



CANADA

# **JOBS GROWTH**

AND  
LONG-TERM **PROSPERITY**

ECONOMIC ACTION PLAN 2012  
THE BUDGET SPEECH

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

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CANADA'S ECONOMIC  
**ACTION  
PLAN**







## Check Against Delivery

### Economic Action Plan 2012 Jobs, Growth and Long-Term Prosperity

Today we present Economic Action Plan 2012. It is Canada's plan for jobs, growth and long-term prosperity.

Looking ahead, Canadians have every reason to be confident. Other Western countries face the risk of long-term economic decline. We have a rare opportunity to position our country for sustainable, long-term growth. Others now have little room to manoeuvre. We are free to choose our future. We have made our choice. Our government chooses prosperity, for all Canadians. We will take decisive action to ensure our economy will create good jobs and sustain a higher quality of life for our children and grandchildren.

In this budget our government is looking ahead not only over the next few years but also over the next generation. We are taking major steps forward to build on the strong foundation we have laid since 2006. We are avoiding foreseeable problems while seizing new opportunities in the global economy. The reforms we present today are substantial, responsible, and necessary. They will ensure we are focused on enabling and sustaining Canada's long-term economic growth.

Our goal is to strengthen the financial security of Canadian workers and families, to help create good jobs and long-term prosperity in every region of the country. Still, it is not enough simply to maintain Canada's advantage among the major advanced economies. We must also position Canada to compete successfully with the world's large and dynamic emerging economies. In a changing global economy we must aim higher. We must avoid falling behind. We must realize the enormous potential of our great country.

Sir George Foster wrote of that potential, a century ago. He helped to shape it over crucial generations—from serving as Minister of Finance under Sir John A. Macdonald to attending the Paris Peace Conference with Sir Robert Borden. His words are more compelling now than he could have imagined.

“There is especial need just now for long vision and the fine courage of statesmanship, and the warm fires of national imagination. Let us summon them all to our aid. We should not be thinking overmuch of what we are now, but more of what we may be fifty or a hundred years hence. Let us climb the heights and take the long forward look.”

Since 2006 our government has taken that long forward look. We have acted consistently to help create jobs and economic growth. Our plan is founded on the understanding that keeping taxes low helps hard-working families and supports the businesses that create jobs for Canadians. In the past few years of global economic recession and instability, we have seen the wisdom of that plan. It has enabled us to meet an historic challenge. It has positioned us to seize an historic opportunity. It has protected and strengthened our country.

## Protecting and strengthening our country

Let us review the record. Our government reduced personal income taxes and cut the GST. We allowed seniors to split their pension. We established the Working Income Tax Benefit for low-income working people. We removed more than a million low-income Canadians from the federal income tax rolls altogether. We established the Registered Disability Savings Plan and the Tax-Free Savings Account—the most important personal savings vehicle since the RRSP. Altogether, we have saved the average family of four more than \$3,100 per year in lower taxes.

At the same time, we reduced taxes on the businesses that create jobs for Canadians. Canada now has the lowest overall tax rate on new business investment among major advanced economies. This is a significant advantage for Canada in the global economy. It is helping to create and preserve jobs in communities across the country, now and for the long term.

Because we made responsible choices, when the global economic recession hit we were able to respond decisively. We implemented one of the largest and most effective economic stimulus plans among the nations of the G-20. We made historic investments in infrastructure. We encouraged businesses to invest and helped them to avoid layoffs. We made substantial new investments in skills training, and we extended support for workers who lost their jobs. We did all of this without creating permanent new bureaucracies. We did it without taking on the massive debts and long-term deficits now faced by many other countries. We did it without raising taxes.

As a result, in these difficult years Canada has outperformed most other industrialized countries.

But still, we remain concerned about the number of Canadians out of work. In response, this budget contains measures to create new, high-quality jobs. Still, it is important to remember that Canada is one of only two G-7 countries to have recouped all the jobs lost during the global recession. In fact, since July 2009 our economy has created more than 610,000 net new jobs. The World Economic Forum says our banks are the soundest in the world. *Forbes* magazine ranks Canada as the best place in the world for businesses to grow and create jobs. Our net debt-to-GDP ratio remains the lowest in the G-7, by far. The OECD and the IMF predict our economy will be among the leaders of the industrialized world over the next two years.

## Taking the next steps

Canadians appreciate the fact that our country is outperforming our peers. They also understand that the global economy remains fragile. They know that our traditional trading partners face serious long-term economic challenges. In addition, Canadians are aware that our country faces challenges of its own. We need to promote innovation more effectively, to keep creating good-quality jobs. We need to plan for the rapid aging of our population, to secure our long-term prosperity.

Many Canadians are concerned about whether they will have enough money for their retirement. They wonder whether our social programs will be there when they need them. They ask whether there will be good jobs and a higher quality of life for themselves and for their children.



In response to these concerns, there are some who would raise taxes, increase government spending, and shun new trading opportunities. These short-sighted, irresponsible, and dangerous policies would kill jobs, impose crushing deficits, and cripple our economy. They would squander Canada's advantage. Eventually they would make our social programs unsustainable. We see it in the very difficult circumstances in which Greece and some other European countries now find themselves. These policies would turn us away from long-term prosperity, down a path of long-term decline.

Our government will not allow that to happen. We will stay on course, to keep creating high-quality jobs and long-term economic growth for Canadians. We will not raise taxes. We will maintain our consistent, pragmatic, and responsible approach to the economy. We will take the necessary next steps to build confidence in our future.

## **Maintaining and strengthening Canada's sound fiscal position**

Canadians need to be confident in our prospects for economic growth. This is the key not only to creating good jobs but also to sustaining our social programs and improving our quality of life. Canadians also need to know that their government will be able to respond boldly to any future economic crises originating outside our borders. To provide this confidence, we must ensure that Canada's finances are sustainable over the long term. To that end, we will fulfill the commitment we made in the Economic Action Plan budget of 2009, to return to balanced budgets in the medium term.

We are on track. In less than two years, we have already cut the deficit in half. We did it by ending our targeted and temporary stimulus measures, and by controlling the growth of new spending. Now, in this budget we will take the next steps. We will implement moderate restraint in government spending. The vast majority of the savings will come from eliminating waste in the internal operations of government, making it leaner and more efficient.

For example, our government will do what everyone agrees should have been done long ago. We will eliminate the penny. Pennies take up too much space on our dressers at home. They take up far too much time for small businesses trying to grow and create jobs. It costs taxpayers a penny-and-a-half every time we make one. We will, therefore, stop making them.

Canadians might wonder why this was not done earlier. Canadians might also wonder why public servants are sometimes asked to travel, when a videoconference would be easier for them and cheaper for taxpayers. Canadians might be surprised to learn that some of the most massive documents the government produces are still printed on paper, when everyone now uses these documents online. If so, Canadians will be glad to learn that we are putting a stop to these and other wasteful practices in every corner of government.

Because of our government's responsible choices, we can eliminate the deficit through common-sense, moderate restraint. We have no need to resort to the drastic cuts being forced upon some other developed countries today. We have no need to undertake the radical austerity measures imposed by the federal government in the 1990s. In fact, our government will return to balanced budgets, while continuing sustainable increases in transfers for social programs. The savings we have identified are moderate. They will amount to less than 2 per cent of federal program spending overall.

## **Ensuring the sustainability of Canada's social programs**

Our government has always acted responsibly to ensure the social programs Canadians count on will be there when they need them. As mentioned, we are increasing support for health care, education, and pensions at a sustainable level. Today we are also taking action to ensure the sustainability of Canada's retirement income system.

Changes were made years ago to the Canada Pension Plan to ensure it would be sustainable. As a result it is sound and fully funded. Today it is clear we must take action to ensure the sustainability of the Old Age Security program, which is the largest spending program of the federal government.

The Old Age Security program was designed for a much different demographic future than Canada faces today. In the 1970s there were seven workers for every one person over the age of 65. In 20 years there will be only two. In 1970 life expectancy was age 69 for men and 76 for women. Today it is 79 for men and 83 for women. At the same time, Canada's birth rate is falling.

The result is that Canadians are living longer and healthier. There are fewer workers to take their place when they retire. Canada has changed. Old Age Security must change with it, to serve the purpose it was intended to serve.

We will make gradual adjustments to the Old Age Security program, to ensure the next generation can count on it. These adjustments will not affect current recipients or those close to retirement. Starting in 2023 and ending in 2029, we will gradually increase the age of eligibility, from 65 to 67. This gradual approach will enable younger Canadians to plan ahead with confidence. We will also make the program more flexible for those approaching retirement. As of July 1, 2013, Canadians who prefer to keep working will be given the option to defer the start of benefits. This voluntary option will enable them to receive higher benefits as a result.

Beyond this, we will also ensure that government employee pension plans are sustainable and financially responsible. We will adjust these pension plans to be more in line with those available to Canadians working in the private sector. We will also increase the cost-share ratio for the pension plan for Members of Parliament and Senators, effective January 1, 2013.

Our government has already announced increases in transfers to the provinces, to put health care funding on a stable, sustainable path for the long term. Together with our adjustments to Old Age Security, we are ensuring that these crucial programs and services will be there for Canadians over the next generation.

## **Creating jobs now, while investing in skills training and filling gaps in Canada's labour force**

Our focus in this budget is the long-term prosperity of our country. Still, as always, we are also responding to the immediate needs of our fellow Canadians. To create jobs now, we will extend by one year the Hiring Credit for Small Business—a practical, proven measure which encourages businesses to hire more workers. We will provide new funding to improve border infrastructure. We will make new investments in local infrastructure, through Canada's regional development agencies. We will also renew the fleet of the Canadian Coast Guard, now celebrating its 50<sup>th</sup> anniversary.



While creating jobs now, our government will provide new opportunities for Canadians to gain access to the labour market. We will keep helping older workers in transition to find good, new jobs. We will increase funding for skills training and career experiences, for young Canadians and for Canadians with disabilities.

Canada's reservists make extraordinary sacrifices to keep our country safe. But potential long absences and added costs mean some employers will not hire them. These brave Canadians should not be disadvantaged. Our government, working with Canada Company, will help remove barriers to hiring reservists.

We will also take action to modernize Canada's Employment Insurance program. We will make it much easier for Canadians who are out of work to identify new opportunities, and for employers to find the workers they need. For EI recipients in areas of sporadic employment, we will initiate modest changes to the program to better focus our support for Canadians who are eager to work. We will also provide new incentives and opportunities for members of First Nations living on reserve, to participate fully in our economy and to gain greater self-sufficiency.

Our government will also take action to build a new legislated framework, in response to the National Panel on First Nation education. As initial steps, we will make new investments to build and renovate schools on reserves. We will increase support for early literacy programming. We will work with First Nations to build partnerships with provinces and other stakeholders to unlock the potential of Canada's First Nations children. We will also invest in a long-term strategy to improve water quality in First Nations communities.

In addition, our government will reform Canada's immigration system, to make it faster and more efficient. We will ensure it is designed above all to strengthen Canada's economy. As a result we will be better able to fill gaps in our labour force. We will attract more of the entrepreneurs we need, to create good jobs and long-term economic growth.

## **Making effective investments to support world-leading research, innovation, and entrepreneurship**

As part of our plan for jobs and growth, our government has made very substantial investments in science and technology. Such investments are necessary to help sustain a modern, competitive economy. They encourage innovation—new ideas, which lead to new products and services, and ultimately to new, highly skilled, well-paying jobs. The key is to leverage private sector investment in research and development. In spite of our efforts so far, Canada is not keeping up with other advanced economies on this crucial front.

In response to the Jenkins Report on innovation, we will provide substantial new funding to make it easier for entrepreneurs to access venture capital. We will extend our efforts to promote small business innovation, through government procurement contracts. We will provide new investments to support innovation and market development in the forestry sector.

We will double our investments through the Industrial Research Assistance Program. We will provide new support for partnerships between businesses and universities. We will make new investments in advanced research infrastructure on our college and university campuses. We will streamline and improve the tax incentive program for business innovation, and reinvest the savings in direct support.

We will also review the government's science and technology organizations, to make them more effective in translating ideas from the lab to the marketplace.

The result will be to position Canada to succeed in the knowledge economy of the 21<sup>st</sup> century. We will be able to build more globally competitive companies. Those companies will create more well-paying jobs and a greater quality of life for all Canadians.

## **Streamlining the review process for major economic projects**

As the 21<sup>st</sup> century unfolds, it is increasingly clear that Canada's energy and natural resources are massive assets to our country in the global economy. The oil and gas, mining, and forestry sectors directly employ more than three-quarters of a million Canadians. They are driving economic growth across the country. They are creating good jobs not only directly but also indirectly, in manufacturing, clerical work, skilled trades, and financial services.

Canada's resource industries offer huge potential to create even more jobs and growth, now and over the next generation. This potential exists in every region of the country—natural gas in British Columbia, oil and minerals on the Prairies, the Ring of Fire in Ontario, Plan Nord in Quebec, hydro power in Atlantic Canada, and mining in Canada's North.

Recently it has become clear that we must develop new export markets for Canada's energy and natural resources, to reduce our dependence on markets in the United States. The booming economies of the Asia-Pacific region are a huge and increasing source of demand, but Canada is not the only country to which they can turn. If we fail to act now, this historic window of opportunity will close.

We will implement responsible resource development and smart regulation for major economic projects, respecting provincial jurisdiction and maintaining the highest standards of environmental protection. We will streamline the review process for such projects, according to the following principle: one project, one review, completed in a clearly defined time period. We will ensure that Canada has the infrastructure we need to move our exports to new markets.

Beyond this, we will build on our very effective partnership with the Canadian Federation of Independent Business, to continue reducing red tape across government. Our goal is to allow businesses to focus on what they do best—creating jobs and opportunity, from coast to coast to coast.

## **Supporting the most ambitious trade expansion plan in Canadian history**

Finally, as a key part of our plan for long-term prosperity, our government is undertaking the most ambitious trade expansion plan in Canadian history. Experience has shown that opening new export markets provides an enormous long-term benefit to Canada. It creates new opportunities for Canadian businesses and good new jobs for Canadian workers. On a level playing field, Canadians have shown we can compete successfully with the best in the world.

For this reason our government has worked hard to open new markets for Canadian exports. Before 2006, Canada signed only three new trade agreements in 13 years. Since then our government has signed new trade agreements with nine countries, and we are in negotiations with many more. Just yesterday the Prime Minister returned from another trip to Asia, launching negotiations on new trade agreements with Thailand and Japan.





The United States will remain our largest and most important trading partner. Still, recent events and long-term trends indicate clearly that we need to diversify Canada's export markets. We need to open new export markets in the world's emerging major economies, while strengthening and expanding our existing trade relationships.

We will continue working with the United States to implement our joint Beyond the Border plan, to strengthen and deepen the economic and security links between our two countries. At the same time, we will harmonize our duty and tax exemptions for 24- and 48-hour trips to match levels for U.S. citizens. This measure will ease congestion at our borders.

We will conclude negotiations on new trade agreements with the European Union and with India. We will also begin entry talks with the Trans-Pacific Partnership, and continue building our growing trade relationship with China. By gaining greater access to these vast and growing markets, we will strengthen the financial security of all Canadians. We will create good jobs and long-term growth in every region of the country.

## Looking a little ahead

Since we were first elected in 2006, our government has been focused on creating jobs and economic growth. Ultimately our goal is to ensure long-term prosperity for all Canadians. We are "looking a little ahead," as Sir John A. Macdonald advised. We can see in the distance every reason to hope.

We see young Canadians, confident in their future; retired Canadians, secure in their senior years; Aboriginal Canadians, realizing their vast potential; new Canadians, strengthening our country as they have done in every generation. We see every region of the country, more prosperous than ever in our history. We see Canadian businesses and universities coming up with things no one has thought of before, leading to new opportunities and a better life for Canadians and for people around the world.

We see Canada, going from strength to strength in the 21<sup>st</sup> century. We see Canada, at the centre of the world—with a great and friendly market to the south; a continent of opportunity across the Atlantic; and a world of growth across the Pacific. We see Canada, whose wealth, while immense, will be measured ultimately in the greater happiness and security of its people.

We see Canada for what it is and what it can be—a great, good nation, on top of the world, the True North strong and free. Our government has been inspired by this vision from the beginning. Today we step forward boldly, to realize it fully—hope for our children and grandchildren; opportunity for all Canadians; a prosperous future for our beloved country.