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Federal Budget 2013

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On March 21, 2013, Federal Finance Minister Jim Flaherty tabled the Conservative government's new budget entitled [*Economic Action Plan 2013*](#). As expected, the key themes are job creation, skills development, infrastructure spending, support for Canadian manufacturers, and the government's latest road-map to balanced budgets by 2015-16. While the federal budget avoids any major policy changes by continuing to implement the main tenets of the Economic Action Plan, the consistency reflects the government's growing concerns with sluggish economic growth, lower tax revenues, unemployment, and an unpredictable and increasingly competitive global economy.

Budget by the Numbers

- Program spending is projected to decrease from \$80.5 billion in 2012-13 to \$74.0 billion in 2014-15, then rising to \$77.8 billion in 2017-18.
- Projected surplus of \$0.8 billion in 2015-16 and surplus of \$5.1 billion in 2017-18.
- Debt ratio is projected to fall to 28.1 per cent in 2017-18.

Road Map to Balanced Budgets

The Government is committed to returning to balanced budgets by 2015-16. To achieve its objective, the *Economic Action Plan 2013* outlines that the government will implement common sense improvements to government administration and service delivery, work with the public sector to review human resources management practices, and improve the tax system. Specific measures include:

- Control government administrative costs by reducing travel costs, standardizing and modernizing government information technology, streamlining the government's web presence, and shifting to electronic publishing;
- Control overall employee compensation expenses in both the federal public sector and Crown corporations, including pension plans; and
- Close tax loopholes, pursue aggressive tax avoidance and tax evasion, and enhance the integrity of the tax system. This is projected to increase revenues by \$7 billion over the next five years.

The government projects savings that will reduce the deficit by more than \$15 billion in 2014-15 and beyond, resulting in cumulative savings of more than \$84 billion over the 2010-11 to 2017-18 period.

The Skills to Succeed

The central feature of the government's budget is a three-point plan to train and match skilled workers with high-quality, well-paying jobs that go unfilled in Canada because employers can't find suitable workers with the right skills.

- **Canada Job Grant:** \$500 million-per-year initiative with the provinces and territories starting in 2014-2015, to ensure Canadians are getting the skills employers are seeking. The Grant could provide \$15,000 or more per person to nearly 130,000 Canadians each year. The government will renegotiate the \$1.95 billion-per-year Labour Market Development Agreements with provinces and territories to reorient training toward labour market demand.
- **Apprenticeship:** \$4 million over three years to increase opportunities for apprentices. In addition, the government will introduce measures that will support the use of apprentices in federal government funded

projects and reduce barriers to apprenticeship accreditation.

- **Support Underrepresented Groups in the Job Market:** The government will support persons with disabilities, youth, Aboriginal peoples, and newcomers. The initiatives include:
 - \$19 million to promote education in science, technology, engineering, mathematics, and skilled trades;
 - \$70 million over three years to support 5,000 more paid internships for recent post-secondary graduates; and
 - \$241 million over five years to improve on-reserve the on-reserve Income Assistance Program to help First Nations youth access skills and training to secure employment.

Job Opportunities for Newcomers

As part of its initiative to support newcomers in the job market, the government will implement measures to reform Canada's immigration system to make it faster, more flexible, and tailored to Canada's labour market needs. This includes:

- Creating the "Expression of Interest" immigration management system, which will allow Canadian employers, provinces, and territories to select skilled immigrants from a pool of applicants that best meet Canada's economic needs;
- Improving and expanding the foreign credential recognition processes;
- Implementing the Start-Up Visa program for immigrant entrepreneurs;
- \$42 million over two years to support enhanced processing capacity within the Temporary Resident Program;

- \$44 million over two years to support improved capacity and client services in the Citizenship Program, which receives and processes applications for Canadian citizenship; and
- \$23 million over two years for Canada's International Education Strategy to attract world-class researchers.

The government though, will also take action to reform *Canada's Temporary Foreign Worker Program*, to ensure that Canadians are given the first chance at available jobs. The government will work with employers to ensure that temporary foreign workers are relied upon only when Canadians genuinely cannot fill those jobs. Where employers legitimately rely on temporary foreign workers due to a lack of qualified Canadian applicants, the government will assist them find ways to transition to a Canadian work-force over time.

Helping Canadian Businesses Succeed at Home and Abroad

The budget includes a series of measures to help Canadian manufacturers and businesses create high-paying, value-added jobs, and compete in the global economy:

- \$1.4 billion in tax relief to the manufacturing and processing sector over four years by extending the temporary accelerated capital cost allowance for new investment in machinery and equipment for an additional two years;
- Extension of the temporary Hiring Credit for Small Business for one year (worth \$225 million).
- \$1 billion over five years for the Strategic Aerospace and Defence Initiative and \$110 million over four years to create an Aerospace Technology Development Program;
- \$920 million over five years to renew the Federal Economic Development Agency for

Southern Ontario (FedDev Ontario). This includes \$200 million over five years for a new Advanced Manufacturing Fund in Ontario.

- \$92 million over two years to the forestry sector to expand into new export markets;
- Reform of the current procurement process; and
- Extension of Export Development Canada's activities to provide credit to Canadian exporters.

Public Infrastructure

The federal budget introduces a new Building Canada plan to build roads, bridges, subways, commuter rail and other public infrastructure in co-operation with the provinces, territories, and municipalities. The \$53 billion plan, which sets out \$47 billion in new funding over 10 years starting in 2014-2015, includes:

- \$32.2 billion Community Improvement Fund for Municipalities to build roads, public transit, recreational facilities, and other community infrastructure across Canada;
- \$14 billion Building Canada Fund to support major national, regional, and local economic projects;
- \$1.25 billion for a renewed P3 Canada Fund to build infrastructure through public-private partnerships; and
- \$6 billion in federal support to provinces, territories, and municipalities under current infrastructure programs in 2014-15 and beyond.

Investing in Research and Innovation

The budget includes a series of measures to support advanced research and technology to ensure that Canada remains a global research and innovation leader and continues to generate high-paying, value-added jobs:

- \$225 million to support advanced research infrastructure;
- \$325 million over eight years to Sustainable Development Technology Canada to support the development of new clean technologies;
- \$165 million in support for genomics research through Genome Canada;
- \$37 million annually to the granting councils in support of research partnerships with industry to create and deploy new technologies, products, and services into the marketplace; and
- \$20 million over three years to help SMEs access research and business development services;

Improving Canada's Venture Capital Environment

To ensure that innovative firms have the resources to grow, the budget announces new initiatives to promote Canada's venture capital system:

- \$60 million over five years to advance the Government's Venture Capital Action Plan;
- Make available \$100 million through the Business Development Bank of Canada for partnerships with business accelerators and co-investments in graduate firms;
- \$18 million over two years to the Canadian Youth Business Foundation to help young entrepreneurs grow their firms;
- Phase out the federal Labour-Sponsored Venture Capital Corporations (LSVCC) tax credits.

Supporting Families and Communities

While not as extensive as in previous budgets, the *Economic Action Plan 2013* proposes a series of measures to support families and communities across Canada:

- Expand the GST/HST exemption for publicly funded homemaker services to include personal care services, such as bathing and feeding (worth \$5 million over two years);
- \$3 million over three years to support training in palliative care to health care providers;
- \$119 million per year over five years for the Homelessness Partnership Strategy;
- \$253 million per year over five years to renew the Investment in Affordable Housing; and
- \$76 million of tariff relief for Canadian consumers, including athletic equipment.

Enhancing Consumer Protection

The federal budget outlines a series of initiatives to better protect Canadian consumers of financial products:

- Proposal to develop a comprehensive financial consumer code to consolidate existing legislation and regulations and ensure that consumers have the necessary tools to make financial decisions;
- Federal cooperation with provincial efforts to regulate predatory lending, such as payday lending; and
- Federal cooperation with stakeholders to improve the financial literacy of seniors.

Protecting the Environment

As part of the government's efforts to protect the health and well-being of Canadians, the federal budget proposes a number of new measures to promote a clean and sustainable environment:

- \$20 million in 2013-14 for the Nature Conservancy of Canada to conserve ecologically sensitive land;
- \$4 million in 2013-14 to support marine conservation efforts; and

- Expand eligibility for the accelerated capital cost allowance for clean energy generation equipment to include a broader range of equipment (worth \$1 million over two years).

Shifting Canada's International Priorities

The budget outlines a significant policy shift in Canada's international relations. The government will amalgamate the Department of Foreign Affairs and International Trade and the Canadian International Development Agency and create a new department: the Department of Foreign Affairs, Trade and Development. This move is part of the government's recent efforts to realign the Agency to better support Canada's international trade and investment priorities and the commercial interests of the private sector.

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