

## Standing Committee on Finance (FINA)

### Pre-budget consultations 2012

# Cosmetica Laboratories Inc

## Responses

### 1. Economic Recovery and Growth

*Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?*

My comments are primarily directed at the SR&ED changes announced earlier this year and general subject of innovation/productivity development in Canada. These comments could easily be transposed to the "job creation" or "productivity" questions asked later, but I will restrict my comments to this section. First, I and our company, have been big believers in the previous SR&ED regime. Our business is one of supplying innovation to the beauty industry, and SR&ED has helped us introduce a number of new technologies. Over these past 4 years, we have built employment at our Scarborough facility from just under 400 jobs to approximately 900+ today. Our sales have doubled. We have added both skilled jobs in our labs, and unskilled jobs on our production floor. Many are new Canadians, and we are proud to have provided their first job in Canada. The SR&ED changes announced earlier this year would, when fully implemented, reduce our credit by approximately 33%. The largest impact is in the tax rate reduction from 20% to 15%, followed by the removal of capital from the calculation, followed by the OH proxy change from 65% to 55%. We saw the previous SR&ED regime as one of the ways we stayed competitive versus lower wage jurisdictions in the US, which we compete directly with. It was also helpful to staying competitive in the context of a strengthening dollar, as over 90% of our business is exported. The idea that companies like ours might be able to access the intended Budget transfer of funding/incentives toward "direct" support unfortunately looks far more challenging in our future. Programs like IRAP seem to be restricted to very small businesses (employment below 500, or even fewer) and other direct programs like Aerospace, etc are focused on very specialized industries. Net, we see a "shrinking pie" of support for companies like ours who have been winning the innovation, job-creation, wars. In our opinion, the smallest companies can't hire like we can, while the big multi-nationals are shrinking their workforces. My strong urging is to consider some sort of reinstatement of the previous SR&ED regime (best), and/or find a way to make sure that "the growing mid-to-emerging large" Canadian-based companies have a stronger chance to compete in the innovation and productivity arena. Thank you for considering these comments.

### 2. Job Creation

*As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?*

**3. Demographic Change**

*What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?*

**4. Productivity**

*With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?*

**5. Other Challenges**

*With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?*