

CANADA'S ECONOMIC ACTION PLAN
YEAR 2

THE BUDGET SPEECH 2010

*Leading the Way on
Jobs and Growth*

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

March 4, 2010

CANADA'S ECONOMIC
**ACTION
PLAN**



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Budget 2010—Leading the Way on Jobs and Growth

Canada's Economic Action Plan

As I rise in this House today, our nation is at a crossroads.

We have passed through some steep and rocky terrain.

Much of the territory was uncharted.

We were prepared, and we protected ourselves.

We are making our way through, and our compass has not failed us.

The way forward remains challenging.

Some would urge us to turn at this crossroads.

Experience tells us this would eventually lead us backward.

We need to keep helping those who need a hand up.

We need to stay on course.

We can see our destination on the horizon.

It is a high point, not only in our nation's history of increasing prosperity, but also a high point to which the world will look for inspiration.

It is a Canada in which our children and grandchildren will surpass us.

It is a Canada for which they will be grateful.

They will be grateful as we are grateful for the work and wisdom of Canadians before us.

Our response to the global recession

Canada has been drawn into a global economic recession.

It has been deeper and more widespread than any since the 1930s.

A year before the crisis, we saw the risk of a slowdown.

It originated outside our borders, but we knew it would eventually affect us.

We reduced taxes on Canadian families and businesses, to stimulate our economy.

The crisis emerged more quickly and with greater force than anyone could have predicted.

Many international financial institutions failed, but not here in Canada.

Stock markets around the world plunged deeply.

For a time the global financial system was at risk of shutting down.

Our government took immediate action to ensure Canadian banks could keep lending.

We kept our economy from grinding to a halt.

We worked quickly with our partners in the G7 and G20.

In a period of unprecedented uncertainty, we helped lead an effective, coordinated global response.

To lead our own country forward, we presented a plan, a bold plan, Canada's Economic Action Plan.

It is a plan to protect Canadians and create jobs during the global recession.

It is a plan to invest in our future growth.

That plan is working.

We are in the middle of the largest federal investment in infrastructure in over 60 years.



We are putting Canadians to work on almost 16,000 projects across the country.

We are building better roads, bridges, border crossings, public transit and college and university facilities.

We are providing extra help and training to Canadians who are out of work.

We are providing special help to the most vulnerable communities and industries.

We are helping businesses avoid layoffs, to keep Canadians working.

Through Work-Sharing alone we have helped protect the jobs of more than 225,000 Canadians.

Our performance in the global recession

Canada has faced the global recession from a position of strength.

Because of prudent government regulation, none of our banks failed.

None of them required a bailout from taxpayers, unlike their competitors in other countries.

Our government had managed the nation's finances responsibly.

We had paid down debt and reduced taxes, consistently and aggressively.

As a result, we have been able to take extraordinary measures to protect the Canadian economy.

Like virtually all other countries, we have needed to run a substantial deficit to do so.

Unlike other countries, we are in a position to ensure our deficit will be temporary.

We can meet our current needs without jeopardizing our long-term growth.

The proof is in our performance.

By key measures, Canada is performing better than the United States and other advanced economies.

Leading authorities praise the stability of our mortgage industry.

They point to our financial system as the soundest in the world.

Before the recession Canada had the lowest debt-to-GDP ratio in the G7, by far.

After the recession Canada will still have the lowest debt-to-GDP ratio in the G7, and by an even wider margin.

In 2010 the IMF estimates that Canada's debt-to-GDP ratio will be approximately 31 per cent.

In the United States the ratio will be almost 67 per cent.

In the United Kingdom it will be 75 per cent, and in Japan, 115 per cent.

Their ratios will continue to climb, while Canada's will begin falling in 2011.

Canada has also lost proportionately fewer jobs than the United States, our largest trading partner.

In fact, the unemployment rate in Canada is now approximately one and a half percentage points lower than in the U.S.

This is the largest gap in Canada's favour in more than 30 years.

Since July 2009 the Canadian economy has generated 135,000 net new jobs.

In the same period the United States has continued to lose jobs, month after month.

A Jobs and Growth Budget

Our government has held hundreds of consultations with Canadian workers and businesses across the country, to chart the way forward.

Canadians remain concerned about jobs and the economy.

They know that a speedy and strong recovery is not a given.

They also know that government must live within its means; that we cannot agree to every request for new spending.



Canadians understand the need for certainty, stability and steady leadership.

This is what our government has provided and will continue to provide.

As laid out yesterday in the Speech from the Throne, the economy remains our central concern.

To address that concern, we present today a Jobs and Growth Budget.

In this Budget we are completing our Economic Action Plan, to create jobs now.

We are taking limited and focused additional measures to protect existing jobs and create new jobs.

We are also looking ahead, to secure our long-term economic growth.

Protecting and creating jobs

Our government is focused on jobs and growth, for one simple reason.

Canadians are focused on jobs and growth.

Some business owners are worried about having to lay off workers.

Some families are worried about their jobs.

Others are worried about whether there will be jobs for their children in the years ahead.

My job, our government's job, is to respond to these worries with help and hope.

That is what drives us every day.

That is what Canada's Economic Action Plan is all about.

That is what we have been working for since we were first elected to office.

Jobs—good jobs, now.

Growth—an economy that keeps producing good jobs.

Canada—the best place in the world to raise a family, work and do business.

A country where our children can realize their dreams.

A country that draws people from around the world, to build a better life.

Full implementation of stimulus

Today in this Budget our government restates its commitment to that vision.

First, we will continue meeting our country's immediate needs, to secure our economic recovery.

We are fully implementing the temporary stimulus measures announced in Canada's Economic Action Plan.

We are investing nearly \$20 billion to stimulate our economy over the next year.

Some say we should not follow through on our commitment.

They say further stimulus is not needed.

Our government will stay on course.

We will complete the rapid rollout of infrastructure projects across the country.

These projects are creating jobs now.

They are also giving us the modern infrastructure we need for long-term growth.

We will keep helping long-tenured workers.

We will keep helping industries and communities hit hardest by the global recession.

We will keep helping those who need it, through extended EI benefits and skills-training opportunities.



Extension of Work-Sharing

While following through on these commitments, our government is taking further action to protect jobs.

In this Budget we are extending by one year our enhancements to the Work-Sharing program.

A business owner in Swift Current told me that without this program, her company would have closed its doors.

Her 37 employees would have been laid off permanently.

Work-Sharing allowed her to keep them all working, and now business is coming back.

I have heard great stories like this across the country.

Work-Sharing is working.

Today our government is keeping it working, to protect Canadian jobs.

We are also taking action to protect the interests of seniors and Canadians planning for retirement.

This month we will launch public consultations on how to improve Canada's retirement income system.

We will continue working closely with the provinces and territories on this issue.

We expect to make further progress on ensuring a strong and sustainable system when ministers meet later this spring.

New support for youth employment

In this Budget our government is also creating new employment opportunities for young Canadians.

We are increasing support for internships, to help post-secondary graduates get that crucial first job in their field.

We are making new investments to help youth at risk, to help them enter the job market.

We are also supporting the innovative Pathways to Education Program.

This is a practical, community-based program that is opening a lifetime of opportunity for many young Canadians.

Our government will help extend this opportunity to many more.

Investing in research and innovation

We are creating opportunity on other fronts too, to ensure our long-term economic growth.

We are supporting innovation in our colleges and universities, research hospitals and other research institutions.

These investments will help create clusters of great new jobs on the frontiers of knowledge.

They will promote better health, a cleaner environment and a more sustainable use of natural resources.

I am especially pleased to announce in this Budget new funding for post-doctoral researchers.

These fellowships will encourage the next generation of Canadian innovators to make their mark right here at home.

They will help brand Canada as a top destination for the research leaders of tomorrow.

In this Budget we are supporting the Canadian Space Agency and the RADARSAT Constellation Mission.

We are taking the next major step in the development of the Canadian High Arctic Research Station.

We are helping connect researchers and businesses, to bring new ideas from the lab to the marketplace.

We are increasing support for research and development by small- and medium-sized businesses.

We are also taking an historic step forward in making Canada more competitive in the global economy.



Eliminating tariffs for manufacturers

Last year we announced the elimination of tariffs on a broad range of machinery and equipment for manufacturers in Canada.

In this Budget we are taking action to eliminate the remaining tariffs on machinery and equipment.

We are also eliminating tariffs on production inputs.

This will give Canada the status of being the first G20 country to become a tariff-free zone for manufacturers.

It will greatly reduce costs and paperwork for manufacturers in Canada.

It will lower costs for consumers of Canadian manufacturing goods.

It will make Canadian products more competitive here at home and abroad.

It will help our manufacturers to invest and innovate, especially small- and medium-sized manufacturers.

It will help keep jobs in Canada, and create new jobs for Canadians for years to come.

Canada has earned a global reputation for the soundness of our financial system.

Our business taxes are increasingly low and competitive.

Our government will continue making progress in concluding free trade agreements.

Combined with these advantages, this latest step forward sends a message to the world: Canada is open for business.

Reducing taxes and paperwork for businesses

Our government will take further steps to reduce the paperwork burden for Canadian businesses.

We will establish a commission to reduce red tape.

The commission will include parliamentarians and private sector representatives.

Its work will be of special benefit to small businesses, the engines of job creation in Canada.

We will also continue reducing taxes on all Canadian businesses.

We are staying on course to having the lowest corporate income tax rate in the G7 by 2012.

Some argue that we should cancel these tax reductions.

Our government will follow through on our commitment.

Reducing the tax burden on businesses is a key part of Canada's advantage in the global economy.

It helps protect existing jobs, and attracts investors to create new jobs for Canadians.

Returning to balanced budgets

In this Budget, our government is keeping another promise.

We are taking steps to reduce the deficit, to return to balanced budgets in the medium term.

We take the same approach that Canadian families take in managing their household budgets.

We are spending what is necessary to meet an emergency.

We are also looking beyond that emergency, to ensure we can keep paying off the mortgage and saving for our children's education.

We are ensuring we will have the resources to sustain necessary spending on the priorities of Canadians.

We are protecting our quality of life, and securing our long-term prospects.

Doing so requires choices—balanced, sensible choices.

Some are proposing big, expensive new government programs.

These experiments would jeopardize our recovery and our long-term growth.



Others say reducing the deficit is not a priority.

Our government is taking a more responsible approach.

Just as we will implement our stimulus package as promised, we will also end it as promised.

We will also increase restraint on government spending.

Military spending and foreign aid

Our government has made major, necessary investments in Canada's military capabilities.

We have also raised spending on foreign aid to record levels.

Canada's response to the catastrophe in Haiti shows the generosity and compassion of Canadians.

It also shows the wisdom of these major investments.

We see it in the superb performance of our Canadian Forces in the rescue effort.

We see it in the expertise and commitment of our foreign aid workers in the reconstruction.

Canada has achieved a much greater ability to protect our interests and project our values abroad.

We will now take steps to ensure we can sustain our spending on these priorities.

Defence spending will continue to grow.

Starting two years from now, it will grow more slowly.

This year we will increase foreign aid to another record level.

Next year we will freeze spending at that level.

Government expenses

In this Budget we will also take action to ensure government lives within its means.

Starting this year, we will freeze the total amount spent on government salaries, administration and overhead.

We will freeze the overall budget of ministers' offices.

We will encourage members of the House of Commons and the Senate to do the same.

We will introduce legislation to freeze the salaries of the prime minister, ministers, members of Parliament and senators.

We will launch a review of administrative services to improve efficiency and eliminate duplication.

We will also aggressively review all departmental spending to ensure value for money and tangible results.

Canadian families and businesses have accepted the need for restraint.

Fairness requires that government too should have to keep costs under control.

Fairness to Canadians

Fairness also requires that we fulfill our responsibilities, and not pass them off to others.

In this Budget our government is closing unfair tax loopholes.

These loopholes allow a few businesses and individuals to take advantage of hard-working Canadians who pay their fair share.

We are also repeating our promise.

We will not balance the budget at the expense of pensioners.



We will not balance the budget by cutting transfer payments for health care and education or by raising taxes on hard-working Canadians.

We will not pass on an unsustainable debt to our children and grandchildren.

This Budget is based on an average of forecasts from leading private sector economists.

These independent experts agreed that this is a prudent basis for fiscal planning.

In this Budget our government is presenting a clear three-point plan to return to balanced budgets.

First, we will complete our stimulus package on schedule.

Second, we will take specific measures to restrain the growth of program spending.

Third, we will launch a comprehensive review of administrative spending.

The bottom line is encouraging.

In two years' time the deficit will be cut in half.

In three years' time the deficit will be cut by two thirds.

Shortly after that, the deficit will be eliminated.

Advantage Canada

We will balance the budget, but not for its own sake.

A balanced budget over the long term is necessary for economic growth and job creation.

Families understand this; businesses understand this.

We agree that extraordinary times call for extraordinary measures.

There are times when government must step in, to keep our economy moving.

At all times, though, government must remember the true source of our prosperity.

We must promote, not replace, the talent and hard work of Canadians.

We must support, not suppress, their freedom and creativity.

This will allow us to go from strength to strength in good times.

It will enable us to meet challenges in hard times, and come out of them that much stronger.

Canada's history shows what a free people served by good government can accomplish together.

We are at a key moment in that history, as we emerge from the global recession.

Our government means to be a partner in Canada's recovery, not an obstacle to its growth.

These principles have guided our government since we were first elected to office in 2006.

They are the foundation of our broader plan to build a strategic advantage for Canada in the global economy.

We have already come so far since 2006.

Prior to the recession our government paid down the debt—\$38 billion, in just three years.

We reduced the GST—a permanent tax reduction that benefits all Canadians, including those who do not earn enough to pay personal income tax.

More than a million low-income Canadians are off the tax rolls altogether.

Families have greater choice in child care, and seniors can split their pension income for tax purposes.



We established the Tax-Free Savings Account—the most important personal savings vehicle since the RRSP.

We are helping people with disabilities and their families to plan for the future, through the Registered Disability Savings Plan.

We have also reduced the federal tax burden on all Canadian taxpayers.

For example, we have reduced the burden on families with incomes between \$60,000 and \$80,000 by 20 per cent.

We have reduced the burden on families with incomes between \$15,000 and \$30,000 by more than 50 per cent.

Our government has provided permanent tax relief to Canadian small businesses.

We increased the amount of income eligible for the small-business tax rate from \$300,000 to \$400,000, and then to \$500,000.

The federal general corporate income tax rate is dropping from more than 22 per cent in 2007 to 15 per cent in 2012.

Our government is also cooperating effectively with the provinces to reduce business taxes overall.

As a result, this year Canada will achieve the lowest overall tax rate on new business investment in the G7.

By 2012 Canada will also have the lowest statutory corporate income tax rate in the G7.

The major measures I have just listed are not new, but they are ongoing.

Together they provide a massive and permanent advantage to our economy.

They are creating jobs for Canadians right now.

They will continue to create jobs, good jobs, for generations to come.

Going for gold

The Budget we are presenting today is a Jobs and Growth Budget.

That is what Canadians have told us is needed.

That is the goal of Canada's Economic Action Plan.

This Budget is also a key part of a long-term strategy.

Our government is letting hard-working Canadians keep more of what they earn, to spend on their priorities.

We are giving Canadian businesses the freedom to invest and innovate, to grow and create jobs.

We are helping Canadian workers get the skills they need to thrive in the global economy.

We are building the modern infrastructure on which the jobs of the future will depend.

We are maintaining the sound regulation needed for stability and growth.

We are building Canada's reputation as an investment-friendly country.

A country committed to free and open trade, unburdened by the massive debts and higher taxes of our competitors.

We are shaping an economy that will create more good jobs, and a higher quality of life for all Canadians.

As I said at the outset, we stand today at a crossroads.

We renew our commitment to moving forward.

Challenges remain, but we do not lack for inspiration.

Just days ago, the greatest athletes in the world gathered in the magnificent Western gateway to our Canada.



They came to celebrate excellence, in a great tradition of international fellowship.

They encountered here a breathtaking country, and a decent and generous people.

They also encountered the pride of our nation.

Let us savour the achievements of our Canadian Olympic champions.

Let us look forward to the achievements of our Paralympic champions in the days to come.

Let us take them as our models, a reminder of what we are made of, what Canadians can achieve.

Our future is reflected in their medals.

Let us move forward, hopeful and confident, to realize that future together.