

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

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

**THE BUDGET IN BRIEF**

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

**June 6, 2011**



Canada

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





# Preface

## Updates to Budget 2011

On March 22, 2011, the Government tabled Budget 2011, the Next Phase of Canada's Economic Action Plan—A Low-Tax Plan for Jobs and Growth, in the House of Commons. However, that budget was not adopted prior to the dissolution of Parliament on March 26, 2011.

On May 2, 2011, Canadians expressed their support for the Government's prudent low-tax plan to protect and create jobs, secure Canada's recovery from the global economic recession and improve the well-being of Canadians over the long term. As a result, this update of Budget 2011 includes all of the measures that were previously announced on March 22. In addition:

- A provision has been made in 2011–12 for \$2.2 billion in support of the conclusion of a satisfactory agreement between Canada and Quebec on sales tax harmonization, consistent with the Government's commitment in this regard; and
- The Government is announcing the phase-out of quarterly allowances for political parties.

This update of Budget 2011 also takes into account the latest information available on the economy and the Government's fiscal situation:

- Following a meeting between the Minister of Finance and leading private sector economists on May 31, it was agreed that the economic outlook used in March continues to be a reasonable basis for fiscal planning in this update of Budget 2011.
- The fiscal outlook has been updated to reflect fiscal developments since March. The deficit projection has been revised down by \$4.3 billion in 2010–11 as a result of a downward revision to 2010–11 expenses, including an additional reprofiling of Canada's Economic Action Plan funding largely related to the extension of the completion deadline for four infrastructure programs. This reprofiling also contributes to the slight increase of \$0.5 billion in the 2011–12 deficit projection.

After accounting for these new measures and adjustments, the projected budgetary deficit has fallen from \$40.5 billion to \$36.2 billion in 2010–11 and has increased from \$29.6 billion to \$32.3 billion in 2011–12, for a cumulative reduction of \$1.6 billion in the projected deficit over those two years. The budgetary balance for the remaining years of the forecast period is largely unchanged.

As a result, this update of Budget 2011 shows that the Government remains on track to eliminate the federal deficit. The updated fiscal forecast projects that the federal government will be in surplus by 2015–16.

The Government remains committed to balancing the budget one year earlier, by 2014–15. It will do this by reducing expenses through the Strategic and Operating Review (Table 1). The budget savings associated with the Strategic and Operating Review will be reflected in the Government’s fiscal projections once these actions are determined and implemented in Budget 2012.

Table 1  
**Projected Budgetary Balance—On Track to Return to Balanced Budgets**

	2010– 2011	2011– 2012	2012– 2013	2013– 2014	2014– 2015	2015– 2016
	(billions of dollars)					
<b>Balance including measures in Budget 2011</b>	<b>-40.5</b>	<b>-29.6</b>	<b>-19.4</b>	<b>-9.5</b>	<b>-0.3</b>	<b>4.2</b>
<b>Balance including measures in this update of Budget 2011</b>	<b>-36.2</b>	<b>-32.3</b>	<b>-19.4</b>	<b>-9.4</b>	<b>-0.3</b>	<b>4.2</b>
<b>Difference</b>	<b>4.3</b>	<b>-2.7</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>
<b>Reference</b>						
Strategic and Operating Review targeted savings			1.0	2.0	4.0	4.0
Balance including measures in this update of Budget 2011 and the expected savings from the Strategic and Operating Review	-36.2	-32.3	-18.4	-7.4	3.7	8.2

Note: Totals may not add due to rounding.

## Note to Reader:

All updates to the Budget 2011 text are highlighted in blue. Updates to the tables and charts are indicated in the notes to each table and chart. Finally, a box at the start of each chapter identifies the main updates to that chapter.

## **Introduction**

The global economy is emerging from the deepest and most synchronized financial and economic crisis since the Great Depression.

Having learned from the mistakes of the 1930s, governments and central banks responded to the downturn with unprecedented fiscal and monetary stimulus. With a strong fiscal situation and a sound banking system, Canada was able to act boldly and effectively to protect jobs and to minimize the impact of the recession on Canadians.

Canada's economic performance during the recovery stands out among advanced countries. Canada has posted the strongest employment growth in the Group of Seven (G-7) since mid-2009, and more Canadians are working today than before the recession. Moreover, Canada's fiscal situation remains among the strongest in the industrialized world. As the global economy continues to improve, Canada stands poised for success.

However, as recent world events show, there remains considerable risk and uncertainty in the global economy, and at home too many Canadians still remain out of work. For these reasons, the Government remains focused on the economy.

The Government will build on the achievements of Canada's Economic Action Plan with a new phase designed to secure the recovery and to improve the well-being of Canadians over the long term. To this end, Budget 2011 supports job creation and continues to lay the foundation for sustainable economic growth.

## **Delivering on Canada's Economic Action Plan**

Canada's Economic Action Plan was designed to fight the effects of the global recession by providing significant stimulus to safeguard jobs and protect families, while making important productive investments to contribute to Canada's long-term economic prosperity. By ensuring that stimulus spending was concentrated over a two-year period, the Government was able to run short-term deficits without jeopardizing Canada's long-term fiscal advantage.

Canada's Economic Action Plan is working. In the first year of implementation alone, almost \$32 billion in stimulus spending and tax relief was delivered, and the Government remains on track to deliver a further \$28 billion in support for the recovery.

These investments have been effective in shielding Canadians from the worst of the global recession. Over 28,500 projects have been completed or are underway, generating significant employment in local communities and contributing to the creation of **about 540,000** jobs across Canada since July 2009.

Even though the vast majority of initiatives announced in Budget 2009 **ended** as planned on March 31, 2011, projects completed as part of the Economic Action Plan will continue to benefit Canadians. By supporting productive investments in infrastructure, a more highly skilled labour force and a competitive business environment, Canada's Economic Action Plan will make lasting contributions to economic growth and prosperity.

While the Economic Action Plan has been successful in getting Canadians back to work, the global economic recovery remains fragile. For this reason, measures to foster long-term growth and support job creation continue to be the Government's top priority.

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

The Government will build on the success of the stimulus plan. As the private sector moves ahead as the engine of growth and job creation, the Government will return its focus toward sustainable actions that create the right conditions for long-term economic prosperity.

The Next Phase of Canada's Economic Action Plan—A Low-Tax Plan for Jobs and Growth will invest in the key drivers of economic growth—innovation, investment, education and training—and will seek to foster an environment in which all Canadians contribute to and benefit from a stronger economy. In doing so, the Government will reinforce Canada's comparative advantages.

The Government will build on the sustainable low-tax environment and growth-friendly policies put in place since 2006. The focus of the Next Phase of Canada's Economic Action Plan will be supporting job creation, supporting families and communities, investing in innovation, education and training, and preserving Canada's fiscal advantage.

**Supporting Job Creation** by helping businesses and entrepreneurs succeed, keeping taxes low, investing in projects of national importance, and maintaining Canada's brand as one of the best places to invest.

Budget 2011 advances these priorities by:

- Providing a temporary Hiring Credit for Small Business to encourage additional hiring by this vital sector.
- Extending the work-sharing program and the Targeted Initiative for Older Workers to help Canadians in some of the hardest hit areas stay in the workforce.
- Supporting the manufacturing and processing sector by extending the accelerated capital cost allowance treatment for investments in manufacturing and processing machinery and equipment for two years.
- Renewing the Best 14 Weeks and Working While on Claim EI pilot projects for one year.
- Extending the temporary 15-per-cent Mineral Exploration Tax Credit for an additional year (until March 31, 2012) to continue to help companies raise capital for mineral exploration.
- Providing renewed funding of almost \$100 million over two years for research, development and demonstrations of clean energy and energy efficiency.
- Contributing \$150 million toward the construction of an all-season road between Inuvik and Tuktoyaktuk that completes the Dempster Highway, connecting Canadians from coast to coast to coast.

**Supporting Families and Communities** so that all Canadians enjoy a high standard of living and our communities stay vibrant and safe. Budget 2011 invests in these goals by:

- Enhancing the Guaranteed Income Supplement (GIS) for those seniors who rely almost exclusively on their Old Age Security and the GIS and may therefore be at risk of experiencing financial difficulties. This measure will provide a new top-up benefit of up to \$600 annually for single seniors and \$840 for couples. This measure represents an investment of more than \$300 million per year, and will improve the financial security of more than 680,000 seniors across Canada.
- Attracting more health care workers to underserved rural and remote communities by forgiving up to \$40,000 of the federal component of Canada Student Loans for new family physicians and up to \$20,000 for nurse practitioners and nurses.
- Introducing a Family Caregiver Tax Credit and Children's Arts Tax Credit to support Canadian families.

- Introducing a Volunteer Firefighters Tax Credit for volunteer firefighters who perform at least 200 hours of service in their communities.
- Providing nearly \$870 million over two years to address climate change and air quality, including the extension of the ecoENERGY Retrofit – Homes program that will help homeowners make their homes more energy efficient and reduce the burden of high energy costs.

**Investing in Innovation, Education and Training** to promote research in leading-edge technologies and to provide Canadians with the opportunity and incentives to acquire the skills needed for jobs in today's labour market. Budget 2011 makes important progress on these priorities by:

- Providing \$80 million in new funding over three years through the Industrial Research Assistance Program to help small and medium-sized businesses accelerate their adoption of key information and communications technologies through collaborative projects with colleges.
- Establishing 10 new Canada Excellence Research Chairs. Some of these new chairs will be active in fields relevant to Canada's Digital Economy Strategy.
- Increasing the budgets of all three federal granting councils by \$47 million annually, including support for indirect costs.
- Improving commercialization and supporting demonstration of new technologies in the marketplace by supporting research links between colleges, universities and businesses.
- Enhancing and expanding eligibility for the Canada Student Loan and Grant Program for part-time and full-time post-secondary students.
- Helping apprentices in the skilled trades and workers in regulated professions by making occupational, trade and professional examination fees eligible for the Tuition Tax Credit.

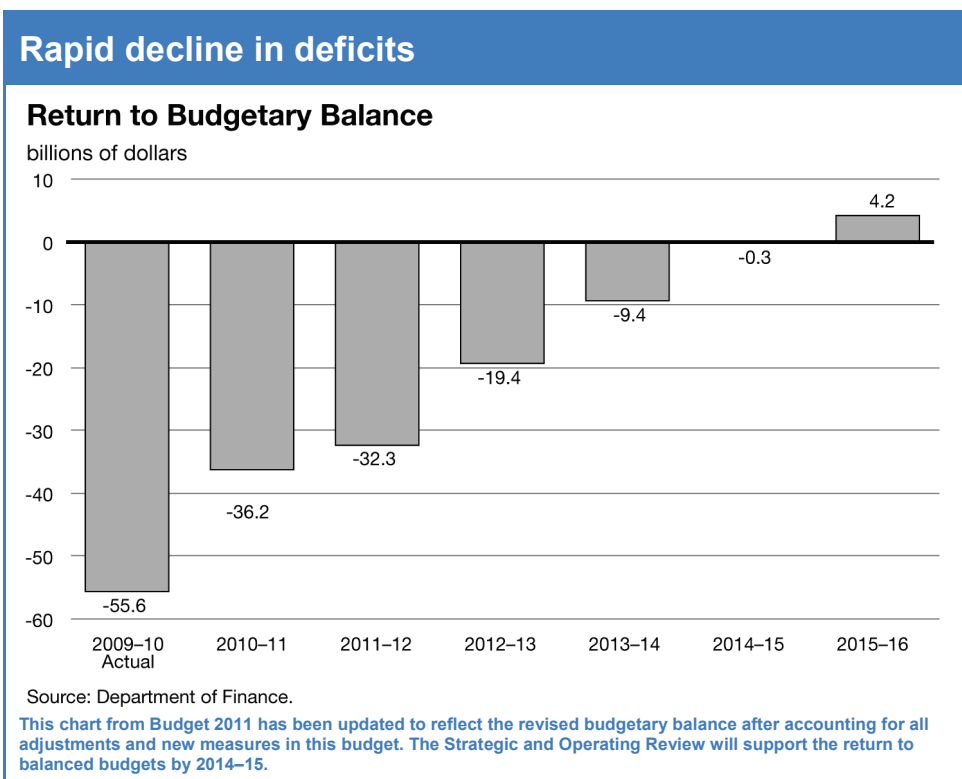
**Preserving Canada's Fiscal Advantage** in order to be able to invest in the priorities of Canadians, to keep Canada's economy growing strongly, and to maintain low interest rates. Budget 2011 advances these objectives by:

- Reaffirming the Government's plan to return to balanced budgets without raising taxes, cutting transfers to persons, including those for seniors, children and the unemployed, or cutting transfers to other levels of government that support health care and social services, Equalization, and the gas tax transfer to municipalities.



- Identifying savings that reach over \$500 million annually from the 2010 round of strategic reviews. Together with measures to restrain the growth of National Defence spending, the first cycle of strategic reviews has resulted in \$11 billion in savings over seven years and more than \$2.8 billion in ongoing savings.
- Protecting the integrity and fairness of the Canadian tax system by closing tax loopholes.

The deficit in **2012–13** is projected to be **cut by almost two-thirds from its level** in 2009–10. The deficit is projected to continue to decline to \$0.3 billion in 2014–15. It is expected that there will be a surplus of \$4.2 billion in 2015–16.



In addition, the Government is **moving forward with** a comprehensive review of direct program spending to be completed in 2011–12. The Strategic and Operating Review will build on the first cycle of strategic reviews to support the return to balanced budgets **by 2014–15**, and provide fiscal room to continue paying down debt and investing in the priorities of Canadians, including lowering taxes for families. The review will focus on improving the efficiency and effectiveness of government operations and programs to ensure value for taxpayer money.

As shown in Table 2, without including any targeted savings from the Strategic and Operating Review, the Government is projected to return to balanced budgets by 2015–16. The Government remains committed to balancing the budget one year earlier, by 2014–15. It will achieve this by reducing expenses through the Strategic and Operating Review. The budgetary savings associated with the Strategic and Operating Review will be reflected in the Government’s fiscal projections once these actions are determined and implemented in Budget 2012.

Table 2  
**Projected Budgetary Balance—On Track to Return to Balanced Budgets**

	2010– 2011	2011– 2012	2012– 2013	2013– 2014	2014– 2015	2015– 2016
	(billions of dollars)					
<b>Balance including measures in Budget 2011</b>	<b>-40.5</b>	<b>-29.6</b>	<b>-19.4</b>	<b>-9.5</b>	<b>-0.3</b>	<b>4.2</b>
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Note: Totals may not add due to rounding.

Going forward, the Government will maintain its focus on the priorities set out in the Next Phase of Canada’s Economic Action Plan. The cornerstone of this plan will be returning to balanced budgets.

By focusing on sustainable investments in Canada’s long-term prosperity, the Government will seek to increase the well-being of all Canadians, while preserving the public services and culture that define us as a nation.

# Economic Developments and Prospects

## Highlights

- ✓ The global economy is recovering from the deepest and most synchronized recession since the 1930s.
- ✓ The Canadian recovery is underway, reflecting the extraordinary measures in Canada's Economic Action Plan and Canada's solid economic fundamentals.
- ✓ Canada has posted the strongest employment growth among Group of Seven (G-7) countries since mid-2009, recouping more than all the jobs lost during the recession.
- ✓ The Department of Finance conducted a survey of private sector economists in early March 2011. On March 11, economists met with the Minister of Finance to discuss the economic forecast from the survey as well as the risks associated with that forecast.
- ✓ **At the time of Budget 2011**, private sector economists **expected** real gross domestic product (GDP) growth of 2.9 per cent in 2011, up from 2.5 per cent in the October 2010 Update of Economic and Fiscal Projections.
- ✓ Economists **expected** the level of nominal GDP—the broadest single measure of the tax base—to be over \$20 billion higher, on average, over the forecast period than at the time of the October Update.
- ✓ Private sector economists **were** of the view that risks to the economic outlook **were** broadly balanced.
- ✓ Economists **saw** the prospects for stronger global growth, particularly in the U.S., and the net benefits of higher commodity prices for the Canadian economy as key factors that could lead to an improvement in the outlook, particularly for nominal GDP.
- ✓ However, economists **considered** sovereign debt issues in Europe and the potential for higher and volatile oil prices—and their implications for global growth and inflation—as key downside risks to the outlook. Moreover, the catastrophic earthquake and tsunami that struck Japan on March 11 **were thought then to possibly** weigh on the global recovery.
- ✓ **On May 31, economists met with the Minister of Finance to discuss economic developments since the March survey as well as current risks to the outlook.**
- ✓ **The economists continue to see the average forecast from the March 2011 survey as a reasonable basis for fiscal planning.**

- ✓ While economists continue to see the risks to the Canadian outlook as balanced, the focus has shifted somewhat since Budget 2011 toward sovereign debt concerns in Europe, and away from oil price volatility and the effects of the Japanese earthquake and tsunami. Economists also expressed concern that the growth dynamics in the U.S. could be less strong than previously anticipated, reflecting weaker-than-expected growth in the first quarter of 2011 and ongoing uncertainty over the fiscal situation in that country.
- ✓ The Government has adjusted downward the private sector forecast for nominal GDP for budget planning purposes by \$10 billion in each year of the forecast. This adjustment for risk reflects the remaining uncertainties surrounding the global economic outlook.

## Canada's Economic Action Plan

### Highlights

- ✓ Canada's Economic Action Plan is on track to deliver \$60 billion in extraordinary stimulus to support jobs and growth during the worst of the global recession. The vast majority of this support **ended** on March 31, 2011, as planned.
- ✓ **As of March**, more than 28,500 Economic Action Plan projects **had** been completed or **were** underway across Canada. These projects have generated significant employment opportunities in local industries.
- ✓ Following the extension of four key infrastructure programs, provinces and territories indicated that they expected a total of roughly \$1 billion in federal funding to be claimed in 2011–12, out of a total of \$7 billion allocated to these programs in Budget 2009.
- ✓ **Based on information provided by partners in late April, it is now expected that roughly \$1.3 billion in federal funding for extended infrastructure programs will be claimed in 2011–12.**
- ✓ **In addition, roughly \$160 million related to other Economic Action Plan programs has been refiled from 2010–11 to future years.**

- ✓ In recognition of the ongoing fragility of the world economy, Budget 2011 announces new targeted measures to support jobs and growth, including:
  - Providing assistance to Canada’s manufacturing and processing sector by extending the temporary accelerated capital cost allowance rate for investment in machinery and equipment for two additional years.
  - Providing a temporary Hiring Credit for Small Business of up to \$1,000 against a small firm’s increase in its 2011 Employment Insurance (EI) premiums over those paid in 2010 to encourage hiring.
  - Extending work-sharing agreements by up to 16 weeks so that companies can avoid layoffs by offering EI benefits to workers willing to work a reduced work week while their company recovers.
  - Renewing the Best 14 Weeks and Working While on Claim EI pilot projects for one year.
  - Extending the Targeted Initiative for Older Workers to support training and employment programs for older workers.
  - Enhancing the Wage Earner Protection Program to cover more workers affected by employer bankruptcy or receivership.
  - Extending the Mineral Exploration Tax Credit for flow-through share investors for an additional year.
- ✓ Going forward, the investments made through Canada’s Economic Action Plan will continue to benefit Canadians through a legacy of modernized infrastructure, enhanced skills training, and lower taxes.

## **Supporting Job Creation**

### **Highlights**

#### **Fostering Canada’s Business Advantage**

The Next Phase of Canada’s Economic Action Plan—A Low-Tax Plan for Jobs and Growth takes important steps to improve the ability of businesses and entrepreneurs to respond to emerging growth opportunities and create jobs. Budget 2011 measures include:

- ✓ Providing a one-time Hiring Credit for Small Business of up to \$1,000 against a small firm’s increase in its 2011 Employment Insurance (EI) premiums over those paid in 2010 to encourage hiring.

- ✓ Providing assistance to Canada's manufacturing and processing sector by extending the temporary accelerated capital cost allowance rate for investment in machinery and equipment for two additional years.
- ✓ Renewing the Best 14 Weeks and Working While on Claim EI pilot projects for one year.
- ✓ Providing \$20 million over two years to help the Canadian Youth Business Foundation to support young entrepreneurs.
- ✓ Reducing red tape to lessen the compliance burden on small businesses through the Red Tape Reduction Commission and upgrading the BizPaL service.

### **Investing in a Cleaner Energy Economy**

The Next Phase of Canada's Economic Action Plan advances Canadian leadership in the development and promotion of clean energy technologies, with new budget measures including:

- ✓ Providing renewed funding of almost \$100 million over two years for research, development and demonstrations of clean energy and energy efficiency.
- ✓ Expanding eligibility for the accelerated capital cost allowance for clean energy generation equipment.
- ✓ Providing \$8 million over two years to promote the deployment of clean energy technologies in Aboriginal and Northern communities.
- ✓ Aligning deduction rates for intangible capital expenses in oil sands projects with rates in the conventional oil and gas sector.

### **Strengthening Canada's International Engagement**

The Next Phase of Canada's Economic Action Plan takes action to strengthen Canada's trade arrangements and to engage in the global economy through new budget measures such as:

- ✓ Streamlining Canada's trade instruments, including an overhaul of the Customs Tariff legislation to reduce the processing burden for Canadian business.
- ✓ Extending the temporary powers of Export Development Canada to provide financing support to Canadian exporters in the domestic market.

## **Maintaining Canada's Financial Sector Advantage**

The Next Phase of Canada's Economic Action Plan further strengthens Canada's financial system. Budget 2011 measures include:

- ✓ Introducing legislation to reinforce the stability of Canadian housing finance and strengthen the mortgage insurance regime.
- ✓ Moving forward on the recommendations of the Task Force on Financial Literacy, and announcing the Government's intention to appoint a Financial Literacy Leader to promote national efforts.
- ✓ Enhancing consumer protection by banning unsolicited credit card cheques and developing measures related to network-branded prepaid cards.

## **Strengthening Canada's Public Infrastructure**

The Next Phase of Canada's Economic Action Plan builds on the significant investments in public infrastructure announced under the Building Canada plan and in Budget 2009 with new budget measures including:

- ✓ Legislating a permanent annual investment of \$2 billion in the Gas Tax Fund to provide predictable, long-term infrastructure funding for municipalities.
- ✓ Providing \$228 million over three years to fund repairs and major maintenance to federal bridges in Greater Montréal.
- ✓ Investing \$148 million over the next five years to maintain bridges, dams and other specialized federal assets managed by Public Works and Government Services Canada across Canada.
- ✓ Providing up to \$72 million over three years for repairs to storm-damaged small craft harbours.
- ✓ Contributing \$150 million toward the construction of an all-season road between Inuvik and Tuktoyaktuk that completes the Dempster Highway, connecting Canadians from coast to coast to coast.

## **Supporting Canadian Agriculture**

The Next Phase of Canada's Economic Action Plan promotes the long-term profitability and global competitiveness of the agricultural sector by:

- ✓ Announcing a two-year, \$50-million Agricultural Innovation Initiative to support knowledge creation and transfer and increased commercialization of agricultural innovations.
- ✓ Providing \$17 million over five years for a management and monitoring strategy to contain and prevent the spread of plum pox.
- ✓ Providing \$24 million over two years to extend the Initiative for the Control of Diseases in the Hog Industry.
- ✓ Ensuring that the Agri-Québec program is accorded the same tax treatment that is currently provided to the federal AgriInvest program.
- ✓ Providing an additional \$100 million over five years to the Canadian Food Inspection Agency to improve food inspection capacity.

## **Supporting Forestry**

The Next Phase of Canada's Economic Action Plan invests in Canada's forestry sector by:

- ✓ Supporting the transformation of the forestry sector by proposing to provide \$60 million in 2011–12 to help forestry companies innovate and tap into new opportunities abroad.

## **Supporting Families and Communities**

### **Highlights**

#### **Supporting Canada's Seniors**

The Next Phase of Canada's Economic Action Plan announces new measures to improve the quality of life and expand opportunities for older Canadians, with new budget measures including:

- ✓ Enhancing the Guaranteed Income Supplement (GIS) for those seniors who rely almost exclusively on their Old Age Security and the GIS and may therefore be at risk of experiencing financial difficulties. This measure will provide a new annual top-up benefit of up to \$600 for single seniors and \$840 for couples. This measure represents an investment of more than \$300 million per year, and will improve the financial security of more than 680,000 seniors across Canada.



- ✓ Enhancing the New Horizons for Seniors Program with \$10 million over two years to support projects that ensure seniors contribute to and benefit from activities in their communities.
- ✓ Changing federal rules to eliminate the mandatory retirement age for federally regulated employees in order to give older workers wishing to work the option of remaining in the workforce.

## **Supporting Our Families**

The Next Phase of Canada's Economic Action Plan provides support for Canadians and their families, with new budget measures including:

- ✓ Introducing a new Family Caregiver Tax Credit, a 15-per-cent non-refundable credit on an amount of \$2,000 that will provide tax relief to caregivers of all types of infirm dependent relatives including, for the first time, spouses, common-law partners and minor children.
- ✓ Removing the limit on the amount of eligible expenses that caregivers can claim under the Medical Expense Tax Credit in respect of financially dependent relatives.
- ✓ Increasing flexibility to access Registered Disability Savings Plan (RDSP) assets for beneficiaries with shortened life expectancies and following through on the commitment to review the RDSP in 2011.
- ✓ Introducing a new 15-per-cent Children's Arts Tax Credit, provided on up to \$500 of eligible expenses for programs associated with children's artistic, cultural, recreational and developmental activities.

## **Supporting Vibrant Communities**

The Next Phase of Canada's Economic Action Plan announces additional support for culture and communities with new budget measures, including support for Aboriginal people, such as:

- ✓ Introducing a Volunteer Firefighters Tax Credit for volunteer firefighters who perform at least 200 hours of service for their communities.
- ✓ Attracting more health care workers to under-served rural and remote communities by forgiving a portion of the federal component of Canada Student Loans for new family physicians, nurse practitioners and nurses who practise in these communities.
- ✓ Improving the regulatory framework of the charitable sector to give confidence to Canadians who make donations.
- ✓ Providing \$20 million over two years to renew the Eastern Ontario Development Program.

- ✓ Providing \$25 million over five years to renew funding for the Harbourfront Centre.
- ✓ Marking the 100<sup>th</sup> anniversary of the Grey Cup and the Calgary Stampede with \$5 million toward each of the anniversary celebrations.
- ✓ Providing \$60 million to the CBC/Radio-Canada in 2011–12 to be used in the production of high-quality Canadian programming.
- ✓ Providing \$15 million per year to the Canada Periodical Fund to support a broad range of publications and ensure a diversity of Canadian content.
- ✓ Investing \$22 million over two years to help First Nations ensure that the fuel tanks that power their essential community services meet environmental safety standards.

## **Protecting Canada’s Natural Environment**

The Next Phase of Canada’s Economic Action Plan provides funding to continue to protect Canada’s natural environment, address environmental risks, and improve Canada’s weather services, with new budget measures such as:

- ✓ Investing almost \$870 million over two years for Canada’s Clean Air Agenda, including
  - \$252 million to support regulatory activities to address climate change and air quality.
  - \$86 million to support clean energy regulatory actions, focusing on energy efficiency.
  - \$48 million to develop transportation sector regulations and next-generation clean transportation initiatives.
  - \$58 million for projects to improve our understanding of climate change impacts.
  - \$25 million to advance Canada’s engagement in international negotiations and support the Canada-United States Clean Energy Dialogue.
  - \$400 million in 2011–12 for the ecoENERGY Retrofit – Homes program to help homeowners make their homes more energy efficient and reduce the burden of high energy costs. Further details regarding this program will be announced in the near future.

- ✓ Providing \$5.5 million over five years to Parks Canada to establish the Mealy Mountains National Park in Labrador.
- ✓ Continuing action to systematically assess, remediate and monitor federal contaminated sites.
- ✓ Renewing the Chemicals Management Plan with almost \$200 million over two years to assess and manage the risk of harmful chemicals.
- ✓ Providing Environment Canada with \$27 million over two years to improve Canada's weather services.

## **Public Safety, Security and Justice**

The Next Phase of Canada's Economic Action Plan recognizes the importance of keeping our communities safe by investing in crime prevention and the justice system, with budget measures including:

- ✓ Allocating \$21 million over five years to upgrade baggage scanning equipment at Canadian airports.
- ✓ Investing \$20 million over two years in youth crime prevention programs.
- ✓ Investing an additional \$30 million over two years in the First Nations Policing Program to supplement existing policing services.
- ✓ Committing additional resources of \$4.2 million over two years to support the hiring of additional judges and prosecutors in Nunavut.
- ✓ Confirming the Government's commitment to Canada's *no safe haven* policy for persons involved in war crimes, crimes against humanity and genocide with funding of \$8.4 million per year ongoing.
- ✓ Providing \$26 million over two years to support the Federal Victims' Ombudsman to promote access to justice and participation by victims in the justice system.
- ✓ Contributing \$1.6 million annually to the Communities at Risk: Security Infrastructure Pilot Program to support security enhancements for communities victimized by hate-motivated crime.

## **Investing in Innovation, Education and Training**

### **Highlights**

#### **Driving Innovation—Canada’s Digital Economy Strategy**

The Next Phase of Canada’s Economic Action Plan sets the stage for the Digital Economy Strategy to make Canada a leader in the creation, adoption and use of digital technologies and content. Budget 2011 measures include:

- ✓ Providing \$80 million in new funding over three years through the Industrial Research Assistance Program to help small and medium-sized businesses accelerate their adoption of key information and communications technologies through collaborative projects with colleges.
- ✓ Announcing \$60 million over the next three years to promote increased student enrolment in key disciplines related to the digital economy.
- ✓ Providing funding of \$100 million per year to the Canada Media Fund for investments in the creation of digital content across multiple platforms.

#### **Strengthening Canada’s Research Advantage**

The Next Phase of Canada’s Economic Action Plan announces new resources to support leading-edge research, international collaborations, health research of national importance, and the creation of world-class research centres in Canada. Budget 2011 measures include:

- ✓ Investing an additional \$37 million per year to support the three federal research granting councils.
- ✓ Providing an additional \$10 million per year, for the Indirect Costs Program, for costs such as those related to operating and maintaining facilities.
- ✓ Investing \$53.5 million over five years to support the creation of 10 new Canada Excellence Research Chairs.
- ✓ Allocating up to \$100 million to help establish a Canada Brain Research Fund to support the very best Canadian neuroscience, and accelerate discoveries to improve the health and quality of life for Canadians who suffer from brain disorders.
- ✓ Providing an additional \$65 million for Genome Canada to continue its groundbreaking work.

- ✓ Investing \$4 million over three years to support the construction of a cyclotron for the production of medical isotopes at the Thunder Bay Regional Research Institute.
- ✓ Providing \$35 million over five years to the Natural Sciences and Engineering Research Council of Canada to support excellence in climate and atmospheric research at Canadian post-secondary institutions.
- ✓ Providing \$50 million over five years, beginning in 2012–13, to the Perimeter Institute for Theoretical Physics to support its leading research, education and public outreach activities.

### **Fostering Commercialization and Business Innovation**

The Next Phase of Canada’s Economic Action Plan supports the creation of high-value jobs with targeted resources to improve commercialization and support demonstration of new technologies in the marketplace. Budget 2011 measures include:

- ✓ Supporting 30 new Industrial Research Chairs at colleges with \$3 million in 2011–12 and \$5 million a year on a permanent basis starting in 2012–13.
- ✓ Allocating \$12 million over five years, starting in 2011–12, through the Idea to Innovation program to support joint college-university commercialization projects.
- ✓ Providing \$40 million over two years to Sustainable Development Technology Canada to continue to support the development and demonstration of new clean technology projects.
- ✓ Supporting the operations of the National Optics Institute with \$45 million over five years.

### **Promoting Education and Training**

The Next Phase of Canada’s Economic Action Plan helps Canadians get the education and skills they need to succeed with new budget measures that include:

- ✓ Enhancing and expanding eligibility for Canada Student Loans and Grants for part-time and full-time post-secondary students with an investment of over \$34 million a year once fully implemented.
- ✓ Investing \$9 million over two years to expand adult basic education programming in the territories to increase employment opportunities for Northerners.
- ✓ Providing up to \$10 million a year in tax relief and Registered Education Savings Plan assistance to the increasing number of Canadian post-secondary students who study abroad.

- ✓ Providing \$10 million over two years to develop and implement an international education strategy that will reinforce Canada as a country of choice to study and conduct world-class research.
- ✓ Encouraging skills certification by making all occupational, trade and professional examination fees eligible for tax relief.

## Preserving Canada's Fiscal Advantage

### Highlights

- ✓ Strong fiscal management will continue to be the cornerstone of the Government's economic policy.
- ✓ The International Monetary Fund (IMF) expects that Canada will return to budget balance **by 2016, one of only two** Group of Seven (G-7) countries **expected to do so**, and considers that its fiscal prospects are among the best in the G-20.
- ✓ Maintaining a focus on balanced budgets and debt reduction will allow the Government to keep taxes low and take actions to foster long-term growth and the creation of well-paying jobs for Canadians in the future.

## Plan for Returning to Balanced Budgets

### Highlights

- ✓ Budget 2011 builds on the actions taken in Budget 2010 to return to balanced budgets by:
  - Delivering on the 2010 round of strategic reviews.
  - Taking action to close tax loopholes.
  - Launching a comprehensive one-year Strategic and Operating Review aimed at improving the efficiency and effectiveness of government operations and programs to ensure value for taxpayer money.
- ✓ The Government has been clear and consistent that it will not raise taxes or cut transfers to persons, including those for seniors, children and the unemployed, or transfers to other levels of government in support of health care and social services, Equalization, and the gas tax transfer to municipalities.
- ✓ The Government's plan for returning to balanced budgets is on track. Without including any targeted savings from the Strategic and Operating Review, the Government is projected to return to balanced budgets by 2015–16 at the latest.

- ✓ The deficit in **2012–13** is projected to be **cut by almost two-thirds from its level in** 2009–10. The deficit is projected to continue to decline to \$0.3 billion in 2014–15. It is expected that there will be a surplus of \$4.2 billion in 2015–16.
- ✓ The Strategic and Operating Review will support the return to balanced budgets **by 2014–15**, and provide fiscal room to continue paying down debt and investing in the priorities of Canadians, including lowering taxes for families.
- ✓ The expiration of stimulus measures and the savings measures announced in this budget are expected to lower program spending from 16.0 per cent of gross domestic product (GDP) in 2009–10 to 12.9 per cent of GDP in 2015–16, in line with its pre-recession level.
- ✓ The federal debt is projected to decline to 29.7 per cent of GDP in 2015–16, broadly returning to its pre-recession level.