

Chapter



INTRODUCTION
AND OVERVIEW





Budget 2009— Canada's Economic Action Plan

Introduction

The world is passing through an extraordinary time. Canadians share in the global consensus that extraordinary times call for extraordinary measures.

Budget 2009 will help Canada to meet the challenges of our times. It aims to protect our country from an immediate economic threat while providing the solutions we need to secure our long-term growth and prosperity.

Canadians in all regions have begun to feel the effects of the deepening global economic crisis. They worry about their jobs, their hard-earned savings and their homes. They are concerned about their families, their businesses and their communities.

Fulfilling Canada's G20 Commitment

Canada is not acting alone but in full cooperation and coordination with other industrialized countries. The world economy is highly globalized. It is only by acting together to boost global economic growth that countries can derive maximum impact from their actions. The Government's actions in this budget fulfill Canada's commitments at the recent G20 leaders' summit to provide timely stimulus to domestic demand, while maintaining long-run fiscal sustainability.

The International Monetary Fund has suggested that countries in a position to do so should inject fiscal stimulus of 2 per cent of gross domestic product (GDP) to reduce the effects of a damaging global recession. Canada must join this effort.

It is now clear that Canada has entered a recession. We entered it later than other G7 countries, and it is shallower here than elsewhere. Budget 2009 not only will help Canadians affected by the current crisis but also position Canada to emerge from this recession in a stronger position.

Consulting with Canadians

The Government has listened to the concerns of Canadians. In putting together Budget 2009, it has undertaken an unprecedented consultative effort. It has consulted the provinces and territories. It has considered the views of private sector economists, academics, business leaders and thousands of Canadians who participated in on-line consultations. The Minister of Finance also sought advice from his Economic Advisory Council and Members of Parliament from all parties. Budget 2009 is a reflection of this extensive effort.

Budget 2009 reflects a strong consensus among Canadians that the Government must deliver a potent economic stimulus to encourage growth and restore confidence in our economy. The Economic Action Plan is based on three guiding principles—that stimulus should be timely, targeted and temporary.

Timely. Canada is in recession today. Measures to support the economy must begin within the next 120 days to be most effective.

Targeted. Measures that target Canadian businesses and families most in need will trigger the largest increase in Canadian jobs and output.

Temporary. The stimulus plan should be phased out when the economy recovers to avoid long-term structural deficits.

The Government's Economic Action Plan will provide almost \$30 billion in support to the Canadian economy, or 1.9 per cent of our gross domestic product.

It will create or maintain close to 190,000 Canadian jobs.

Improving Access to Financing, Strengthening the Financial System

Budget 2009 begins where the global recession began: with financial markets. By providing up to \$200 billion through the Extraordinary Financing Framework, this budget will improve access to credit for Canadian consumers and allow businesses to obtain the financing they need to invest, grow and create new jobs.



The Government is also taking steps, in partnership with willing provinces and territories, to establish a single securities regulator for Canada to simplify its regulatory system, reduce costs and attract investment to our financial markets.

Action to Help Canadians and Stimulate Spending

The Government is providing \$8.3 billion for the Canadian Skills and Transition Strategy. This includes extra support for people who have lost their jobs, including enhancements to Employment Insurance and more funding for skills and training development to help Canadians get better jobs, while giving Canada a more flexible, knowledgeable workforce and a competitive edge in the global economy.

Budget 2009 takes action to build on the Government's impressive record of tax relief to further stimulate the economy and help Canadians face the global recession with \$20 billion in personal income tax relief over 2008–09 and the next five fiscal years.

Action to Stimulate Housing Construction

The Government is providing \$7.8 billion to build quality housing, stimulate construction, encourage home ownership and enhance energy efficiency. Measures include a Home Renovation Tax Credit providing up to \$1,350 in tax relief to an estimated 4.6 million Canadian families, up to \$750 in tax relief for first-time home buyers, funding for energy retrofits, investments for social housing to support low-income Canadians, seniors, persons with disabilities and Aboriginal Canadians, and low-cost loans to municipalities.

Immediate Action to Build Infrastructure

Budget 2009 accelerates and expands the recent historic federal investment in infrastructure with almost \$12 billion in new infrastructure stimulus funding over two years, so that Canada emerges from this economic crisis with more modern and greener infrastructure.

This includes funding for shovel-ready projects that can start this upcoming construction season, including roads, bridges, clean energy, broadband internet access and electronic health records across the country.



Action to Support Businesses and Communities

Budget 2009 protects jobs and supports sectoral adjustment during this extraordinary crisis with \$7.5 billion in extra support for sectors, regions and communities. This includes targeted support for the auto, forestry and manufacturing sectors, as well as funding for clean energy.

Protecting our Fiscal Advantage

A strong consensus emerged from the Budget consultation process that Canada needs to run a temporary deficit to protect our economy and invest in our future growth.

Although many of the measures presented in Budget 2009 are extraordinary, they are consistent with the Government's long-term economic plan, *Advantage Canada*.

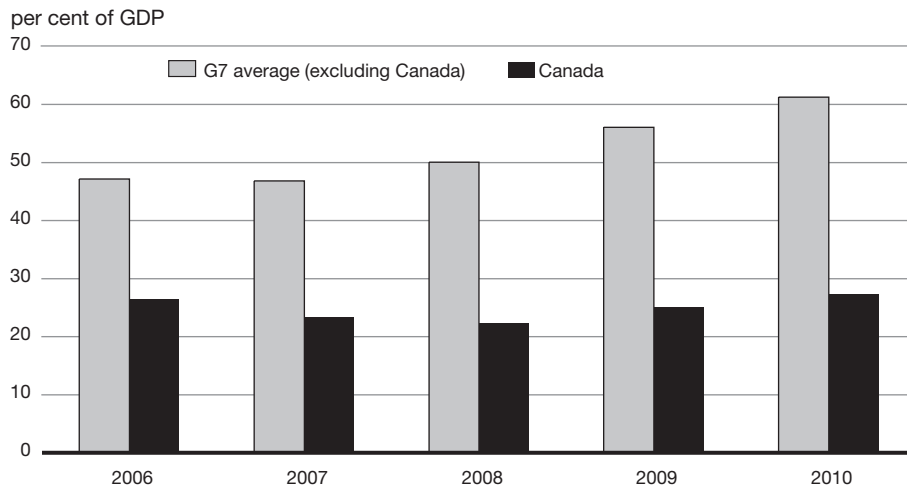
The Government followed this long-term plan by reducing taxes for families and businesses, reducing debt and investing in knowledge and infrastructure. The Government also took early action in 2007 to protect Canada's businesses and the economy as the global financial crisis was beginning.

This course of action has placed Canada in a stronger position than most other countries to face the present crisis. We can afford to spend what is necessary in today's plan of action to secure our future prosperity.

The Government will preserve Canada's fiscal advantage by focusing spending measures in two years, to allow an early return to balanced budgets, so that Canada emerges from recession in at least as strong an economic and fiscal position—relative to other countries—as it is today.



Chart 1.1
Net Debt-to-GDP Ratios, Canada and G7 Average



Source: OECD Economic Outlook no. 84 (December 2008). OECD projections adjusted to include measures from stimulus packages announced since November 2008; stimulus package estimates from various national government sources. Excludes credit guarantees and loans. U.S. stimulus package assumed to be US\$825 billion, allocated equally over 2009 and 2010.

Building a Stronger Canada

With this Economic Action Plan, Canada will emerge from this economic crisis with a more modern and greener infrastructure, a more skilled labour force, lower taxes and a more competitive economy.

In Budget 2009, the Government is protecting the Canada we have built and the values we share, while investing in the foundations of long-run economic growth.

Highlights

Recent Economic Developments and Prospects

- ✓ The global economy is in the most synchronized recession in the post-war period and the ongoing financial market crisis is the worst since the 1930s.
- ✓ The economic slowdown is particularly evident in the United States and other advanced economies where the economic outlook has deteriorated markedly in recent months, but is also increasingly apparent in emerging market economies.
- ✓ Weaker expectations for global growth have led to a further decline in the prices of many of the commodities produced in Canada.
- ✓ Global credit markets remain seriously disrupted, with credit conditions remaining tight both in terms of the cost and availability of credit.
- ✓ As a result, the private sector outlook for real and nominal GDP in Canada has been revised down significantly since the time of the *Economic and Fiscal Statement*:
 - There is now a broad-based consensus that the Canadian economy entered a recession in the fourth quarter of 2008. Private sector forecasters expect the recession to last three quarters.
 - Real GDP is now expected to contract by 0.8 per cent in 2009, compared to a forecast of 0.3 per cent growth at the time of the Statement.
 - Nominal GDP is expected to fall by 1.2 per cent for 2009, compared to an increase of 0.8 per cent in the Statement.
- ✓ The risks to the outlook for real and nominal GDP remain tilted to the downside.
- ✓ In light of this risk, the Government has judged it appropriate to adjust downward the private sector forecast for nominal GDP for budget planning assumptions. The planning assumption is for a contraction of 2.7 per cent in nominal GDP in 2009, rather than the -1.2 per cent average private sector forecast.
- ✓ This means that the budget planning assumption for the level of nominal GDP is forecast to be about \$30 billion lower than expected by the private sector in 2009 and 2010.
- ✓ The Government will continue to evaluate economic developments to determine whether or not it would be appropriate to maintain the adjustment for risk in future budgets and economic and fiscal updates.



Canada's Economic Action Plan

Improving Access to Financing and Strengthening Canada's Financial System

Improving Access to Financing

The Government is responding to gaps in credit markets by providing up to \$200 billion through the Extraordinary Financing Framework to improve access to financing for Canadian households and businesses, by:

- ✓ Committing an additional \$50 billion to the Insured Mortgage Purchase Program, increasing the overall size of this program to \$125 billion. This will provide lenders with stable long-term financing, allowing them to continue lending to Canadian consumers and businesses.
- ✓ Delivering \$13 billion in additional financing by increasing the flexibility and capacities of the financial Crown corporations, the Canada Mortgage and Housing Corporation, Export Development Canada, and the Business Development Bank of Canada. This includes at least \$5 billion in new financing to be delivered through enhanced cooperation between these financial Crown corporations and private sector financial institutions under the new Business Credit Availability Program.
- ✓ Increasing the maximum eligible loan amount a small business can access under the Canada Small Business Financing Program.
- ✓ Creating the Canadian Secured Credit Facility, with up to \$12 billion to support financing of vehicles and equipment for consumers and businesses.
- ✓ Extending the deadline for issuing guaranteed instruments under the Canadian Lenders Assurance Facility, which helps ensure that lenders are not put at a competitive disadvantage when raising funds in global markets.
- ✓ Establishing a new Canadian Life Insurers Assurance Facility to guarantee wholesale term borrowings for life insurers, modelled on the Canadian Lenders Assurance Facility.

- ✓ Facilitating the provision of extraordinary liquidity to financial institutions by the Bank of Canada, as required, through the modernization of the Bank's authorities in Budget 2008.
- ✓ Adding a 10-year maturity to the Canada Mortgage Bond program to raise supplementary funding for financial institutions.

Strengthening Canada's Financial System

Budget 2009 will further strengthen our financial system by:

- ✓ Broadening the authority for the Minister of Finance to promote financial stability and maintain efficient and well-functioning markets.
- ✓ Providing the Canada Deposit Insurance Corporation with greater flexibility to enhance its ability to safeguard financial stability in Canada.
- ✓ Providing a standby authority for the Government to inject capital into federally regulated financial institutions to support financial stability.

A New Canadian Securities Regulator

Canadians need and deserve a more efficient, streamlined securities regulatory system that reinforces financial stability, strengthens enforcement, protects investors and is more accountable. To this end, the Government will:

- ✓ Work with willing partners to establish a Canadian securities regulator that respects constitutional jurisdiction, regional interests and expertise.

Measures to Help Consumers of Financial Products

The Government will assist consumers of financial products by:

- ✓ Enhancing disclosure and improving business practices in respect of credit cards issued by federally regulated financial institutions.
- ✓ Establishing an independent task force to make recommendations on a cohesive national strategy on financial literacy.
- ✓ Moving forward on measures to make mortgage insurance more transparent, understandable and affordable.



Federally Regulated Private Pension Plans

The Government is acting to address issues facing federally regulated private pension plans by:

- ✓ Assisting the Office of the Superintendent of Financial Institutions in providing flexibility to supplement the temporary solvency funding relief proposed in the November 2008 *Economic and Fiscal Statement*.
- ✓ Consulting on the legislative and regulatory framework for federally regulated pension plans with a view to making permanent improvements before the end of 2009.

Action to Help Canadians and Stimulate Spending

Strengthening Benefits for Canadian Workers

Budget 2009 will support Canadian workers affected by the global economic downturn by:

- ✓ Increasing for two years all regular Employment Insurance (EI) benefit entitlements by five extra weeks and increasing the maximum benefit duration to 50 weeks from 45 weeks.
- ✓ Providing \$500 million over two years to extend EI income benefits for Canadians participating in longer-term training, benefiting up to 10,000 workers.
- ✓ Extending work-sharing agreements by 14 weeks, to a maximum of 52 weeks, so more Canadians can continue working.
- ✓ Extending the Wage Earner Protection Program to cover severance and termination pay owed to eligible workers impacted by employers' bankruptcy.
- ✓ Consulting with Canadians and developing options to provide self-employed Canadians with access to EI maternity and parental benefits.

Enhancing the Availability of Training

Budget 2009 will create more and better opportunities for Canadian workers through skills development by:

- ✓ Increasing funding for training delivered through the Employment Insurance program by \$1 billion over two years.
- ✓ Investing \$500 million over two years in a Strategic Training and Transition Fund to support the particular needs of individuals who do not qualify for EI training, such as the self-employed or those who have been out of work for a prolonged period of time.
- ✓ Providing \$55 million over two years to help young Canadians find summer jobs.
- ✓ Supporting older workers and their families with an additional \$60 million over three years for the Targeted Initiative for Older Workers and expanding it to include workers in small cities.
- ✓ Responding to skilled labour shortages with \$40 million a year to launch the \$2,000 Apprenticeship Completion Grant.
- ✓ Providing \$50 million over two years for a national foreign credential recognition framework in partnership with provinces and territories.
- ✓ Investing an additional \$100 million over three years in the Aboriginal Skills and Employment Partnership (ASEP) initiative, expected to support the creation of 6,000 jobs for Aboriginal Canadians.
- ✓ Investing \$75 million in a two-year Aboriginal Skills and Training Strategic Investment Fund.

Keeping Employment Insurance Rates Frozen

- ✓ Freezing EI premium rates at \$1.73 per \$100 for both 2009 and 2010—their lowest level since 1982—a projected \$4.5 billion stimulus relative to break-even rates.



Further Developing a Highly Skilled Workforce

Budget 2009 builds on previous investments in knowledge by:

- ✓ Providing an additional \$87.5 million over three years to temporarily expand the Canada Graduate Scholarships program.
- ✓ Allocating an additional \$3.5 million over two years to offer an additional 600 graduate internships through the Industrial Research and Development Internship program launched in Budget 2007.

Strengthening Partnerships with Aboriginal Canadians

Budget 2009 builds on past budgets by investing in new partnership approaches to deliver crucial services. These include:

- ✓ Committing \$305 million over the next two years to improve health outcomes for First Nations and Inuit individuals.
- ✓ Providing \$20 million over the next two years to extend partnerships with provinces to further improve child and family services on reserves.

Tax Relief for Canadians

Budget 2009 will deliver \$20 billion in personal income tax relief over 2008–09 and the next five fiscal years. Effective January 1, 2009, this includes:

- ✓ Increasing the basic personal amount and the top of the two lowest personal income tax brackets by 7.5 per cent above their 2008 levels, so that Canadians can earn more income before paying federal income taxes or before being subject to higher tax rates.
- ✓ Raising the level at which the National Child Benefit supplement for low-income families and the Canada Child Tax Benefit are phased out, providing a benefit of up to \$436 for a family with two children.
- ✓ Effectively doubling the tax relief provided by the Working Income Tax Benefit to encourage low-income Canadians to find and retain a job.
- ✓ Providing up to an additional \$150 of annual tax savings for low- and middle-income seniors through a \$1,000 increase to the Age Credit amount.



Action to Stimulate Housing Construction

The Government is proposing to provide up to \$7.8 billion in tax relief and funding to help stimulate the housing sector and improve housing across Canada.

Support for Home Ownership and the Housing Sector

- ✓ Implementing a temporary Home Renovation Tax Credit that will provide up to \$1,350 in tax relief, reduce the cost of renovations for an estimated 4.6 million Canadian families, and provide needed stimulus to the economy.
- ✓ Providing an additional \$300 million over two years to the ecoENERGY Retrofit program to support an estimated 200,000 additional home retrofits.
- ✓ Providing first-time home buyers with additional access to their Registered Retirement Savings Plan savings to purchase or build a home by increasing the Home Buyers' Plan withdrawal limit to \$25,000 from \$20,000.
- ✓ Assisting first-time home buyers by providing up to \$750 in tax relief to help with the purchase of a first home.

Investments in Housing for Canadians

Social housing provides many Canadians with quality housing at affordable rates. Budget 2009 will invest in social housing by:

- ✓ Providing a one-time federal investment of \$1 billion over two years for renovations and energy retrofits for up to 200,000 social housing units on a 50–50 cost-shared basis with provinces.
- ✓ Investing \$400 million over two years for the construction of social housing units for low-income seniors.
- ✓ Investing \$75 million over two years for the construction of social housing units for persons with disabilities.
- ✓ Dedicating \$400 million over two years to new social housing projects and to remediation of existing social housing stock on First Nations reserves.
- ✓ Supporting social housing in the North with an additional \$200 million over two years.



Helping Municipalities Build Stronger Communities

Budget 2009 will help local governments meet their needs by:

- ✓ Making available up to \$2 billion over two years in direct, low-cost loans to municipalities to finance improvements to housing related infrastructure, such as sewers, water lines, and neighbourhood regeneration projects. Municipalities will also have access to significant new funding available under major new provincial, territorial and municipal infrastructure initiatives.

Immediate Action to Build Infrastructure

Budget 2009 accelerates and expands recent historic federal investments in infrastructure with almost \$12 billion in new infrastructure stimulus funding over two years.

Investments in Provincial, Territorial and Municipal Infrastructure

Building on previous infrastructure commitments, Budget 2009 invests in a more modern and greener infrastructure by:

- ✓ Establishing a two-year, \$4-billion Infrastructure Stimulus Fund that will provide funding to renew infrastructure.
- ✓ Providing \$1 billion over five years for the Green Infrastructure Fund to support projects such as sustainable energy.
- ✓ Providing \$500 million over two years to build and renew community recreation facilities across Canada.
- ✓ Accelerating up to \$1 billion in payments over two years under the Provincial-Territorial Base Funding Initiative to expedite “ready-to-go” infrastructure projects.
- ✓ Providing up to \$500 million over the next two years for infrastructure projects in small communities.

Investments in First Nations Infrastructure

Budget 2009 will support investments in First Nations infrastructure by:

- ✓ Providing \$515 million over two years for “ready-to-go” First Nations projects in three priority areas: schools, water and critical community services.

Investments in Knowledge Infrastructure

The Government will advance Canada's knowledge advantage by:

- ✓ Dedicating up to \$2 billion to repair, retrofit and expand facilities at post-secondary institutions.
- ✓ Providing \$750 million for leading-edge research infrastructure through the Canada Foundation for Innovation.
- ✓ Providing \$50 million to the Institute for Quantum Computing in Waterloo, Ontario to build a new world-class research facility.
- ✓ Allocating \$87 million over the next two years to maintain or upgrade key Arctic research facilities.
- ✓ Providing \$250 million over two years to address deferred maintenance at federal laboratories.
- ✓ Providing \$500 million to Canada Health Infoway to encourage the greater use of electronic health records.
- ✓ Providing \$225 million over three years to develop and implement a strategy on extending broadband coverage to unserved communities.

Investments in Federal Infrastructure Projects

Budget 2009 will set aside funds to build and renew federal public infrastructure, including:

- ✓ Increasing funding to VIA Rail Canada by \$407 million to support improvements to passenger rail services, including higher train frequencies and enhanced on-time performance and speed, particularly in the Montréal–Ottawa–Toronto corridor.
- ✓ Investing \$7.9 million for new capital projects of two First Nations railways: the Keewatin Railway Company in Manitoba and the Tshiuetin Rail Transportation in Quebec and Labrador.
- ✓ Providing \$72 million over five years to improve railway safety.
- ✓ Providing \$130 million to Parks Canada for twinning a section of the Trans-Canada Highway through Banff National Park.
- ✓ Allocating \$212 million to renew the Champlain Bridge in Montréal, Canada's busiest bridge.



- ✓ Providing up to \$14.5 million for two bridges at two of the busiest U.S.–Canada border crossings: the Blue Water Bridge in Sarnia and the Peace Bridge in Fort Erie.
- ✓ Setting aside up to \$42 million for other federal bridges in need of rehabilitation throughout Canada.
- ✓ Providing up to \$217 million to accelerate the construction of the Pangnirtung Harbour in Nunavut and repair core small craft harbours across Canada.
- ✓ Allocating \$323 million over two years for the restoration of federally owned buildings.
- ✓ Providing \$20 million in each of two years to improve the accessibility of federally owned buildings for people with disabilities.
- ✓ Committing \$2 million to develop a plan for the future of the historic Manège Militaire in Québec City, destroyed by fire in 2008.
- ✓ Increasing funding by \$80 million over the next two years to manage and assess federal contaminated sites, facilitating remediation work totalling \$165 million over two years.
- ✓ Providing funding to modernize and expand border service facilities at Prescott, Ontario; and at Huntingdon, Kingsgate, and the Pacific Highway in British Columbia.
- ✓ Supporting the development of aviation security plans, improving operations of the Canadian Air Transportation Security Authority, and implementing a new air passenger assessment system and a new security program for air cargo.

Action to Support Businesses and Communities

Tax and Tariff Relief to Stimulate Business Investment

Budget 2009 includes significant measures to position Canada's economy for long-term recovery by:

- ✓ Introducing a temporary 100-per-cent capital cost allowance (CCA) rate for computers acquired after January 27, 2009 and before February 1, 2011.

- ✓ Extending the temporary 50-per-cent straight-line accelerated CCA rate to investment in manufacturing or processing machinery and equipment undertaken in 2010 and 2011.
- ✓ In the context of the current global financial environment, repealing the interest deductibility constraints in section 18.2 of the Income Tax Act.
- ✓ Providing over \$440 million in savings for Canadian industry over the next five years by permanently eliminating tariffs on a range of machinery and equipment.

Sectoral Competitiveness

Budget 2009 provides significant short-term support for key sectors by:

- ✓ Providing \$170 million over two years to secure a more sustainable and competitive forest sector.
- ✓ Supporting farmers with a \$500 million agricultural flexibility program that will help the sector adapt to pressures and improve its competitiveness.
- ✓ Investing \$50 million over the next three years to strengthen slaughterhouse capacity across Canada.
- ✓ Amending the Farm Improvement and Marketing Cooperatives Loans Act to help make credit available to new farmers, support inter-generational farm transfers, and modify eligibility criteria for agricultural co-operatives.
- ✓ Supporting shipyards with \$175 million for the procurement of 98 new Coast Guard vessels and to undertake refits and vessel life extensions for 40 aging vessels.
- ✓ Offering short-term repayable loans to the automotive sector, in collaboration with the Ontario and U.S. governments.
- ✓ Providing \$110 million over three years to the Canadian Space Agency to support the development of advanced robotics and other space technologies.
- ✓ Providing targeted two-year funding of \$60 million to support infrastructure-related costs for local and community cultural and heritage institutions such as local theatres, libraries and small museums.



- ✓ Increasing funding by \$20 million over the next two years and \$13 million per year thereafter to the National Arts Training Contribution Program.
- ✓ Providing \$30 million over the next two years to support continued access to Canadian magazines and community newspapers.
- ✓ Providing \$28.6 million over the next two years to the Canada New Media Fund, and \$14.3 million annually thereafter.
- ✓ Providing the Canadian Television Fund with \$200 million in funding over the next two years.
- ✓ Providing \$40 million to the Canadian Tourism Commission over two years to support marketing activities, such as the Vancouver 2010 Winter Olympic and Paralympic Games.
- ✓ Providing \$12 million per year in 2011–12 and 2012–13 for infrastructure to promote international cruise ship tourism along the Saint Lawrence and Saguenay Rivers.
- ✓ Providing \$100 million over two years for marquee festivals and events that promote tourism.
- ✓ Supporting Canada's parks with \$75 million over two years for improvements and enhancements to Parks Canada's visitor facilities, such as campgrounds and visitor centres.
- ✓ Providing an additional \$75 million to Parks Canada for upgrades to National Historic Sites, including a number of sites connected with the 200th anniversary of the War of 1812.

A More Sustainable Environment

Budget 2009 will take actions to ensure a healthy environment, including:

- ✓ A new Clean Energy Fund that supports clean energy research development and demonstration projects, including carbon capture and storage.
- ✓ Improving the Government's annual reporting on key environmental indicators such as clean air, clean water and greenhouse gas emissions with \$10 million in 2009–10.

- ✓ Strengthening Canada's nuclear advantage with \$351 million to Atomic Energy of Canada Limited for its operations, including the development of the Advanced CANDU Reactor, and to maintain safe and reliable operations at the Chalk River Laboratories.

Supporting Small Businesses

Small businesses are dynamic and drive economic growth and job creation. Budget 2009 supports their growth by:

- ✓ Increasing the amount of small business income eligible for the reduced federal tax rate of 11 per cent to \$500,000 from the current limit of \$400,000 as of January 1, 2009.
- ✓ Increasing access to credit for small businesses through proposed amendments to the Canada Small Business Financing Program and the Business Development Bank of Canada.
- ✓ Providing \$30 million over two years for the Canada Business Network and \$10 million to the Canadian Youth Business Foundation.
- ✓ Allocating \$200 million over two years to the National Research Council's Industrial Research Assistance Program to enable it to temporarily expand its initiatives for small and medium-sized businesses.

Helping All Regions Prosper

Budget 2009 provides new resources to support economic diversification across Canada by:

- ✓ Providing more than \$1 billion over five years for a Southern Ontario development agency to help workers, communities and businesses in this region.
- ✓ Providing \$1 billion over two years for a Community Adjustment Fund that will help mitigate the short-term impacts of restructuring in communities. This support for communities in all regions will be provided through regional development agencies.



- ✓ Strengthening support for economic activity in the North with \$50 million over five years to establish a new regional economic development agency for the North and \$90 million over five years to renew the Strategic Investments in Northern Economic Development program.
- ✓ Providing \$37.6 million in support of environmental assessments, regulatory coordination, science, and Aboriginal consultations related to the Mackenzie Gas Project.
- ✓ Extending for one year the temporary 15-per-cent mineral exploration tax credit to help companies raise capital for mining exploration.

Fiscal Outlook

- ✓ The deterioration of the economic outlook has led to a significant reduction in projected revenues, particularly in 2009–10 and 2010–11.
- ✓ The projections in this budget are based on the average of private sector economic forecasts. However, given the degree of uncertainty in the global economy, the Government is including an explicit adjustment for the risks to the private sector forecasts. This adjustment amounts to a reduction in the budgetary balance of \$0.8 billion in 2008–09, \$4.5 billion in 2009–10 and 2010–11, \$3 billion in 2011–12, \$1.5 billion in 2012–13 and \$0.8 billion in 2013–14.
- ✓ After this adjustment for risk and before accounting for the impact of the actions proposed in this budget, the Government is projecting a small surplus in 2008–09, followed by deficits of \$15.7 billion in 2009–10, \$14.3 billion in 2010–11, \$8.3 billion in 2011–12, \$2.3 billion in 2012–13 and a surplus of \$5.5 billion in 2013–14.
- ✓ After taking into account the cost of the measures proposed in Budget 2009 to support the economy, the Government is projecting deficits of \$1.1 billion in 2008–09, \$33.7 billion in 2009–10, \$29.8 billion in 2010–11, \$13.0 billion in 2011–12, \$7.3 billion in 2012–13 and a surplus of \$0.7 billion in 2013–14.



- ✓ The Government has designed its Economic Action Plan to concentrate new spending in 2009–10 and 2010–11, when the economy is expected to be weak. Starting in 2011–12, the fiscal position of the Government is projected to improve rapidly, as time-limited stimulus measures expire and the economy recovers. By 2013–14, the budget is projected to be in a small surplus.
- ✓ Program spending is expected to increase through 2010–11, reflecting the impact of the measures in this budget. Over the medium term, spending as a share of GDP is expected to return close to its 2007–08 level. The Government remains committed to ensuring that spending is focused and disciplined.
- ✓ The debt-to-GDP ratio is expected to increase from 28.6 per cent in 2008–09 to 32.1 per cent by 2010–11, as a result of projected deficits. The debt-to-GDP ratio is projected to be below its 2008–09 level by 2013–14.
- ✓ Canada's net debt-to-GDP ratio will remain below other G7 countries over the forecast horizon.
- ✓ The Government's priority is to support the economy. The Government will use budget surpluses first of all to repay the deficits expected in the upcoming four years.



Table 1.1
Summary Statement of Transactions

	Actual		Projection				
	2007– 2008	2008– 2009	2009– 2010	2010– 2011	2011– 2012	2012– 2013	2013– 2014
	(billions of dollars)						
Budgetary revenues	242.4	236.4	224.9	239.9	259.4	276.4	294.3
Program expenses	199.5	206.8	229.1	236.5	235.1	244.5	254.1
Public debt charges	33.3	30.7	29.5	33.3	37.2	39.2	39.6
Total expenses	232.8	237.4	258.6	269.7	272.3	283.7	293.7
Budgetary Balance	9.6	-1.1	-33.7	-29.8	-13.0	-7.3	0.7
Federal debt	457.6	458.7	492.4	522.2	535.2	542.4	541.8
Per cent of GDP							
Budgetary revenues	15.8	14.7	14.4	14.7	15.0	15.0	15.2
Program expenses	13.0	12.9	14.7	14.5	13.6	13.3	13.1
Public debt charges	2.2	1.9	1.9	2.0	2.1	2.1	2.0
Total expenses	15.2	14.8	16.6	16.6	15.7	15.4	15.2
Federal debt	29.8	28.6	31.6	32.1	30.9	29.5	28.0

Note: Totals may not add due to rounding.

Table 1.2
Summary of Economic Action Plan

	2008–09	2009–10	2010–11
	(millions of dollars)		
Economic Action Plan			
Improving Access to Financing and Strengthening Canada's Financial System		162	12
Action to Help Canadians and Stimulate Spending	695	5,880	6,945
Action to Stimulate Housing Construction	530	3,865	1,395
Immediate Action to Build Infrastructure		5,727	5,055
Action to Support Businesses and Communities	12	2,372	2,121
Fiscal cost of measures¹	1,237	18,006	15,528
Plus:			
Capital Spending (cash adjustments)		697	685
Loans			
Loans to Auto Sector (announced in December 2008)		2,700	
Loans to Municipalities for Housing-Related Infrastructure		1,000	1,000
Timing of Home Renovation tax credit		500	
Total Federal Stimulus²		22,742	17,200
Total Stimulus (with leverage)		29,298	22,316
As a share of GDP (%)			
Total Federal Stimulus		1.5	1.1
Total Stimulus (with leverage)		1.9	1.4

¹ Fiscal cost does not include other tax measures.

² Financial Market measures not included as stimulus.