

CANADA

Priorities supported by indicators

► **Further reduce barriers to inter-provincial competition in professional services (2005, 2007, 2009)**

Recommendations: Mutually recognise, harmonise, or eliminate provincial regulation of trades and professional services, to enhance inter-provincial trade and competition in these occupations.

Actions taken: In January 2009, provincial premiers approved revisions to the Agreement on Internal Trade, under which any worker certified for an occupation by a regulatory authority of one province or territory is to be recognised as qualified for that occupation by all others.

► **Further reduce barriers to foreign ownership (2005, 2007, 2009)**

Recommendations: Reduce restrictions on foreign direct investment, which remain higher than in the majority of OECD countries, particularly in telecommunications, broadcasting and air transport.

Actions taken: Residency requirements for directors of Canadian financial institutions were relaxed in 2007. Amendments to the *Investment Canada Act* that came into force in February 2009 limit net benefit reviews to larger transactions and aim to improve transparency. The Air Pact signed with the European Union in May 2009 provides for a future relaxation of foreign ownership restrictions on Canadian airlines.

► **Reduce barriers to competition in network industries (2007, 2009)**

Recommendations: Strengthen competition in regulated telecommunications markets. Reduce public ownership and vertical integration in the electricity sector and develop competitive retail markets. Liberalise postal services by eliminating legislated monopoly protections and privatising Canada Post.

Actions taken: Some progress has been made to introduce better price signals in electricity markets at the retail level. Local phone service was deregulated in 2007 and new wireless spectrum auctioned in 2008.

Reduce work disincentives in the income support system (2005)

Recommendations: Implement stricter job-search and activation requirements and reduce effective marginal tax rates at low incomes by coordinating abatement rates more tightly across programmes and jurisdictions.

Actions taken: In 2008, the federal government introduced the Working Income Tax Benefit, a refundable tax credit for low-income individuals and families who are already in the workforce. It also encourages labour-market entry, albeit at the cost of raising marginal effective tax rates in the abatement range.

Other key priorities

Further reform the tax system (2005, 2007, 2009)

Recommendations: Reduce marginal effective tax rates on capital by aligning capital cost allowances (CCA) with the useful life of assets and eliminating provincial capital taxes and sales taxes on capital goods.

Actions taken: Many CCA rates have been increased to better reflect useful lives, general capital taxes have been or are being eliminated at the federal level and in all provinces, and British Columbia and Ontario have announced harmonisation of their retail sales tax with the federal value-added tax effective in July 2010.

Reform the employment insurance system (2007, 2009)

Recommendations: Introduce employer experience rating or scale back access to employment insurance for seasonal and temporary workers, and eliminate regionally-differentiated provisions.

Actions taken: No significant action taken.

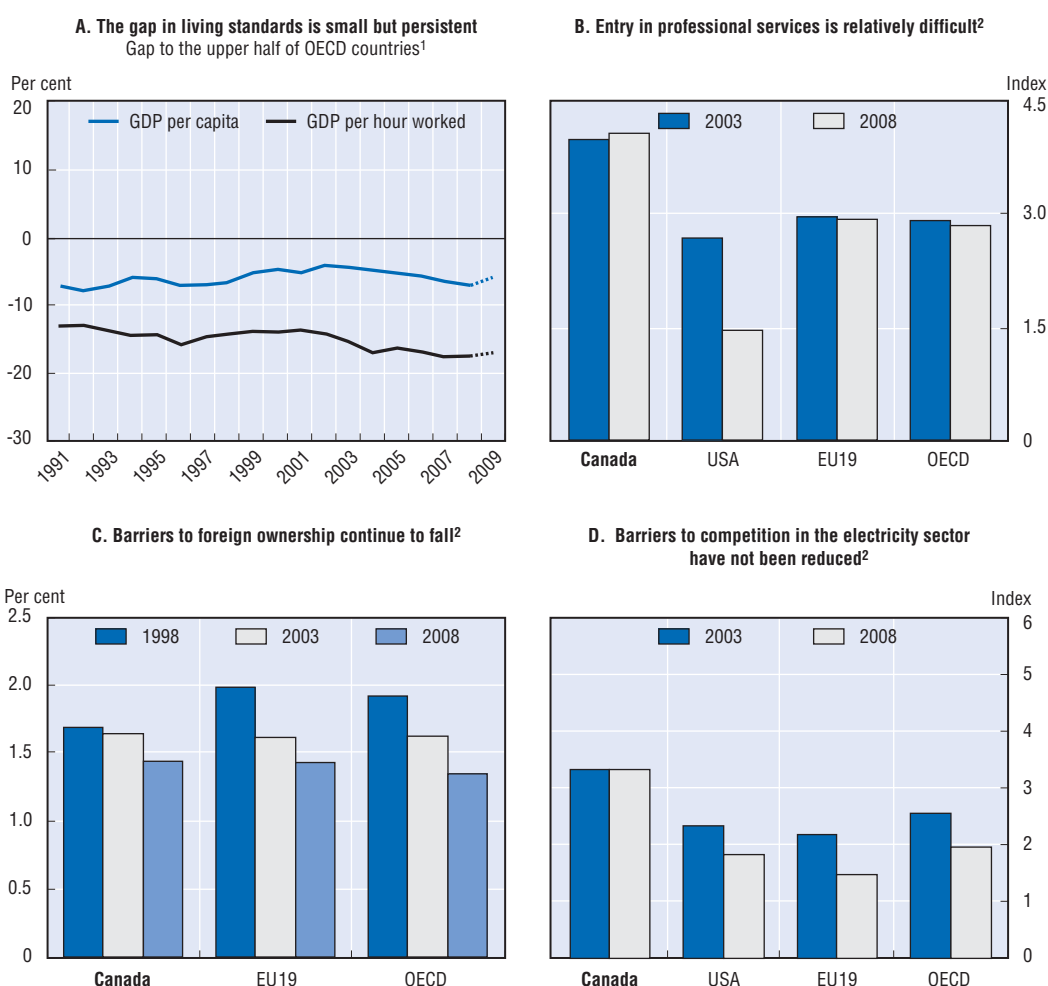
Restrain growth in public health costs (2005)

Recommendations: Introduce a mixed remuneration system for primary-care providers and allow output-based hospital funding and more contracting-out of services.

Actions taken: The number of primary-care providers in mixed-remuneration systems has been rising for several years. Some provinces have delisted formerly insured health services to cut costs. No significant change has occurred on hospital funding.

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- Canada exhibits a modest gap in living standards relative to the upper half of the OECD, entirely due to lower labour productivity.
- Significant progress has been made consistent with the OECD's tax recommendations, both on the taxation of investment and on reducing marginal effective tax rates for low-income workers. Progress has been marginal on other key priorities, however.
- In other areas, while waiting for the federal government to significantly raise the price of carbon emissions, three provinces have now introduced legislation to pave the way for an eventual sub-national cap-and-trade system. Meanwhile, the federal government is seeking to negotiate a free trade agreement with the European Union.



1. Percentage gap with respect to the simple average of the upper half of OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs). The gaps for 2009 are OECD estimates, based on the OECD Economic Outlook, No. 86.

2. Index scale of 0-6 from least to most restrictive.

Source: Chart A: OECD, National Accounts and Economic Outlook 86 Databases; Charts B, C and D: OECD, Product Market Regulation Database.

StatLink  <http://dx.doi.org/10.1787/786611566183>