDU, [Evidence](#), 17 November 2025, 1105 (Graydon); INDU, [Evidence](#), 17 November 2025, 1125 (Anani).

34 INDU, [Evidence](#), 17 November 2025, 1215 (Argitis).

35 INDU, [Evidence](#), 24 November 2025, 1135 (Miller).

36 INDU, [Evidence](#), 17 November 2025, 1115 (Anani).



workforce.”³⁷ Thus, several witnesses deplored that company founders and qualified graduates are leaving the country, taking with them the possibilities offered by their talent, including their intellectual property and economic opportunities.³⁸ Finally, Ms. Hasenfratz said that “[o]ur workforce is a key element in driving our productivity,” adding that “our workforce in Canada is our deepest bench with our strongest skill level [...] attracting and retaining those folks is key.”³⁹

Several witnesses expressed concern that investment per worker in Canada is lower than in other economies. According to data presented by Mr. Noël, private investments in machinery and equipment per worker in Canada are 45% less than the average for advanced OECD economies and nearly 60% less than in the U.S.⁴⁰ Several witnesses presented data supporting this view.⁴¹ M. Graydon, said “[t]hat gap reflects the higher operating costs, regulatory drag and uncertainty that discourage investment and innovation.”⁴² According to William Robson, President and Chief Executive Officer of the C.D. Howe Institute, these international comparisons are essential to determine whether Canada is experiencing the same challenges as similar economies or falling behind them.⁴³

According to Mr. Robson, investment per worker in Canada is so low because there is little investment in built capital. He explained that it is important to focus on built capital (machinery and equipment, non-residential buildings and engineering, and intellectual property products) because high-income countries have lots of built capital, while low-income countries have little. According to Mr. Robson:

The crux here is that over the past decade our investments in these types of capital in Canada have not kept pace with depreciation and have not kept pace with population

37 INDU, [Evidence](#), 24 November 2025, 1110 (Miller).

38 INDU, [Evidence](#), 20 October 2025, 1225 (Gydeon Hayden, Managing partner, Leaders Fund); INDU, [Evidence](#), 24 November 2025, 1155 (Miller).

39 INDU, [Evidence](#), 20 October 2025, 1130 (Hasenfratz).

40 INDU, [Evidence](#), 6 October 2025, 1110 (Noël).

41 INDU, [Evidence](#), 24 September 2025, 1740 (Robson); INDU, [Evidence](#), 6 October 2025, 1105 (Greer); INDU, [Evidence](#), 17 November 2025, 1105 (Michael Graydon, Chief Executive Officer, Food, Health and Consumer Products of Canada); INDU, [Evidence](#), 17 November 2025, 1115 (Namir Anani, President and Chief Executive Officer, Information and Communications Technology Council).

42 INDU, [Evidence](#), 17 November 2025, 1105 (Graydon).

43 Ibid.

growth, so the capital stock per worker has fallen. You won't find anything like that since the days of C.D. Howe.⁴⁴

Several witnesses referred to the quality of Canada's labour force as a comparative advantage. Mr. Miller said

[o]ur future success—whether it's in these giant national ambitions that have been announced recently by the government or simply in terms of making our economy more productive—is going to depend on the quality of talent we have, both in what we make of the Canadian talent that's born and raised here and also in how we use our system of attracting international talent to the greatest effect.⁴⁵

Ms. Hasenfratz added: “The productivity of our Canadian plants is the highest, by far the highest, of our 75 plants globally, and is growing the fastest. We have the deepest bench of talent here, and notably skilled talent.”⁴⁶

Witnesses raised concerns about the shortage of skilled workers in certain sectors across the country. Mr. Miller highlighted the shortage of highly skilled talent, particularly in key areas such as artificial intelligence (AI).⁴⁷ Dawn Desjardins, Chief Economist at Deloitte, said that the government's goals of building more housing and infrastructure are essential to making the economy more efficient and attracting investment, but that they are hampered by a lack of skilled labour.⁴⁸ To address these needs, several witnesses recommended better aligning the immigration system with productivity objectives by focusing on attracting and retaining high-waged, high-skilled labour.⁴⁹ Witnesses also suggested faster visa issuance and credential recognition.⁵⁰ Ms. Desjardins further suggested encouraging the participation of women and underrepresented groups in skilled trades to broaden the talent pool.⁵¹

Technology adoption plays a key role in improving business productivity. Mr. Anani noted that numerous studies show highly digitized sectors are more productive than less

44 INDU, [Evidence](#), 24 September 2025, 1740 (Robson).

45 INDU, [Evidence](#), 24 November 2025, 1135 (Miller).

46 INDU, [Evidence](#), 20 October 2025, 1105 (Hasenfratz).

47 INDU, [Evidence](#), 24 November 2025, 1140 (Miller).

48 INDU, [Evidence](#), 20 October 2025, 1100 (Desjardins).

49 INDU, [Evidence](#), 17 November 2025, 1100 (Veall); INDU, [Evidence](#), 24 November 2025, 1220 (Dias).

50 INDU, [Evidence](#), 20 October 2025, 1225 (David Stein, Co-Founder & Managing Partner, Leaders Fund); INDU, [Evidence](#), 20 October 2025, 1100 (Desjardins).

51 INDU, [Evidence](#), 20 October 2025, 1100 (Desjardins).



digitized ones, particularly due to the integration of advanced technologies such as AI.⁵² Data from Deloitte suggest that AI could stimulate the economy and contribute significantly to GDP in the coming years.⁵³ However, Mr. Anani also pointed to data showing that only 10% of companies in Canada are aware of the importance of AI.⁵⁴ Mr. Miller noted that universities are already supporting wider adoption by helping businesses integrate advanced technologies, such as AI, into their operations through training and research. He added that increased federal funding could scale these efforts and accelerate adoption.⁵⁵ Mr. Anani also proposed enhanced investment tax credits to lower the cost of upgrading operations and accelerate depreciation for digital and green equipment.⁵⁶ He added that measures announced in the 2025 federal budget, including the “productivity super-deduction,” might help to build AI literacy and support the transfer and scaling of digital best practices to all sectors, while noting that the success of these measures will depend heavily on their implementation.⁵⁷

For businesses to fully benefit from new technologies, supporting workforce skills development is essential. Witnesses said that training and re-skilling must be expanded to help workers adopt these technologies and move into higher value-added roles.⁵⁸ This support is particularly important given that some middle-income jobs are at risk of disappearing due to automation and other technological innovations.⁵⁹ In this context, Mr. Anani proposed the development of an AI talent strategy.⁶⁰ Lastly, Mr. Argitis reiterated that, “[w]hen we invest in better machinery, modern technology, advanced equipment, and training and innovation, people will produce more, wages will rise, and businesses will grow.”⁶¹

52 INDU, [Evidence](#), 17 November 2025, 1130 (Anani).

53 INDU, [Evidence](#), 20 October 2025, 1100 (Desjardins).

54 INDU, [Evidence](#), 17 November 2025, 1130 (Anani).

55 INDU, [Evidence](#), 24 November 2025, 1110 (Miller).

56 INDU, [Evidence](#), 17 November 2025, 1115 (Anani).

57 *Ibid.*, 1125.

58 INDU, [Evidence](#), 17 November 2025, 1215 (Argitis); INDU, [Evidence](#), 24 November 2025, 1220 (Dias).

59 INDU, [Evidence](#), 20 October 2025, 1105 (Desjardins).

60 INDU, [Evidence](#), 17 November 2025, 1125 (Anani).

61 INDU, [Evidence](#), 17 November 2025, 1215 (Argitis).

Innovation and Commercialization

Several witnesses highlighted the gap in Canada between the quality of research and the capacity to commercialize innovations. Mr. Anani said:

Canada ranks among global leaders in R and D quality and early-stage innovation, but we still struggle to turn these strengths into market-ready products and globally competitive firms. Boosting competitiveness requires a sharper focus on commercialization, [intellectual property (IP)] retention and scale-up.⁶²

Other witnesses confirmed this view.⁶³

Mr. Miller added:

The challenge doesn't fall on universities alone. Our small and medium-sized enterprises face similar challenges. They account for 96% of Canada's private sector, yet lack the resources to adopt new technologies or pursue their own IP strategies. The result is predictable. We lose valuable intellectual property and the economic opportunities it should generate.⁶⁴

Therefore, "with stronger partnerships among government, universities and industry, and with targeted support for IP protection and commercialization, Canada can keep more of its innovation here at home."⁶⁵

Several witnesses also emphasized the need for increased government support for commercialization. Nancy Déziel, Chair of the Board of Directors, Réseau des centres collégiaux de transfert de technologies et de pratiques sociales novatrices (CCTT), pointed to several federal programs that help bring research-based innovations to businesses.⁶⁶ Chad Bayne, Partner, Founder and Co-chair, Osler's Emerging and High-Growth Companies Group, also appearing as an individual, observed that several major technology hubs have emerged as a result of significant government support, underscoring its importance. For example, Silicon Valley and the Internet can trace their origins in part to US defence spending, while the World Wide Web emerged from investments by the publicly funded European Organization for Nuclear Research (CERN).

62 INDU, [Evidence](#), 17 November 2025, 1115 (Anani).

63 INDU, [Evidence](#), 20 October 2025, 1125 (Hasenfratz); INDU, [Evidence](#), 20 October 2025, 1220 (McQueen); INDU, [Evidence](#), 17 November 2025, 1235 (Michael Gullo, Vice-President, Policy, Business Council of Canada); INDU, [Evidence](#), 24 November 2025, 1110 (Miller); Polytechnics Canada, [Brief](#).

64 INDU, [Evidence](#), 24 November 2025, 1110 (Miller).

65 Ibid.

66 INDU, [Evidence](#), 24 November 2025, 1235 (Nancy Déziel, Chair of the Board of Directors, Réseau des CCTT).



Mr. Bayne added that, in short, “[i]nnovation ultimately drives the domestic economy through the commercialization of primary research by entrepreneurs, which leads to the creation of jobs, which then leads to the creation of wealth and ultimately creates a virtuous cycle.”⁶⁷

According to witnesses, research conducted in colleges and polytechnics should receive increased government support, as it can contribute significantly to efforts to commercialize research in Canada. They expressed concerns that applied research conducted in these institutions receives only about 3% of the funding provided by the three research councils.⁶⁸ According to Polytechnics Canada, every \$100 of federal funding attracts \$72 in private-sector co-investment in polytechnics, compared to less than \$4 by larger research universities.⁶⁹ Fred Meier, President and CEO of Red River College Polytech, added that, through their close collaboration with industry, colleges conduct applied research that enables them to directly identify the skills required to commercialize innovations.⁷⁰

Professor Marc Duhamel discussed the crucial role of business transfers in Canada and their potential contribution to the growth of small and medium-sized enterprise (SME) productivity. A business transfer is the economic transfer of a company’s property titles, control and authority over the use of assets to new owners.⁷¹ Such transfers are essential, as they prevent the dissolution of businesses and the loss of intangible capital, such as intellectual property, while maintaining competition in local markets.⁷² Canada is facing an aging population of entrepreneurs – a challenge shared by many developed economies – which threatens the preservation of entrepreneurial heritage. According to the OECD, Japan, facing a similar aging population, lost 21% of its SMEs over a 15-year period. Professor Duhamel warned that a comparable scenario in Canada would result in the loss of 285,000 SMEs, along with the associated jobs, over the next 15 years. He

67 INDU, [Evidence](#), 20 October 2025, 1210 (Chad Bayne, Partner, Founder & Co-Chair, Osler’s Emerging and High Growth Companies Group, as an individual).

68 INDU, [Evidence](#), 1 December 2025, 1105 (Fred Meier, President and Chief Executive Officer, Red River College Polytech); Polytechnics Canada, [Brief](#).

69 Polytechnics Canada, [Brief](#).

70 INDU, [Evidence](#), 1 December 2025, 1115 (Meier).

71 INDU, [Evidence](#), 6 October 2025, 1210 (Marc Duhamel, Associate Professor, Department of Finance and Economics, Université du Québec à Trois-Rivières, as an individual).

72 INDU, [Evidence](#), 6 October 2025, 1230 (Duhamel).

emphasized that successful business transfers require specific conditions as well as support and close collaboration between the federal and provincial governments.⁷³

THE BUSINESS ENVIRONMENT

The Regulatory Framework

Many witnesses described Canada’s regulatory framework as fragmented, redundant and unpredictable, which adds to the regulatory burden. Tax compliance requirements, the complexity of financial incentives, overlap between levels of government and processing times within the public administration were all cited as key factors contributing to this burden.⁷⁴ Labelling requirements were identified as a particularly significant issue in the agri-food sector.⁷⁵ According to witnesses, this regulatory burden is a major obstacle for entrepreneurs, as it diverts resources that could otherwise be devoted to developing their businesses.⁷⁶ In addition, Stephen Tapp, Chief Executive Officer of the Centre for the Study of Living Standards, highlighted that

there was a StatsCan report with research over 15 years, and it highlighted that there was an increase in federal regulations of over 2% a year in that period. They did some estimates and modelling that suggested GDP was close to 2% lower because of that and, in particular, that the investment was 9% lower.⁷⁷

Several witnesses argued that clearer and more predictable regulations would further support innovation and investment.⁷⁸ For example, Mr. Graydon emphasized the importance of recognizing the labelling of consumer products already approved by “trusted jurisdictions.”⁷⁹ Mr. Anani, for his part, proposed the establishment of a clearer framework for AI development.⁸⁰ According to Mr. Greer, reducing the regulatory burden

73 Ibid., 1210.

74 INDU, [Evidence](#), 6 October 2025, 1105 (Greer); INDU, [Evidence](#), 6 October 2025, 1110 (Noël); INDU, [Evidence](#), 20 October 2025, 1115 (Alexa Young, Vice-President, Government Relations and External Affairs, Vancouver Fraser Port Authority); INDU, [Evidence](#), 17 November 2025, 1215 (Argitis).

75 INDU, [Evidence](#), 17 November 2025, 1105, 1140 (Graydon).

76 INDU, [Evidence](#), 6 October 2025, 1105 (Greer); INDU, [Evidence](#), 6 October 2025, 1215 (Neil Fast, President and Chief Executive Officer, Loewen Windows and Doors).

77 INDU, [Evidence](#), 24 November 2025, 1120 (Tapp).

78 INDU, [Evidence](#), 17 November 2025, 1105 (Graydon); INDU, [Evidence](#), 17 November 2025, 1115 (Anani); INDU, [Evidence](#), 24 November 2025, 1255 (Santor).

79 INDU, [Evidence](#), 17 November 2025, 1105 (Graydon).

80 INDU, [Evidence](#), 17 November 2025, 1115 (Anani).



is “where we see some of the biggest and the lowest-cost opportunities to boost productivity.” He added that, since all advanced economies face this challenge, Canada could distinguish itself by taking bold action in this area, thereby attracting greater investment.⁸¹

To reduce the regulatory burden in Canada, Mr. Greer proposed undertaking systemic reform to improve the impact of all regulatory decisions. He criticized that previous government efforts had focused primarily on isolated irritants, comparing this approach to “pumping air into a leaky tire: It might help you in the short term, but the underlying problem goes unsolved.”⁸² He added that the requirements imposed on businesses continue to increase despite the adoption of the *Red Tape Reduction Act* in 2015, particularly because of the numerous exceptions it contains. To further reduce this burden, he recommended eliminating these exceptions, “legislat[ing] competitiveness and growth mandates for all federal regulators” and “strengthen[ing] the oversight of the cost-benefit analysis process that underpins all new regulations.”⁸³

Several witnesses also emphasized the importance of reducing barriers to domestic trade. They noted that, despite government efforts in recent months, such barriers persist in Canada in various forms – export controls, different technical standards between provinces, and various regulatory and administrative requirements – and impose real costs on businesses.⁸⁴ Ms. Desjardins said that the magnitude of these impacts varies by industry but remains significant at the market level.⁸⁵ Citing a Deloitte analysis, she said that reducing these barriers could significantly increase GDP and create tens of thousands of jobs.⁸⁶ Witnesses emphasized that reducing barriers to domestic trade requires leadership from all levels of government.⁸⁷ Lastly, they stated that a more integrated internal market would strengthen competition, an essential lever for stimulating Canada’s productivity and global competitiveness.⁸⁸

81 INDU, [Evidence](#), 6 October 2025, 1105 (Greer).

82 Ibid.

83 Ibid.

84 INDU, [Evidence](#), 24 September 2025, 1825 (Robson); INDU, [Evidence](#), 6 October 2025, 1145 (Greer); INDU, [Evidence](#), 6 October 2025, 1245 (Fast).

85 INDU, [Evidence](#), 20 October 2025, 1100 (Desjardins).

86 Ibid.

87 INDU, [Evidence](#), 24 September 2025, 1825 (Robson); INDU, [Evidence](#), 6 October 2025, 1145 (Greer).

88 INDU, [Evidence](#), 17 November 2025, 1115 (Anani); INDU, [Evidence](#), 17 November 2025, 1100 (Veall); INDU, [Evidence](#), 24 November 2025, 1220 (Dias).

Supporting Business Growth

Ludovic Soucisse, CEO of the CCTT Network, described the specific challenges facing SMEs in the current productivity context in Canada. He noted that productivity

has been declining or stagnating for many years, which particularly affects SMEs, or small and medium-sized enterprises, which make up the vast majority of Quebec's industrial fabric, which differs from province to province. The vast majority of exporting companies are SMEs. They account for 50% of the country's private GDP. They structure our supply chains and are particularly vulnerable to tariff measures and the current economic climate.⁸⁹

Several witnesses emphasized that, with more targeted support, SMEs could increase their productivity. According to data presented by Mr. Noël, SME productivity is 20% to 50% lower than that of large corporations.⁹⁰ Government programs designed to support SMEs are considered useful but in need of improvement: several witnesses said that they are overly complex and costly to access.⁹¹ By way of example, Mr. Greer said that the Scientific Research and Experimental Development (SR&ED) the tax incentive program is very important for manufacturers but should be modernized, given that SMEs often must rely on consultants to navigate this program because of its complexity.⁹² Mark Stoddart, Chief Technology Officer and Executive Vice-President of Linamar Corporation, recommended examining the practices of other countries, particularly Germany and France, which have succeeded in significantly simplifying access to their research and development programs.⁹³

Medium-sized enterprises are in particular need of more targeted support. Mr. Graydon said that these businesses face a regulatory burden comparable to that of large businesses but have only SME-sized access to capital. According to witnesses, very few programs are designed specifically to support medium-sized businesses.⁹⁴ Mr. Estill noted that these businesses play an important role in diversifying Canada's economy.⁹⁵ Mr. Graydon further noted that Canadian medium-sized businesses lag behind their

89 INDU, [Evidence](#), 24 November 2025, 1215 (Soucisse).

90 INDU, [Evidence](#), 6 October 2025, 1110 (Noël).

91 INDU, [Evidence](#), 6 October 2025, 1245 (Fast); INDU, [Evidence](#), 20 October 2025, 1100 (Desjardins); INDU, [Evidence](#), 20 October 2025, 1130 (Mark Stoddart, Chief Technology Officer and Executive Vice-President, Linamar Corporation); INDU, [Evidence](#), 20 October 2025, 1250 (Bayne).

92 INDU, [Evidence](#), 6 October 2025, 1125 (Greer).

93 INDU, [Evidence](#), 20 October 2025, 1130 (Stoddart).

94 INDU, [Evidence](#), 6 October 2025, 1215 (Fast); INDU, [Evidence](#), 17 November 2025, 1105 (Graydon).

95 INDU, [Evidence](#), 24 November 2025, 1125 (Estill).



foreign counterparts in terms of technology adoption, in part because they do not receive sufficient public funding. Without targeted assistance, they miss out on productivity gains achieved by competitors through advanced technologies.⁹⁶

Mr. Estill, for his part, argued that although government programs can support business productivity, it is also important to create an environment in which businesses can prosper on their own. According to him,

Canada does not need more programs; it needs to better understand and execute what works. Productivity is not just about machines; it's about creating conditions where businesses can thrive, innovate and compete globally. If we get this right, we don't just boost productivity; we build a stronger, more resilient Canada.⁹⁷

Witnesses stated that Canada's productivity and resilience also depend on the efficiency of its transportation networks and infrastructure.⁹⁸ They said that Canada requires more targeted public and private investment to develop new infrastructure that facilitates trade and optimizes the use of existing infrastructure.⁹⁹ Hubert Rioux, Economic Advisor, Fédération des chambres de commerce du Québec, noted that, if Canada wants to diversify its exports, goods must be able to move efficiently across the country. He explained that products destined for the U.S. are currently transported primarily by rail or truck. To export a greater share of production to the rest of the world, particularly Asia and Europe, the shipping capacity of Canadian ports and airports will need to be increased.¹⁰⁰

Witnesses also emphasized that supporting business growth through expansion into international markets is an important lever for boosting productivity, particularly for SMEs.¹⁰¹ Mr. Soucisse said that "exporting companies are the ones most determined to innovate in order to find new markets. We must therefore take this [productivity] crisis and turn it into opportunities for our SMEs."¹⁰² Mr. Noël noted that few Canadian SMEs are currently as well positioned as large companies to seize export opportunities,

96 INDU, [Evidence](#), 17 November 2025, 1105 (Graydon).

97 INDU, [Evidence](#), 24 November 2025, 1105 (Estill).

98 INDU, [Evidence](#), 6 October 2025, 1105 (Greer); INDU, [Evidence](#), 20 October 2025, 1115 (Young).

99 INDU, [Evidence](#), 6 October 2025, 1150 (Hubert Rioux, Economic Advisor, Fédération des chambres de commerce du Québec); INDU, [Evidence](#), 6 October 2025, 1105 (Greer); INDU, [Evidence](#), 20 October 2025, 1115 (Young).

100 INDU, [Evidence](#), 6 October 2025, 1150 (Rioux).

101 INDU, [Evidence](#), 20 October 2025, 1110 (Hasenfratz); INDU, [Evidence](#), 24 November 2025, 1110 (Tapp); INDU, [Evidence](#), 24 November 2025, 1215 (Soucisse); INDU, [Evidence](#), 24 November 2025, 1220 (Dias).

102 INDU, [Evidence](#), 24 November 2025, 1215 (Soucisse).

creating a vicious circle: “SMEs do not export very many of their products because they are less productive, and their productivity stagnates because they do not have much exposure to international competition.”¹⁰³ In his view, SME growth must be supported by encouraging them to export. To that end, he recommended reforming the CanExport program and partially exempting SMEs’ export revenues from taxation in new markets.¹⁰⁴

To illustrate how these issues intersect – productivity, infrastructure, domestic trade and exports – Mr. Graydon presented the agri-food sector as an example:

Canada’s agri-food sector recorded a \$60-billion trade surplus last year, but our full potential is diluted by fragmented interprovincial trade and logistics bottlenecks. Our ports and rail corridors remain choke points for manufactured goods, and the rail system’s duopoly leaves producers vulnerable when disruptions occur.¹⁰⁵

According to Mr. Graydon, the investments in commercial and transportation infrastructure announced in Budget 2025 are a step in the right direction to address these issues. However, he said that “those dollars must flow into increased port capacity, freight rail competition and logistics systems that support Canadian manufacturing” for these investments to have a real impact.¹⁰⁶

FISCAL POLICY

Several witnesses discussed the use of fiscal policy as a means of encouraging investment in Canada and retaining talent. They noted that a number of external factors are beyond Canada’s control – such as U.S. protectionism – or are difficult to compare, such as the size of the U.S. market.¹⁰⁷ Fiscal policy, by contrast, is a lever over which Canada has control and can act quickly by adopting concrete and predictable measures to support and improve productivity.¹⁰⁸ According to witnesses, this tool should be favoured over subsidies, which are costly, time-consuming to implement and likely to benefit primarily the most well-organized lobby groups.¹⁰⁹ Mr. Robson added that a

103 INDU, [Evidence](#), 6 October 2025, 1110 (Noël).

104 Ibid.

105 INDU, [Evidence](#), 17 November 2025, 1105 (Graydon).

106 Ibid.

107 INDU, [Evidence](#), 24 September 2025, 1825 (Robson); INDU, [Evidence](#), 6 October 2025, 1105 (Greer).

108 INDU, [Evidence](#), 24 September 2025, 1750, 1820 (Robson).

109 INDU, [Evidence](#), 24 September 2025, 1810 (Robson); INDU, [Evidence](#), 24 November 2025, 1105 (Estill).



strong fiscal framework would enable Canada to better withstand current and future economic shocks.¹¹⁰

Witnesses proposed various approaches to strengthening the competitiveness of Canada's tax system. Some suggested reducing its complexity.¹¹¹ According to Mr. Greer, an overly complex tax system encourages businesses to delay or scale back investment.¹¹² To ease the tax burden on businesses, Mr. Noël recommended simplifying and broadening eligibility criteria for tax credits, as well as converting some financial assistance programs into tax credits.¹¹³ Professor Veall suggested increasing the goods and services tax, which he considers to be Canada's most effective fiscal instrument, as it encourages savings and, in turn, investment, while acknowledging that such a reform would likely be difficult to pursue politically.¹¹⁴

To quickly and effectively encourage investment in Canada, Mr. Robson proposed introducing a temporary investment tax credit. He explained that such a mechanism would be relatively easy to design, would have predictable effects and could be applied during periods of economic instability. Because it would be temporary, so would be the budgetary cost, allowing the government to recover some of the foregone revenue.¹¹⁵ He added that Canada would benefit in the longer term from a comprehensive overhaul of its tax system to support sustainable investment, but that such a reform would take time. In his view, a temporary investment tax credit would be a useful transitional measure that "would help bridge the gap between where we are now and where we would like to be with a more competitive corporate tax system over time."¹¹⁶

Witnesses also discussed recent U.S. tax reforms. Witnesses noted that the 2017 reform was aimed in particular at repatriating capital and has attracted significant investment.¹¹⁷ More recently, the U.S. "One Big Beautiful Bill," passed in 2025, also aimed at attracting more investments and particularly in the manufacturing sector, by

110 INDU, [Evidence](#), 24 September 2025, 1820 (Robson).

111 INDU, [Evidence](#), 6 October 2025, 1105 (Greer); INDU, [Evidence](#), 6 October 2025, 1110 (Noël); INDU, [Evidence](#), 17 November 2025, 1145 (Veall).

112 INDU, [Evidence](#), 6 October 2025, 1105 (Greer).

113 INDU, [Evidence](#), 6 October 2025, 1110 (Noël).

114 INDU, [Evidence](#), 17 November 2025, 1100 (Veall).

115 INDU, [Evidence](#), 24 September 2025, 1750 (Robson).

116 *Ibid.*, 1810.

117 INDU, [Evidence](#), 24 September 2025, 1750 (Robson); INDU, [Evidence](#), 24 November 2025, 1220 (Dias).

strongly favouring domestic U.S. production.¹¹⁸ For example, there is currently no capital gains tax on the first \$21 million of profits in the U.S.¹¹⁹ U.S. tax policy also allows investors to defer capital gains tax when the proceeds from a sale are reinvested.¹²⁰

Several witnesses emphasized that Canada’s tax system should be reviewed to better encourage investment. They argued that both income tax and corporate tax can discourage investment.¹²¹ Some noted that the combined federal–provincial marginal tax rate can exceed 50%.¹²² Mr. Robson said that, while a rapid and significant reduction in this rate is not realistic, lowering the maximum rate below 50% would be desirable, as higher rates are often perceived as psychologically and economically unfavourable.¹²³ Mr. Rioux added that the U.S. “One Big Beautiful Bill” exacerbates this situation:

this U.S. bill indefinitely extends the reduction of the United States' federal corporate tax rate to 21%. In Canada, our federal corporate tax rate is 15%, but the problem is that the combined federal and provincial rate is often much higher than the combined federal and state rate in the United States, because many states impose a maximum corporate tax rate of 10%. That is the case for some of Quebec's direct competitors, such as Ohio and Texas.¹²⁴

Thus, the Canadian tax environment may encourage highly skilled individuals to settle abroad and incentivize companies to locate their headquarters outside Canada.¹²⁵ Mr. Robson stated that “it would be helpful if we lowered our tax rate on the most talented people.” According to him, “if the talent wants to be here, then the head offices will tend to be here as well.”¹²⁶ Lastly, Mr. Noël said that the tax burden in Canada – on wages and income as well as on corporate profits – exceeds the OECD and U.S.

118 INDU, [Evidence](#), 6 October 2025, 1135 (Rioux); INDU, [Evidence](#), 6 October 2025, 1105 (Greer); Hotel Association of Canada, [Brief](#).

119 INDU, [Evidence](#), 20 October 2025, 1225 (Stein).

120 Hotel Association of Canada, [Brief](#).

121 INDU, [Evidence](#), 24 September 2025, 1800 (Robson); INDU, [Evidence](#), 6 October 2025, 1110 (Noël); INDU, [Evidence](#), 20 October 2025, 1100 (Desjardins); INDU, [Evidence](#), 20 October 2025, 1105 (Hasenfratz); INDU, [Evidence](#), 20 October 2025, 1225 (Stein); INDU, [Evidence](#), 24 November 2025, 1220 (Dias).

122 INDU, [Evidence](#), 24 September 2025, 1800 (Robson); INDU [Evidence](#), 20 October 2025, 1225 (Stein).

123 INDU, [Evidence](#), 24 September 2025, 1800 (Robson).

124 INDU, [Evidence](#), 6 October 2025, 1135 (Rioux).

125 INDU, [Evidence](#), 24 September 2025, 1800 (Robson); INDU, [Evidence](#), 20 October 2025, 1225 (Stein).

126 INDU, [Evidence](#), 24 September 2025, 1815 (Robson).



averages,¹²⁷ and that the International Tax Competitiveness Index ranks Canada 26th out of 38 countries for corporate taxation.¹²⁸

Witnesses discussed measures to maintain Canada’s fiscal competitiveness. Several witnesses emphasized the importance of Canada adopting targeted measures – such as reducing the corporate tax rate,¹²⁹ reducing or partially exempting the capital gains tax,¹³⁰ or allowing for the deferral of the capital gains tax upon reinvestment¹³¹ – in order to maintain its tax competitiveness.¹³² Witnesses who appeared after the tabling of the 2025 federal budget welcomed the new “productivity super-deduction” and the “enhanced capital cost allowance.” According to Mr. Graydon, these measures “make Canada’s cumulative manufacturing tax incentives slightly more competitive than those in the United States” and “will help de-risk capital investment decisions and encourage companies to modernize and expand here at home.”¹³³ Mr. Argitis also expressed support for a number of budget measures intended to make the tax system more competitive, improve the regulatory framework and attract talent, while raising concerns about the pace of change, noting that these measures may not be sufficient to stimulate investment quickly enough.¹³⁴

127 The federal government presented its [2025 budget](#) after these testimonies. In the budget, it introduced a “productivity super-deduction” and stated that “The marginal effective tax rate (METR) provides a comprehensive indicator of how one dollar of additional business investment is taxed—a comparable indicator of tax competitiveness across countries that considers national and sub-national corporate tax rates, as well as investment tax credits, capital cost allowances, and sales and capital taxes. The productivity super-deduction will reduce Canada’s METR by more than two percentage points, strengthening our competitiveness with the U.S. following measures implemented in the One Big Beautiful Bill Act (OBBBA). Moreover, Canada will have the lowest METR in the G7 and below the OECD average.”

128 INDU, [Evidence](#), 6 October 2025, 1110 (Noël).

129 INDU, [Evidence](#), 24 September 2025, 1750 (Robson).

130 INDU, [Evidence](#), 20 October 2025, 1230 (Hayden).

131 Hotel Association of Canada, [Brief](#).

132 INDU, [Evidence](#), 6 October 2025, 1135 (Rioux); INDU, [Evidence](#), 6 October 2025, 1120 (Greer).

133 INDU, [Evidence](#), 17 November 2025, 1105 (Graydon).

134 INDU, [Evidence](#), 17 November 2025, 1215 (Argitis).

APPENDIX A: LIST OF WITNESSES

The following table lists the witnesses who appeared before the committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the committee’s [webpage for this study](#).

Organizations and Individuals	Date	Meeting
C.D. Howe Institute William Robson, President and Chief Executive Officer	2025/09/24	4
As an individual Marc Duhamel, Associate Professor, Department of Finance and Economics, Université du Québec à Trois-Rivières	2025/10/06	6
Canadian Manufacturers and Exporters Ryan Greer, Senior Vice-President, Public Affairs and National Policy	2025/10/06	6
Fédération des chambres de commerce du Québec Philippe Noël, Vice-President, Public Affairs, Competitiveness and Market Access Hubert Rioux, Economic Advisor	2025/10/06	6
Loewen Windows and Doors Neil Fast, President and Chief Executive Officer	2025/10/06	6
As an individual Chad Bayne, Partner, Founder and Co-Chair, Osler’s Emerging and High Growth Companies Group Mark McQueen, Founder, Wellington Growth Partners Inc.	2025/10/20	8
Deloitte Dawn Desjardins, Chief Economist	2025/10/20	8
Leaders Fund Gideon Hayden, Managing Partner David Stein, Co-Founder and Managing Partner	2025/10/20	8

Organizations and Individuals	Date	Meeting
Linamar Corporation Linda Hasenfratz, Executive Chair Jim Jarrell, Chief Executive Officer and President Mark Stoddart, Chief Technology Officer and Executive Vice-President	2025/10/20	8
Vancouver Fraser Port Authority Alexa Young, Vice-President, Government Relations and External Affairs	2025/10/20	8
As an individual Michael R. Veall, Professor	2025/11/17	14
Business Council of Canada Theo Argitis, Senior Vice-President, Policy Michael Gullo, Vice President, Policy	2025/11/17	14
Food, Health & Consumer Products of Canada Michael Graydon, Chief Executive Officer	2025/11/17	14
Information and Communications Technology Council Namir Anani, President and Chief Executive Officer	2025/11/17	14
Royal Bank of Canada Frances Donald, Senior Vice-President and Chief Economist	2025/11/17	14
As an individual Richard Dias, Global Macro Strategist	2025/11/24	16
Bank of Canada Eric Santor, Advisor to the Governor	2025/11/24	16
Centre for the Study of Living Standards Stephen Tapp, Chief Executive Officer	2025/11/24	16
Danby Jim Estill, Chief Executive Officer	2025/11/24	16
Réseau des CCTT Nancy Déziel, Chairman of the Board of Directors Ludovic Soucisse, Chief Executive Officer	2025/11/24	16

Organizations and Individuals	Date	Meeting
Universities Canada Gabriel Miller, President and Chief Executive Officer	2025/11/24	16
Protect Our Winters Canada Natalie Knowles, Researcher	2025/12/01	18
Red River College Polytech Fred Meier, President and Chief Executive Officer	2025/12/01	18

APPENDIX B: LIST OF BRIEFS

The following is an alphabetical list of organizations and individuals who submitted briefs to the committee related to this report. For more information, please consult the committee's [webpage for this study](#).

Hotel Association of Canada

Polytechnics Canada

The Privileged Group Inc.

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the committee requests that the government table a comprehensive response to this report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 4, 6, 8, 14, 16, 18, 19, 21 to 25](#)) is tabled.

Respectfully submitted,

Ben Carr
Chair

