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CANADA

JOBS GROWTH AND LONG-TERM PROSPERITY

ECONOMIC ACTION PLAN 2013

THE BUDGET SPEECH

The Honourable
James M. Flaherty, P.C., M.P.
Minister of Finance

March 21, 2013

CANADA'S ECONOMIC

**ACTION
PLAN**



#eap13





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Canada's Economic Action Plan 2013

Mr. Speaker, I rise to present Canada's Economic Action Plan 2013.

A plan for jobs, growth and long-term prosperity.

Canada is in an enviable position among the world's industrial economies.

We have fared relatively better than most in the aftermath of the worst recession in a generation.

As many of our allies and trading partners continue to struggle, we are well-placed to prosper.

We have a lot to be proud of.

Today we find ourselves further ahead than any other G-7 country when it comes to creating jobs and economic growth...

...further ahead than any other since 2006 when it comes to income growth.

...further ahead than any other when it comes to our debt-to-GDP ratio.

Now, we stand among just a handful of nations the world over with a triple-A credit rating.

And, Government of Canada securities are among the world's most sought-after investments.

This means that investors here and abroad are confident in our government's ability to manage the economy now...

...and into the future.



By sticking to the long view...

...by taking strong, decisive action whenever it has been required, we have grown stronger, even as many have weakened.

It is imperative that we continue along this path.

Now, make no mistake, there are still significant risks ahead.

The global economy is still fragile.

And, some of our biggest trading partners are among the worst affected.

This makes our job more difficult.

But, it is also clear to the world that Canada has picked the right path and the right plan.

A *responsible* plan for jobs, growth and long-term prosperity.

Today, we outline a course of action in keeping with all our work so far.

It builds on a legacy of success.

It is an intentional, consistent plan that we have implemented with firm commitment.

From coast to coast to coast.

This plan takes action in three important areas:

It introduces the Canada Job Grant:

A bold new initiative to transform the way we provide skills training to ensure we connect Canadians with available jobs.

It introduces a new Building Canada plan:

The largest and longest federal investment in building roads, bridges and public transit in Canadian history.

And, it introduces a plan to assist our manufacturers and other businesses as they innovate to compete in the global economy.



Above All, Fiscal Responsibility

Families are the building blocks of every nation and, indeed, the foundation on which Canada rests.

The measures outlined in Economic Action Plan 2013 build on our government's steadfast commitment to Canadian families.

Much of what I announce today is aimed at making this country an even better place to raise a family, to work and to establish a business.

But, before I proceed, I need to make one thing very clear.

And it is simply this:

Our government is committed to balancing the budget in 2015.

Period.

In uncertain global economic times, the most important contribution a government can make to bolster confidence and growth in a country is to maintain a sound fiscal position.

Every Canadian family knows that, when expenses outstrip income, the future of the whole family is at risk.

And this government knows—even if some in this House do not—that no nation can borrow its way to long-term prosperity.

We will not put the future of Canadian families at risk.

We will not waver from our commitment to create jobs and fill jobs for Canadians.

We will not spend recklessly.

In fact, Economic Action Plan 2013 contains the smallest increase in discretionary spending in nearly 20 years.



We are also doing our part by looking inwards.

Our plan introduces measures, for example, to reduce spending on travel and end duplication of internal government services.

But, let me be very clear about what else this government has not done and will not do.

We will not reduce transfers...transfers to individuals...children and seniors...transfers to provinces and territories for critical services like health care and education.

In fact, we have increased funding for health care, education and other important social services by almost 50 per cent since 2006.

And funding for these important social programs will continue to rise each and every year our government is in power.

We will not raise taxes.

But, new measures to close tax loopholes will help ensure everyone pays their fair share.

We will not back away from our steadfast commitment to fiscal responsibility.

We will not balance the budget on the backs of hard-working Canadian families or those in need.

But, we *will* balance the budget. And we will do it in 2015.



We Were Prepared for Trouble

Sir Clifford Sifton, a cabinet minister in Sir Wilfrid Laurier’s government, had some good advice that still stands today.

Sir Clifford wrote in a letter to his son, “In time of prosperity prepare for trouble.”

In 2006–2007 when few could foresee the magnitude of the trouble that was coming, we prepared.

We cut taxes for families...

...and for job-creating businesses.

We paid down billions in national debt.

We launched the Building Canada plan to modernize roads, bridges and public transit in cities and communities across Canada.

And these decisions paid off.

For, when the crisis hit, Canada was in good shape relative to other nations.

Our strong financial sector remained solid.

Our reputation among investors remained strong.

In 2009—the darkest days of the recession—we took quick and decisive action to stimulate the economy.

In fact, we gave the economy a \$64-billion shot in the arm.

That, too, worked.

Now, Canada is recognized around the world as a safe, stable place to invest.



There Are Risks Ahead

Mr. Speaker, while Canada has fared well, we cannot afford to be complacent.

There are still signs of trouble ahead.

The world economy remains fragile.

Global growth has slowed.

And Canada is not immune.

Abroad, our neighbours to the south and our European partners continue to face significant economic hurdles.

Much of Europe—the world’s largest economy—is still in recession and needed reforms are not certain.

The U.S. is burdened by massive debt and recovery is sluggish.

As a result, the appetite for Canadian exports is unsteady.

Meanwhile, emerging economies are becoming stronger and more competitive.

At home, we have concerns about the high level of household debt burden.

And we have a significant challenge in the labour market.

In fact, the Canadian Federation of Independent Business points out that one-third of its members say a shortage of skilled labour is constraining growth.



Giving Canadians the Right Skills for the Job

The Canadian Chamber of Commerce has identified the skills shortage as the *number one* obstacle to the success of its members.

And I can see why.

There are too many jobs that go unfilled in Canada because employers can't find workers with the right skills.

Meanwhile, there are still too many Canadians looking for work.

Don't get me wrong, Canada's workforce is among the very best in the world.

And, as job creators, we have an enviable record.

Not only have we recovered all the jobs lost during the recession, we've added almost a half-million more.

That's more than 950,000 jobs since the recovery began.

These are overwhelmingly good, high-paying, full-time jobs in the private sector.

More Canadians are employed than at any other time in history.

Yet, I believe, we can and must do better.

Training in Canada is not sufficiently aligned to the skills employers need.

Or, to the jobs that are actually available.

This means higher unemployment and slower economic growth than we should otherwise expect.

Unless we act now, this problem will be compounded as the recovery continues.



And demographics are not on our side—the skills shortage will only get worse due to an aging population.

You might think this is just a problem for specific sectors like energy, mining or construction.

Or, specific regions like the west.

But it is not.

The Atlantic Provinces Economic Council has summed up well for their region what is an emerging national problem.

The council reports: “Labour markets in Atlantic Canada are undergoing a profound shift from high unemployment to increased concern about a skills mismatch and a shortage of workers.”

Matching the needs of employers with the training Canadians are getting is key to turning this trend around.

Fortunately, by providing the right training, we can significantly reduce the mismatch between employers and job seekers.

That’s why our government is taking bold, innovative steps.

Mr. Speaker, today I am announcing the new Canada Job Grant.

The Canada Job Grant will transform the way Canadians receive training.

The Canada Job Grant could provide \$15,000 or more per person to ensure Canadians are getting the skills employers are seeking.

Up to \$5,000 will be provided by the federal government.

To show their commitment, the employer will be required to provide matching funds.

The province or territory will match the final third.



For the first time, the Canada Job Grant will take skills-training choices out of the hands of government and put them where they belong...

...in the hands of employers and Canadians who want to work.

Job seekers will train at community colleges, career colleges, polytechnics or union training halls among others.

Most importantly, the new Grant should lead to one essential thing for unemployed or underemployed Canadians—a new or better job.

The Job Grant will benefit hundreds of thousands of Canadians.

Current labour market agreements with the provinces and territories expire in 2014.

We will negotiate new agreements centred around the Canada Job Grant.

And just as important as training is on-the-job experience.

That's why today, I am also announcing new measures to support apprentices.

We will work with the provinces and territories to harmonize requirements for apprentices and will examine the use of practical tests as a method of assessment.

Most importantly, we will ensure that government contracts and funding for infrastructure and maintenance support the employment of apprentices.

For example, we are renewing the Investment in Affordable Housing agreements with the provinces and territories.

By encouraging the use of apprentices, these agreements will help train young Canadians in the skilled trades.

With funding from these programs, for example, Habitat for Humanity has trained thousands of high school and college students for the skilled trades.



We are also taking action to support job opportunities for all Canadians.

Too often, young people make decisions about education without good current information.

We will invest to make sure they know early on which career fields are in high demand.

Then they can make informed choices that will lead to meaningful, well-paying jobs in their field of study.

As well, we are making a three-year investment of \$70 million to support 5,000 new paid internships so new post-secondary graduates can gain vital job experience.

These new initiatives and others announced today build on our commitment to Canada's young people.

In 2011, we expanded eligibility for student loans and grants. Right now there are more than 500,000 students benefitting from these programs.

Last year's budget expanded our Youth Employment Strategy by \$50 million over two years.

This has provided tens of thousands of young Canadians with the work experience and skills training needed to succeed in the job market.

Expanding educational opportunities and skills training will help Canada compete.

But even these measures will not be enough. We must also look to the world for help.



To that end, we will continue to reform our immigration system to make sure Canada is the first choice for skilled workers from around the globe...

...So that the best young people who come here to study can remain afterwards to “try Canada out.”

...So that potential immigrants with the right skills can move to Canada faster.

...So that new Canadians can integrate quickly and find and keep good employment.

Or, start successful businesses that add to Canada’s prosperity.

We will also introduce measures to ensure First Nations can fully participate in the economic opportunities that are available.

We will work with the First Nations to improve the on-reserve Income Assistance Program to ensure that young recipients have the incentives necessary to gain employment.

We will also continue to work with First Nations to develop a First Nation Education Act.

And, measures introduced today will further help Canadians with disabilities get the support they need to be active participants in the job market.

As a former Governor General, Lord Tweedsmuir, once observed, “Canada is a nation of bridges.”

This government is committed to building those bridges...

...Between employers and job seekers.

...Between skilled immigrants and Canadian opportunities.

...Between hard-working Canadians and long-term prosperity.



Long-Term Infrastructure Funding for Long-Term Prosperity

But we are also committed to building bridges of another kind...

...The kind that ease urban congestion in our largest cities. Like the New Bridge for the St. Lawrence, including the bridge-causeway between Nuns' Island and the Island of Montreal.

...The kind that expand our trade horizons like the new international crossing at Windsor-Detroit.

...The kind that maintain vital links within communities like the Fairview overpass between Bedford, Nova Scotia, and the city of Halifax.

Of course, bridges are just part of the story.

Roads and runways, community centres and commuter rail all over this great country are essential to the well-being of Canadian families.

Infrastructure creates jobs, supports trade and fuels economic growth.

Infrastructure drives productivity and contributes to long-term prosperity.

We have done a great deal to support infrastructure renewal—more than any other federal government—but there is much left to do.

That is why, today, we are taking another major step to strengthen our communities.

Mr. Speaker, I am pleased to announce the creation of the new Building Canada plan, the largest long-term federal commitment to Canadian infrastructure in our nation's history.

\$53.5 billion over the next 10 years for provincial, territorial and municipal infrastructure.



The new plan has three components:

The **Community Improvement Fund** will provide over \$32 billion to municipalities for projects such as roads, public transit and recreational facilities.

The new fund incorporates the Gas Tax Fund and the incremental GST Rebate for Municipalities.

This name now reflects its true purpose—improving communities for Canadians.

Acting on the advice of the Federation of Canadian Municipalities, the Gas Tax Fund portion will be indexed and therefore will increase over time.

The second component is the **Building Canada Fund**, which will provide \$14 billion to support major projects across the country.

The third component is the **P3 Canada Fund**, which will provide \$1.25 billion to continue to support innovative ways to build infrastructure projects faster and provide better value for Canadians.

All Building Canada plan projects with capital costs of more than \$100 million will be screened for P3 potential.

An additional \$6 billion will be provided to provinces, territories and municipalities under current infrastructure programs in 2014–15 and beyond.

This will ensure we get the best value for every tax dollar spent.



Manufacturing and Innovation

Even with the measures I have outlined here today, Mr. Speaker, an unavoidable fundamental truth remains:

Governments alone cannot create prosperity.

Former Prime Minister Arthur Meighen knew that when he said:

“Vigour, faith and enterprise are the only weapons with which any individual, any family, or any nation can face the future.”

It is indeed the vigour and enterprise of Canadian individuals and families that have made this country great.

And their faith.

Faith in their own dreams, resourcefulness and abilities.

Faith that their government will be a benign and silent partner in their enterprise.

And not an overbearing behemoth squeezing them at every turn.

Sadly, this is not a faith that all Canadian governments have kept.

But ours has.

Our government understands that the way to create jobs and growth is to reduce barriers for businesses, not raise them.

The way to help manufacturers is to lighten their burdens, not weigh them down with more.



That's why we established the lowest tax burden on new business investment in the G-7.

And that's why we introduced tax relief to encourage manufacturers to invest in new machinery...

...to retool Canada for the 21st century.

Today, I am pleased to announce the extension of the accelerated capital cost allowance.

This measure will provide \$1.4 billion in tax relief to manufacturing companies investing in modern machinery and equipment.

This will allow businesses across Canada to improve productivity and enhance their ability to compete globally.

More than 25,000 businesses in the manufacturing and processing sector have taken advantage of this initiative since it was first introduced in 2007.

It has allowed companies like Armo Tool Limited of London, Ontario, to buy new equipment that has brought sales and employment back to peak levels.

We are also supporting Canadian manufacturers through important investments in key sectors like aerospace, forestry and military procurement.

With respect to military procurement, Canadian companies will be part of any plan to build equipment for our forces.

While manufacturing is critical to our future, small business is the lifeblood of the Canadian economy.

Our government recognizes the significant contributions of these entrepreneurs and risk-takers.

On the advice of the Canadian Federation of Independent Business, we will extend and expand the temporary Hiring Credit for Small Business for an additional year.

This will support small businesses as they grow and create jobs.



Trade and Venture Capital

Much of our trade is with the United States.

And, getting people, goods and services across the border is critical to Canada's prosperity.

That is why our government will continue to implement our Beyond the Border Action Plan to keep trade with the United States flowing freely.

We have worked hard to expand trade with other countries as well.

We have signed free trade agreements with nine countries since 2006, and negotiations are ongoing with many others including the European Union and the Trans-Pacific Partnership countries.

Many new innovative Canadian businesses depend upon venture capital to finance their growth and it is in short supply in this country.

Especially since the economic crisis.

This means companies with good ideas and high growth potential often have difficulty getting those ideas off the ground.

That's why the Prime Minister and I went to Montreal in January to announce the establishment of the Venture Capital Action plan.

Measures announced in today's budget will advance the implementation of this plan so that Canadian innovators have access to the private capital they need.

And, as innovators, Canadians are among the world's best.

But we need to work harder to see that new ideas are commercialized and become real products in the marketplace.

Today, to help accomplish this, we are announcing a series of measures to support research, create partnerships and increase collaboration between research institutions and our entrepreneurs.



We will, as the Association of Universities and Colleges of Canada recommended, commit \$225 million to modernize post-secondary research facilities across the country.

And we will, for example, invest an additional \$165 million to support genomics research.

Low Taxes That Are Fair for All

Despite the economic issues our government has faced, we have done our very best to keep taxes low for all Canadians.

In fact, our government has introduced more than 150 tax relief measures since 2006.

That's why the average family of four is saving more than \$3,200 per year in taxes.

That's why we introduced pension income splitting for seniors and others.

That's why we introduced the Working Income Tax Benefit...

– I like to call it WHITBY for short –

...which encourages people who can to find jobs rather than remain on social assistance.

The federal tax burden for all Canadians is now the lowest it has been in 50 years.

And, more than eight million Canadians have already opened Tax-Free Savings Accounts.

Tax fairness is important to ordinary hard-working Canadians.

They know that when everyone pays their fair share, it helps us keep taxes low for everyone.

To that end we are taking additional actions today to close tax loopholes.



Loopholes with strange names like “Synthetic Dispositions” and “Character Conversion Transactions”.

Those are complex structured transactions that have allowed a select few to avoid paying their fair share of taxes.

We are introducing new measures to crack down on tax evasion and aggressive tax avoidance to keep taxes low for Canadian families...

– families, who work hard, play by the rules and pay their taxes.

Moving Forward: Jobs, Growth and Long-Term Prosperity

For the past seven years, I have witnessed Canada at its best.

At its best, through good times and bad.

Through thick and thin, I have been impressed time and time again with the people of this great nation.

Their work ethic.

Their ingenuity.

Their strength of character.

It would be presumptuous for anyone to say the future belongs to any particular country.

No one can know the future.

But, from where I stand, I will say this:

These seven years have belonged to Canada.

The evidence is in.



Our economy has been resilient.

We can all be proud of that.

And, I will also say this: Canada's economic future is bright.

That we have some tough times ahead, I do not doubt.

No one who sees the world around us would disagree.

But the plan I have presented today...

– Canada's Economic Action Plan 2013 –

...advances a solid vision that has stood the test of time.

Where others have faltered, we have maintained a consistent, steady hand.

Today, we move this responsible plan forward.

Forward, toward that bright future.

With this plan, our government renews our commitment to Canadians.

Our commitment to jobs.

Our commitment to growth.

Our commitment to long-term prosperity.

For all Canadians.