



CANADA

**THE NEXT PHASE OF CANADA'S
ECONOMIC ACTION PLAN**

**A LOW-TAX PLAN FOR
JOBS AND GROWTH**

THE BUDGET SPEECH

The Honourable James M. Flaherty, P.C., M.P.
Minister of Finance
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NEXT PHASE OF
CANADA'S ECONOMIC
**ACTION
PLAN**





Check Against Delivery

The Next Phase of Canada's Economic Action Plan: A Low-Tax Plan for Jobs and Growth

Today our government presents to Canadians the Next Phase of Canada's Economic Action Plan—a low-tax plan for jobs and growth.

Since 2006, our government has worked hard to deliver real benefits to Canadians—real support for the challenges of the real world.

We cut the GST, twice, from 7 to 6 to 5 percent.

We introduced the \$1,200-per-year Universal Child Care Benefit.

We established the Tax-Free Savings Account.

We removed more than one million low-income Canadians from the tax rolls.

The list goes on.

We delivered these benefits to support the financial security of Canadian families, while protecting health care and pensions.

In good times and challenging circumstances, our government has made responsible choices.

When times were good we paid down debt.

We strengthened our already strong financial sector.

We delivered more than 120 tax cuts for Canadian workers, families and job-creating entrepreneurs.

We also rejected calls from the Opposition to impose a job-killing carbon tax.

Most importantly, when the global recession hit, Canada was able to meet the challenge head-on.

Through Canada's Economic Action Plan, we delivered further tax cuts, to help stimulate our economy.

We enhanced unemployment benefits and expanded retraining for those hit hardest by the global recession.

We also made historic investments in roads, bridges, public transit and higher education—creating jobs across the country, and building the foundation for long-term growth.

As a result, Canada is emerging from the global recession as one of the world's top-performing advanced economies.

Throughout the recession the world has looked to Canada as a model and an inspiration.

Still, there is more to be done.

The global economy is still fragile.

The U.S. and our other trading partners are facing challenges.

Compared to other countries, Canada's economy is performing very well—but our continued recovery is by no means assured.

Many threats remain.

In this period of global uncertainty, our government is focused on the number-one priority of Canadians.

We are focused on securing our economic recovery.

We are focused on improving the financial security of Canadian workers, seniors and families.

We have a plan to achieve these goals—a plan that is working—and we need to stay on track.

Securing our recovery from the global recession

The Next Phase of Canada's Economic Action Plan is critically important.

To secure our recovery from the global recession, Canada needs a principled, stable government.

Now is not the time for instability.

It would make it harder for Canadian businesses to plan and to expand.

It would drive investment away to other countries.

It would jeopardize the gains we have made.

Our government will provide the steady hand needed to secure our recovery, and strengthen the financial security of Canadians.

We have a balanced plan to achieve these goals—a low-tax plan for jobs and growth.

Today Parliament faces a choice.



It is a choice between stability and uncertainty.

It is a choice between principle and opportunism.

Our government is focused on securing our recovery from the global recession.

We will keep taxes low.

We will undertake additional targeted investments to support jobs and growth.

We will control government spending, and stay on track to eliminate the deficit.

We will not cut transfer payments for crucial services like health care and education, unlike the previous Liberal government.

We will not give in to Opposition demands to impose massive tax increases.

This reckless policy would lead to continuing deficits and higher taxes on all Canadians.

It would stall our recovery, kill hundreds of thousands of jobs and set families back.

Sustained growth comes from the private sector.

We will help businesses to create jobs. We will not raise taxes on growth.

This is a key principle moving forward in the Next Phase of Canada's Economic Action Plan.

I encourage all the honourable members of this House to examine in detail the comprehensive plan we are presenting today.

For now I will mention just a few highlights.

Creating jobs

First, our low-tax plan to create jobs.

Since July 2009, the Canadian economy has created more than 480,000 new jobs—more than were lost during the recession.

Still, we remain concerned about the number of Canadians looking for work.

We need to keep protecting and creating jobs now.

We need to keep building the foundation for long-term growth.

Keeping taxes low

A key part of that foundation is low taxes.

Our government has delivered tax relief for all Canadians.

Through our cuts to the GST and personal income tax, the average Canadian family of four is saving more than \$3,000 each year.

Our tax cuts are also helping employers to invest, grow and create jobs.

Our commitment to low taxes is supported by a strong consensus: that protecting Canada's tax advantage is key to securing our recovery.

It is key to creating jobs now, and to ensuring long-term growth.

That means greater job security for workers, and greater financial security for families.

Our government will preserve this advantage for Canada.

We will **keep taxes low**, to keep creating jobs for Canadians.

Supporting small businesses and Canadian industries

Even so, in the current global economic climate, many businesses remain hesitant to invest and to hire.

Now it is time for the private sector to invest again.

Our government will take further action to encourage them to expand and create jobs.

To encourage small businesses to hire new employees, we will provide a new targeted incentive.

The **Hiring Credit for Small Business** will provide a one-year EI break for some 525,000 Canadian small businesses.

The measure will reduce payroll costs for new jobs, and encourage hiring.

We will also take further action to help the manufacturing and processing sector, to encourage investment and job creation.

We will extend the 50-percent straight-line **accelerated Capital Cost Allowance** for manufacturing or processing machinery and equipment, by an additional two years.

This will help businesses and exporters to invest, improve productivity, and stay competitive.

It will benefit a broad range of industries, including pulp and paper, primary manufacturing, computers and electronics, and the automotive industry.



To support the Canadian forestry industry, we will extend the current **Forest Innovation and Market Development** programs.

In addition, through a consultative process involving the Aerospace Industries Association of Canada and their member firms, we will conduct a comprehensive review of policies and programs to develop a federal policy framework to maximize the competitiveness of **Canada's aerospace and space industry**.

Expanding international trade

Beyond this, we will promote new export opportunities for all Canadian businesses.

Canada is one of the world's great trading nations.

We need to keep expanding our access to foreign markets, to create new jobs here at home.

Our government has signed trade agreements with eight countries, and we have launched negotiations with some 50 other countries—including India and the European Union.

To support these expanding trade relationships, we will modernize Canada's **Customs Tariff** legislation.

This will cut red tape and make it easier for Canadian businesses to compete internationally.

We will extend Export Development Canada's temporary powers to support Canadian businesses in the **domestic financing market for an additional year**.

We will also enhance Canada's **engagement with India**, through stronger bilateral ties among businesspeople, public servants, researchers and academic institutions.

Supporting families and communities

In the Next Phase of Canada's Economic Action Plan, our government will also take further action to support families and communities, to build a higher quality of life for all Canadians.

We will provide greater financial security for Canadians, and practical help to make ends meet.

Supporting family caregivers

Canadians work hard, looking after their families and contributing to their communities.

Many individuals and families have added responsibilities in caring for infirm parents or relatives.

These family caregivers make special sacrifices, often leaving the workforce temporarily and forgoing employment income.

One may be caring for her mother, just as her mother once cared for her.

Another may be at home full-time to look after her young son, who has a disabling illness.

Another may be helping his wife as she faces the challenges of MS.

Each family caregiver is unique, but all of them are generous Canadians.

They are our neighbours, our friends, our family—and they deserve some extra help.

To recognize and support Canadians caring for infirm loved ones, we will establish a new **Family Caregiver Tax Credit**.

This new tax credit will be on an amount of \$2,000 and will benefit more than 500,000 Canadians caring for loved ones.

It will include, for the first time, those caring for infirm spouses, common-law partners and minor children.

Helping families make ends meet

We will also take action on other fronts to help families make ends meet.

For so many Canadian children, involvement in the arts is a big part of growing up.

Whether it's dance or music lessons or art camp, it's a great way to make friends and develop their creativity.

But for some families the fees and other costs involved can be beyond their reach.

To help parents in providing these important opportunities for their children, we will establish a new **Children's Arts Tax Credit**, covering up to \$500 per child in qualifying expenses for eligible arts or cultural activities.

We will further help families make their homes more energy efficient by extending, for one year, the **ecoENERGY Retrofit – Homes** program.

This will help families lower their energy bills, and support jobs in home renovation.

Supporting low-income seniors

We will also take action to help low-income seniors.

In communities across our country there are seniors struggling to pay their bills each month.

Often they are women; often they are widowed.

They worked hard their whole lives for their families and communities, but lack any pension income.

To provide greater support to seniors most in need, we will provide a top-up benefit to the **Guaranteed Income Supplement**.

This new measure will provide up to \$600 extra per year for single seniors, and up to \$840 per year for senior couples.



It will improve the financial security of some 680,000 Canadians who helped build our country, to help them live their senior years in dignity.

Helping Canadians save for retirement

Our government will also provide additional help to Canadians saving for retirement, including self-employed Canadians, through a new, low-cost pension option.

We will work with our provincial and territorial partners to implement the **Pooled Registered Pension Plan** as soon as possible.

Federal, provincial and territorial governments are continuing work on options for a modest enhancement to the **Canada Pension Plan**.

Any changes to the CPP will require a consensus among governments and reflect the need to protect Canada's economic recovery.

Investing in cities and infrastructure

As I mentioned earlier, through Canada's Economic Action Plan, we have implemented the largest federal investment in infrastructure in over 60 years.

Going forward, we **will work with provinces, territories, the Federation of Canadian Municipalities and other stakeholders to develop a new long-term plan for public infrastructure.**

We will also introduce legislation to confirm permanent funding for municipal infrastructure through the **Gas Tax Fund**.

This will ensure a stable and predictable source of revenue for the renewal of local infrastructure, to improve the quality of life in our cities and towns.

Supporting rural and remote communities

Our government will also take action to strengthen rural and remote communities.

The number of doctors and nurses in Canada has increased in recent years, but Canadians in some regions of the country continue to experience a shortage.

We will help address this problem by forgiving a portion of federal **student loans for new doctors, nurses and nurse practitioners** who agree to practise in under-served rural or remote areas.

We will provide \$52 million over the next two years to support programs for Aboriginal communities across the country, including those in the Territories.

These investments include support to assist First Nations to upgrade and replace their essential fuel tanks on reserve.

We will also take action to support volunteer firefighting services in these communities.

Volunteer firefighters sacrifice their time, and some incur expenses, to provide a crucial service.

As we were reminded just days ago by the tragic fire in Listowel, Ontario, they are also willing to sacrifice their lives to protect others.

We will recognize the importance of this noble, necessary work, and help sustain volunteer fire departments, by establishing a new **Volunteer Firefighters Tax Credit**.

Investing in innovation, education and skills training

In addition to these concrete measures to strengthen communities, our government will keep investing in the knowledge and skills Canadians need to prosper over the long term in the global economy.

Since 2006 we have made major investments in research and development, in post-secondary education and skills training.

As noted in a recent issue of *The Chronicle of Higher Education*, Canada is increasingly attracting top talent from around the world.

Canada has gone from “brain drain” to “brain gain”—and the world is taking notice.

Investing in world-class research and higher education

In supporting research and development our goal is to promote innovation—and ultimately to create good, new jobs for Canadians.

In the Next Phase of Canada’s Economic Action Plan, we will build on our successful investments so far.

We will establish additional **Canada Excellence Research Chairs**.

We will invest in world-class research through support for the **Perimeter Institute, Brain Canada and the Institut national d’optique**.

We will extend **advanced research funding** to students and researchers at Canada’s colleges and polytechnics.

We will establish **30 Industrial Research Chairs** at colleges and polytechnics across Canada. We will also provide new support for joint commercialization projects between colleges, universities and companies.

Supporting skills training and job opportunities

Alongside our investments in research and development and in higher education, our government has also made substantial investments in skills training.

Our goal is to help Canadian workers reach the next stage of their careers and to seize new opportunities in the years to come.

To foster competitiveness in the digital economy, we will encourage colleges to work with small businesses to accelerate the adoption of **information and communications technologies**.

We will promote student **enrolment in post-secondary science, technology, engineering and mathematics programs**.



We will also provide tax relief for Canadians who are required to certify their skills—in carpentry, in medicine and other fields—by making their exam fees eligible for the **Tuition Tax Credit**.

To respond to increased demand for help in career transition through post-secondary education, we will enhance the **Canada Student Loans Program** for part-time students.

To help older workers who may need special help to re-enter the workforce, we will extend the **Targeted Initiative for Older Workers**.

Over the past two years Work-Sharing has protected almost 280,000 jobs.

Our government will continue helping businesses to retain employees and keep Canadians working.

To continue protecting Canadian jobs, we will also enhance and extend the **Work-Sharing** program.

We will also take further action to support the outstanding Canadians who have served our country in uniform.

We will build on our continuing, substantial support for Career Transition Services through Veterans Affairs Canada.

Our support for the **Helmets to Hardhats** program will help former Canadian military personnel to find work in the construction industry.

Our brave Canadian Veterans have earned our deepest gratitude and highest respect.

This is just one more practical way to provide the support they deserve.

Preserving Canada's fiscal advantage

The Next Phase of Canada's Economic Action Plan is designed to build on our actions so far.

It is our plan to create jobs now and sustain economic growth for years to come.

Looking ahead, Canada's leading private-sector economists project steady growth over the next few years.

Still, the plan our government is presenting today is based on a cautious estimate of Canada's economic growth in the near term.

It reflects our government's consistent, responsible and balanced approach to the economy.

Ensuring tax fairness

A key part of that balanced approach is our commitment to sound fiscal policy.

Among other things, sound fiscal policy requires that we protect the **integrity of the tax system**.

As promised in the Speech from the Throne last year, we will keep taxes low, while taking action to close unfair tax loopholes that allow a few businesses and individuals to take advantage of Canadians who pay their fair share.

Returning to balanced budgets

Beyond this and most of all, sound fiscal policy requires that we return to balanced budgets.

Canada's deficit is much smaller than that of most other advanced countries.

We are emerging from the global recession with the lowest net debt-to-GDP ratio of any G-7 economy, by far.

Even so, we must not be complacent.

We must ensure that Canada remains financially sound, that we can continue building a future of hope and opportunity for all Canadians.

The global recession required extraordinary investments to protect Canadians, to stimulate our economy and to create jobs.

Canadians understand that a temporary deficit was necessary to limit the impact of the global recession in Canada—and all parties in Parliament agreed.

Going forward, to secure our recovery we must now focus increasingly on controlling government spending.

We must complete the transition from providing temporary stimulus to ensuring long-term economic growth.

To that end, we will continue implementing our plan to eliminate the deficit and return to balanced budgets by 2015–16.

- First, we will complete our stimulus package, as promised.
- Second, we will continue specific measures to restrain the growth of government program spending.
- Third, we will complete, within the next year, a comprehensive review of government spending.

This Strategic and Operating Review is designed to realize substantial additional savings through greater efficiency and effectiveness.

It will place us in a strong position—to resume paying down government debt, and to continue investing in priorities and supporting Canadian families.



The best interests of our country

Our government has laid out the Next Phase of Canada’s Economic Action Plan—a low-tax plan for jobs and growth.

It is based on our extensive consultations with Canadians from coast to coast to coast.

It reflects their values and responds to their priorities.

Our plan does not say “yes” to every demand; it does not contain massive new spending—because that’s not leadership.

Leadership is about finding a balance between needs.

It is about staying focused on our number-one priority—securing our economic recovery, creating jobs and growth, now and in the years to come.

We believe that the honourable members in the Opposition will recognize that our plan addresses practical concerns with responsible solutions.

As I said earlier, today Parliament faces a choice:

- a choice between opportunism,
- or working together to secure our recovery and strengthen the financial security of Canadians.

Our government is focused on providing the principled, stable government our country needs at this challenging but promising time in our history.

We will keep taxes low and preserve Canada’s advantage in the global economy, to keep creating jobs for Canadians.

We will strengthen the financial security of Canadian workers, seniors and families.

By implementing the Next Phase of Canada’s Economic Action Plan, we can keep building a higher quality of life for our families and communities.

By choosing to act in the best interests of our country, we can ensure a bright future for our children and grandchildren.

We invite all honourable members to support our low-tax plan for jobs and growth.