



INSTITUT C.D. HOWE INSTITUTE

A SPECIAL INTELLIGENCE MEMO SERIES

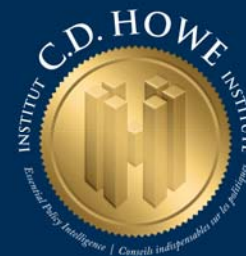
A QUESTION OF PRIORITIES:
MINISTERIAL MANDATE LETTERS
FOR INCOMING MINISTERS
OF THE FEDERAL GOVERNMENT



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MANDATE LETTERS



As Canada forms its next government, the Prime Minister's Office will be preparing ministerial mandate letters. In this special Intelligence Memo series, policy experts highlight key challenges and priorities in each minister's portfolio.

From: Benjamin Dachis
To: The Incoming Federal Government
Date: October 21, 2019
Re: **MANDATE LETTERS TO THE INCOMING CANADIAN GOVERNMENT**

Today, Canadians go to the polls to elect the 43rd Parliament. The shape of the next government is uncertain. But no matter the outcome, improving the living standards of Canadians should be at the forefront of the government's agenda. This is the C.D. Howe Institute's mandate in all its work and drives our advice to the new government.

To help the new government launch its agenda to improve Canadian living standards, the C.D. Howe Institute will be sending incoming federal ministers *Intelligence Memos* by top experts in Canadian public policy. The Institute will release these memos each day until the next ministry is sworn in. These memos will cover the core policy issues and priorities for each department's portfolio.

Canada's ability to generate relatively high and rising standards of living depends on developing, attracting, and retaining valuable economic activities and talent. High standards of living mean not only more or better goods and services, but also ability to lead healthy, safe, and rewarding lives. Economic competitiveness comes from greater productivity and strong innovation. Economic competitiveness allows a virtuous cycle between the economy and social and environmental goals.

Government policy is a critical driver of competitiveness and therefore rising living standards. And federal policy is paramount in many of the areas that affect the lives of Canadians. As a new federal government is sworn in, it will face many challenges, both domestic and global.

Among domestic challenges, it faces aging demographics that lead to increased need for public services, paired with slower growth in the workforce and tax base. Weak productivity growth means that both current and future generations won't see the same income growth as past generations. There are deep questions about what is behind this poor productivity growth. Is it weak business investment? A poor innovation ecosystem? Unnecessary regulation? Crowded and insufficient infrastructure?

Canada also faces global turmoil. A global recession may hit at any time, further stressing public finances. Protectionism and a weaker international trading system threaten Canadian living standards.

The next Canadian government can help prepare Canada for the challenges and look to improving Canadian living standards by:

- Ensuring adequate fiscal and monetary cushions are in place to face any global downturn;
- Creating a simpler, more effective tax system;
- Widening and deepening Canada's trade links, both globally and internally;
- Fostering an innovative and competitive economy – especially critical for the digital economy but also in public services;
- Building pipelines and supporting a price on greenhouse gas emissions in a manner that protects the environment, economy, and constitution;
- Reducing unnecessary regulation;
- Fostering smart housing and transportation infrastructure; and
- Investing in the skills and well-being of Canadians, enhancing their ability and that of immigrants to Canada to participate in the labour market, and to ensure our economy has the human capital needed for the future.

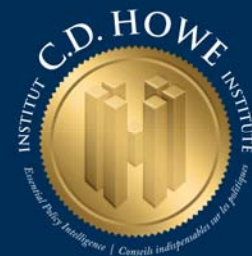
We look forward to addressing together the challenges facing the Canadian economy and finding solutions that improve the lives of Canadians.

Benjamin Dachis is Director of Public Affairs at the C.D. Howe Institute.

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From: Sylvain Charlebois
To: The Incoming Minister of Agriculture and Food
Date: November 13, 2019

As you embark on your term as Minister of Agriculture and Food, your top policy priorities should include the following:

- The new food policy's focus for our country needs to be strengthened. The current policy presented this past June does not provide a vision or focus for our agrifood sector to make it a driver for our economy. For one, Canada's new Food Guide recommends a dietary regimen that is out of reach for Canada's agriculture sector. Growth is essential in some areas like horticulture and pulses to fill requirements generated by the food guide, yet no specific provisions are made for these sectors. With the new policy, food processing appears to be hardly on the department's radar. Value chains are used to guide high-impact and sustainable initiatives focused on improving productivity, competitiveness, entrepreneurship, and the growth of small and medium food processors in the sector. This is where most innovation and economic growth is typically generated, in rural communities most importantly. Processing is not only relevant when applied to growth, but also to the equity dimension of the modernization of agrifood systems to reach a higher level of food security.
- Domestic food security and the branding of Canada also remain priorities. The current food policy does outline some important initiatives related to our role on the global stage. A comprehensive Feeding the North program, along with the development of a Made in Canada brand for Canadians, is long overdue. Work on the current Canada Brand project should be supported and executed. Food security in northern communities has been a challenge for decades and this policy should pave the way for more investments in localized production facilities in that region. Labelling products that are made in Canada will also be critical. These initiatives will need to be coupled with an enhanced effort to nurture a culture that values data and analytics.
- As such, we also need to build a more data-focused industry. Without sound data, it will be difficult to monitor Canada's performance as a food provider to Canadians and the rest of the world. Our goal to become a global leader in agrifood cannot be achieved unless we benchmark and look at how we can do better. As part of this process, we also need to address the issue of technological connectivity and literacy across the value chain. In turn, this could make the sector more attractive to global investors.
- Human capital will need support in the sector. Labor retention and recruitment are challenges facing the entire farming sector. Our temporary worker program needs to be extended as soon as possible. We also need to make the agrifood sector more attractive to Canadians.
- Environmental initiatives and supporting all economic sectors to become more sustainable will be key moving forward. In agrifood, farmers are known to be among Canada's best environmental stewards. But our current carbon tax policy is unjust for farming. Agriculture is not considered a source of carbon sequestration and should be. Farmers should get credit for the carbon they sequester.
- Rather than subjecting farms to more fiscal penalties to maintain current production, government policy should focus on making farmers more efficient with the necessary inputs they use. Your department should work with the Department of Environment and Climate Change to incentivize practices that reduces output per unit of greenhouse gas emitted.
- Finally, our supply management policy needs to be reformed in order to reflect our economy's open nature. Global markets and trade make it impossible for a closed, exclusive system like supply management to survive. Signing trade deals is necessary, and yes, financially supporting our supply-managed sectors will become necessary. Supply management needs reform. In dairy alone, longterm consolidation trends, accelerated by new trade deals, mean we could lose almost half of the 10,600 dairy farms we have by the year 2030, even with the compensation program presented earlier this year. A new plan for supply management should clearly focus on farm and processing competitiveness and should have proper coverage of all markets in Canada.

Sylvain Charlebois is Scientific Director of the Agri-Food Analytics Lab affiliated with Dalhousie University.

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From: Daniel Schwanen
To: The Incoming Minister of Canadian Heritage and Multiculturalism
Date: November 15, 2019

Cultural activities are central to Canadians' well-being, prosperity and identity. However, the evolution and availability of digital technologies has changed the context in which Canadians access cultural content. Our policies for promoting Canadian culture [must adapt](#) to a technological setting in which content delivery bandwidth is practically unlimited, and viewers are no longer captive to legacy media.

With over-the-top streaming digital options for Canadian consumers, quotas for Canadian content are no longer practical. Since access to digital cultural content uses the same broadband infrastructure as other commercial activities, policies must facilitate Canadians' access and discovery of content without inhibiting the growth of our digital economy and affordability of broadband services.

Therefore, as you embark on your term as Minister of Canadian Heritage and Multiculturalism, and following on the Broadcasting and Telecommunications Review panel report (expected in January 2020), your priorities should be to:

- Work with your colleagues the Minister of Finance and the Minister of Innovation, Science and Economic Development (ISED), to implement policies that will support the availability of diverse Canadian cultural and information offerings, promote engagement with these offerings by audiences in Canada and the world, and build a more sustainable economic framework for the cultural and information sectors.
- Review the mandate and funding for the CBC/Radio-Canada to ensure that its programming serves a distinct role as public broadcaster, while not replicating offerings from private, commercial broadcasters, and that its funding formula reflects its demonstrated contribution to the policy goals just enunciated.
- Ensure that the funding framework for other public cultural agencies and for cultural subsidies more generally, focuses on the production, dissemination, and exhibition of original artistic or literary works for which a commercial market is not yet established; or for which there is a clear public rationale. A clear public rationale may include educational, informational, or community engagement benefits, or the potential to seed long-term international demand for Canadian cultural offerings.
- Work with all Canadian broadcasters and distributors of Canadian content on strategies and development to facilitate the "discoverability" of Canadian content on digitally mediated platforms. In particular, you should consider methods such as search engine optimization, targeted online advertising, mobile applications, and the translation of Canadian works for both foreign and domestic audiences, and encourage collaborative initiatives between content producers, broadcasters and distributors to develop and market Canadian content.
- Work with the Minister of Finance to create a new "Canadian Connections Fund" to streamline a set of existing subsidies and credits not effectively aligned with the above objectives. This fund will focus instead on initiatives specifically aimed at engaging non-commercially available Canadian content with Canadian audiences. This new program would be administered through an arms' length body that would evaluate proposals based on criteria including type and diversity of content, and likelihood of engaging Canadian audiences.
- Work with the Minister of Finance to continue to offer the film and video production services tax credits, as long as it does not exceed the support offered by provincial governments (given the primarily local benefit of these activities), and as long as out-of-province cultural products or producers do not face discrimination in accessing the relevant provincial market.
- Work with Innovation, Science and Economic Development and the CRTC to eliminate mandated funding of Canadian content by cable and satellite providers and mandatory Canadian content quotas for broadcasters, and by reducing these costs, facilitate competitively priced communications services. Toward the same end, you will eschew taxation of Internet services as a means to raise funds to subsidize Canadian cultural industries specifically.
- You will nevertheless work with the CRTC and other bodies to continue to mandate that channels with high levels of Canadian content feature prominently in the programs offered by licensed Canadian distributors.
- Work with the Minister of Finance to [ensure a level playing field](#) with respect to the federal taxes applied to digital services purchased by Canadians. In particular, sales of virtual products delivered over the Internet from whatever source should be subject to the Goods and Services Tax that applies to similar products delivered by Canadian companies. As well, advertising expenses should be deductible if the revenue reported as Canadian income by the vendor (i.e., subject to Canadian income taxes) is commensurate with their activities in Canada.
- With the Minister of ISED, review foreign investment restrictions applying to cultural industries, with the aim of attracting investment in Canada while retaining the right to require of foreign investors undertakings toward boosting the financing and visibility of Canadian content.

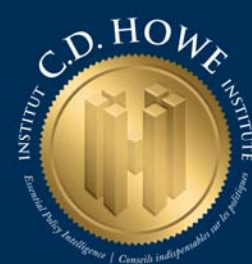
Daniel Schwanen is Vice-President Research at the C.D. Howe Institute.

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From: Donald Drummond
To: The Incoming Ministers of Crown-Indigenous Relations and Indigenous Services
Date: October 25, 2019

As you embark as Ministers of Crown-Indigenous Relations and Indigenous Services, with an eye to shifting focus from inputs to outcomes, I ask you recommit your efforts to:

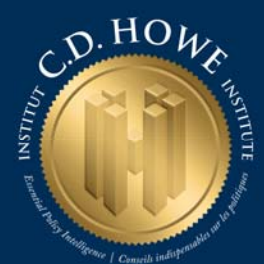
- Work to fundamentally alter the relationship between the Crown and Indigenous Peoples. To a large degree that relationship has in the past been guided by a government focus on programs, money spent and narrow criteria of accountability. A new and better relationship will focus on outcomes for Indigenous Peoples. As part of this effort you will consult with Indigenous Peoples on measures of well-being, ensuring to capture not only the standard metrics such as health and education, but attaching great importance to Indigenous culture and languages. Plans should then be drawn up to close gaps identified with the non-Indigenous population. This will require thorough consultation with Indigenous Peoples.
- Complete the re-organization of responsibilities between the Ministry of Crown-Indigenous Relations and Indigenous Services Canada to best serve the Indigenous Peoples of Canada.
- Lead a whole-of-government approach to the renewal of a nation-to-nation, Inuit-Crown, and government-to-government relationship with Indigenous Peoples such as implementing the permanent bilateral processes and including Indigenous representatives in federal-provincial-territorial dialogues.
- Lead our government's work in the North to advance a shared Arctic Leadership model and a new Arctic policy for Canada.
- Support northern communities facing immediate climate adaptation challenges.
- Increase the number of comprehensive modern treaties and new self-government agreements and accelerate progress on existing rights and recognition tables.
- Continue the work with the Minister of Finance on a new fiscal relationship with Indigenous Peoples. In order to best support autonomy and capacity, that relationship should move from annual funding with multi-layers of accountability to multi-year funding with streamlined accountability, and consideration should be given to replacing funding with a block, statutory payment.
- As a member of the Working Group of Ministers on the Review of Laws and Policies Related to Indigenous Peoples, chaired by the Minister of Justice pursue these objectives:
 - ◆ support Indigenous Peoples in their work to rebuild and reconstitute their nations, advancing self-determination, and, for First Nations, facilitating the transition away from the *Indian Act* and toward self-government while ensuring implementation of pre-Confederation, historic, and modern treaties and agreements;
 - ◆ advance positions that are in line with the resolution of past wrongs towards Indigenous Peoples, promote co-operation over adversarial processes, and advance a recognition of rights approach.
- Work with the Minister of Justice to implement the United Nations Declaration on the Rights of Indigenous Peoples.
- Support the work of reconciliation, work with provinces and territories, and with First Nations, Inuit, and the Métis Nation, to drive progress on implementation of recommendations of the Truth and Reconciliation Commission, and establish a National Council for Reconciliation.
- Engage in a collaborative process to develop, with First Nations, a National Action Plan to address the root causes of violence experienced by First Nations women and girls.
- Support the work of Minister of Health in making systemic change to reduce the health inequities between Indigenous Peoples and non-Indigenous Canadians to make reforms to child and family services and to develop governance models that bring control and jurisdiction back to communities.
- Work with residential school survivors, First Nations, Inuit, the Métis Nation, provinces, territories, and educators to incorporate Aboriginal and treaty rights, residential schools, and Indigenous contributions into school curricula and to improve education outcomes of indigenous students.
- Working with First Nations, Inuit, and Métis Nation leadership and local stakeholders and with the support of the Minister of Public Services and Procurement, lead the government's efforts to develop the vision for a national space for Indigenous Peoples at 100 Wellington.
- Continue work to improve the Nutrition North program, and move forward on devolution in Nunavut.
- Work with the Minister of Heritage Canada on the revitalization of Indigenous languages.
- Work with the Minister of Justice to implement changes necessary to end the over-representation of Indigenous Peoples in the criminal justice and correctional systems.
- Work with the Minister of Finance and others to remove obstacles and create opportunities and capacity for Indigenous Peoples to participate more fully in the economy.

Don Drummond is the Stauffer-Dunning Fellow in Global Public Policy and Adjunct Professor at the School of Policy Studies at Queen's University.

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From: Grant Bishop
To: The Incoming Minister of Environment and Climate Change
Date: October 24, 2019

Canada and its partners are at a critical juncture in the international efforts to reduce greenhouse gas emissions and mitigate climate change. Initiatives to reduce Canada's GHGs will involve significant changes to our use of energy and its sources. Concurrently, prolonged timelines and politically-charged proceedings, as well as uncertainty around constitutional duties to Indigenous peoples, have [strained confidence](#) in federal processes for reviewing the environmental impacts for major projects. Notably, the Constitution does not assign "the environment" to either federal or provincial jurisdiction. Instead, each order of government legislates with respect to environmental protection under their respective jurisdictions under the Constitution. Therefore, confronting environmental challenges requires working constructively and collaboratively with provinces.

Therefore, as you embark on your term as Minister of Environment and Climate Change, your priorities should be to:

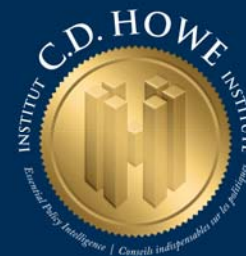
- Ensure existing or future federal legislation for reducing GHGs complies with the Constitution. In particular, the Supreme Court will hear arguments early in 2019 regarding whether the federal government has the necessary jurisdiction for its carbon price. While court decisions in Saskatchewan and Ontario have so far upheld federal jurisdiction for the *Greenhouse Gas Pollution Pricing Act*, the reasoning in these decisions is inconsistent with previous constitutional caselaw and faces a significant risk of being reversed on appeal. You should [develop contingency plans](#) in the event that the act is held to be unconstitutional.
- Ensure incentives to reduce GHGs are efficiently designed and fair. In general, you should pursue a uniform, economy-wide carbon price and avoid regulatory measures that impose widely different effective costs per GHG tonne between GHG-emitting activities. For example, [Institute research](#) has emphasized the arbitrariness and high relative costs for abating each GHG tonne by mandating standards for renewable content in specific fuels (as under the proposed "Clean Fuel Standards"). As well, Institute publications have illustrated the [inefficiency of stranding oil](#) to reduce emissions and estimated the [high overall cost per GHG tonne](#) from rejecting economically-viable pipeline projects.
- Address distortions in the federal government's regulations for output-based carbon-pricing for power generation. Specifically, [Institute research](#) called attention to the federal government's economically-inefficient departure from the "one product, one benchmark" principle for output-based carbon pricing and demonstrated how the differentiation of GHG emission intensity benchmarks between coal and natural gas would distort dispatch toward higher-GHG coal facilities. In addition to inefficiently defining separate benchmarks for coal and natural gas, the [final OBPS regulations](#) added to the distortion by preferential treatment for existing natural gas power generation relative to new facilities completed after 2021.
- Develop a flexible, outcomes-based regulatory regime for measuring and mitigating fugitive methane emissions. Scientific evidence indicates methane has much higher global warming potential than carbon dioxide and is systematically under-measured. However, because of the imprecision of measurement and dispersed nature of methane leaks across the oil and gas value chain, pricing fugitive methane emissions is presently infeasible and regulatory requirements for monitoring and preventing leaks are appropriate. Nonetheless, as [highlighted by recent Institute research](#), regulatory standards should be appropriately flexible to allow for new technologies that achieve outcomes for accuracy and mitigation of leaks.
- Ensure efficient, timely and rigorous assessment for major projects under the new federal impact assessment legislation (passed as Bill C-69). In particular, you should support the stand-up of the new Impact Assessment Agency of Canada (IAAC) and, as required by legislation, safeguard the independence of its impact assessments from political decision-making.
- Work with the Attorney General and Minister of Justice and with the Minister of Crown-Indigenous Relations to develop robust guidance for federal officials to fulfill the constitutional duty to consult Indigenous peoples. Courts have recognized that impact assessment processes may contribute to fulfillment of the duty to consult, and, given your responsibility for federal impact assessment legislation, you must address the ongoing gap in updated guidance for federal public officials who need to fulfill the government's constitutional duty to consult when rendering decisions that affect the rights of Indigenous peoples.

Grant Bishop is the associate director of research for the C.D. Howe Institute.

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From: Miles Corak
To: The Incoming Minister of Families, Children and Social Development
Date: November 4, 2019

All Canadians have a right to live their lives with dignity. As Minister of Families, Children and Social Development, your actions should be governed by this principle, and directed to three concerns:

- promoting economic well-being and ensuring that those facing challenging circumstances are able to fully participate in our society with dignity;
- fostering equal opportunities and inclusion for all, regardless of family background, gender, ethnicity, or sexual orientation;
- enhancing economic and social resilience, whether Canadians live in families or on their own.

You will be guided by the *Poverty Reduction Act*, which mandates a 50-percent reduction in the poverty rate by 2030 from the rate prevailing in 2015.

You will set an intermediate target of lowering the poverty rate by at least 20 percent by the end of our mandate from the level prevailing in 2018.

In this context:

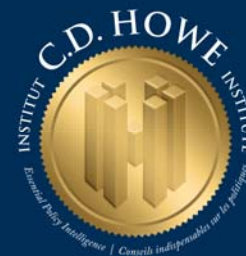
- Work with the National Advisory Council on Poverty to table annual reports to the Parliament that:
 - * document progress in meeting our targets in a way that is positively reflected in the other dimensions of poverty outlined in the Poverty Reduction Strategy;
 - * give voice to those with lived experience of poverty;
 - * evaluate the effectiveness of existing policies, highlight emerging concerns, and offer recommendations for continual policy development; and
 - * incorporate Statistics Canada's recommendations on appropriate updates and revisions to the official poverty line and other indicators.
- Work closely with your municipal and provincial counterparts to develop Canada's Homelessness Strategy using comprehensive and timely indicators. Your goal is to bring full freedom and dignity to Canada's homeless, reducing the rate of homelessness by half over the course our mandate.
- Work with the Minister of Finance to develop a Basic Income, expanding and revising our existing tax and social policy architecture in a way that fosters inclusion and employment. To this end, your role will be to:
 - * enhance the Canada Child Benefit, ensuring that low income families receive sufficient resources to meet our intermediate poverty reduction targets while still preventing poverty among middle income families;
 - * introduce a Guaranteed Paid Family Leave that is integrated with the Parental Leave provisions of Employment Insurance so that all working parents can spend the first year with their new child whether or not they qualify for Employment Insurance; and
 - * promote in-work income support by enhancing the Canada Workers Benefit and integrating it with the Canada Child Benefit and the Working While on Claim provisions of Employment Insurance so as to enhance the incomes of the working poor, particularly those living on their own.
- Enhance the insurance role of regular Employment Insurance benefits to recognize the [changing](#) nature of work. You will:
 - * significantly increase both the benefit rate and the maximum insurable earnings in order to offer more comprehensive insurance that is at the same time financially sound;
 - * institute Career Insurance Benefits for workers permanently laid off from jobs they have held for at least five years. These benefits should offer wage-insurance for those experiencing lower incomes in their new jobs, and they should be seamlessly integrated with the work-while-on-claim provisions, continuing for at least two years after the worker has stopped collecting Regular Benefits;
 - * enhance access to benefits
 - ◇ expand the coverage of eligible employment to reflect the contingent nature of work, significantly raising the fraction of the employed who are covered;
 - ◇ lower the minimum hours of work required to qualify
 - ◇ make entrance requirements more similar across regions by basing them on only three levels of the regional unemployment rate: less than 6 percent, 6 to 8 percent, and greater than 8 percent
- Enhance the financial capital of the next generation of Canadians by reforming the Canada Learning Bond:
 - * enhance the program's scope and flexibility by permitting use of the bond not just for education but also the purchase of a first home or retirement;
 - * make enrollment into the program automatic; and increase the maximum benefit.
- Work with the Minister of Employment, Workforce Development and Labour and provinces to ensure that workforce development policies and skills development programs including the Canada Training Benefit meet individual needs.

Miles Corak is professor of economics with the Graduate Center of the City University of New York, and was economist in residence in 2017 at Employment and Social Development Canada.

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From: Alexandre Laurin
To: The Incoming Minister of Finance
Date: October 21, 2019

As you embark on the start of your term as Minister of Finance, your top tax policy priorities should include the following:

- Amend the *Excise Tax Act* to apply GST to businesses that supply digital goods and services for consumption within Canada [regardless of where the company is located](#), in compliance with international VAT/GST Guidelines.
- Initiate a comprehensive tax system review. For the corporate income tax, consider transitioning to a growth-oriented tax system that is neutral with respect to business investment and financing decisions through an [Allowance for Corporate Equity](#) or a [cash-flow tax](#). Also consider international tax developments, particularly in the [OECD](#), with a view to participate in the development of a new multilateral coordination system to tax global corporate intangible income.
- Update the [assumptions underlying the equivalency factor – currently a factor of nine](#) – between defined-benefit pension plan accruals and defined-contribution plan/RRSP contribution limits. Longer lives and, even more important, low yields on investments suitable for retirement saving have raised the amount of saving needed for every dollar of annual income in retirement, putting people with DC plans and/or RRSPs at a major disadvantage relative to those in DB plans. Also, consider increasing the age limit at which Canadians and their employers must stop contributing to retirement plans, and at which contributors must start drawing down their retirement wealth.
- Replace the Child Care Expense Deduction (CCED) by a [refundable tax credit geared to income](#). Many lower-income families cannot take full benefit of the CCED because of the two-thirds of income limit, suggesting there is room for a more generous tax treatment of childcare costs on fairness grounds. At the higher family income level, many families are constrained by the maximum deduction amount per child, suggesting room for improvement under the principle that childcare is a cost of earning income.
- Design a new small-business tax regime that would distinguish all businesses that are small from the young, growth-oriented enterprises.
- Consider bringing back [income averaging provisions](#) for tax purposes. Canada's system of progressive tax rates may impose a greater tax burden on individuals whose incomes are irregular or fluctuate year-by-year, compared to individuals with steadier incomes of the same average value over several years.
- Reduce the number of people subject to the highest tax rate by [doubling the threshold](#) at which it applies. Many countries with comparably high top personal income tax rates also have a higher income threshold. Excessive taxation of high earnings depresses entrepreneurial activity, risk taking, and talent over the long run.
- Expand the [medical expense tax credit](#). Most medical expenses are nondiscretionary: people incur them because they are or may become sick, and the income they need to cover them is not available for enjoyment. The current medical expense tax credit is overly restrictive, putting people who pay for healthcare directly, or pay health-related insurance premiums not covered by their employers, at a disadvantage compared to those who benefit from untaxed employer-paid health premiums.
- Broaden access to the pension income credit and to pension income splitting to all recipients of income from retirement sources, including life-income funds, RRIFs, and RRSPs [before age 65](#) – putting recipients from these sources on par with recipients of pension annuities.
- Work with the Minister of National Revenue to develop a reporting mechanism that would allow for donations of private company shares and real estate to receive the same favourable tax treatment as donations of publicly traded shares to registered charities. This would unblock major new support for Canada's charities. [Exempting donations of privately held securities from tax](#) will require an amendment to the *Income Tax Act*. To maintain the incentive to donate environmentally sensitive land to charities dedicated to its conservation, only a partial exemption should apply to donations of other real estate.

Alexandre Laurin is Director of Research at the C.D. Howe Institute.

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From: Jeremy M. Kronick
To: The Incoming Minister of Finance
Date: October 29, 2019

As you embark on the start of your term as Minister of Finance, your top priorities around financial services should be to:

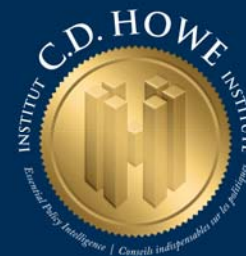
- As recommended by Denis Meunier, former deputy director, Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), work with Minister of Innovation, Science and Economic Development and the Minister of Public Safety and Emergency Preparedness, to strengthen Canada's anti-money laundering and terrorist financing regime by implementing, with the provinces and territories, a central publicly accessible [beneficial ownership registry](#) of corporations to better prevent, detect and investigate money laundering and terrorist financing.
- Take [action](#) to publicly demonstrate progress in combating money laundering and criminal organizations, in collaboration with federal partners, the provinces and territories by, for example, making to a criminal offence to make a false statement of ownership of trusts, companies and real estate.
- Develop a [plan](#), after consultation with the financial services sector, for implementing open banking. This will require coordination with regulators at both the federal and provincial level to assure responsibilities are appropriately divided.
- Ensure a balance in the housing market between affordability and stability through, among other things, incentivizing the development of more [longer-term mortgages](#).
- Work with provincial colleagues to create a universal, [digital ID](#) system that improves safety and privacy of data.
- Ensure an appropriate level of competition in the financial services sector through a more flexible regulatory approach that is both function based and proportional to functional risk. Additionally, provide clarity with respect to the new rules around the flexibility of banks to participate and invest in fintechs and other innovative technology-led institutions.
- Allow CMHC to charge lenders different mortgage insurance premiums based on the different risk profiles of their borrowers to ensure more efficient allocation of capital in the financial services sector through more appropriate risk-based pricing.
- As recommended by Craig Stewart, vice president, Insurance Bureau of Canada, address the systemic financial and economic risk posed by a significant [earthquake](#) to consumers, businesses and the Canadian mortgage and insurance sectors.
- Work with the Minister of Public Safety and Emergency Preparedness, in addition to your federal, provincial and territorial colleagues, to implement a National Action Plan on Flooding within the context of the national Emergency Management Strategy for Canada. This plan will incorporate financial measures to insure high-risk populations while reducing taxpayer-funded subsidies now offered through Disaster Financial Assistance Arrangements.

Jeremy M. Kronick is Associate Director of Research at the C.D. Howe Institute.

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MANDATE LETTERS



As Canada forms its next government, the Prime Minister's Office will be preparing ministerial mandate letters. In this special Intelligence Memo series, policy experts highlight key challenges and priorities in each minister's portfolio.

From: Alexandre Laurin
To: The incoming Minister of Finance
Date: November 8, 2019

As you embark on your term as Minister of Finance, your top fiscal policy priorities should include the following:

- Bring the budget back to balance by the end of fiscal year 2023/24. Chronic deficits add to the debt burden and the cost of servicing this additional debt means Canadians ultimately will pay more taxes for fewer federal services. Allowing debt to accumulate in expansionary periods of the business cycles is imprudent: it reduces the government's ability to run generous income stabilization programs in bad times and to use fiscal policy to stimulate the economy. Over the long run, talented individuals deciding where to live and work, and businesses considering where to invest, respond negatively to the prospects of unsustainable budgetary policies.
- Restate the value of federal pension obligations incurred after 2000. The 2018 public accounts restated the value of these obligations incurred before 2000, using an economically meaningful measure crucial to assessing the government's overall fiscal position and ability to meet its commitments. All federal pension obligations are alike, and the public accounts should show the entire obligation on a consistent basis.
- In its next budget, the Department of Finance should include a measure of provincial business property taxes (BPTs) in its interprovincial comparison of Marginal Effective Tax Rates. Provincial BPTs are general-revenue taxes that affect businesses incentive to invest in the same way as other taxes on capital income and stock.
- Reform [eligibility conditions for employment insurance](#) by phasing out regionally differentiated entrance requirements and benefit periods, and adopting coast-to-coast uniform requirements, tied to the national unemployment rate to add a countercyclical income stabilization element to the program.
- Hold the line on [provincial transfers and consider a transfer of tax room](#) in favour of the provinces. Cutting federal business and personal taxes would provide fiscal room for provinces to pick up and pay for the escalating costs of healthcare due to the aging population. One straightforward way to mitigate the negative impact of tax cuts on the federal budget would be to [calibrate the starting age of eligibility](#) for Old Age Security to the increase in longevity, such that the proportion of an average person's adult life spent in retirement stays is constant.
- Stop netting the amounts of the GST Tax Credit from GST revenues, and show them instead in spending. The GST Tax Credit is a fiscal benefit program unrelated to tax paid, and it should be reported as spending (a transfer payment to households) rather than netted against tax revenue. The same logic applies to [more than 30 other tax expenditure measures](#) that are really equivalent to spending programs.
- Release the 2020/21 Main Estimates simultaneously with the 2020 federal budget, and presented on the same accounting basis. Parliamentary scrutiny and control of the federal government's spending is weaker than it could be. Many provincial governments present the estimates that legislators vote to authorize specific spending simultaneously with their budgets, and do so using accounting that lets legislators see how their votes match – or not – the budget's fiscal plan. The federal government does neither of these things. Ottawa typically presents its estimates after the budget. These spending estimates focus on cash, rather than the accrual accounting that underlies the budget, and do not sum the figures to allow comparison with the fiscal plan.

Alexandre Laurin is Director of Research at the C.D. Howe Institute.

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From: Lawrence Herman
To: The Incoming Minister of Foreign Affairs
Date: November 5, 2019

Internationally, Canada finds itself in a volatile and hostile world, where liberal democracy is under assault and much of the pre-existing political and economic order has been shattered. Erstwhile allies such as the United States have changed course. Global circumstances and events are uncertain.

With this as the context, as you embark on your term as minister, your top priorities should be the following:

- Continue to pursue the principles outlined in the House of Commons [speech](#) by the Minister of Foreign Affairs in June 2017 outlining the government's foreign policy priorities.
- In keeping on this trajectory, pursue measures that reinforce the strong points in Canada's bilateral relationship with the United States, cooperating in critical areas of mutual interest, with the immediate focus on approval and entry into force of CUSMA.
- Working with the Minister of International Trade Diversification, prepare the former Bill C-100 (the *CUSMA Implementation Act*) for re-introduction in the House of Commons.
- Use leverage gained in the NAFTA renegotiation to further cement strong relationships and linkages at all political and business levels south of the border.
- Notwithstanding the recent exchange of ambassadors, remain wary of China as a combative competitor, based on the principle that the relationship will not regain any semblance of normalcy while China holds two Canadians hostage and illegally threatens Canadian trade interests.
- Continue to balance our relationship with the US by actively enhancing political relations with key allies, including France, Germany, the UK and like-minded governments committed to liberal internationalism, a rules-based system, robust collective security and a low-carbon world.
- Advocate increased Canadian business participation in trade agreements with Europe (CETA) and the Asia-Pacific countries (Canada-Korea FTA and the CPTPP), as well as APEC and ASEAN, at the same time as pursuing stronger political and business ties with key Latin American countries.
- Maintain Canada's undiminished commitment to multilateral bodies, particularly the UN, the WTO, the IMF/World Bank and the other institutions as well as the G7 and G20.
- Continue to enunciate Canada's undiminished commitment to the environmental goals of the 2015 Paris Climate Accord as a key element in our foreign policy.
- Work with the Minister of International Trade Diversification, to ensure Canada's trade policy initiatives, including possible new FTAs and investment protection talks, are pursued with Canada's commercial interests front and centre.
- Collaborate with cabinet colleagues to energize Canada's National Shipbuilding Strategy, articulating the role strategic maritime assets play in executing foreign policy and sovereignty goals, including in the Arctic.
- Because of unprecedented cyber threats and the risks of Chinese and other state-owned enterprise investments in and theft of sensitive Canadian technologies, bring a renewed focus on security considerations to Canada's foreign policy goals and investment priorities.
- Continue to pursue Canada's global commitment to human rights, including voicing criticism of governments that are hostile to these freedoms, such as Saudi Arabia, Iran, China, Venezuela and others.
- Continue Canada's condemnation of governments that endanger or threaten the sovereignty of others, including Russia vis-à-vis the Ukraine, Crimea and the Baltic countries and China vis-à-vis its aggressive policies in the South China Sea.
- Because of the extensive political capital involved with diminishing returns and modest chances of success, back away from Canada's goal to secure election to the UN Security Council.

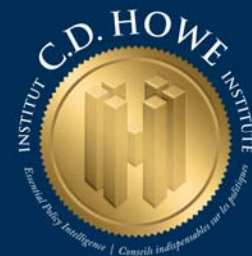
Lawrence Herman is a former Canadian diplomat who practices international trade law at Herman & Associates. He is also a senior fellow of the C.D. Howe Institute in Toronto.

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From: Rosalie Wyonch, Åke Blomqvist and Will Falk

To: Incoming Minister of Health

Date: November 14, 2019

The federal government must work with provinces to improve healthcare in Canada. It should respect provincial responsibility for the delivery of most healthcare, but there are common issues where Ottawa should take the lead.

For the next four years, your health policy priorities should include the following:

- **Moving Ahead with the Canada Drug Agency:** To set the foundation for Pharmacare, the government should move ahead with the Canada Drug Agency, which should absorb the functions of the Patented Medicine Pricing Review Board, the Canadian Agency for Drugs and Technologies in Health (CADTH) and the pan-Canadian Pharmaceutical Alliance (pCPA). Another priority should be to give private insurance companies access to the same drug prices, currently negotiated by the pCPA, as government plans. The Canada Drug Agency should also begin developing a national formulary – starting with essential medicines.
- **Achieving Universal Access to Pharmacare Coverage:** Improving Canadians' access to prescription drug coverage will require prudence, tact and compromise to negotiate among many conflicting interests. Over several years, negotiate with provincial health colleagues about implementing [universal pharmacare](#) in some form. [The main role for the federal government](#) should be to set a minimum floor for coverage and some maximum on insurance copayments and premiums for particular groups.
- **National Licensure: Improving Labour Mobility and Facilitating Virtual Treatment:** Currently, physicians are licensed provincially, which acts as a barrier to labour mobility and impedes progress on the development of virtual care services. National licensure is [strongly supported by physicians](#), would remove the existing barrier to physician labour mobility and, with the help of technology, could allow physicians to remotely treat patients in other provinces.
- **Reorganize Federal Health Agencies:** Over the past decade, several reports have commented on the confused organization of federal health agencies ([the Naylor Report](#) and [External Review of the federally funded Pan-Canadian Health Organizations](#)). Your mandate should include implementing a streamlined and more effective set of healthcare agencies. This will mean decommissioning some that have served their purpose and combining others and providing them with a renewed mandate to support research, innovation and to monitor quality and access in Canadian healthcare.
- **Growing Canada's Health Sector Through Export Development:** Healthcare is now a global knowledge industry and Canadians are among the leaders. The digital revolution in healthcare makes possible new ways to access this economic opportunity. Health Canada should work collaboratively with other federal departments to develop regulations, labour standards and product standards for the export of health services. National standards, digital modernization and national licensure would give us a way to improve Canada's leadership role in global healthcare and to build an improved and more national healthcare system domestically.
- **Modernize Digital and Virtual Access:** Canadians should have access to their health records in a usable digital form. This right needs to be reflected in regulation and legislation. All health services should be held to modern service standards on customer delivery and reporting. Given our great distances, no Canadian should be forced to make physical contact with the health system in order to receive routine or basic care; virtual care options should become a normal and covered part of health services.
- **Innovation in Compensation and Funding:** The federal government should support the adoption of new methods to fund doctors and hospitals in ways that would help all Canadians establish a stable relationship with a provider who serves as their 'medical home,' and promote more integrated and efficient management of the system's resources. It should encourage public debate on topics such as capitation in primary care and integrated, activity-based funding of hospitals and doctors, through the work of pan-Canadian agencies such as the [Canadian Foundation for Healthcare Improvement](#) and the [Canadian Institutes of Health Research, or their successors](#).
- **Improving Access and Outcomes for Indigenous and Inuit Communities:** Health Canada should work with Indigenous Services Canada and Crown-Indigenous Relations and Northern Affairs Canada to improve the delivery of care to these communities. Despite significant investment and improvement, Indigenous and Inuit people still face major gaps in access to high-quality healthcare.

Rosalie Wyonch is a Policy Analyst at the C.D. Howe Institute, Åke Blomqvist is Adjunct Research Professor at Carleton University and Health Policy Scholar at the C.D. Howe Institute where Will Falk is a Senior Fellow.

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MANDATE LETTERS



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From: Parisa Mahboubi
To: The Incoming Minister of Immigration, Refugees and Citizenship
Date: October 30, 2019

As Minister of Immigration, Refugees and Citizenship, your overarching goal will be to continue to welcome those who want to build a better Canada and to provide those in need with the right tools to enable them to contribute to our country's success.

As you embark as the Minister of Immigration, Refugees and Citizenship, your priorities should include:

Working with the provinces and territories, ensure a renewed focus on the delivery of high-quality settlement services to ensure the successful arrival of newcomers. This requires more improved language and job-search training, as well as a more rigorous approach to accurately measure outcomes.

- Ensure refugees and newcomers are receiving the tailored support they need to integrate successfully into Canada. This requires greater efforts to bolster language skills and collaboration with provinces and territories, service provider organizations, and communities.
- Reduce application processing times, and work on improving the department's service delivery and client services to make it timelier and less complicated, and on enhancing system efficiency, particularly, the asylum system.
- Work with the Minister of Employment, Workforce Development and Labour to ensure that the Temporary Foreign Worker Program effectively meets the needs of employers without having negative impacts on the wages and employment of Canadians.

Your additional objectives should be to:

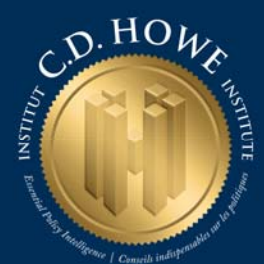
- Work with the Canada Border Services Agency and law enforcement officials to implement a comprehensive [Border Enforcement Strategy](#) and to ensure the integrity of Canada's borders and asylum system.
- Increase the [share](#) of immigrant intake through the economic immigration program to enhance labour market outcomes and strengthen the overall economy.
- Work with provinces and regulatory bodies to remove barriers for immigrants in gaining recognition of professional credentials and experience in regulated professions.
- Work with provincial governments to develop a whole-of-government strategy to spread the benefits of immigration across all provinces and to meet labour market needs that are region-specific by broadening distribution of newcomers.
- Work with Canada's ministers responsible for childcare to increase accessibility and affordability to improve and accelerate the transition of immigrant women into *the labour force*.
- Work with the Minister of Finance to improve [personal income tax competitiveness](#) in order to make Canada a more attractive location for top talent.
- Continue with the two-step immigration process that helps speed up immigrant integration through retaining temporary foreign workers and former international students.
- Improve Canada's selection policies by granting permanent residency to more [former international students](#) who have obtained Canadian credentials, and place more [weight](#) on advanced language proficiency.
- Consider setting immigration level targets on a multiple-year basis rather than annually to provide Canada with more [flexibility](#) to better adapt to the business cycle and to capitalize on any spike in its attractiveness to foreign talent.
- Find an innovative way to include incremental measures in the Express Entry to assess [education quality](#) in order to improve the ability for new arrivals to find well-paid jobs.

Parisa Mabboubi is a Senior Policy Analyst at the C.D. Howe Institute.

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From: Grant Bishop
To: The Incoming Minister of Innovation, Science and Economic Development
Date: November 6, 2019

In this mandate, the federal government should prioritize structural reforms – particularly for industrial sectors under federal jurisdiction and measures to enhance competition – that boost productivity by promoting a competitive, dynamic and innovative economy. With the accelerating economic importance of digitally intermediated commerce and digitally provided services, Canada must ensure an economically efficient playing field for firms to compete and grow, domestically and internationally.

Therefore, as you embark on your term as Minister of Innovation, Science and Economic Development (ISED), your priorities should be to:

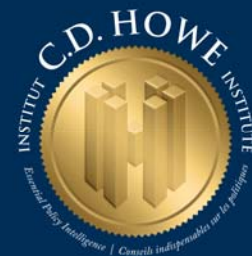
- Empower and adequately resource the Competition Bureau to undertake rigorous enforcement against anti-competitive exercise of market power, deceptive marketing and criminal conspiracies to restrain market competition. You should be particularly attuned to the [role of market competition in propelling innovation and productivity growth](#) – and the critical role played by competition enforcement. The C.D. Howe Institute's Competition Policy Council has stressed concerns that the Bureau [lacks a sufficient budget to fulfill its mandate](#) and encouraged better performance tracking and independent oversight for the Bureau.
- Develop legislative amendments to update the *Competition Act* by working with the Competition Commissioner and consulting with industry stakeholders, practitioners and scholars. In particular, you should consider allowing [private rights of action](#) against anti-competitive conduct, ensure a robust “toolkit” for addressing [anti-competitive conduct by digital platforms](#), and [streamline the legislative framework](#) for analyzing anti-competitive conduct.
- Evaluate whether market studies might be an appropriate tool with which to equip the Competition Bureau. Internationally, many competition authorities are empowered to initiate studies to investigate the state of competition in specific product markets, and the [international experience provides good lessons](#) for how to appropriately limit such powers. However, the Institute's Competition Policy Council [has strongly cautioned against market studies](#) as “fishing expedition” and argued that present scope for Bureau interventions in regulatory proceedings are sufficient.
- Consider a formalized [notification system](#) for settlement agreements between patented medicine and generic producers. Specifically, you should evaluate concerns about anticompetitive “pay-to-delay” settlements – agreements by holders of drug patents to pay generic competitors to cease litigation that might invalidate a patent.
- Clarify directions for the Canadian Radio and Telecommunications Commission (CRTC) regarding the promotion of competition. Recent direction [reflected an attempt to balance](#) incentives for investment and innovation, however, you should seek to refine this directive in order to provide great certainty for market participants.
- Modernize communications legislation to [address redundancy and overlapping responsibilities](#). In particular, you should address the [increasingly untenable separation of statutory authority and oversight](#) between the *Telecommunications Act*, *Radiocommunications Act* and *Broadcasting Act*. As emphasized in a comprehensive [Institute report on Canadian communications regulation](#), the overhaul should include replacing ineffective Canadian content regulations with direct subsidies, introducing more legal and economic rigour in regulatory hearings, and eliminating ownership restrictions on communications companies and wireless spectrum.
- Consider appropriate updates to privacy legislation to ensure meaningful consent for sharing of user data and to enhance competition in the digital setting. In particular, you should consider measures to ensure that users understand how data will be used and [increase users' confidence when “clicking through” boilerplate consent](#).
- Work with the Minister of Transport to [ease foreign ownership restrictions for airlines](#) and [revisit certain amendments](#) to the *Transportation Act* (passed in 2018 under Bill C-49) that empowered the Minister of Transport to override the Competition Bureau and allow airline joint ventures, like code-sharing, even when Bureau finds these are anti-competitive.
- Develop amendments to copyright in Canada to update legislation for an increasingly digital context for content delivery. In particular, in today's technological setting with near-zero marginal cost for reproducing content, you should examine different approaches to funding and [compensation for creators to ensure an efficient balance](#) between incentives for new content, wide access to creative works as non-rivalrous public goods, and deadweight loss from levies on particular media.
- Reconsider recent amendments to the *Canada Business Corporations Act* (CBCA) that have created [confusion about the application of established case law](#). Specifically, amendments to duties for the directors of corporations that encourage a board to consider the interests of certain prescribed stakeholders, the environment and the long-term interests of the corporation. You should revisit the amendment and, after consulting with legal practitioners and corporate governance experts, consider alternative legislative wording.

Grant Bishop is Associate Director, Research at the C.D. Howe Institute.

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From: William B.P. Robson
To: The Incoming Minister of Intergovernmental and Northern Affairs and Internal Trade
Date: November 12, 2019

As you embark on the start of your term as Minister of Intergovernmental and Northern Affairs, your top priority should be to fundamentally rethink the model of fiscal federalism in Canada, because:

- Many federal transfers to Canada's provinces, territories and local governments reflect an outmoded view that Ottawa can and should reward and penalize choices for which the recipient governments are, quite appropriately, accountable to their own electorates. You will engage with experts on fiscal federalism and the recipient governments to reform conditional transfers to better reflect the division of powers in the federation.
- Federal transfers currently account for about one-fifth of provincial, territorial and local government revenues, and about one-third of federal program spending. Such large transfers strain the federal principle that governments at each level are sovereign in their respective spheres. You will engage with experts on taxation and fiscal federalism, and with recipient governments, to design a transfer of tax room to provincial governments to decrease their exposure to future changes in federal transfers, increase their autonomy, and enhance their capacity to respond to demographically driven fiscal pressure.
- Transfers of tax room create an opportunity to revisit the operation of the equalization program, which inappropriately penalizes provinces that promote economic development by reducing the associated increases in tax revenue. You will engage with experts on taxation and fiscal federalism, and with the provinces, to design an equalization system that better rewards sound fiscal policies on the part of current and potential recipients of equalization payments.

Your duties as Minister of Internal Trade will prioritize the ability of Canadians to buy, sell, invest and work across the country. The Canada Free Trade Agreement (CFTA) cannot be the end of the road as far as enhanced opportunities for Canadians to benefit from our internal market are concerned. To that end:

- Enforce constitutional provisions underpinning Canada's economic union.
- Bolster the CFTA dispute-settlement mechanism to strengthen its enforcement tools.
- Tackle regulations hampering movement of goods across the country, particularly in trucking.
- Work with provinces to create new mechanisms to enable businesses to operate in multiple Canadian jurisdictions without having to register separately in each province or territory.

William B.P. Robson is President and CEO of the C.D. Howe Institute.

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From: Christian Leuprecht
To: The incoming Minister of National Defence
Date: October 31, 2019

World order and the global security environment are complex, unpredictable and deteriorating – particularly in East Asia and Eastern Europe. The mandate of the Minister of National Defence must, therefore, reflect these challenges and forge a defence team of regular, reserve and civilian members with the skillsets and capabilities to assert Canada's interests at home, on the North American continent and abroad, as directed by the government.

The role of the defence team is to protect and advance Canada's fundamental national interests – security, sovereignty, prosperity, a favourable world order, and our fundamental values: freedom, democracy, the rule of law and human rights.

Reliant on North American and NATO allies, Canada has become a 'consumer' of security. The minister must ensure Canada continues to contribute to national, regional and international security with our allies through modern, well-equipped and capable armed forces. The minister is expected to amplify and accelerate Canada's defence strategy within the fiscal framework of [Strong, Secure, Engaged: Canada's Defence Policy](#) while reducing partisanship in defence policy.

Among the priorities in the near term:

- 1 Establish ministerial monitoring committees to support you in exercising civil control over defence with a focus on:
 - leveraging the deputy minister's powers under the *Accountability Act* to ensure that all spending is fully aligned with *Strong, Secure, Engaged*, prioritizing accelerated acquisition of new fighter aircraft and new surface and sub-surface combatant vessels;
 - re-organizing, re-structuring and expanding the Royal Canadian Navy, Canadian Army and Royal Canadian Air Force Reserves to enhance both operational and domestic capabilities and provide opportunities for more Canadians to serve their country;
 - raising the profile and reputation of the Canadian Armed Forces as the [Profession of Arms](#) in Canada, with a particular focus on the effectiveness of training, education and professional development
 - recruitment, retention and attrition; including
 - i [compensation](#) relative to skills, competency and experience;
 - ii competitive pension and benefits;
 - ensuring the armed forces is an employer of choice;
 - flexibility within [Universality of Service](#) requirement, while assuring the deployment capabilities of uniformed service.
- 2 Prepare negotiations with the United States on:
 - NORAD renewal and modernization of the early-warning, identification and interception of air-, space-, and seaborne threats to Canadian and US sovereignty and security by tasking the Chief of the Defence Staff to provide military advice on:
 - * the fiscal, policy, legal and resource implications associated with full NORAD operational integration if Canada were to join the Ballistic Missile Defence program.
 - * efficiencies and economies of acquiring a fixed-wing combat platform to protect the continent jointly with Canada's US allies and remedy attrition among fighter jet pilots while avoiding excessive multi-fleet operating costs and interoperability limitations with the US and allies.
 - * a Civil Response Pact to formalize an integrated continental response to natural disasters.
- 3 Deepen defence cooperation under the Canada-European Union Strategic Partnership Agreement by joining in the EU's [Permanent Structured Cooperation](#).

In the medium term, the minister shall commission reviews to:

1. Take the lead on establishing a Canadian Defence Procurement Agency and prepare associated changes in departmental mandates to assure timely and cost-effective procurement while ensuring seamless interoperability with United States and NATO.
2. Gauge benefit to Canada by prioritizing delivery timelines, capability and cost over Industrial and Technology Benefits (ITB), and reinvest defence offsets in capital spending to further defence renewal.
3. Engage the National Security and Intelligence Advisor to build capacity to generate strategic intelligence assessments to guide the ends, ways and means of potential needs for military and civilian whole-of-government response to alleviate suffering or manage crises with a bearing on Canadian interests and values.

Christian Leuprecht is Class of 1965 Professor in Leadership at the Royal Military College and director of the Institute of Intergovernmental Relations at Queen's University. He is also Eisenhower Fellow at the NATO Defence College.

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From: Alexandre Laurin
To: The Incoming Minister of National Revenue
Date: October 28, 2019

As you embark on your term as Minister of National Revenue, your top policy priorities should include:

- The Canada Revenue Agency (CRA) should produce [audit metrics comparing audit reassessments to taxes ultimately paid, after appeals and court adjudication](#). CRA's focus on overall metrics such as "tax earned by audit" and the proportion of audits leading to reassessments can become an implicit incentive for individual auditors to over-assess. A recent [Auditor General's report](#) found that 65 percent of taxpayer audit objections were decided in favour of the taxpayers for either all or part of the disputed tax amounts. The Auditor General found that the additional revenue reported by the CRA as a result of its compliance activities was overstated because it did not [accurately reflect](#) the amount of tax it could not collect. This means that the impact of audits on the government's fiscal results was significantly less than the agency's [estimates](#).
- Work with the Minister of Finance to develop a reporting mechanism that would allow for donations of private company shares and real estate to receive the same favourable tax treatment that is granted for donations of publicly traded shares to registered charities. This would unblock major new support for Canada's charities. [Exempting donations of privately held securities from tax](#) will require an amendment to the *Income Tax Act*. To maintain the incentive to donate environmentally sensitive land to charities dedicated to its conservation, only a partial exemption should apply to donations of other real estate.
- Work with provinces to explore creating a federal-provincial "[Canadian Charities Council](#)." This new Council would assume from the CRA responsibility for registering charities. It would also advance the common law definition of charity, regulate the non-tax-related aspects of the charity system, adjudicate disputes regarding a charity's registration, and ensure compliance with the rules the council creates.

Alexandre Laurin is Director of Research at the C.D. Howe Institute.

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From: Grant Bishop
To: The Incoming Minister of Natural Resources
Date: October 23, 2019

Canada's natural resources are the bedrock of national wealth and prosperity. Our energy, mining and forestry sectors represent highly innovative industries that have provided employment for millions of Canadian workers, propelled productivity growth and international trade since well before Confederation.

However, confidence for new investments in Canadian natural resource sectors has been [seriously impaired by uncertainty](#) around regulatory timelines and final approvals – particularly for new petroleum extraction projects and consequent bottlenecks for exports of upstream production. Canada's natural resource industries are at forefront of the challenge to reduce nationwide greenhouse gas emissions and Canada's contribution to the international efforts for mitigating climate change.

Within its jurisdiction under the Constitution, the federal government must ensure the development of infrastructure for natural resources, manage impacts from resource development on federal jurisdiction, promote the economically-efficient reduction of greenhouse gas emissions, and advance reconciliation with Indigenous peoples – including satisfying the constitutional duty to consult for any federal approvals. At the same time, it must respect the Constitution's division-of-powers under which production and development of non-renewable natural resources and generation of electricity are exclusively assigned to provincial jurisdiction.

Therefore, as you embark on your term as Minister of Natural Resources, your priorities should be to:

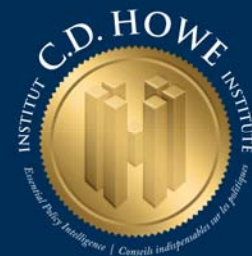
- Manage the effective establishment and staffing of the Canadian Energy Regulator (CER). In particular, you should ensure that this new body effectively builds on the expertise and well-developed processes of the predecessor National Energy Board (NEB). As recommended in [earlier Institute research](#), the new regulator must be able to attract top technical and economic talent in order to support rigorous impact assessments for new inter-provincial pipelines, power transmission projects and offshore exploration. As well, you should formulate policy directions and consider legislative amendments to [establish economic efficiency as the core principle](#) to guidance the CER's "public interest" decisions.
- Work collaboratively with provincial governments to ensure efficient allocation of transport capacity on inter-provincial crude oil pipelines. In particular, you should work with energy ministers in Alberta and Saskatchewan to address issues around verification procedures and market transparency identified in the [March 2019 NEB report](#) on optimizing oil pipeline and rail capacity out of Western Canada.
- Advance market access for crude oil through the prompt construction of the Trans-Mountain Expansion to help mitigate the [significant competitive disadvantage](#) facing Western Canadian oil production because of inadequate pipeline capacity.
- To provide certainty that TMX will be completed, work with the Attorney General and Minister of Justice to expediently resolve the ongoing legal challenges to the adequacy of federal government consultation with affected Indigenous peoples.
- Work with the industry proponent (TC Energy), Minister of Global Affairs and Canada's Ambassador to the United States in order to resolve legal challenges and secure political support for the construction of the Keystone XL pipeline. [Legal uncertainty still surrounds](#) this project, which would provide critical capacity for oil exports to the U.S. Gulf Coast.
- Support provincial governments and the CER to resolve bottlenecks for Western Canada's natural gas production. Alberta's 2018 Natural Gas Advisory Panel (the [Kvisle Report](#)) underscored that constrained export capacity contributes to volatility and large discounts on natural gas production. Therefore, you should act on the Kvisle Report's recommendations for the federal government – in particular, to address regulatory delays for additional pipeline capacity and LNG facilities.
- While respecting provincial jurisdiction for power generation and electricity markets, work with provinces to promote inter-provincial electricity trade. In particular, NRCan's 2018 studies on [Regional Electricity Cooperation and Strategic Infrastructure](#) emphasized the potential for interregional interconnection to enhance reliability and access to low-GHG power. You should support discussions between provinces to align on market rules and [build-out of high-voltage transmission](#) to inter-connect provincial grids.
- Work with the Minister of Environment and Climate Change to ensure efficient, timely and robust assessment for major projects under the new federal impact assessment legislation (passed as Bill C-69). Given perception of [increased political risk](#) for approvals under the new legislation, you should ensure NRCan's Major Project Management Office [streamlines handoffs, eliminates duplication and enforces accountability through federal approval processes](#).
- Support initiatives for demonstration and commercial-scale deployment of small modular nuclear reactors (SMRs), following the collaborative 2018 ["SMR roadmap."](#) In particular, evaluate what time-limited government financial support might be appropriate to accelerate technological development, and address [remaining questions](#) about the regulatory approval processes under the new federal impact assessment processes.
- To leverage Canada's [comparative advantage in forestry](#), work with the Minister of International Trade to advance trade agreements for forest products, and provide appropriate supports for innovation and commercialization.

Grant Bishop is the associate director of research for the C.D. Howe Institute.

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MANDATE LETTERS



As Canada forms its next government, the Prime Minister's Office will be preparing ministerial mandate letters. In this special Intelligence Memo series, policy experts highlight key challenges and priorities in each minister's portfolio.

From: Daniel Schwanen
To: The Incoming Minister of Trade Diversification
Date: November 18, 2019

Much of Canada's prosperity derives from international trade and Canada's interests on that score lie in a secure and predictable framework for business relationships to develop across borders; one that ensures as far as possible that Canada is not discriminated against as a place from which to do business with nationals from any country.

Our trade with the United States remains, in general, more open than that with any other country. However, recent US protectionist actions have made that trade less predictable, and the expected replacement of NAFTA with CUSMA will make it more difficult in some key sectors such as automobiles.

Meanwhile cross-border trade has grown rapidly elsewhere, notably in the Asia-Pacific region, and new agreements have opened up trade with other economies such as the European Union and Japan. An overarching priority will be to accelerate our preparedness to benefit from those markets.

At the same time, one of your key challenges will be to devise, with the Minister of Global Affairs and other cabinet colleagues, the appropriate trade stance in the face of actions by foreign governments that violate the rights of Canadian citizens and potentially threaten Canada's or global security, or human rights, as described [here](#). As well, other major policy differences between countries, such as approaches to climate change, may lead to the imposition of new barriers to trade. You will then, inevitably, need to think through linkages between trade and other policy areas, moving forward with like-minded countries in areas of common interest, and taking vigorous action to ensure Canadian businesses are not discriminated against by our trading partners.

Accordingly, as you embark on your term as Minister of Trade Diversification, your priorities should be to:

- Work toward the renewal of and strengthening of the multilateral trading system, by helping to break the impasse over the appointment of new WTO Appellate Body members, and fostering productive discussions on the ambit and effectiveness WTO dispute settlement mechanism more generally. As well, seek clarity on the uses and misuses of exemptions from normal trade rules for national security, and support progress on discrete issues that could garner a wide consensus, such as facilitating e-commerce and trade for small businesses.
- Work closely with ministerial colleagues to review domestic barriers that impede Canadian trade success, including barriers to Canada maximizing its competitive advantages, to the marketing of innovative Canadian goods and services, to integration in regional value chains, and to the growth of smaller businesses internationally.
- Expand and consolidate Canada's network of trade agreements, focusing on like-minded countries and/or areas where competitors are also seeking to expand. Areas of geographical focus should be the future trade relationship with Britain post-Brexit, expansion of the CPTPP, and launching trade negotiations with the Association of Southeast Asian Nations (ASEAN).
- Make headway on a trade agreement with India, in particular by finding ways through which a controlled number of personnel from Indian firms could temporarily work in Canada, in exchange for more opening to Canadian goods, services and investments.
- Work with like-minded economies to integrate existing trade agreements among them into a single tariff-free zone for most goods originating in any of the partners, as I suggested [here](#).
- As a starting point, propose to immediately change the threshold value (typically \$1,000) below which costly paperwork to prove a good's origin is not required at the border, from the value of the shipment to the value of duties otherwise payable, with any partner willing to reciprocate, as suggested [here](#), and facilitate transshipments among these partners.
- To encourage Canadian firms to diversify their markets geographically as a risk-reduction strategy, expand the Canadian Technology Accelerators program abroad to more sectors, including services sectors and natural resources-based sectors, and to additional fast-growing economies.
- Promote the revival of the Trade in Services Agreement, as an exemplar of an agreement that could help Canada, the United States and other advanced economies better use their comparative advantages in many commercial services.
- In a world in which our biggest trading partner and others are turning more toward managed trade in some sectors, for example with respect to public procurement, report on whether Canada's good faith application of its trade agreements puts its producers at a competitive disadvantage, and if so, consider what remedies are available.

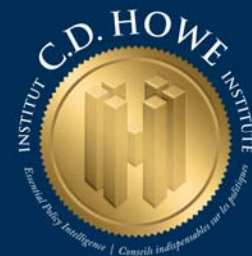
Daniel Schwanen is Vice-President Research at the C.D. Howe Institute.

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MANDATE LETTERS



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From: Benjamin Dachis
To: The Incoming Ministers of Transportation and Infrastructure
Date: November 1, 2019

As you embark on your terms as Ministers of Transport and Infrastructure, your top priorities should include:

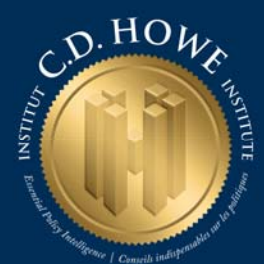
- Eliminate the [cap on revenues from grain](#) shipments that rail companies can collect. The cap means that if a rail company charges higher prices for a grain customer, the company must lower prices for other grain customers than what the market would normally bear. The result may be lower investment and lower service levels.
- Build on the previous government's [raising of the](#) voting-share ownership limit in CN Rail by any individual owner to 25 percent from 15 percent. A [similar restriction](#) for domestic airlines was recently raised from 25 percent to 49 percent. You should now totally abolish both ownership limits. Such restrictions increase the cost of borrowing and limits the size of the available capital pool to finance spending and make companies more vulnerable to cyclical downturns. Rely instead on the *Investment Canada Act* to block major foreign purchases that may be detrimental to Canada.
- Revisit a part of bill C-49, [passed last year](#), that empowered the Minister of Transport to allow airline joint ventures, like code-sharing, even when the Competition Bureau thinks they are anti-competitive. If you choose to retain this, amendments to the legislation should require that both the minister's and the bureau's full decisions become public.
- Rethink the ownership model of airports and seaports. Start with a voluntary program in which airport authorities that wish to open up ownership can do so. Private airports are becoming commonplace around the world and tend to be [less costly for passengers](#). Such sales [could raise](#) between \$7.2 billion and \$16.6 billion. Similarly, [unlock](#) the federal government's \$2.6 to \$3.4 billion in equity value in major seaports by bringing in private investors. Create an arms-length regulator in cases where monopoly power may be a concern.
- Revisit the governance of the Canada Infrastructure Bank (CIB). If done right, doing large infrastructure projects through the CIB has the potential to significantly improve the effectiveness of infrastructure investment in Canada's cities. The CIB and its governance should be reformed, not eliminated.
- When the ministry and the CIB analyze individual investments, [only support projects](#) that exceed the social opportunity cost of capital, which is the [marginal cost of public funds](#).
- Increase the role of private sector investment in infrastructure instead of government funding through increased private ownership or use of public private partnerships. Ignore [arguments that the government](#) can borrow at a lower cost. Public borrowing looks risk free for investors, but it isn't risk free for taxpayers. Public private partnerships are a successful way of reducing risk in the design, finance, and construction stages of infrastructure.
- Reduce grants to [lower-tier governments](#) for infrastructure. Grants from a higher order of government create numerous problems for local governments. They can lead local governments to spend more on low value-for-money projects when failure to use a grant risks losing access to federal funds.
- Limit grants for infrastructure to two criteria, both based on inter-jurisdictional spillovers. First, when infrastructure can expand trade for producers across the country and the benefits are shared across provinces. Second, when tax revenues from productivity enhancing infrastructure supports the federal bottom-line.

Benjamin Dachis is Director of Public Affairs at the C.D. Howe Institute.

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MANDATE LETTERS



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From: Benjamin Dachis
To: The Incoming President of the Treasury Board
Date: November 7, 2019

As you embark on your term as President of the Treasury Board, your top priorities should include:

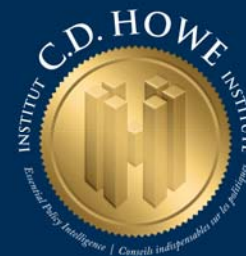
- Pursuit of regulatory modernization by improving regulatory agility and innovation, supporting a fair and competitive economy, and improving cooperation across jurisdictions. Focus on reducing the inefficiency and overlap of regulation and measure the cumulative burden of regulation.
- Conduct a review of government services to determine which must be both financed and provided by the government, which services must be financed by government but can be more efficiently provided by others, and which services currently provided by government can be both financed and delivered outside of government.
- Target savings of 15 percent from procurement by centralizing procurement processes across government (recommended [here](#) for Alberta). Partner with all ministries to find opportunities for saving. Explore using third-party logistics providers to offer efficient methods of warehousing and procurement.
- Conduct good faith consultations – which mean a meaningful look for solutions by all parties – with federal unionized public sector employees to find ways to deliver savings consistent with return to fiscal balance by 2023/24. This approach is similar to what other provinces [have done or need to do](#) in the coming months. If consultations do not result in savings, consider statutory requirements on wage increases consistent with the return to balance.
- Working with the Minister of Labour, explore extending essential service designation to federal employees. Rather than allowing the full right to strike or requiring all disputes go to arbitration, a designation model can lower [labour costs](#) and protect public service delivery. Essential services designation allows workers the right to strike, but requires that truly essential services – as agreed to by both the union and employers in advance – are maintained during work stoppages. With the Minister of Labour, jointly conduct a review of [interest arbitration](#) in labour legislation that covers federal employees to ensure the system is efficient and acts in the broader public interest.
- Wherever possible, centralize collective bargaining that is currently conducted by disparate employers. The nearly 300,000 [federal public servants](#), many of them of unionized, are spread over many employers. Centralized bargaining can [lower costs](#) to governments by not allowing a single outlying employer offer to set a precedent for wage increases across the entire sector.
- Conduct a review of the federal government's sick leave policies, as unionized public-sector employees have [taken considerably more sick](#) days than did private-sector counterparts. Appropriate personal, sickness, and family leave respects expectations on the part of employees and employers and improves planning capacity in the workplace and at home. Consider reforms to short-term disability policies that reduce costly banked sick day liabilities.
- Work with the Ministry of Finance and the Auditor General to restate the [value of federal pension obligations](#) incurred after 2000. The 2018 Public Accounts restated the value of these obligations incurred before 2000, using an economically meaningful measure crucial to assessing the government's overall fiscal position and ability to meet its commitments. All federal pension obligations are alike, and the Public Accounts should show the entire obligation on a consistent basis.
- Work with the Minister of Finance to have future public accounts published within 3 months of the March 31 fiscal year-end, as do the [leading provinces](#).
- In analyzing the fiscal cost of every government dollar of spending, incorporate the marginal cost of public funds. This is the measure of the [social cost of every dollar](#) of taxation. Work with the Minister of Infrastructure to incorporate the marginal cost of funds in cost-benefit analysis guidelines across government as the first priority area to include these cost estimates. Only support [spending proposals](#) that exceed the social opportunity cost of taxation.
- As the central agency responsible for overall government management practices, review the adequacy and effectiveness of the instruments – such as ministerial letters – to ensure Crown agencies are receiving clear guidance from government, with well-defined key performance indicators.
- Undertake a review of the composition of Crown boards and the role of government representatives on them. There is inconsistency in government representation on some boards of directors. Some Crown corporations with financial responsibilities continue to have government representatives on their boards of directors, including CMHC, CDIC, and the Bank of Canada. Other Crowns also present financial risks and responsibilities for the government but have no government representative on their boards.

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From: Tammy Schirle

To: The Incoming Minister of Women and Gender Equality (formerly Status of Women Canada.)

Date: October 22, 2019

As minister, your overarching goal will be to advance gender equality in Canada's economic, social, and political life.

You are responsible for taking a leadership role in the government-wide implementation of [Gender-based Analysis Plus](#), an analytical process used to assess how diverse groups of women, men and non-binary people may experience policies, programs and initiatives.

As such, you are expected to work with your colleagues in all ministries, as well as with officials and counterparts at the provincial and municipal levels, to work on a wide range of policy issues and priorities.

As you embark on the start of your term, your top priorities should include the following:

- Continue to lead Canada's efforts to mainstream gender equality and Gender-based Analysis Plus in the decision-making process of government, in Canada and abroad.
- Continue investments in the collection and tracking of gender and diversity data, particularly with respect to indicators used in [the Gender Diversity Framework](#). Furthermore, you will identify areas in which further investments are needed to improve the government's research capacity.
- Support the Minister of Employment, Workplace Development and Labour and the Pay Equity Commissioner in the administration and enforcement of the *Pay Equity Act*, including the development of the regulations required to bring it into force.
- Work with the Minister of Finance and the Minister of Families, Children and Social Development to improve the support provided by our Employment Insurance system, especially provisions for maternity and parental leaves, to better support the needs of all workers given their roles in the family and today's labour market.
- Work with the Minister of Finance to review provisions of the *Income Tax Act*, ensuring measures are designed to support the labour force attachment of women. In particular, this requires careful consideration of provisions whereby eligibility depends on family income and may create [high marginal tax rates](#) that discourage labour force attachment for secondary earners in a family.
- Work with the Minister of Families, Children and Social Development, the Minister of Seniors, the Minister of Finance, and the Ministers' provincial and territorial counterparts to ensure the design of our retirement income system remains relevant and effective for generations to come. A review of the existing retirement income system will be mindful of its history: its foundations were designed at a time when women's and men's roles in their families and their career plans were substantially different than today. This requires a careful review of provisions for Registered Pension Plans, the Canada Pension Plan, Old Age Security and the Guaranteed Income Supplement, and related income tax provisions.
- Work with the Minister of Justice and the Minister of Indigenous and Northern Affairs to review the calls for justice put forward by the National Inquiry into Missing and Murdered Indigenous Women and Girls.
- Work with the RCMP and other police services across Canada to ensure consistent reporting of gender and other relevant characteristics in crime reporting. Consistent information is vital to inform policy development aiming to end gender-based violence and ensure access to justice.

Tammy Schirle is Professor of Economics at Wilfrid Laurier University, and is a C.D. Howe Institute Research Fellow.

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