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THE PRODUCTIVITY BLUEPRINT

AN AGENDA FOR HIGHER LIVING STANDARDS IN CANADA

Canada's productivity problem is a living standards problem. The C.D. Howe Institute's Productivity Blueprint draws on decades of non-partisan, peer-reviewed research to set out an actionable agenda for stronger investment, higher productivity, and greater prosperity.



THE C.D. HOWE INSTITUTE PRODUCTIVITY BLUEPRINT: AT A GLANCE

Canada has a productivity problem. Productivity, the amount we produce for each hour worked, is the main source of rising incomes and living standards over time. Canada's GDP per capita tracked that of the United States from 1994 to 2014, but has fallen behind the US and other advanced economies since. Tariff threats and a more unpredictable world have made tackling this problem more urgent than ever.

This introductory report sets the stage for the C.D. Howe Institute's Productivity Blueprint. It brings decades of Institute research together into a framework for an actionable agenda for governments. It:

- Shows how Canada performs against its peers on living standards, productivity, and business investment, and why productivity matters so much.
- Explains why there is no single fix: productivity ultimately comes from three sources – capital deepening, human capital, and the efficiency with which both are used – and each is shaped by different policy levers.
- Organizes government action into eight pillars built around those levers: tax, regulation, competition, human capital, innovation, business growth, trade, transportation and supply chains, and fiscal policy and government productivity.
- Draws exclusively on more than a decade of C.D. Howe Institute research across those eight areas, laying the groundwork for more than 100 actionable recommendations for governments in the full Blueprint.

The Productivity Blueprint will be updated as new work is published, giving policymakers a clear plan to tackle the barriers that keep Canada from reaching its massive potential.

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CANADA'S STANDARD OF LIVING CHALLENGE

Years of weak productivity growth have eroded Canada's relative living standards, widening the gap not only with the United States but with other advanced economies as well.

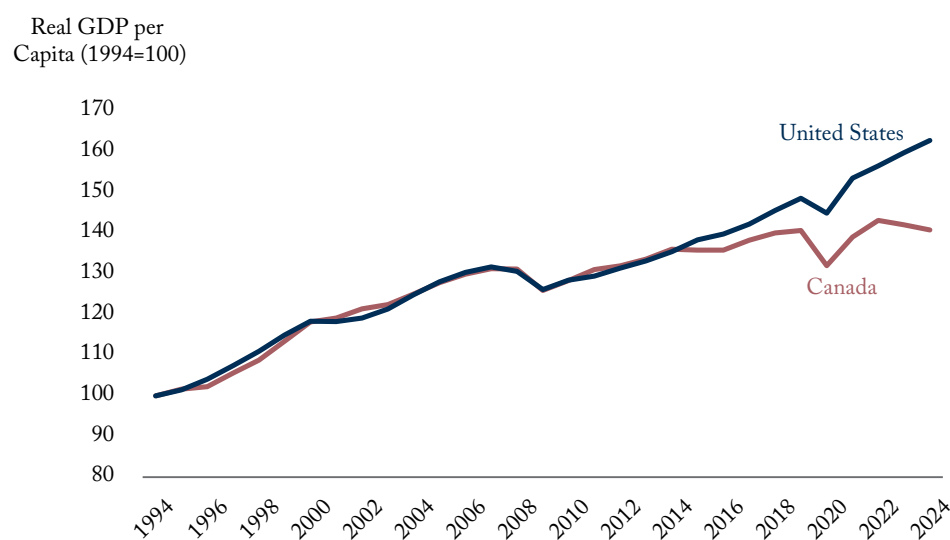
The broadest measure of living standards is a country's gross domestic product (or GDP) per capita, which measures the total value of goods and services it produces each year, divided by its population. This is a rough gauge of how much income is available, on average, to support each person's standard of living. Although Canada's inflation-adjusted, or real, GDP per capita tracked that of the United States between 1994 (the year the North American Free Trade Agreement [NAFTA] came into effect) and 2014, it has fallen

considerably behind since (Figure 1), as the US has surged ahead of other economies on that metric (Figure 2).

Since 2014, Canada has also trailed other countries, including small, open economies like Australia and Sweden (Figure 3).

As we will see below, Canada's GDP per capita performance is directly linked to its productivity performance. In March 2024, Bank of Canada Senior Deputy Governor Carolyn Rogers called Canada's poor productivity a "break the glass" moment.¹ That warning came before the latest US administration's tariff threats and heightened geopolitical instability. With Canada's economy facing these external pressures alongside its longstanding underperformance, addressing the country's lagging productivity is more urgent than ever.

Figure 1: Canada's GDP per Capita Growth Has Fallen Behind the United States

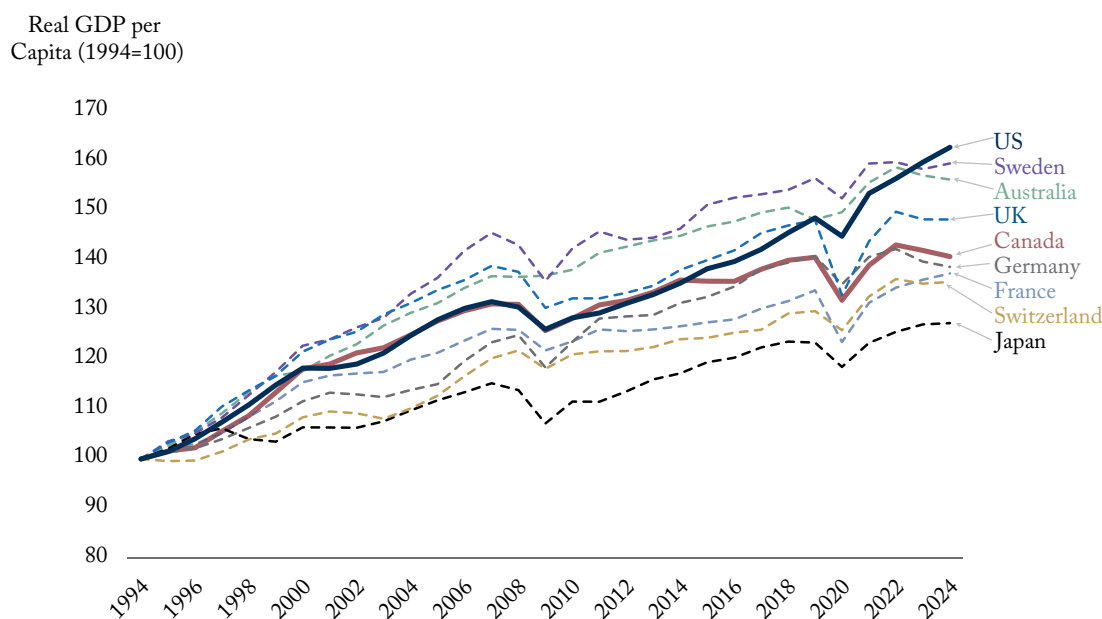


Note: Real GDP per capita is measured in chain-linked volumes, expressed in constant 2020 US dollars adjusted for purchasing power parity (PPP). Each series is indexed to 1994=100; the chart therefore reflects cumulative growth rather than differences in income levels.

Source: OECD, Productivity Database (OECD Data Explorer), accessed September 2026.

1 Rogers, Carolyn. 2024. "Remarks to the Halifax Partnership." Halifax, Nova Scotia. Bank of Canada. March 26.

Figure 2: Canada Has Fallen Behind in GDP per Capita Growth, 1994-2024



Note: Real GDP per capita is measured in chain-linked volumes, expressed in constant 2020 US dollars adjusted for purchasing power parity (PPP). Each series is indexed to 1994=100; the figure therefore reflects cumulative growth rather than differences in income levels. Source: OECD, Productivity Database (OECD Data Explorer), accessed September 2026.

The C.D. Howe Institute has spent decades building the rigorous, evidence-based analysis needed to understand and address Canada's economic challenges. Our Productivity Blueprint brings together this work into an action-ready agenda to spur productivity-enhancing investment and, ultimately, raise Canadians' standard of living.

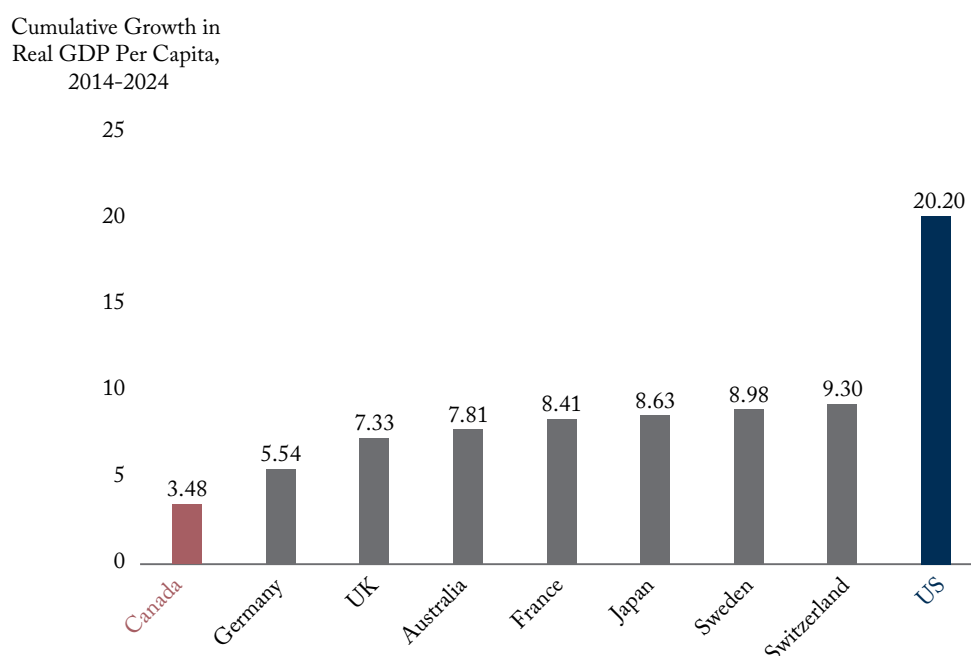
WHY PRODUCTIVITY MATTERS

High living standards depend significantly on people's access to the material goods and services they need or desire, whether provided privately or publicly.

Improving the availability of these goods and services depends, in turn, on our ability to produce more of them, improve their quality, or produce something we can trade for them with sellers in other countries. The sum of this production, typically termed gross domestic product or GDP, is, mechanically, the number of hours worked multiplied by the amount produced in each hour. This latter variable – output per hour – is called labour productivity.

This matters directly for household incomes. Productivity growth is a key source² of sustained growth in worker compensation over time. Without it, higher pay is difficult to sustain without raising

2 Williams, David M. 2021. "Pay and Productivity in Canada: Growing Together, Only Slower than Ever." *International Productivity Monitor* 40: 3-26.

Figure 3: Canada's GDP per Capita Gap Has Worsened Since 2014

Note: Real GDP per capita is measured in chain-linked volumes, expressed in constant 2020 US dollars adjusted for purchasing power parity (PPP). Cumulative growth is the percentage change in real GDP per capita between 2014 and 2024. Countries are ordered from lowest to highest cumulative growth.

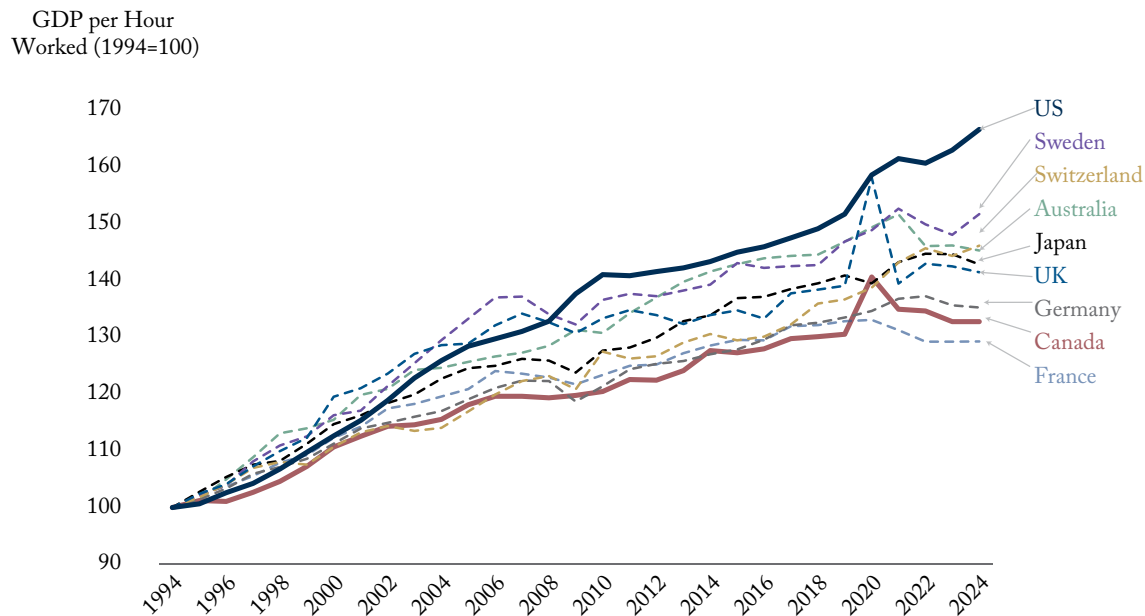
Source: OECD, Productivity Database (OECD Data Explorer), accessed September 2026.

prices or squeezing margins. In practice, Canadian compensation growth has not perfectly matched productivity gains in recent decades (although it has tracked them closely), but weak productivity growth makes the underlying problem worse, not better. Higher productivity means more or higher-quality products are available, fewer hours are needed to produce them, or both. In other words, access to the material goods and services people need or want, along with more time for ourselves, depends on productivity.

CANADA'S PRODUCTIVITY CHALLENGE

In recent decades, Canada has performed poorly on labour productivity compared with peer countries – especially the United States. Figure 4 illustrates the widening gap in what Canadians and people in other countries can produce and, in a broader sense, afford³ per hour of work. Canada has consistently lagged multiple peer jurisdictions in GDP per hour worked, with the gap growing especially large against the United States. Other countries have

3 The link is not always exact when countries 1) trade with each other, when the price of exports can fluctuate relative to that of imports, or 2) their residents invest or work in another country, whereby their earnings contribute to their home country's purchasing power, but their output counts in the host country's GDP.

Figure 4: Canada's Labour Productivity Growth Has Lagged Others, 1994-2024


Note: Real GDP per hour worked is measured in chain-linked volumes, expressed in constant 2020 US dollars adjusted for purchasing power parity (PPP). Each series is indexed to 1994 = 100; the figure therefore reflects cumulative growth in labour productivity rather than differences in productivity levels.

Source: OECD, Productivity Database (OECD Data Explorer), accessed September 2026.

increased their productive capacity faster than Canada has.

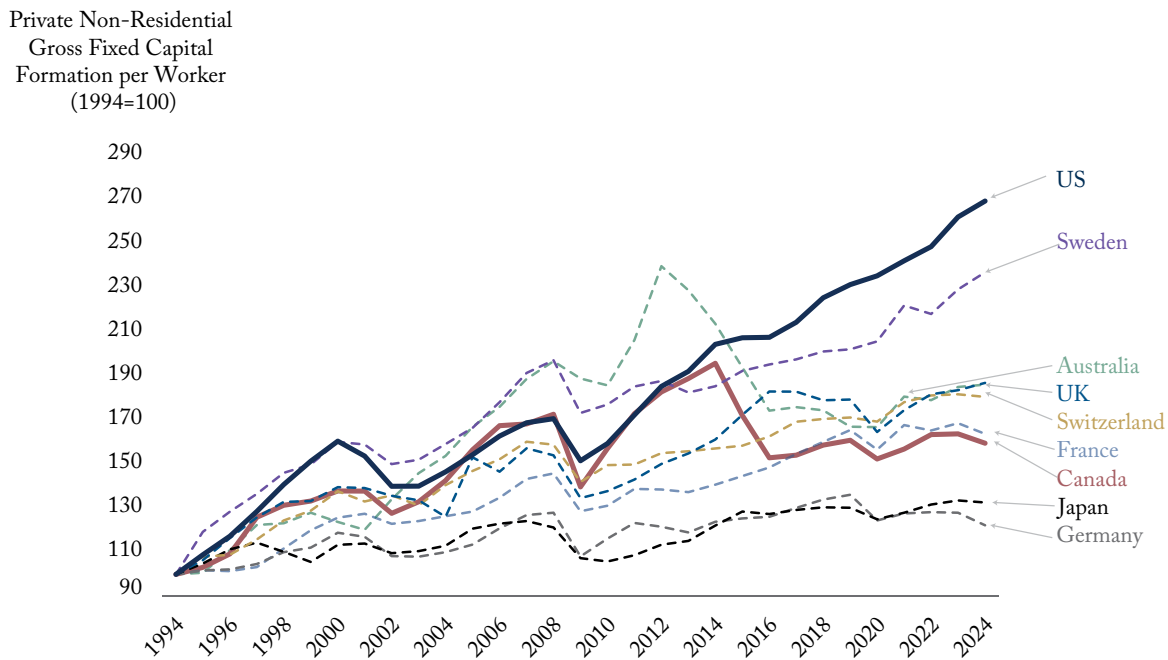
An economy's productivity – i.e., GDP per hour worked – is not the sole driver of overall well-being for its residents. For one thing, GDP per capita is an average measure that does not account for how the fruits of production are distributed across the population. And as the adjective “gross” indicates, GDP does not subtract the depreciation of the capital used to produce output, including non-renewable natural capital, although other measures do.

Despite these limitations, GDP per capita – and the labour productivity that contributes to it – is strongly correlated with the more subjective measures of well-being, like self-reported life satisfaction. These measures, while important, lack the concreteness needed for policy decision-making. GDP also correlates directly with governments' ability to raise revenues to finance public services. In general, higher

GDP expands the resources available for a country's residents to enjoy a good life.

WHY INVESTMENT MATTERS

Policymakers can influence several factors that are key to a country's productivity. One is the quality of the labour force: workers' education, skills, and training determine how well they can put available technology to use. Another is firms' willingness to invest in equipment, facilities, and knowledge, together known as fixed capital, which gives workers more capital to work with and makes them more productive. Innovation is also a driver of such investments, as new technologies that better meet human needs often reach the economy through new capital investment, or through better ways to use the existing human resources and fixed capital.

Figure 5: Canada Has Fallen Behind on Business Investment per Worker Growth, 1994-2024

Note: Private non-residential gross fixed capital formation (GFCF) is expressed in US dollars adjusted for purchasing power parity (PPP) and divided by total employment. Each series is indexed to 1994=100; the chart therefore reflects cumulative growth in private non-residential investment per worker rather than differences in investment levels.

Source: OECD, Economic Outlook No. 119 (OECD Data Explorer), accessed September 2026.

Canada also lags on such fixed capital investment – in machines, equipment, and technology – consistent with its weak productivity performance overall. Canada trails most peer countries on capital available per worker (Figure 5).⁴ It also lags on investment as a share of the economy – Canada has invested less than most of its peers in gross fixed capital for the past three decades and ranked second last among the countries shown in 2024 (Figure 6).

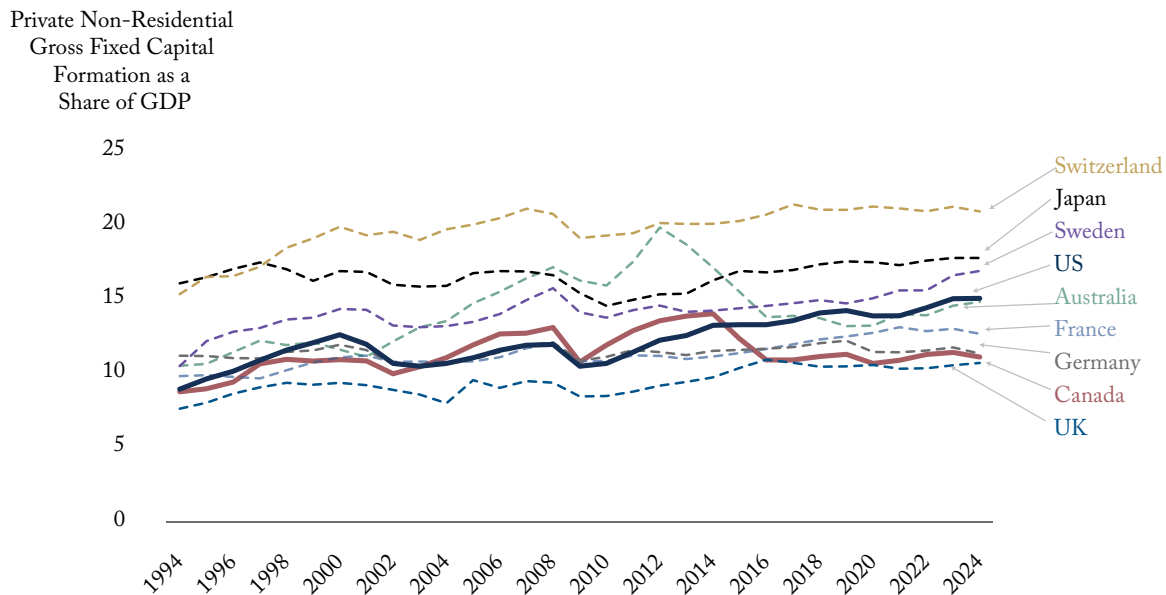
Boosting this investment performance would give Canadian workers the tools they need to catch up with their peers and produce the goods and

services that underpin Canadians' material well-being.

HOW CANADA CAN BOOST PRODUCTIVITY

Investment is driven by whether companies see real opportunities to make more, better, or new goods and services that customers, businesses, and governments want, at a price that at least covers the cost of producing them. When those opportunities are not visible or are too uncertain

4 Robson, William B.P., and Mawakina Bafale. 2025. *Canada's Investment Crisis: Shrinking Capital Undermines Competitiveness and Wages*. Commentary 699. Toronto: C.D. Howe Institute. December. <https://cdhowe.org/publication/canadas-investment-crisis-shrinking-capital-undermines-competitiveness-and-wages/>.

Figure 6: Canada Invests Less Than Most of Its Peers


Note: Private non-residential gross fixed capital formation (GFCF) is expressed as a percentage of gross domestic product (GDP). Both series are measured in national currency, so the ratio is unaffected by exchange rates or purchasing power parity adjustments.

Source: OECD, Economic Outlook No. 119 (OECD Data Explorer), accessed September 2026.

to act on, investment and firm growth stall. But when opportunities exist and government policy gets in the way, whether by blocking good jobs, useful products, or the growth of small firms into larger, more efficient ones, the resulting investment shortfall is self-inflicted and can be addressed through policy. Beyond keeping macroeconomic fundamentals like inflation and public debt stable, “microeconomic” policies also shape investment decisions by individuals and businesses.

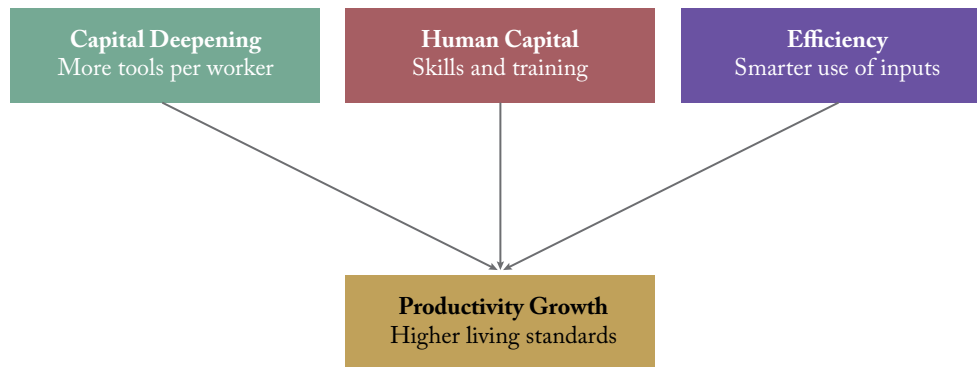
Economists often organize the drivers of investment and productivity using a “growth accounting” framework (Figure 7): increasing the capital each worker has to work with (capital deepening), improving the skills and training of the workforce (human capital deepening), and using both more efficiently through innovation, competition, and sound regulation (total factor productivity). These drivers are all reflected in the Blueprint’s eight actionable policy areas, though

many recommendations can cut across more than one (tax reform is a good example) rather than forcing every recommendation into a single theoretical category.

They are:

1. **Tax policy**, which can encourage work and production over consumption, and support or discourage business growth and innovation.
2. **Regulation**, which, when well-designed, can raise living standards and improve firm performance, but, when badly designed, can create unnecessary barriers to adopting new technologies and techniques, discourage risk-taking, and fragment markets.
3. **Competition policy**, which can help strike a critical balance between the benefits of scale and maintaining enough competition to encourage innovation.
4. **Human capital policies**, which can help build and better match Canadians’ skills and competencies to available technologies and emerging growth opportunities.

Figure 7: The Drivers of Productivity Growth



Source: Conceptualization by Charles Lammam.

5. **Innovation and commercialization policies** that support research and development (R&D) and research partnerships, encourage the early adoption of innovation through government procurement, and improve IP management, marketing support, and trade diplomacy.
6. **Policies designed to help businesses grow** from formation to scale and sustainability by improving access to capital, business advice, and support for technology adoption.
7. **Improving Canada's trade and transportation infrastructure** and removing obstacles to supply chain efficiency to give Canadian businesses the best opportunities to grow.
8. **Fiscal discipline that improves value for money in the design and delivery of government programs and boosts government productivity more generally.** Rapid public sector expansion financed by deficit spending, without commensurate improvements in service quality or efficiency, reduces growth opportunities by increasing debt, which can crowd out private investment and signal higher future taxes.

Built on decades of C.D. Howe Institute research and updated as new work is published, the Productivity Blueprint gives policymakers a clear plan to tackle the barriers that keep Canada from reaching its massive potential.

PILLAR ONE: TAX REFORM AND COMPETITIVENESS

In recent years, Canada's tax system has discouraged the investment and risk-taking businesses need to grow while weakening incentives for skilled workers to work more or stay in Canada. Corporate tax rates and capital gains treatment have both moved in the wrong direction, signalling to investors that Canada is a less attractive place to invest. However, if passed, the proposed Productivity Mega Deduction would narrow the gap with the US on investment write-offs. Canada also relies less on more efficient consumption taxes than its peers, leaning instead on the income and investment taxes that do the most economic damage. It has been nearly 40 years since Canada's last comprehensive tax reform, and that overdue reform is where this agenda begins.

The Case for Comprehensive Reform

Canada's tax system is riddled with distortions that discourage the investment the economy needs to boost productivity. Take small businesses: the tax system discourages them from growing, even though larger firms tend to be more productive and pay higher wages. The United States generally has a more favourable tax environment for business, personal, and capital gains taxes. Its 2017 *Tax Cuts and Jobs Act* erased Canada's statutory corporate tax advantage, and Canadian personal income tax rates remain high and kick in at relatively low incomes. The Productivity Mega Deduction announced in September 2026 would help. If passed, it would expand immediate expensing to roughly two-thirds of capital assets and cut the marginal effective tax rate on new business investment to less than half the US rate, according to Department of Finance calculations. But a single targeted measure addresses only one part of the system.

A recent C.D. Howe Institute proposal spells out what a "big bang" structural fix looks like. Ottawa should collapse the personal tax system from five brackets to three, replace most credits and

deductions with a simple \$10,000 optional credit, and cut the general corporate tax rate to 10 percent or replace the corporate income tax with a tax on distributed profits, paying for it with a higher GST or a new payroll levy dedicated to healthcare ([Mintz, Laurin, and Dahir 2026](#)). By the authors' estimate, the changes could unlock \$140 billion in new business investment, add 2.5 percent to GDP, and still bring in \$26 billion more a year in revenue.

Short of that scale of "big bang" reform, Ottawa has narrower options, and they fall naturally into corporate and personal tax. On the corporate side, a comprehensive review of the corporate tax system is overdue. A national tax commission would be the vehicle, with a mandate to review options for phasing out the small business tax preference and using the savings to eliminate capital gains tax on the sale of qualifying small businesses. Ottawa could also trim the general corporate rate by two points and drop the surtax on financial institutions and the tax on share buybacks, both of which tax particular sectors and transactions more heavily than comparable ones. On the personal side, the same commission should tackle the high tax rates middle-income families face as government benefits get clawed back, and Ottawa could cut federal income tax brackets from five to four by phasing the second bracket's rate down to match the lowest at 15 percent. A modest GST increase would cover the cost of these changes ([Lester 2025](#); [Robson, Drummond, and Laurin 2025](#)).

Business and Investment Taxation

Three targeted fixes would help improve investment conditions now, notwithstanding comprehensive reform. Ottawa should eliminate capital gains tax on qualifying small business shares sold to Canadian buyers, which would encourage more entrepreneurs to start companies and more investors to fund them. It should also tax income earned from patents and other intellectual property developed in Canada at a lower rate so companies have a reason to commercialize those inventions and book the

resulting profits and tax revenue in Canada ([Lester 2025](#); [Robson, Drummond, and Laurin 2025](#)). And a temporary investment tax credit, even a modest 5 percent, would give businesses an immediate reason to buy new equipment rather than wait ([Robson and Bafale 2025](#)).

Personal Taxation and Work Incentives

Canada's benefit system can discourage people from earning more. As income rises, taxes go up, and income-tested benefits shrink at the same time, which can push the effective tax rate on an extra dollar earned above 50 percent, and above 75 percent for some lower-income families ([Dahir and Laurin 2025](#)). Ottawa should better coordinate how these programs interact so they stop working against each other. It should also let workers average their income over several years so a single strong year of freelance or contract earnings does not trigger a disproportionate tax hit and benefit clawback, a problem that increasingly hits Canada's growing pool of gig and contract workers hardest.

What Provinces and Municipalities Can Do

Provinces and cities have room to improve too. Land transfer taxes rank among the most economically damaging taxes any government levies since they discourage people from moving to better jobs or better-suited housing ([Dachis 2012](#); [Dachis 2020](#)). Provinces and cities that still charge them should wind them down and lean more on property taxes instead, since those work as a fee for local services, not a tax on moving ([Dachis 2020](#)). Where governments are tempted to offer property tax relief or deferrals, income-tested support aimed directly at people who need it would do the job better ([Dachis 2020](#)).

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Tax Reform and Competitiveness Recommendations Summary

Recommendation	Area of Reform	Level of Government	Source Document
Pursue “big bang” tax reform, collapsing personal income tax to three brackets, replacing most credits with a \$10,000 basic allowance, and cutting the general corporate tax rate to 10 percent	Comprehensive tax reform	Federal	<u>“Big Bang” Tax Reform: Unleashing Growth in the Canadian Economy</u>
Establish a national tax commission to pursue comprehensive tax reform	Comprehensive tax reform	Federal / Provincial	<u>An Economic Strategy for Canada’s Next Government</u>
Cut federal income tax brackets from five to four, trim the corporate rate by two points, drop the surtax on financial institutions and buyback tax, and offset the cost with a GST increase	Comprehensive tax reform	Federal / Provincial	<u>Putting Canada’s Economy First: The C.D. Howe Institute’s 2025 Shadow Budget</u>
Eliminate capital gains tax on qualifying small business shares sold to Canadian buyers	Business and investment taxation	Federal	<u>An Economic Strategy for Canada’s Next Government</u>
Apply a lower tax rate to income earned from patents and other IP developed in Canada	Business and investment taxation	Federal	<u>An Economic Strategy for Canada’s Next Government</u>
Introduce a temporary investment tax credit for new business equipment purchases	Business and investment taxation	Federal	<u>Canada’s Investment Crisis: Shrinking Capital Undermines Competitiveness and Wages</u>
Coordinate federal and provincial benefit programs so combined clawbacks do not push effective tax rates above 50 percent	Personal taxation and work incentives	Federal	<u>The Clawback Trap: How Canada’s Benefit System Can Undermine Work and Saving</u>
Allow workers to average income over several years so one high-earning year does not trigger an outsized tax bill and benefit clawback	Personal taxation and work incentives	Federal	<u>The Clawback Trap: How Canada’s Benefit System Can Undermine Work and Saving</u>
Phase out land transfer taxes, which discourage people from moving to better jobs or housing	Provincial and Municipal tax reform	Provincial / Municipal	<u>Stuck in Place: The Effect of Land Transfer Taxes on Housing Transactions</u>
Replace land transfer tax revenue with property taxes, which function as a fee for local services rather than a tax on moving	Provincial and Municipal tax reform	Provincial / Municipal	<u>Stuck in Place: The Effect of Land Transfer Taxes on Housing Transactions</u>

PILLAR TWO: REGULATION

Canada's regulatory environment has accumulated rules, blocked development, and raised barriers to entry that discourage the investment and innovation productivity growth requires. Businesses face slow, unpredictable approvals for everything from a new subsidiary to a national pipeline. Homebuilders face duplicate inspections and outdated codes that add months to every project. Workers face professional licensing rules that treat a provincial border like a foreign one. Rules have been added for decades without always removing the ones that no longer serve a purpose, leaving the system heavier than the problems it was built to solve.

Get Major Projects Moving

A recent attempt to speed up approvals for major projects, the *Building Canada Act*, enacted through Bill C-5 in 2025, does not fix what is actually broken. The law lets cabinet fast-track a favoured list of "national interest" projects, but it never defines what national interest means, and the final approval decision still rests with politicians rather than the expert regulators who already review these projects on their merits (Vegh and Koplovich 2026). That leaves the same problem that has slowed major projects for years in place: a pipeline can clear every technical and environmental hurdle and still stall over a shift in political mood.

The fix is not a new office layered on top of the old process, but rather taking politics out of the decision. Expert regulators like the Canada Energy Regulator and the Impact Assessment Agency should have the final word on approvals, not cabinet. Reviews should stick to a project's direct effects rather than double as forums for debating national climate policy, questions better settled by

elected governments through actual legislation. And once a timeline is set, it should hold for government and applicants alike, with extensions granted only for genuinely unforeseen circumstances (Vegh and Koplovich 2026).

The C.D. Howe Institute has been making this case for years. Earlier research reached the same conclusion: let expert tribunals decide, write legislation precisely enough that reviews stay focused on what is actually relevant to a project, and stop layering federal and provincial public-interest tests on top of each other (DeLand and Gilmour 2024; Lester 2025). Ottawa introduced Bill C-39 in September 2026, proposing a one-year timeline for federal project reviews and shifting pipeline approvals to the Canada Energy Regulator. Where it lands on the questions above will become clearer as it moves through Parliament.

Eliminate Duplicative Rules

Some of Canada's highest regulatory costs come from rules that simply repeat each other. Interprovincial trade barriers are the clearest example. There are no tariffs on goods moving between provinces, but differing licensing, certification, and government-procurement rules shrink the size of Canada's internal market as effectively as a tariff would.

Removing these barriers in goods alone could raise Canada's GDP by up to 4 percent, or roughly \$120 billion a year; removing them in services would add still more (Lester 2025).⁵ Getting there requires fixing the process meant to resolve these barriers in the first place: appointing senior officials with real authority to the federal-provincial table responsible for reconciliation, giving the federal government a permanent co-chair role to help

5 Lester (2025) cites the work of Jorge A Alvarez, Ivo Krznar, and Trevor Tombe for the International Monetary Fund <https://www.imf.org/en/publications/wp/issues/2019/07/22/internal-trade-in-canada-case-for-liberalization-47100>.

break deadlocks, and estimating the cost of each unresolved barrier so governments prioritize the ones that matter most ([Manucha 2025](#)).

Provinces should agree on common baseline licensing standards in high-demand fields like nursing, engineering, and the skilled trades, adding extra conditions only where they can show a genuine public safety reason for doing so. Ontario's approach, admitting out-of-province workers automatically unless a specific exception applies, is a workable model the rest of the country should adopt ([Mahboubi and Zhang 2026](#)).

The same duplication shows up closer to Canadians' homes. Municipalities require separate building inspections for construction methods, like modular and prefabricated housing, that a neighbouring city already inspects under a different rulebook, and inconsistent codes stop builders from reusing designs that already work elsewhere. Standardizing codes and eliminating repeat inspections would let homebuilders move faster without loosening any safety standard. Municipalities should also publish clear target timelines for permit approvals and inspections, and introduce a fast-track permit process for projects using innovative construction methods, since the time savings modular and prefabricated housing offer disappear if permitting itself remains slow ([Fariha 2025](#)).

Fixing individual rules one at a time will not stop the total burden from growing back. Ottawa needs a standing, economy-wide review process to inventory existing regulations and retire or consolidate the ones that no longer earn their keep ([Edwards 2025](#)).

Where Else Is Canada Losing Ground?

Several other sectors are losing ground to regulation the same way, and the Institute has specific reform proposals for each. Auto insurance premiums in Canada rank among the highest in the world relative to GDP, and personal injury coverage

costs four times more in provinces that rely on private insurers than in those with government-run systems, evidence that heavy-handed regulation, not the private sector itself, is driving up the price. Provinces should loosen the rules that keep insurers from competing on price and product design ([Marshall 2022](#)).

Financial services tell a similar story. Canada's open banking framework still is not fully implemented years after it was first proposed, and the rollout plan needs updating now that Budget 2025 has moved well past what the original 2020 proposal assumed ([Koepl and Kronick 2020](#)). A parallel effort to modernize federal capital markets legislation has stalled for years, after Parliament voted to discontinue funding for the Canadian Securities Transition Office in 2021. Ottawa should finish the job, establishing a dedicated federal agency to manage systemic risk and a separate one to investigate and prosecute capital markets crime, an area where Canada currently applies far less enforcement intensity than the United States ([Bourque and Hyndman 2026](#)).

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Regulation Recommendations Summary

Recommendation	Area of Reform	Level of Government	Source Document
Give expert regulators final say on major project approvals	Speed up the regulatory process	Federal	Clear the Way: Does the Building Canada Act Help Canada Build?
Limit regulatory reviews to a project's direct effects	Speed up the regulatory process	Federal	Clear the Way: Does the Building Canada Act Help Canada Build?
Set approval timelines that hold for government and applicants alike, with extensions only for genuinely unforeseen circumstances	Speed up the regulatory process	Federal	Clear the Way: Does the Building Canada Act Help Canada Build?
Adopt common baseline professional licensing standards across provinces, admitting out-of-province workers automatically unless a specific public-safety exception applies	Reduce regulatory complexity	Federal / Provincial	2025 Labour Market Review: Trade Uncertainty, Structural Pressures, and Policy Priorities for Canada
Remove the remaining barriers to trade between provinces, such as the lack of mutual recognition for services and differing trucking rules on vehicle weight, size, and bridge clearances	Reduce interprovincial trade barriers	Federal / Provincial	A Backgrounder on Remaining Barriers to Internal Trade within Canada
Appoint senior officials to lead the federal-provincial table on internal trade barriers, add a permanent federal co-chair, and estimate the cost of each unresolved barrier to prioritize effort	Reduce interprovincial trade barriers	Federal / Provincial	Eyes on the Prize: A Game Plan to Speed Up Removal of Internal Trade Barriers in Canada



Standardize building codes and eliminate duplicate inspections for modular and prefabricated housing	Reduce regulatory complexity	Provincial / Municipal	<u>Building Smarter, Faster: Technology and Policy Solutions for Canada's Housing Crisis</u>
Create a standing, economy-wide review process to inventory regulations and retire or consolidate outdated ones	Reduce regulatory complexity	Federal	<u>Regulatory Reset: A Policy Roadmap for Expanding Financial Advice to Middle- and Lower-Income Canadians</u>
Allow private auto insurers to compete on price and product design	Improve auto insurance regulation	Provincial	<u>Time for a Tune-up: Reforms to Private-Sector Auto Insurance could Lower Costs and Add Value for Consumers</u>
Finish implementing open banking and update the rollout plan to reflect Budget 2025	Improve financial services regulation	Federal	<u>Open Banking in Canada – The Path to Implementation</u>
Finish modernizing federal capital markets legislation, and create two federal agencies: one for systemic risk and one for capital markets crime enforcement	Improve financial services regulation	Federal	<u>Finish the Job: Completing Canada's Capital Markets Reform Agenda</u>

PILLAR THREE: COMPETITION

Competitive markets push firms to innovate, cut costs, and treat customers well. Protected markets let incumbents coast instead, and productivity stagnates as a result. Canada has let concentration take hold in many of the sectors where competition would matter most – postal service, telecommunications, dairy, and financial services – insulating established players from many of the pressures that drive real productivity gains, whether they come from new rivals, new technology, shifting consumer preferences, or trade agreements. Exposure to competition, foreign and domestic, is one of the strongest levers Canada has to raise productivity, and in several of these sectors that lever remains underused.

Open the Door to Competition

Canada Post is losing money, but raising mail prices or expanding into new markets will only make things worse. Both options let a crown corporation lean on its legal monopoly instead of fixing its core issues. While Ottawa is already cutting costs by replacing door-to-door delivery with community mailboxes, this leaves the underlying legal structure untouched. A more complete fix would separate what Canada Post must do from what it gets to protect: end its exclusive legal privilege over letter mail, replace the universal service obligation with a direct subsidy or competitive tender for high-cost routes, and create an independent postal regulator, since Canada remains the only major Western economy without one ([De Lorenzi 2026](#)).

Telecommunications carries the same problem in a different form. Three companies still control the overwhelming majority of the Canadian market, largely because foreign ownership restrictions have kept outside competitors, and their capital, on the sidelines for decades. Lifting those restrictions would let firms like AT&T or Verizon compete directly for Canadian customers, precisely the kind of pressure that durably pushes prices down

and service up ([Goldman, Schwartz, and Taylor 2023](#)). The same regulator responsible for policing telecom access, the Canadian Radio-television and Telecommunications Commission (CRTC), is also the natural home for the new postal regulator proposed above, giving one agency jurisdiction over two sectors where Canada has let a handful of firms operate largely unchallenged.

Reform Dairy Supply Management

Canada's dairy supply management system raises prices, limits consumer choice, and shields farmers from the competitive pressure that would otherwise push the industry to become more efficient. Eliminating the system outright is not realistic given how entrenched it is, but targeted reform is. The board that sets dairy policy should include members with expertise in consumer interests and competition, not only industry representation. Price increases should be tied to actual productivity gains on dairy farms, not simply granted to offset rising costs. And Ottawa should reclaim its own authority over interprovincial and export dairy trade, currently delegated to the provinces, so provinces that want to allow freer movement of milk across borders can do so ([Busby and Schwanen 2013](#)). The case for reform is over a decade old and still unaddressed, itself evidence of how hard entrenched interests are to dislodge even when the argument for change is clear.

Make Financial Services Compete Harder

Financial services businesses face barriers to entry that are subtle but no less significant. Canada's Competition Bureau has identified specific provincial-level barriers to entry across the economy that provinces could remove on their own, without waiting on Ottawa ([Hodgson and Busby 2026](#)). Beyond removing barriers, Canada's financial regulators should be given an explicit mandate to promote competition, the way the United Kingdom's Financial Conduct Authority already does, so competitive pressure becomes

something regulators actively weigh rather than an afterthought ([Kronick and Omran 2021](#)).

Credit unions illustrate the cost of fragmentation directly. Since 2012, credit unions have been able to switch from provincial to federal regulation to operate nationally, but few have, because the switch is expensive and complex. A passport system, letting a credit union stay under its home province's regulation while still serving members elsewhere in the country, would let smaller institutions compete nationally without paying for a full regulatory conversion ([Losier 2025](#)).

Set AI Competition Rules Before Problems Set In

Artificial intelligence (AI) is still young enough that Canada can get its competition policy right early, rather than fixing it after problems take hold. The Competition Bureau should issue clearer, more specific guidelines on what anti-competitive conduct in AI actually looks like, rather than broad language. It should also engage directly with AI companies ahead of major mergers and partnerships, rather than reviewing them only afterward. Ottawa should also apply a flexible, sandbox-style approach to collaborations between large firms and smaller innovators, as some partnerships that appear to reduce competition can still foster innovation. And because AI companies operate globally, Canada should judge competition in the sector by whether smaller players can access the inputs they need – data, computing power, research capacity – rather than by how large a firm's Canadian market share happens to be ([Schwanen 2026](#)).

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Competition Recommendations Summary

Recommendation	Area of Reform	Level of Government	Source Document
Reject Canada Post's proposed mail price hikes and service expansion	Open the door to competition	Federal	<u>Untying the Gordian Knot: Reforming Canada's Postal Market</u>
End Canada Post's letter-mail monopoly, and replace the universal service obligation with direct subsidies or competitive tenders for high-cost delivery routes	Open the door to competition	Federal	<u>Untying the Gordian Knot: Reforming Canada's Postal Market</u>
Create an independent postal regulator	Open the door to competition	Federal	<u>Untying the Gordian Knot: Reforming Canada's Postal Market</u>
Remove foreign ownership restrictions in telecom	Open the door to competition	Federal	<u>How Outdated Foreign Ownership Rules Hurt Competition in Telecom and Other Sectors</u>
Reform dairy board governance to include consumer and competition expertise	Reform dairy supply management	Federal	<u>Putting the Market Back in Dairy Marketing</u>
Tie dairy price increases to farm productivity	Reform dairy supply management	Federal	<u>Putting the Market Back in Dairy Marketing</u>
Reclaim federal authority over interprovincial and export dairy trade	Reform dairy supply management	Federal	<u>Putting the Market Back in Dairy Marketing</u>
Remove financial services provincial barriers to entry identified by the Competition Bureau	Improve competition in financial services	Federal / Provincial	<u>Canada's Tariff Problem Made in Canada</u>
Give financial regulators an explicit competition mandate	Improve competition in financial services	Federal	<u>Upping our Game: How Canada's Financial Sector Can Spur Economic Performance</u>
Create a passport system for interprovincial credit union regulation	Improve competition in financial services	Federal / Provincial	<u>Time for the Credit Union Passport System</u>
Issue clearer AI competition guidelines	Set AI competition rules	Federal	<u>Chipping In: A Canadian Guide for Maintaining Competition in AI</u>
Engage proactively with AI firms before major transactions	Set AI competition rules	Federal	<u>Chipping In: A Canadian Guide for Maintaining Competition in AI</u>
Apply a flexible, sandbox approach to AI partnerships	Set AI competition rules	Federal	<u>Chipping In: A Canadian Guide for Maintaining Competition in AI</u>
Judge AI competition by access to inputs, not market share	Set AI competition rules	Federal	<u>Chipping In: A Canadian Guide for Maintaining Competition in AI</u>

PILLAR FOUR: HUMAN CAPITAL

Productivity depends on the skills, knowledge, and adaptability of the workforce. Canada's immigration system, credential recognition processes, and skills pipeline all shape the human capital available to employers. In recent years, immigration policy drifted toward temporary, lower-skilled admissions, and newcomers with strong credentials routinely end up in jobs well below their qualifications. Closing that gap, and restoring a selection system built on merit, would help raise productivity.

Restore Merit to Immigration Selection

Canada's skilled immigration system ran for two decades on a points system where one would apply, and then be ranked on education, language, and experience. The highest scorers got in. In 2023, Ottawa quietly gave itself the power to bypass that ranking through targeted, category-based draws, prioritizing specific occupations or French-language ability over the applicants who would actually perform best in the labour market. The change squeezes out highly skilled candidates and has drawn little public debate ([Green, Oreopoulos, Riddell, Skuterud, and Worswick 2025](#)).

Ottawa should return to relying on the Comprehensive Ranking System, adding proven predictors of success it currently ignores: educational institution and field of study, official language proficiency, a minimum points floor below which nobody qualifies, and pre-admission earnings, an important predictor of post-arrival outcomes the current system leaves out entirely ([Mahboubi 2024](#)). A joint federal-provincial agency should also assess the quality of foreign educational institutions and programs directly so the credentials used in immigration applications are properly verified ([Lester 2025](#)).

Raise Standards in Temporary Admission Streams

International student numbers collapsed after Ottawa tightened admission caps rather than raising admission standards. As a result, applications fell because students no longer see a credible path to stay, not because Canada asked more of them. The right fix is raising the bar, not just cutting the ceiling, and restoring predictability for students by reinstating limits on off-campus work ([Mahboubi and, Skuterud 2024](#)).

On temporary foreign workers, Canada should preserve high-skill streams like the Global Talent Stream while sharply reducing reliance on low-wage labour and updating a \$1,000 employer fee that has not changed in years ([Skuterud 2025](#)). The rules for becoming a permanent resident should stay consistent, not shift case by case. Ad hoc pathways to permanent status signal that arriving temporarily might eventually pay off, drawing in more temporary residents and growing the very population these programs were meant to shrink.

Two further gaps deserve attention. Canada selects few business immigrants for their entrepreneurial capacity, even though their capital and know-how could lift business investment, itself one of Canada's weakest links ([Mahboubi 2024](#)). And immigration levels should be set against a clear objective, raising GDP per capita, rather than simply hitting an annual admissions target ([Doyle, Skuterud, and Worswick 2024](#)).

Put Newcomers' Skills to Work

Even well-selected immigrants often cannot work in the fields they trained for. Provinces should work with regulatory bodies to speed up foreign credential and work-experience recognition, following Australia's lead in cutting red tape for internationally trained professionals ([Mahboubi and Zhang 2023](#)). Provinces should also let prospective

immigrants start the credential and licensing process before they arrive through pre-arrival assessments and mutual recognition agreements with trusted source countries so newcomers can work in their field from day one instead of waiting months to be re-credentialed ([Mahboubi and Zhang 2024](#)).

Employers, especially small and medium-sized businesses, also need a comprehensive database of program equivalencies so they can properly judge what a foreign credential is actually worth. The assessment process itself needs modernizing too: a single digital entry point across provinces, with standard forms, standard fees, and public reporting on processing times, would replace the patchwork mobile workers currently have to navigate one province at a time. General licensing harmonization across provinces is addressed elsewhere in this framework, under Regulation, since that problem is regulatory in nature rather than specific to immigrants.

Strengthen the Education Pipeline

Canadian education should also build innovation-based skills at every level. Primary and secondary schools should focus on preparing students to adapt to uncertainty in a fast-changing economy ([Howitt 2015](#)).

Canadian students' math performance has declined for years, and the causes start with how teachers are trained. Faculties of education should require future teachers to demonstrate strong math skills before certification, not only pedagogical theory. Provinces should test students more often and more rigorously, check basic fluency, like times tables, by Grade 4, and screen every student from kindergarten through Grade 8 early enough to intervene ([Stokke 2026](#)). Banning smartphones in classrooms and revising curricula that have drifted

toward open-ended methods, at the expense of reliable arithmetic fundamentals, would help as well ([Stokke 2024](#)).

Postsecondary programs should emphasize creativity and involve undergraduates in research earlier. And colleges should keep training people for the specific, in-demand skills the economy still needs, since not everyone will work in innovation-driven roles ([Howitt 2015](#)).

Match Skills to Where the Economy is Going

Better labour market information is needed. Employment and Social Development Canada should expand its Occupational and Skills Information System into a forward-looking database tracking emerging occupations so training programs are not misaligned with where jobs are actually growing. A coordinated strategy involving educational institutions, industry, and government would also help workers build AI-relevant skills, with extra support for small and medium-sized firms that lack the resources to assess their own skills needs. And workers displaced by trade shocks need a faster path back to work: matching their existing skills to compatible vacant roles, then funding targeted retraining for the specific gap, works better and faster than broad retraining programs ([Mahboubi and Zhang 2026](#)).

Employment Insurance has a design problem too. Eligibility and benefit length currently vary by regional unemployment rate, a design meant to protect seasonal workers that instead creates pockets of chronic high unemployment and discourages people from moving to regions where jobs are actually available. Ottawa should replace these regional rules with uniform, national eligibility and benefit standards tied to the national unemployment rate ([Busby and Gray 2011](#)).

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Human Capital Recommendations Summary

Recommendation	Area of Reform	Level of Government	Source Document
Select economic immigrants using a transparent points system (the Comprehensive Ranking System) based on education, language skills, and work experience	Choosing skilled immigrants	Federal	<u>Quality Over Quantity: How Canada's Immigration System Can Catch Up With Its Competitors</u>
Create a joint federal-provincial agency to verify foreign credentials used in immigration applications	Choosing skilled immigrants	Federal / Provincial	<u>An Economic Strategy for Canada's Next Government</u>
Raise admission standards for international students	Reforming temporary worker and student programs	Federal / Provincial	<u>Immigration Reform Begins with Simplifying the System</u>
Preserve high-skill temporary worker streams like the Global Talent Stream while restoring pre-2020 hiring rules and updating the \$1,000 employer fee for low-wage hires	Reforming temporary worker and student programs	Federal	<u>A Realistic Strategy to Wean Canadian Businesses Off Low-Skill Foreign Labour</u>
Keep permanent residency rules consistent instead of creating ad hoc pathways case by case	Reforming temporary worker and student programs	Federal	<u>A Realistic Strategy to Wean Canadian Businesses Off Low-Skill Foreign Labour</u>
Select more business immigrants for entrepreneurial capacity	Reforming temporary worker and student programs	Federal	<u>Quality Over Quantity: How Canada's Immigration System Can Catch Up With Its Competitors</u>
Calibrate immigration levels to GDP per capita, not admissions targets	Reforming temporary worker and student programs	Federal	<u>Optimizing Immigration for Economic Growth</u>
Speed up foreign credential and work-experience recognition	Recognize credentials faster	Provincial / Federal	<u>Harnessing Immigrant Talent: Reducing Overqualification and Strengthening the Immigration System</u>
Create a shared digital credential-assessment entry point across provinces	Recognize credentials faster	Provincial / Federal	<u>Harnessing Immigrant Talent: Reducing Overqualification and Strengthening the Immigration System</u>
Create a database of program equivalencies so employers can judge the value of foreign credentials	Recognize credentials faster	Federal / Provincial	<u>Harnessing Immigrant Talent: Reducing Overqualification and Strengthening the Immigration System</u>

Let prospective immigrants begin credential assessment before arrival through pre-arrival checks and mutual recognition agreements with trusted source countries	Recognize credentials faster	Federal	<u>Harnessing Immigrant Talent: Reducing Overqualification and Strengthening the Immigration System</u>
Require stronger math skills for teacher certification	Improve K-12 Education	Provincial	<u>How to Fix Math Education in Canada</u>
Increase frequency and rigour of math testing	Improve K-12 Education	Provincial	<u>How to Fix Math Education in Canada</u>
Ban smartphones in classrooms	Improve K-12 Education	Provincial	<u>Reversing the Decline in Canadian Math Scores</u>
Revise math curricula	Improve K-12 Education	Provincial	<u>Reversing the Decline in Canadian Math Scores</u>
Expand Canada's Occupational and Skills Information System into a forward-looking database tracking emerging occupations	Match skills to where the economy is going	Federal	<u>2025 Labour Market Review: Trade Uncertainty, Structural Pressures, and Policy Priorities for Canada</u>
Replace Employment Insurance's regional eligibility rules with uniform national standards tied to the national unemployment rate	Match skills to where the economy is going	Federal	<u>Mending Canada's Employment Insurance Quilt: The Case for Restoring Equity</u>

PILLAR FIVE: INNOVATION, TECHNOLOGY, AND COMMERCIALIZATION

Canada produces excellent research but too often allows commercialization to happen elsewhere. The gap between scientific output and real-world application shows up in weak business research and development (R&D) spending and thin technology adoption relative to Canada's research strength. Closing that gap means redesigning the incentives, not just funding more research.

Rebalance the R&D Tax Credit

Canada's main R&D tax credit, the Scientific Research and Experimental Development program (SR&ED), still favours small firms in its rate structure: 35 percent for eligible small firms versus 15 percent for large ones, even though small firms do not generate more benefit per dollar spent. Ottawa should rebalance those rates, cutting the small-firm rate to 25 percent and raising the large-firm rate to 20 percent. Recent reforms have already moved on a related front: refundability now extends to some public corporations, not just private ones, and the expenditure limit for the enhanced rate has doubled to \$6 million. About a dozen other programs still top up SR&ED, creating duplicate subsidies; Ottawa should eliminate the overlap and redirect programs like the Industrial Research Assistance Program toward commercializing Canadian ideas instead of funding research SR&ED already covers ([Lester 2025](#)).

Coordinate Government Innovation Support

The federal government runs a crowded landscape of overlapping innovation-support programs, and the solution is better coordination, not more programs. Programs should share data and resources to eliminate redundant application processes, and government should do more to encourage firms that have never applied for support to do so since fewer

than half of eligible companies currently use these tools. Public procurement is an underused lever too: early government adoption of new technology, common in construction, transportation, and healthcare, gives firms a stable environment to test and validate their products before a wider market does ([Beaudry 2025](#)).

Build the AI Economy

Canada ranks second globally in AI researchers but only 20th among Organisation for Economic Co-operation and Development (OECD) countries in business AI adoption. Greater use of two mechanisms would help close the gap between research and application: a federally funded matchmaking service to pair companies with AI academics, and dedicated research teams combining an AI expert, an industry partner, and an academic domain specialist to apply cutting-edge methods directly to real problems. Universities should also expand AI training well beyond computer science, covering general literacy, executive education, and training for workers already on the job ([Leyton-Brown et al. 2025](#)).

On infrastructure, all levels of government should streamline approvals for data centre development, invest in computing access for smaller firms and researchers, update outdated privacy law to give AI developers clarity, and move quickly on Ottawa's already-funded TechStat program, since Canada currently has almost no data on how businesses are actually adopting AI ([Wyonch 2026](#)).

Turn University Research Into Companies

Canadian businesses spend less on R&D than their US counterparts, which weakens the pipeline that turns university discoveries into companies. Federal granting agencies should fund research based on academic excellence, not immediate commercial payoff, since the strongest science still produces the most valuable spillovers. University technology transfer offices should focus on building

relationships between researchers and business rather than chasing licensing revenue. They should also face real competition rather than holding a monopoly over a university's commercialization efforts. National Research Council institutes should focus on connecting universities and industry rather than conducting research themselves. Journal articles based on publicly funded research should be freely available. Ottawa should also adopt a standard national protocol, modelled on the UK's approach, to give businesses greater clarity when partnering with universities ([Howitt 2013](#)). This recommendation dates to 2013, and little of it has been acted on since – a reminder that Canada's university commercialization gap is a policy choice, not a new problem.

Close Two Sector-Specific Gaps

Two narrower, sector-specific items are worth noting. Ottawa should help de-risk the shift to factory-built housing with low-cost financing, tax credits, and CMHC insurance tailored to modular construction, paired with harmonized transportation rules so finished units can cross provincial lines without running into conflicting provincial regulations ([Fariha 2025](#)). And years after Payments Canada's Real-Time Rail system was first proposed, Canada still lacks the instant, account-to-account payments most peer countries already have; the Department of Finance should set a clear regulatory path and open the system to new payment providers ([Kronick and Koepl 2023](#)).

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Innovation Recommendations Summary

Recommendation	Area of Reform	Level of Government	Source Document
Cut the SR&ED small-firm credit rate from 35 to 25 percent and raise the large-firm rate from 15 to 20 percent	Scientific Research and Experimental Development Tax Credit (SR&ED) Reform	Federal	<u>An Economic Strategy for Canada's Next Government</u>
Eliminate overlapping subsidies and redirect programs like the Industrial Research Assistance Program toward commercialization	Scientific Research and Experimental Development Tax Credit (SR&ED) Reform	Federal	<u>An Economic Strategy for Canada's Next Government</u>
Better coordinate innovation support programs	Coordinate government innovation support	Federal / Provincial / Municipal	<u>Unleashing Innovation: Barriers, Government Support Programs, and What Works Best</u>
Better leverage public procurement as a source of funding for innovative firms	Coordinate government innovation support	Federal / Provincial / Municipal	<u>Unleashing Innovation: Barriers, Government Support Programs, and What Works Best</u>
Fund more matchmaking services connecting industry and AI academics	Build the AI economy	Federal	<u>AI Is Not Rocket Science: Ideas for Achieving Liftoff in Canadian AI Adoption</u>
Expand university AI training beyond computer science to cover general literacy, executive education, and on-the-job training	Build the AI economy	Federal / Provincial	<u>AI Is Not Rocket Science: Ideas for Achieving Liftoff in Canadian AI Adoption</u>
Streamline data centre approvals and invest in AI infrastructure access	Build the AI economy	Federal / Provincial / Municipal	<u>From Hype to Output: How AI Investment Translates to Real Productivity Gains</u>
Launch Ottawa's already-funded TechStat program to track AI adoption	Build the AI economy	Federal	<u>From Hype to Output: How AI Investment Translates to Real Productivity Gains</u>
Fund research based on academic excellence, not only commercial payoff	Turn university research into companies	Federal	<u>From Curiosity to Wealth Creation: How University Research Can Boost Economic Growth</u>
Open technology transfer offices to competition	Turn university research into companies	Provincial	<u>From Curiosity to Wealth Creation: How University Research Can Boost Economic Growth</u>
Change the federal government's research institutes (the National Research Council) so they focus more on connecting universities with businesses instead of conducting their own research	Turn university research into companies	Federal	<u>From Curiosity to Wealth Creation: How University Research Can Boost Economic Growth</u>



Require open access for publicly funded research	Turn university research into companies	Federal	<u>From Curiosity to Wealth Creation: How University Research Can Boost Economic Growth</u>
Adopt a standard national protocol, modelled on the UK, for university-industry commercialization partnerships	Turn university research into companies	Federal	<u>From Curiosity to Wealth Creation: How University Research Can Boost Economic Growth</u>
Provide financing and insurance for factory-built housing construction	Improve innovation in housing	Federal	<u>Building Smarter, Faster: Technology and Policy Solutions for Canada's Housing Crisis</u>
Harmonize transportation rules for factory-built homes across provinces	Improve innovation in housing	Federal / Provincial	<u>Building Smarter, Faster: Technology and Policy Solutions for Canada's Housing Crisis</u>
Set a clear regulatory path for the Real-Time Rail payment system	Open the system to new payment providers	Federal	<u>The Need for Speed: The Benefits of Faster Payments and How to Achieve Them</u>

PILLAR SIX: BUSINESS GROWTH – FROM FORMATION TO SCALE

Canada has too many small firms that stay small. This matters because larger firms are more productive, pay higher wages, invest more in technology, and export more. The policy environment, from the small business deduction to government lending programs, has in places actively discouraged growth past the thresholds at which preferential support retrenches, and government subsidies too often reward firms for existing rather than for growing. Even where capital is available, many Canadian firms lack the marketing and sales capability to turn it into scale. Reforming business supports to reward growth, not size, is a higher-return use of public resources.

Expand Access to Capital and Reward Growth

Canadian small and mid-sized firms pay more to borrow than their peers in other advanced economies, and Canada's largest lending channel, mortgages, offers banks a practically risk-free alternative that crowds out business lending in the first place. Mortgage insurance pricing does not currently account for differences in default risk, so restructuring those premiums would free up more capital for business lending without weakening the mortgage system itself.

Younger firms carry a heavier burden too: the fees attached to loans under the Canada Small Business Financing program add real cost precisely when a young company can least afford it, and restructuring those fees, along with expanding Export Development Canada's tools to help exporters manage currency risk, would ease the strain at exactly the growth stages Canada needs to support. Firms in a temporary downturn but with real potential to recover need a different kind of help: expanding the Business Development Bank of Canada's advisory capacity and offering entrepreneur-tailored financial education would help put them back on track, not just extend more credit. More competition in

lending, including through open banking, would help across the board ([Nitani and Nusrat 2023](#); [Omran and Kronick 2019](#)).

Equity capital points to a similar story at an earlier stage. Firms seeking the first few million dollars in outside investment face a persistent shortage of supply, even as foreign investors dominate the largest venture deals in Canada, a dynamic that pushes many promising companies to scale up in the United States instead. The Business Development Bank of Canada should shift its seed financing toward gender-neutral criteria and invest more in these high-tier deals. A new national co-investment fund, modelled on existing federal programs, could help fill the funding gap for smaller deals, where private capital is often insufficient ([Lester 2025](#)). Opening more public infrastructure to institutional investment would also give Canadian private equity investors more opportunities to invest at home instead of looking abroad. Preferential tax treatment should shift too, from small firms broadly to young firms specifically, so companies are rewarded for growing rather than staying small just to keep a tax break ([Schwanen, Kronick, and Omran, 2019](#); [Howitt 2015](#)).

Redirect Focus from Research to Selling

Canada has more careers in marketing and sales than in research and development, yet government support skews heavily toward the latter. In a study of Canadian and US software firms, Canadian companies spent more on R&D than their American counterparts as a share of revenue, yet substantially underspent them on marketing and sales. Ottawa should redirect some savings from SR&ED toward marketing and sales programming, including support for costs like trade show attendance, and set clear, public objectives and metrics for business growth, since productivity concerns rarely translate into concrete departmental targets today ([Plant 2023](#)).

Rein in Business Subsidies

Business subsidies have grown 125 percent since 2015, reaching \$37.4 billion, and about a third act as pure income transfers rather than fixes for any real market failure. Ottawa should review these programs and slow the growth of industrial policy subsidies specifically, which have been rising three times faster than GDP; capping that growth at half the pace of GDP through 2030 would save roughly \$3.3 billion a year that could fund reforms with a far higher return ([Lester 2025](#)).

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Business Growth Recommendations Summary

Recommendation	Area of Reform	Level of Government	Source Document
Restructure mortgage insurance pricing to reflect default risk, freeing up capital for business lending	Expand access to capital to reward growth	Federal	<u>Productivity and the Financial Services Sector – How to Achieve New Heights</u>
Expand Business Development Bank of Canada advisory capacity and financial education for recovering firms	Expand access to capital to reward growth	Federal	<u>Scaling Up Is Hard To Do: Financing Canadian Small Firms</u>
Restructure Canada Small Business Financing program fees for young and growth-oriented firms	Expand access to capital to reward growth	Federal	<u>Scaling Up Is Hard To Do: Financing Canadian Small Firms</u>
Expand Export Development Canada tools to help exporters manage currency risk	Expand access to capital to reward growth	Federal	<u>Scaling Up Is Hard To Do: Financing Canadian Small Firms</u>
Open small business lending to more competition, including open banking	Expand access to capital to reward growth	Federal	<u>Scaling Up Is Hard To Do: Financing Canadian Small Firms</u>
Shift Business Development Bank of Canada seed financing to gender-neutral criteria	Expand access to capital to reward growth	Federal	<u>An Economic Strategy for Canada's Next Government</u>
Increase Business Development Bank of Canada investment in high-tier venture capital deals	Expand access to capital to reward growth	Federal	<u>An Economic Strategy for Canada's Next Government</u>
Establish a national co-investment fund for early-stage equity	Expand access to capital to reward growth	Federal	<u>Scaling Up Is Hard To Do: Financing Canadian Small Firms</u>
Open public infrastructure to institutional private equity investment	Expand access to capital to reward growth	Federal	<u>Leveraging Private Equity Energy to Fuel Small Business Development</u>
Shift tax preferences from small firms to young firms	Expand access to business financing	Federal	<u>Mushrooms and Yeast: The Implications of Technological Progress for Canada's Economic Growth</u>
Redirect SR&ED savings toward marketing and sales support	Redirect focus from research to selling	Federal	<u>The Missing Ingredient: Solving Canada's Shortcomings in Growing Large Firms and Increasing Productivity</u>
Set clear public objectives and metrics for business growth	Redirect focus from research to selling	Federal	<u>The Missing Ingredient: Solving Canada's Shortcomings in Growing Large Firms and Increasing Productivity</u>
Review and reduce business subsidies that do not address market failures	Rein in business subsidies	Federal	<u>An Economic Strategy for Canada's Next Government</u>
Cap industrial policy subsidy growth at half the pace of GDP through 2030, saving an estimated \$3.3 billion a year	Rein in business subsidies	Federal	<u>An Economic Strategy for Canada's Next Government</u>

PILLAR SEVEN: TRADE, TRANSPORTATION, AND SUPPLY CHAINS

Canada's productivity problem is partly a logistics problem. Bottlenecks at seaports and airports, constraints on rail capacity, and inefficiencies in road transport hinder trade flows, diversification, and the movement of people and goods. As Canada seeks to diversify its trade relationships, improving the infrastructure that supports trade is an increasingly important policy priority.

Clear Canada's Port and Rail Capacity Bottlenecks

Canada's ports are not ready for the trade diversification the government wants. On the World Bank's Container Port Performance Index, Vancouver ranks 375th out of 400 ports worldwide, Montreal 338th, Prince Rupert 322nd, and Saint John 268th. Only Halifax, at 29th, shows what is possible. Canada's global rank for ship capacity moving through its ports fell from sixth to 23rd between 2016 and 2023, and Transport Canada itself has acknowledged that the sector has posted the weakest productivity growth in the G7 for 25 years ([Lammam 2026a](#)).

The bottleneck at Vancouver is nuanced. Containers wait nearly six days for a train against the port's own three-day target, meaning rail capacity, not crane speed, is what determines how long a ship sits idle. How that capacity gets negotiated matters too: one terminal installed automated cranes before reaching a labour agreement and faced years of disputes and a lockout, while a nearby terminal negotiated first and has had zero labour disruptions in five years, with rail capacity up more than half ([Lammam 2026b](#)). The same logic applies to reducing work stoppages more broadly: from 2014 to 2023, Canada lost more working days to labour disruptions per employee than any other G7 country with comparable data, and earlier mediation before disputes escalate into

strikes or lockouts would help across the economy, not just at ports ([Lammam 2026b](#)). Ottawa should treat rail capacity and labour sequencing as central to how it evaluates port investment.

Rail policy elsewhere reinforces the same lesson. An 18-month pilot that extended regulated interswitching to 160 kilometres in the Prairies lapsed in March 2025 without being renewed, effectively validating the case against extending it: mispriced rail access risks discouraging the investment in capacity that ports like Vancouver actually need ([Dachis 2023](#)). Shippers continue to push for its return, so the underlying question is not settled, but the evidence favours holding the line.

Foster Private Investment at Airports

On September 15, 2026, Ottawa announced it will seek long-term concessions to operate Canada's four largest airports, Toronto Pearson, Montreal-Trudeau, Calgary, and Vancouver, while retaining ownership of the underlying land and assets and reinvesting proceeds into smaller regional airports. That is a narrower step than what C.D. Howe Institute research supports: outright privatization, with participation from private equity and pension funds, following the Australian model of price monitoring to guard against abuse of market power ([Lester 2025](#)). As the details of Ottawa's consultation process take shape, it should draw on that evidence, particularly the case for price monitoring conditions, rather than treat this as untested ground.

A separate body of research points to a related set of fixes: eliminating remaining aviation fuel taxes, raising the foreign ownership limit on Canadian airlines to 49 percent, and applying the *Official Languages Act* test of bilingual service "where numbers warrant" to Air Canada and airport authorities in place of stricter rules, and ending the requirement that Air Canada keep its head office and maintenance centres in specific cities. The federal government should also auction off remaining airport authority leases, starting with the

smallest airports before moving to the largest, and eventually eliminate foreign ownership restrictions on airlines entirely while renegotiating more open skies agreements with the United States and Europe ([Dachis 2014](#)).

Diversify Trade and Build the Infrastructure to Support It

In addition to new agreements, genuine trade diversification requires the infrastructure to use them. Ottawa should extend the National Trade Corridors Fund beyond its current 2027/28 end date, committing at least \$500 million a year to relieve bottlenecks and build climate resilience, and support private investment in supply chain tracking technology ([Lester 2025](#)). As the 2026 Canada-United States-Mexico Agreement (CUSMA) negotiations persist, Canada should defend the mutual benefits of North American integration while reducing its exposure to any single market, completing trade agreements with the United Kingdom and the Association of Southeast Asian Nations (ASEAN) ([Robson and Bafale 2025](#)). Access to large markets also drives innovation directly, since it raises the likelihood that a new idea gets rewarded and lets firms spread R&D costs over more customers; simpler customs procedures, lower tariffs on innovation-intensive goods, and easier mobility for the people who market and operate them all support this goal ([Schwanen 2017](#)). Major infrastructure projects should also treat Indigenous economic participation as central to their success rather than an afterthought, with the new Canada Indigenous Loan Guarantee Corporation put to full use and a dedicated Indigenous Development Bank considered as a further step ([Lester 2025](#)).

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Trade, Transportation, and Supply Chains Recommendations Summary

Recommendation	Area of Reform	Level of Government	Source Document
Treat rail capacity and labour sequencing as central to port investment	Improve port and rail capacity	Federal	<u>Canada's Ports Needed Fixing Long Before Trump and Export Diversification Hove into View</u>
Adopt earlier mediation to reduce economy-wide labour disruptions	Improve port and rail capacity	Federal / Provincial	<u>Canada's Ports Needed Fixing Long Before Trump and Export Diversification Hove into View</u>
Do not bring back the rule that required railways to hand off freight to competitors within 160 kilometres in the Prairies, since it discouraged investment in rail capacity	Improve port and rail capacity	Federal	<u>Budget 2023 Interswitching Changes will Derail Supply Chains</u>
Privatize federal airports with private equity and pension fund participation	Reform Canada's aviation policy	Federal	<u>An Economic Strategy for Canada's Next Government</u>
Apply price monitoring conditions to airport concessions	Reform Canada's aviation policy	Federal	<u>An Economic Strategy for Canada's Next Government</u>
Eliminate remaining aviation fuel taxes	Reform Canada's aviation policy	Federal / Provincial	<u>Full Throttle: Reforming Canada's Aviation Policy</u>
Raise the foreign ownership limit on Canadian airlines to 49 percent	Reform Canada's aviation policy	Federal	<u>Full Throttle: Reforming Canada's Aviation Policy</u>
Require bilingual service at Air Canada and airports only where numbers warrant, and end Air Canada's requirement to keep its head office and maintenance centres in set cities	Reform Canada's aviation policy	Federal	<u>Full Throttle: Reforming Canada's Aviation Policy</u>
Auction remaining airport authority leases, smallest first	Reform Canada's aviation policy	Federal	<u>Full Throttle: Reforming Canada's Aviation Policy</u>
Eliminate airline foreign ownership restrictions entirely and renegotiate open skies agreements with the United States and Europe	Reform Canada's aviation policy	Federal	<u>Full Throttle: Reforming Canada's Aviation Policy</u>
Extend the National Trade Corridors Fund beyond its 2027/28 end date, committing at least \$500 million a year	Diversify trade	Federal	<u>An Economic Strategy for Canada's Next Government</u>
Pursue trade agreements with the United Kingdom and the Association of Southeast Asian Nations	Diversify trade	Federal	<u>Canada's Investment Crisis: Shrinking Capital Undermines Competitiveness and Wages</u>
Simplify customs and lower tariffs on innovation-intensive goods	Build infrastructure to support trade	Federal	<u>Innovation Policy in Canada: A Holistic Approach</u>
Put the Indigenous Loan Guarantee Corporation to full use	Build infrastructure to support trade	Federal	<u>An Economic Strategy for Canada's Next Government</u>
Consider establishing an Indigenous Development Bank	Build infrastructure to support trade	Federal	<u>An Economic Strategy for Canada's Next Government</u>

PILLAR EIGHT: FISCAL POLICY AND GOVERNMENT PRODUCTIVITY

Government spending and public sector performance both shape Canada's productivity. A growing debt burden can crowd out private investment and, at current levels, limit the country's ability to respond to the next crisis. Public sector productivity has fallen even as public sector employment has grown much faster than the private sector, a divergence that drags down Canada's overall productivity numbers. Addressing both problems would free up resources for higher-value use across the economy and boost productivity.

Reduce Debt and Rein in Spending

Canada's public debt burden limits its ability to respond to future shocks and crowds out private investment. Federal and provincial governments together should aim to cut net debt by about 10 percentage points of GDP ([Lester and Laurin 2025](#)). Returning program spending to its average share of GDP between 2003 and 2020 would reduce spending by roughly \$66 billion by 2030 and largely close the gap on its own. Rising global bond yields make this more urgent, since Canada currently borrows about a percentage point cheaper than the United States, and that advantage is not guaranteed to last ([Drummond 2026](#)).

Governments should also present realistic fiscal baselines rather than the overly optimistic growth projections now common across federal and provincial budgets, and set a credible path back to balance within a politically relevant period, roughly four years. The pressure to act is only growing: meeting Canada's North Atlantic Treaty Organization (NATO) defence spending commitment alone will push core defence spending from about \$35 billion in 2024/25 to \$85 billion by 2029/30 and \$147 billion by 2034/35 ([Drummond, Robson, and Laurin 2026](#)).

The system for managing that spending needs reform too. Refundable tax credits and comparable programs delivered through the tax system currently escape the performance framework that applies to regular spending, and they should be brought inside it. Every program should face a genuine value-for-money test using the same benefit-cost framework already used for regulatory proposals, rather than the current five-year evaluation cycle that applies uniformly regardless of a program's size or risk. Binding multi-year spending plans, set at the start of a government's mandate, would give evaluations real weight, since programs rarely get weeded out without a self-imposed constraint forcing the choice ([Lester 2024](#)).

Raise Public Sector Productivity

Public sector employment has expanded much faster than private sector employment in recent years, and since measured public sector productivity has been declining over the same period, it is dragging down Canada's overall productivity numbers. The federal government has already committed to reducing its workforce by roughly 16,000 positions over three years, a step that may ease some of that drag. Ottawa should also adopt a comprehensive public sector productivity measure that a federal working group already proposed and Treasury Board has yet to act on, so progress can actually be tracked ([Mahboubi and Zhang 2026](#)).

Several practical changes inside government would help close the gap. Using AI tools to screen candidates and removing barriers to moving existing staff between roles would let government reallocate people faster than current hiring processes allow. Modernizing outdated internal data systems would give managers the timely operational information they currently lack, catching problems before they grow expensive. Many employees were never properly trained on software the government has already paid for, so a focused training push would raise output without buying anything new. Frontline

managers are often asked to lead productivity improvements without training in how to actually do it, and structured change-management training would help reforms stick past the first year or two. Consolidating overlapping program streams, in areas like immigration and Employment Insurance, would cut administrative burden that even staff struggle to navigate ([Wernick 2024](#)). Reforms like these need sustained, cross-partisan commitment, since efficiency gains that mean a smaller workforce, handled fairly, or upfront investment ahead of savings, tend to get reversed once a single election cycle turns ([Wernick 2024](#)).

Reform Healthcare Payment Models

Canadian provinces spend heavily on healthcare but get comparatively poor results on access and care coordination, largely because of how they pay for services. Ottawa should establish a national centre of excellence to develop and share integrated payment models across provinces, involving physician associations directly in their design. Physician leadership has been essential to the success of similar reforms elsewhere. Provinces should also assess their own readiness on data and analytical capacity, consider adopting best practices in other provinces, and test new payment approaches through limited demonstration projects before rolling them out broadly ([Sutherland and Hellsten 2017](#)).

Fund Infrastructure Smartly

Infrastructure spending also needs fiscal discipline. Provinces should expand road pricing where feasible, both to fund highway spending and relieve congestion, following Ontario's early steps with a tolled highway lane. Cities should adopt the same accounting standards used by higher levels of government, so the long-term costs of infrastructure get matched properly against the long-term revenue that pays for it. Ottawa should target its own infrastructure spending toward projects with the largest spillovers across governments and rely more on public-private financing where it reduces the

economic cost of raising taxes to pay for projects directly ([Dachis 2016](#)). Selling select government assets, in categories like municipal parking and airport infrastructure, could also help fund projects private investors are not interested in on their own, though the case for this ([Dachis 2017](#)) rests on valuations that need updating.

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Fiscal Policy and Government Productivity Recommendations Summary

Recommendation	Area of Reform	Level of Government	Source Document
Reduce net public debt by 10 percentage points of GDP	Reduce debt and rein in spending	Federal / Provincial	<u>Canada's Debt Problem: What Can Be Done? A Report on the Institute's 2024 Debt Conference</u>
Restore program spending to its 2003–2020 share of GDP, reducing spending by roughly \$66 billion by 2030	Reduce debt and rein in spending	Federal	<u>The Endgame: Time to Act on Canada's Economic and Fiscal Challenges</u>
Present realistic fiscal baselines and a four-year path to balance	Reduce debt and rein in spending	Federal / Provincial	<u>Fiscal Fantasy: Believe It or Not, Fiscal Reality Hasn't Gone Away</u>
Bring tax-delivered spending into the performance framework	Reduce debt and rein in spending	Federal	<u>Minding the Purse Strings: Major Reforms Needed to the Federal Government's Expenditure Management System</u>
Require value-for-money assessment for all spending programs	Reduce debt and rein in spending	Federal	<u>Minding the Purse Strings: Major Reforms Needed to the Federal Government's Expenditure Management System</u>
Adopt binding multi-year spending plans	Reduce debt and rein in spending	Federal	<u>Minding the Purse Strings: Major Reforms Needed to the Federal Government's Expenditure Management System</u>
Adopt the comprehensive public sector productivity measure a federal working group already proposed	Raise public sector productivity	Federal	<u>2025 Labour Market Review: Trade Uncertainty, Structural Pressures, and Policy Priorities for Canada</u>
Use AI-assisted hiring and ease internal staff mobility for public servants	Raise public sector productivity	Federal / Provincial	<u>Unlocking Productivity in the Public Sector: Focusing on Internal Services</u>
Modernize internal government data systems	Raise public sector productivity	Federal / Provincial	<u>Unlocking Productivity in the Public Sector: Focusing on Internal Services</u>
Train staff on existing technology already purchased	Raise public sector productivity	Federal / Provincial	<u>Unlocking Productivity in the Public Sector: Focusing on Internal Services</u>
Build managerial capacity for change management	Raise public sector productivity	Federal / Provincial	<u>Unlocking Productivity in the Public Sector: Focusing on Internal Services</u>
Consolidate overlapping program streams, such as in immigration and Employment Insurance	Raise public sector productivity	Federal	<u>Unlocking Productivity in the Public Sector: Focusing on Internal Services</u>

Establish a national centre of excellence for healthcare payment reform	Reform healthcare payment models	Federal / Provincial	<u>Integrated Funding: Connecting the Silos for the Healthcare We Need</u>
Engage physicians directly in payment reform design	Reform healthcare payment models	Provincial	<u>Integrated Funding: Connecting the Silos for the Healthcare We Need</u>
Expand road pricing on highways where feasible, to fund spending and relieve congestion, following Ontario's tolled-lane model	Infrastructure funding	Provincial	<u>Getting More Buildings for our Bucks: Canadian Infrastructure Policy in 2016</u>
Adopt consistent infrastructure accounting standards for cities	Infrastructure funding	Municipal	<u>Getting More Buildings for our Bucks: Canadian Infrastructure Policy in 2016</u>
Target federal infrastructure spending toward projects with spillovers across governments, using public-private financing where it lowers the cost of raising taxes	Infrastructure funding	Federal	<u>Getting More Buildings for our Bucks: Canadian Infrastructure Policy in 2016</u>
Sell select government assets, such as municipal parking and airport infrastructure, to fund projects that cannot attract sufficient private investment	Infrastructure funding	Federal / Provincial / Municipal	<u>How to Kickstart the Infrastructure Spending Boom</u>

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