CANADA’S ECONOMIC ACTION PLAN

A FIRST REPORT TO CANADIANS

Tabled in the House of Commons by
the Honourable James M. Flaherty, P.C., M.P.
Minister of Finance

MARCH 2009
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In the 42 days since the Budget, the Government has cut red tape and taken extraordinary and unprecedented action to stimulate the Canadian economy and combat the global recession. Taxes are being reduced, Employment Insurance benefits have been extended, the financial system has been strengthened and we will be ready to roll out $12 billion in spending on roads, bridges, green infrastructure and other critical infrastructure starting in April if Budget 2009 is passed by the Senate and receives Royal Assent. This spending will create jobs in the short term while leaving a lasting legacy for Canadians.

Canada Is Weathering the Storm

The world is struggling with the worst economic crisis in generations.

Despite the challenges facing Canada, we are weathering the global economic storm far better than most other countries. Canada was the only Group of Seven (G7) country to have posted positive growth in the second and third quarters of last year. Our financial system is the strongest in the world. The Government’s fiscal position remains solid; we entered this recession with a balanced budget.

Despite these strengths, Canada is not immune to this global economic crisis. That is why the Government tabled the earliest budget in history and presented Canadians with Canada’s Economic Action Plan. This ambitious multi-year Plan will stimulate the economy and support those Canadians hit hardest by these difficult times.

Extraordinary and Unprecedented Early Action

The Government has been following a consistent plan since the day it took office, and the result of three years of responsible leadership has allowed Canada’s economic fundamentals to remain strong despite foreign instability.

We have been making affordable tax reductions, reduced the public debt, kept spending under control and focused on results to protect our gains and ensure our tomorrows.

The Government is delivering $220 billion in tax relief over this and the next five fiscal years to individuals, families and businesses with its actions since 2006. This includes more than $75 billion in tax reductions from reducing the Goods and Services Tax to 5 per cent.
We were ahead of the curve on stimulus. We anticipated the prospect of a weaker global economy in 2007. While the U.S. introduced one-time tax rebates, we put in place broad-based tax reductions sustainable for the future.

Bold steps have been made to improve financial markets in Canada. We have taken steps to improve Canada’s regulatory system through more proportionate, principles-based securities regulation, moving toward common securities regulation across provinces. We have been taking steps in improving market governance and enforcement.

We made early changes to Canada’s mortgage industry by reducing the maximum term for new government-backed mortgages from 40 years to 35 years and requiring a minimum down payment of 5 per cent for new government-backed mortgages.

We introduced the Tax-Free Savings Account (TFSA), the most significant change to Canada’s savings system since the introduction of Registered Retirement Savings Plans in 1957. Starting in 2009, Canadian residents over the age of 18 will be able to contribute up to $5,000 annually to TFSA. Investment income (including capital gains) and withdrawals will be tax-free.

**Canada’s Economic Action Plan**

Building on these actions, on January 27 we introduced Canada’s Economic Action Plan—the earliest budget in Canadian history—to boost the economy now and over the next 24 months.

The Plan has taken extraordinary steps to inject $52 billion into the economy over the next two years, to jumpstart growth and sustain the recovery.

We are acting through all available means to protect our economy and Canadians affected by the downturn: the tax system, the Employment Insurance program, direct spending by federal and provincial governments, lending by Crown corporations and partnerships with the private sector.

In the 42 days since the Budget, we have laid the foundation for Canada’s Economic Action Plan. This document sets out a detailed report to Canadians on results achieved and next steps required to complete the implementation of our shared national Plan.
The most important task at hand is passage of the Budget in the Senate and passage of the Estimates in the House of Commons and Senate. This is necessary to ensure that the actions highlighted in this report—building roads and bridges, reducing taxes, supporting Canadians hardest hit by the economic downturn and helping communities and businesses adjust and grow—move forward now when they are needed most.

Canada is a great country. We entered this period of tremendous economic challenge in a position of strength and will emerge even stronger.
Canada Is Weathering the Storm

Canada’s economic success has always depended on our ability to export our goods and services to other nations. Today, with the crisis in global financial markets and the economies of our major trading partners in steep decline, we face extraordinary difficulties, the likes of which have not been seen since the end of the Second World War.

While many economists believe a turnaround in 2010 is likely, difficult conditions are expected to remain for the coming months. Our economy faces three major challenges:

• The high cost and reduced availability of financing caused by the global financial market crisis.
• Declining demand for Canadian exports caused by the slowdown in the U.S. and other key economies.
• Reduced profits and incomes due to the sharp drop in commodity prices.

Fortunately, Canada has a number of structural strengths that should allow us to manage through this period of economic weakness better than other countries. First, our financial system is the strongest in the world. Second, Canadian households and businesses are in much stronger financial positions than in most other industrialized countries—largely because our lending practices and housing markets avoided the excesses that occurred in those other countries. Third, the fiscal position of governments in Canada remains structurally solid.

Despite these strengths, Canada is clearly being affected by the cyclical downturn in the global economy, with both employment and output now falling. Canada’s Economic Action Plan is designed to protect Canadians from the downturn and pave the way to recovery.

Extraordinary and Unprecedented Action

The economic slowdown began in 2007 with the freezing up of large segments of the global financial market and a sharp fall in U.S. housing prices. From the outset of these difficulties, the Government of Canada has acted to minimize the harm to our economy while building for the future.
The Bank of Canada and the Government have acted throughout the period of economic weakness to improve access to financing for Canadian consumers, households and businesses. A significant milestone in this regard is the agreement to restructure non-bank asset-backed commercial paper in Canada, a singular achievement that enhances financial stability and the health of Canada’s capital markets.

Canada was one of the first countries to inject major fiscal stimulus into its economy to offset the downturn and encourage continued growth. On October 30, 2007, the Government introduced $65 billion in permanent tax reductions over this and the next five fiscal years. At that time, the Government stated: “Given this global economic uncertainty, now is the time to act...to make broad-based tax reductions that will strengthen our economy, stimulate investment and create more and better jobs.” These tax reductions took effect just at the moment they were most needed, when the U.S. entered recession in early 2008. The October 2007 permanent tax reductions continue to support growth and job creation today and will do so into the future.

The Canadian economy is also benefiting from previous investments in infrastructure and the resolution of fiscal balance between orders of government. For example, Budget 2007 set out a seven-year $33-billion plan to boost Canada’s public infrastructure—things such as the roads, bridges, sewer, water and public transit systems that support commerce—and provided long-term, growing transfer support to provinces and territories. With current federal transfer support at an unprecedented level, governments are in a position to work together on the current economic challenges.

Most recently, on January 27, 2009, the Government presented Canada’s Economic Action Plan—the earliest Budget in Canada’s history—to ease the impact of deepening global challenges on our economy and provide the solutions we need to secure our long-term growth and prosperity.
Canada’s Economic Action Plan

Canada’s Economic Action Plan is an important contribution to the global response to the current economic downturn. 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.

Canada’s Economic Action Plan comprises five main elements:

- **Action to Help Canadians and Stimulate Spending**: Providing $8.3 billion for the Canada Skills and Transition Strategy to help Canadians weather today’s economic storm and to provide them with the necessary training to prosper in tomorrow’s economy. In addition, $20 billion will be provided in additional personal income tax reductions over 2008–09 and the next five fiscal years.

- **Action to Stimulate Housing Construction**: Providing $7.8 billion to build quality housing, stimulate construction, encourage home ownership and enhance energy efficiency.

- **Immediate Action to Build Infrastructure**: Accelerating and expanding 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.

- **Action to Support Businesses and Communities**: Protecting jobs and supporting sectoral adjustment during this extraordinary crisis with $7.5 billion in extra support for sectors in need—automotive, forestry and manufacturing—regions and communities.

- **Action to Improve Access to Financing and Strengthen Canada’s Financial System**: Providing up to $200 billion through the Extraordinary Financing Framework to improve access to financing for Canadian consumers, households and businesses.

“[Budget 2009] provides the necessary support for economic stimulus and job creation.”


“[Budget 2009 is] a clever package and hopefully it will win the support of the House. I am confident this will work.”

—Glen Hodgson, The Conference Board of Canada

“A clear strategy should help to restore consumer and investor confidence over the medium term. We believe it is an important step forward.”

—Canadian Chamber of Commerce
Canada’s Economic Action Plan
A First Report to Canadians

In total, Canada’s Economic Action Plan will provide about $40 billion over the next two years to support the economy and help create jobs. When combined with funds from expected partnerships with provincial and territorial governments, the total stimulus provided by the Plan over the two years is almost $52 billion, or 3.2 per cent of gross domestic product (GDP).

Canada’s Economic Action Plan meets Canada’s commitments at the November 2008 Group of Twenty (G20) leaders’ summit to provide timely stimulus to domestic demand, while maintaining long-run fiscal sustainability.

Table 1
Canada’s Economic Action Plan

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<td>6,945</td>
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<td>Infrastructure leverage</td>
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<td>4,365</td>
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As a share of GDP (%)

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<td>1.1</td>
<td>2.5</td>
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<td>1.9</td>
<td>1.4</td>
<td>3.2</td>
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Notes: Totals may not add due to rounding. These cost estimates reflect projected cash expenditures over the next two years. The budgetary impact is somewhat smaller because certain of these expenditures represent assets to the federal government, including spending related to the construction and renovation of federal infrastructure and loans to third parties.
Highlights

**Action to Help Canadians and Stimulate Spending**

Canada’s Economic Action Plan includes $13.5 billion over three years to help those hardest hit, including enhancing Employment Insurance (EI) benefits, freezing EI rates and reducing personal income taxes.

- Unemployed workers will receive enhanced benefits by April 1—an extra five weeks, work-sharing and wage earner protection.
- Additional funding for enhanced training for unemployed Canadians will be available to provinces and territories by April 2009.
- Enhanced support for older workers in vulnerable communities will be available to participating provinces by April.
- Measures to provide more opportunities for youth employment are anticipated to be in place by June.
- Five Aboriginal training and employment projects will be approved in April and commence in June.
- Most Canadians will begin to see benefits from personal income tax reductions, for measures effective January 1, 2009, on their pay stubs as of April 1.

“The investments in worker training through EI, the extension of the EI work-sharing program and support to communities that have been affected by the economic downturn, are welcome initiatives that will help more Canadians keep their jobs and employers hold onto talented workers.”

—Forest Products Association of Canada, press release, January 27, 2009

“They’re lowering the lowest and middle income tax brackets. They’re boosting the working tax benefit and the personal exemption. These are very good things particularly for low income Canadians.”

—Craig Alexander, TD Bank Deputy Chief Economist, January 27, 2009

“These tax changes will put money back in the pockets of Canadians, boosting confidence and encouraging spending, which is critical to the retail sector and Canada's overall economic recovery.”

—Retail Council of Canada, press release, January 28, 2009
Canada’s Economic Action Plan provides up to $7.8 billion in tax reductions and funding to support home ownership, to help stimulate the housing sector and to improve housing across Canada.

✓ Canadian families can now undertake renovations that will be eligible for the Home Renovation Tax Credit. The Canada Revenue Agency has posted details on the credit on its website at www.cra.gc.ca.

✓ By April, Canada Mortgage and Housing Corporation will be in a position to process low-cost loan applications from municipalities for housing-related infrastructure initiatives.

✓ By April 1, funding will be available for provinces and territories who have signed new agreements for the renovation and retrofit of social housing units.

✓ By April, funding to support new housing, the renovation of existing social housing and complementary housing activities on reserves will start to be delivered.

✓ By April, funding will be available for provinces and territories who have signed new agreements for the construction of new housing units for low-income seniors and persons with disabilities.

“[Budget 2009] helps keep skilled workers on the job at a time when home building starts are sagging. I think it’s a great opportunity to stimulate the renovation business across Canada.”

—Canadian Home Builders’ Association, January 27, 2009
Immediate Action to Build Infrastructure

Canada’s Economic Action Plan allocates close to $12 billion in new infrastructure funding over two years to create jobs across Canada and to ensure Canada emerges from the economic downturn with a more modern and greener infrastructure.

✓ Repair work and upgrades for federally owned infrastructure are slated to begin in buildings across Canada in April.

✓ An initial Request for Proposals for the $4-billion Infrastructure Stimulus Fund will be issued early this spring.

✓ Funding will be available once the Budget Implementation Act, 2009 receives Royal Assent to support shovel-ready projects of provinces, territories and municipalities who have signed agreements with the federal government to accelerate payments under the Provincial/Territorial Base Funding Initiative and the Bonus for Community Projects.

✓ Major projects such as the Telus World of Science in Calgary, Alberta, improvements to GO Transit in Ontario, and the Evergreen transit line in Vancouver, British Columbia, are being expedited under the Building Canada plan to begin construction over the next two construction seasons.

“FCM strongly supports the federal government’s commitment to invest significant new dollars in infrastructure projects that will put Canadians to work in 2009 and 2010.”

—Federation of Canadian Municipalities, January 27, 2009

“Our industry is pleased the government recognized that the best and quickest way to get Canadians back to work is through investments in infrastructure—every billion dollars invested means more than 11,500 jobs.”

—Canadian Construction Association
Immediate Action
to Build Infrastructure (cont’d)

✔ Since the Budget, close to $1.5 billion in joint funding for 480 projects in smaller communities has been approved and announced under Building Canada in British Columbia, Alberta, Saskatchewan, New Brunswick and Ontario.

✔ First Nations ready-to-go infrastructure projects that will be funded have been identified and will commence construction.

✔ Proposals for priority post-secondary infrastructure projects are due from institutions and provincial and territorial governments in March 2009. Decisions on successful projects are expected to be announced in April and May 2009.

✔ Detailed design plans for the first year of the 10-year repair program on the Champlain Bridge in Montréal are complete and the tendering process for initial contracts is underway. A similar competitive bidding process will be undertaken for the Blue Water Bridge in Sarnia, Ontario, and the Peace Bridge in Fort Erie, Ontario, in early spring.
Action to Support Businesses and Communities

Canada’s Economic Action Plan protects jobs and supports structural adjustment during this extraordinary crisis with $7.5 billion in additional support for sectors, regions and communities.

✔ Once the Budget Implementation Act, 2009 receives Royal Assent, $500 million of the $1-billion Community Adjustment Fund will be available to support economic adjustment and diversification initiatives in communities hardest hit across Canada.

✔ The Canada Revenue Agency is administering the increase in the amount of small business income eligible for the reduced federal tax rate to $500,000, which took effect on January 1, 2009.

✔ The Canada Revenue Agency is administering the temporary accelerated capital cost allowance rate for investment in computers, which took effect after January 27, 2009.

✔ Tariff eliminations came into force on a range of imported machinery and equipment on January 28, 2009.

✔ The Industrial Research Assistance Program will ramp up its support to small and medium-sized firms starting April 1, 2009, with a doubling of its contributions budget.

✔ The Canada Revenue Agency will administer the one-year extension of the temporary Mineral Exploration Tax Credit when it comes into effect April 1, 2009.
**Action to Improve Access to Financing and Strengthen Canada’s Financial System**

Canada’s Economic Action Plan provides up to $200 billion through the Extraordinary Financing Framework to improve access to financing for Canadian households and businesses.

- Over $50 billion in funding has been provided to Canadian financial institutions through the Insured Mortgage Purchase Program and the Canada Mortgage Bond program.
- The availability of financing support for businesses through Export Development Canada and the Business Development Bank of Canada has been expanded.
- Collaboration has been increased between financial Crown corporations and private sector lenders and credit insurers under the Business Credit Availability Program.
- Consultations are underway with interested market participants on the design of the Canadian Secured Credit Facility.
- The Canadian Lenders Assurance Facility has been launched and the Canadian Life Insurers Assurance Facility will be launched in March.

“[W]e support the budget initiatives that provide short-term support to Canadians and businesses, facilitate the flow of credit through the capital markets, and lay the foundation for recovery.”

—Investment Industry Association of Canada, January 27, 2009

“The government took critical steps in the budget to stimulate liquidity, provide incentives that will encourage manufacturers to invest in machinery and equipment.”

—Canadian Manufacturers & Exporters, January 27, 2009
Putting the Plan to Work Quickly

Canada’s Economic Action Plan is designed to boost the economy when it is needed most: now and over the next 24 months. To achieve this, the Government has taken extraordinary steps using a wide range of policy levers, including the tax system, the Employment Insurance system, direct spending by the federal and provincial governments, and lending by financial Crown corporations.

In only 42 days since the Economic Action Plan was presented, the Government has done what it needs to do to make the Plan fully operational by April 1. This is 6 to 12 months ahead of the usual Budget timeframe (Table 2):

- Virtually all Cabinet policy approvals are expected to be in place by the end of March.
- The *Budget Implementation Act, 2009*, which is now before the Senate, includes $7.6 billion in spending authorities and seeks Parliamentary approval of $2.4 billion in tax reductions in 2009–10.
- The 2009–10 Main Estimates include a new central Vote to enable Treasury Board Ministers to allocate up to $3 billion in funding directly to departments for immediate cash requirements directly related to measures in the Economic Action Plan until formal Supplementary Estimates for these initiatives have received the usual Parliamentary approval. This will be used to fund specific Economic Action Plan measures such as building roads, fixing bridges and providing skills training for those Canadians hardest hit.
- The Canada Revenue Agency is administering a number of the proposed tax reductions in accordance with Budget 2009 and its associated Notices of Ways and Means Motions.
Canada’s Economic Action Plan
A First Report to Canadians

Table 2
Budget Implementation—The Usual Process vs. Budget 2009 Accelerated Approach

<table>
<thead>
<tr>
<th>Steps in the Process</th>
<th>Usual Process</th>
<th>Accelerated Approach</th>
<th>Time Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tabling of Budget</td>
<td>Late February</td>
<td>January 27</td>
<td>1 month</td>
</tr>
<tr>
<td>2. Passage of Budget legislation</td>
<td>3-4 months after tabling</td>
<td>1½ months after tabling</td>
<td>1-2 months</td>
</tr>
<tr>
<td>3. Cabinet and Treasury Board approval of new initiatives</td>
<td>3-8 months</td>
<td>1-2 months</td>
<td>2-6 months</td>
</tr>
<tr>
<td>4. Appropriation of funding for new measures</td>
<td>4-10 months</td>
<td>Part of funding available by April (Main Estimates, Budget Implementation Act, 2009); remaining supply 5 months after the Budget</td>
<td>2-5 months</td>
</tr>
</tbody>
</table>

Following this approach, by April 1, 2009, the Government would have authority to proceed with providing about $20 billion in measures—representing close to 90 per cent of the stimulus described in the Economic Action Plan for 2009–10—key highlights of which are summarized later.

The Government will act aggressively to implement the remaining portions of the Plan, although doing so will depend on the degree of cooperation and engagement of our key partners.
Actions Expected of Our Partners

The Economic Action Plan can only be fully effective with the full cooperation of national and international partners.


- The House of Commons has passed the *Budget Implementation Act, 2009*, which now requires passage by the Senate before it becomes law.
- Special Parliamentary authority has also been requested to allow payments to be made to fund additional Action Plan initiatives which are not included in the *Budget Implementation Act, 2009*. These initiatives include, for example, community recreational infrastructure, investments for First Nations infrastructure and Aboriginal Skills and Employment Partnerships. To allow departments to start funding these initiatives before the summer, the Government has requested authority from Parliament to make payments of up to $3 billion.

The rapid passage of the Budget and Estimates is necessary to ensure that the actions highlighted in this report—building roads and bridges, reducing taxes, supporting Canadians hardest hit by the economic downturn and helping communities and businesses adjust and grow—move forward now when they are needed most.

Supplementary Estimates will also be tabled in Parliament this spring to provide spending authority for most of the remaining measures in the Economic Action Plan. The Government anticipates that Parliament will approve the Supplementary Estimates by late June.

Provincial and Territorial Governments: Important elements of the Action Plan involve cooperation with partners in provincial and territorial governments. All governments will need to take innovative approaches to ensure that stimulus is provided in a timely manner and where it is most needed.

Provincial and territorial government approval and administrative processes may need to be accelerated—in similar fashion to recent action taken by the federal government—to ensure that economic stimulus is delivered in a timely fashion, is truly incremental to existing programs already underway or planned, and is administered in as transparent a manner as possible.
Building on the First Ministers’ Meeting on January 16, 2009, all governments are committed to moving forward on infrastructure, housing and training programs. Negotiations and consultations are underway to secure final agreements on a range of measures, including increased training programs, social housing investments, the Working Income Tax Benefit and infrastructure funding enhancements. Many provincial governments will be tabling their budgets in the coming weeks. Federal, provincial and territorial Ministers of Finance will meet on May 25, 2009 to ensure efficient progress.

**Canadians and Canadian Businesses:** It is vitally important for the private sector to continue to work closely with governments to ensure that all have the necessary information to make full use of the Economic Action Plan. For example, the chartered banks are working with the Business Development Bank of Canada and Export Development Canada to maximize the flow of financing to businesses in Canada. The Government is concluding discussions with third-party organizations and finalizing funding agreements with private sector partners who will be delivering components of the Action Plan, such as the Institute for Quantum Computing, the Canada Youth Business Foundation, the YMCA/YWCA and the Canada Health Infoway.

The Government will continue to consult extensively with Canadians and businesses in implementing Action Plan initiatives. For example, the Economic Advisory Council to the Minister of Finance has met once since the Budget was tabled and will continue to provide the Minister with updates and advice on both the economic situation and progress in implementing the Economic Action Plan. In addition, the Minister of Finance is forming the Advisory Committee on Financing to advise the Minister on financing conditions and the design, scope and scale of initiatives under the $200-billion Extraordinary Financing Framework.

**G20 Countries:** The actions included in the Economic Action Plan fulfill Canada’s commitments at the November 2008 G20 leaders’ summit to provide timely stimulus to boost domestic demand, while maintaining the Government’s strong fiscal position for the long term.

Stabilization of the global financial system is a precondition for economic recovery globally and in Canada. Since the beginning of the crisis, governments around the world have taken extraordinary measures to address the problems in financial markets. However, there is still work to be done. Decisions taken in the coming weeks in the United States and in other major economies to address problems in their financial sectors will be critical. The proper and timely implementation of such programs is the key to restoring confidence in financial markets.
G20 leaders are meeting in April to take stock of global economic conditions. In addition, leaders will review reports of working groups on financial sector regulatory issues, including the results of a working group co-chaired by Canada on enhancing sound regulation and strengthening transparency in the financial sector.

Next Steps
In the near term, the most important task at hand is passage of the Budget Implementation Act, 2009 in the Senate and passage of the Main Estimates in the House of Commons and Senate.

Looking ahead, the Government will report regularly to Canadians on the implementation of the Economic Action Plan. Further reports will be issued in June, September and December. These will focus on substantive milestones—dollars spent and outcomes achieved. In the 2009 Economic and Fiscal Update, the Government will provide a comprehensive analysis of the impact of coordinated policy actions across all G7 countries, including Canada’s.
Chapter 1

Canada’s Economic Action Plan
Introduction
On January 27, 2009, the Government introduced Canada’s Economic Action Plan, an extraordinary response to the challenges of the global financial market crisis and the most synchronized recession since the end of the Second World War. The Action Plan aims to protect our economy from immediate threat while providing the solutions we need to secure our long-term growth and prosperity.

Canada’s Economic Action Plan comprises five main elements:
✓ **Action to Help Canadians and Stimulate Spending:** Providing $8.3 billion for the Canada Skills and Transition Strategy to help Canadians weather today’s economic storm and to provide them with the necessary training to prosper in tomorrow’s economy. In addition, $20 billion will be provided in personal income tax relief over 2008–09 and the next five fiscal years.
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“[Budget 2009] provides the necessary support for economic stimulus and job creation.”

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As a share of GDP (%)
| Total federal stimulus                          | 1.5  | 1.1  | 2.5   |
| Total stimulus (with leverage)                  | 1.9  | 1.4  | 3.2   |

Notes: Totals may not add due to rounding. These cost estimates reflect projected cash expenditures over the next two years. The budgetary impact is somewhat smaller because certain of these expenditures represent assets to the federal government, including spending related to the construction and renovation of federal infrastructure and loans to third parties.

In total, Canada’s Economic Action Plan will provide almost $40 billion in support to the economy over the next two years. Including funds leveraged from other orders of government, support provided in the Action Plan amounts to 1.9 per cent of the economy in 2009 alone.

This chapter reviews recent economic developments and situates the Economic Action Plan in the context of international efforts.
Recent Economic Developments

The economic context continues to be one of significant uncertainty with the balance of risks to the global outlook tilted to the downside. All Group of Seven (G7) countries have now released national accounts data for the fourth quarter of 2008, with real gross domestic product (GDP) contracting sharply in all countries (Table 1.2). In the United States, real GDP fell by 6.2 per cent (quarterly at annual rate). In the Euro Zone, real GDP fell by 5.7 per cent, a third consecutive quarterly drop, reflecting declines in most member countries, including Germany, Italy and France. In Japan, real GDP plunged nearly 13 per cent.

Growth also remains relatively weak in developing countries. In line with broad-based global weakness, the International Monetary Fund revised down its 2009 global growth forecast from 2.2 per cent to 0.5 per cent in the January 2009 World Economic Outlook Update. Global economic developments since that Update suggest that global economic activity will fall this year.

Table 1.2
2008 Quarterly Real GDP Growth for G7 Countries and Euro Zone

<table>
<thead>
<tr>
<th></th>
<th>2008Q1</th>
<th>2008Q2</th>
<th>2008Q3</th>
<th>2008Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>-0.9</td>
<td>0.6</td>
<td>0.9</td>
<td>-3.4</td>
</tr>
<tr>
<td>United States</td>
<td>0.9</td>
<td>2.8</td>
<td>-0.5</td>
<td>-6.2</td>
</tr>
<tr>
<td>Japan</td>
<td>0.6</td>
<td>-3.6</td>
<td>-2.3</td>
<td>-12.7</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1.6</td>
<td>-0.1</td>
<td>-2.8</td>
<td>-6.0</td>
</tr>
<tr>
<td>Euro Zone</td>
<td>2.8</td>
<td>-1.0</td>
<td>-1.0</td>
<td>-5.7</td>
</tr>
<tr>
<td>Germany</td>
<td>6.2</td>
<td>-2.0</td>
<td>-2.1</td>
<td>-8.2</td>
</tr>
<tr>
<td>France</td>
<td>1.6</td>
<td>-1.2</td>
<td>0.4</td>
<td>-4.6</td>
</tr>
<tr>
<td>Italy</td>
<td>1.6</td>
<td>-2.5</td>
<td>-2.2</td>
<td>-7.1</td>
</tr>
</tbody>
</table>


Recent economic developments in Canada have been more favourable than in other advanced economies. Canada was the only G7 country to have posted positive growth in both the second and third quarters of 2008, and economic conditions deteriorated less in Canada than in the other G7 countries in the fourth quarter.
In part, this recent performance reflects the positive impact of past policy actions, including the $65 billion in permanent tax cuts over this and the next five fiscal years announced in the October 2007 Economic Statement. These tax cuts were implemented just a few months after the start of the global financial crisis in August 2007 and two months in advance of the U.S. entering recession in early 2008.

Further, Canada has a number of structural strengths that should allow this country to manage through the current period of economic weakness:

- Canada’s financial system is the strongest in the world, with Canada’s banking sector less leveraged than in other countries.

- The financial position of Canadian households and businesses remains stronger than in most other industrialized countries. In part, this is because lending practices and housing markets in Canada were not subject to the excesses that occurred in many other countries. This means that the deleveraging of household and corporate balance sheets will be less than in other countries.

- The fiscal position of governments in Canada remains structurally solid.

Canada’s Economic Action Plan anticipated that in the current period of heightened risk and uncertainty, there was a significant probability that economic conditions could turn out to be weaker than projected by private sector economists at the time of the Budget. Accordingly, the economic assumptions adopted in the Economic Action Plan included a significant fiscal risk adjustment. Recent economic developments are broadly in line with Budget projections.

Despite these strengths, Canada is clearly being affected by the cyclical downturn in the global economy, with both employment and output now falling. Canada’s Economic Action Plan is designed to limit the extent of the recession now underway and to bolster the recovery. The Government will continue to monitor the situation closely and will report to Canadians on the economic and fiscal position of the country in future reports.
Fulfilling International Commitments

The response to the global economic crisis will only succeed if governments work cooperatively and in a coordinated manner.

The actions included in the Economic Action Plan meet Canada’s commitments at the November 2008 G20 leaders’ summit to provide timely stimulus to domestic demand, while maintaining long-run fiscal sustainability. Canada’s Economic Action Plan is an important contribution to the global response to the current economic downturn.

The total stimulus for the Canadian economy provided by the Economic Action Plan amounts to 1.9 per cent of GDP for 2009 and 1.4 per cent of GDP for 2010. This compares favourably to budgetary actions announced in other countries, including the United States.
The estimate for Canada consists of the measures announced in the Economic Action Plan, including the expected contribution of provincial governments. The estimate does not include the impact of the permanent tax reductions announced in the 2007 Economic Statement and taking effect in 2008 and 2009.

In contrast, the estimate for the U.S. stimulus package includes tax reductions that offset the expiration of temporary tax cuts in 2008. These tax reductions account for 40 per cent of the U.S. stimulus package. Taking this into account, in economic terms the stimulus provided by the Economic Action Plan is comparable to the U.S. stimulus package even though our economy is not as severely affected as the U.S. in this global downturn. Moreover, the U.S. stimulus package also contains significant stabilization funding for state and local governments to help forestall spending reductions. In contrast, the Economic Action Plan in Canada builds upon growing transfers to provinces.

As well as contributing to global efforts to provide economic stimulus, Canada will continue to play a leading role in ongoing international efforts both to deal with the current turmoil and to limit the impact of future economic downturns on financial markets. Canada is co-chairing one of the four working groups set up following the November 2008 G20 leaders’ summit, on enhancing sound regulation and strengthening transparency in the financial sector. This group is on target to propose a set of concrete actions to G20 leaders at their next meeting in April.

**Structure of the Report**

This report focuses on the steps being taken to ensure timely, responsible implementation of the Economic Action Plan.

Chapter 2 reviews the Government’s accountability framework to ensure that the Plan is implemented quickly and effectively. Chapter 3 sets out the actions required by Parliament as well as domestic and international partners to ensure that the actions in the Plan provide maximum impact. Chapter 4 reviews the significant progress to date in implementing the Plan. Chapter 5 concludes with a review of next steps.
Chapter 2

Accountability Framework
Introduction

The Government is implementing the Economic Action Plan in a manner that is responsive and responsible—appropriately balancing speed of implementation with effective stewardship of taxpayer dollars.

To expedite the implementation of measures in the Plan, the Government has streamlined and accelerated policy development and the process to obtain funding authorities required from Parliament to make payments.

The Government is moving ahead with a number of oversight measures to ensure that spending is effective and meets a high standard of accountability. These measures will be managed by departments and agencies, in consultation with the Treasury Board and its Secretariat, the Office of the Comptroller General as well as the Office of the Auditor General.

Early Budget and Streamlined Policy Approval Process

Canada’s Economic Action Plan was tabled at the end of January, the earliest federal budget in history. To develop and implement the Economic Action Plan on an expedited basis, the Government carried out extensive public consultations in a highly compressed timeframe. The Government consulted the provinces and territories, private sector economists, academics, business leaders and thousands of Canadians who participated in online consultations. The Minister of Finance also sought advice from his Economic Advisory Council and Members of Parliament from all parties. Canada’s Economic Action Plan is a reflection of this extensive effort.

The policy proposals in the Action Plan are being approved by Cabinet on an expedited timeframe. This approval process includes the establishment of terms and conditions by the Treasury Board for a wide variety of spending programs.

The Canada Revenue Agency is administering most of the tax reductions proposed in the Economic Action Plan, based on Parliament’s approval-in-principle of the Action Plan and in accordance with the associated Notices of Ways and Means Motions. Most Canadians will begin to see benefits from personal income tax relief, for measures effective January 1, 2009, after the Canada Revenue Agency adjusts its Payroll Deductions Tables on April 1. Royal Assent to the Budget Implementation Act, 2009 (the implementing legislation for most of the tax proposals in the Economic Action Plan) will provide a basis for ongoing administration of these tax measures.
To expedite the funding of measures in the Economic Action Plan, the Government is using a number of channels:

A. The *Budget Implementation Act, 2009* was introduced in the House of Commons on February 6, 2009. The Act includes $7.6 billion in spending authority for a range of budget measures (Table 2.1), many of which would normally be funded through the annual appropriations process but were included in the Act this year in order to facilitate their rapid Parliamentary approval. The Act also includes $2.4 billion in tax reduction measures.

B. A further $3.5 billion in tax reduction measures not included in the *Budget Implementation Act, 2009* are being administered by the Canada Revenue Agency in accordance with the Notice of Ways and Means Motion tabled in Parliament with the Budget.

C. About $5.5 billion of 2009–10 spending measures proposed in the Economic Action Plan are not included in the *Budget Implementation Act, 2009*. For monies to flow under these programs, the necessary funding authorities would need to be obtained from Parliament through the appropriations process. The Government is using two approaches to ensure that departments have access to this funding on a timely basis:

- First, the Government has asked Parliament to approve in the Main Estimates an appropriation of $3 billion as of April 1, 2009 for budget implementation. This would enable Treasury Board Ministers to allocate up to $3 billion in funding directly to departments for immediate cash requirements related to budget measures in advance of the typical Parliamentary supply period (normally in December). In order to access these funds, departments will need to demonstrate that they have sound program management frameworks with appropriate oversight and approval processes in place. The new Vote is an exceptional and time-limited measure, allowing for allocations up to June 30, 2009. Amounts not allocated from the Vote by June 30, 2009 will lapse. To ensure full transparency, all allocations will be reported to Parliament in the Supplementary Estimates.

- The Government will table Supplementary Estimates on May 12, 2009 in order to bring forward the majority of the remaining 2009–10 spending measures for Parliament’s approval at the earliest possible opportunity. Royal Assent to the *Appropriation Act* for these Supplementary Estimates is anticipated for mid-June.
D. The Government has also taken the necessary steps to proceed with loans to support the automotive sector and to support municipalities with housing-related infrastructure. With respect to the latter, Canada Mortgage and Housing Corporation will be in a position to process applications from municipalities in April.

As set out in Table 2.1, the above steps will result in over $20 billion being made available for departments and agencies to implement the Economic Action Plan as of April 1, 2009. This represents close to 90 per cent of funding set out in the Plan for 2009–10. Almost all of the remaining funding will be secured by June, should Parliament approve the special Supplementary Estimates. Normally, funding would not be secured until December.
Table 2.1
Funding Approval for Economic Action Plan Measures

<table>
<thead>
<tr>
<th>2009–10 Stimulus (millions of dollars)</th>
</tr>
</thead>
</table>

### A. Budget Implementation Act, 2009
- Infrastructure Stimulus Fund: 2,000
- Provincial/Territorial Base Funding Initiative: 495
- Bonus for Community Projects: 250
- Green Infrastructure Fund: 200
- Community Adjustment Fund: 500
- Improving infrastructure at colleges and universities: 1,000
- Home Buyers’ Plan—increased withdrawal limit: 15
- First Nations housing: 200
- Renovation and retrofit of social housing: 500
- Housing for seniors: 200
- Housing for persons with disabilities: 25
- Northern housing: 100
- Canada Health Infoway: 500
- Employment Insurance measures: 1,418
- Personal amounts and income tax brackets: 1,885
- Increase to the Age Credit: 325
- Canada Child Tax Benefit/National Child Benefit supplement: 230
- Mineral Exploration Tax Credit: 70
- Small business limit: 45
- Tariff reductions on machinery and equipment: 76

Subtotal: 10,034

### B. Notice of Ways and Means Motion and Other Tax Authorities
- Home Renovation Tax Credit: 3,000
- First-Time Home Buyers’ Tax Credit: 175
- Accelerated capital cost allowance for computers: 340

Subtotal: 3,515

### C. 2009–10 Main Estimates
- Budget implementation Vote: 3,000

### D. Loan Authorities
- Auto industry support: 2,700
- Loans to municipalities for housing-related infrastructure: 1,000

Subtotal: 3,700

**Total Funding Available as of April 1, 2009**: 20,249

*Note: List does not include tax changes that have no fiscal cost in 2009–10.*
Together, these measures will allow departments to have funding in place many months earlier than the historical pattern, for which funding was received after approval of the Supplementary Estimates in December.

As shown in Table 2.2, the Government will have obtained Parliamentary approval for the Economic Action Plan by a minimum of 6 months ahead of the normal approval timeframe. For some measures, the approval process has been expedited by over one year.

Table 2.2
**Budget Implementation—The Usual Process vs. Budget 2009 Accelerated Approach**

<table>
<thead>
<tr>
<th>Steps in the Process</th>
<th>Usual Process</th>
<th>Accelerated Approach</th>
<th>Time Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tabling of Budget</td>
<td>Late February</td>
<td>January 27</td>
<td>1 month</td>
</tr>
<tr>
<td>2. Passage of Budget legislation</td>
<td>3-4 months after tabling</td>
<td>1½ months after tabling</td>
<td>1-2 months</td>
</tr>
<tr>
<td>3. Cabinet and Treasury Board approval of new initiatives</td>
<td>3-8 months</td>
<td>1-2 months</td>
<td>2-6 months</td>
</tr>
<tr>
<td>4. Appropriation of funding for new measures</td>
<td>4-10 months</td>
<td>Part of funding available by April (Main Estimates, <em>Budget Implementation Act, 2009</em>); remaining supply 5 months after the Budget</td>
<td>2-5 months</td>
</tr>
</tbody>
</table>

**Oversight and Accountability**

All spending under the Economic Action Plan will be subject to oversight and control to ensure that resources are used efficiently and effectively, in compliance with authorities, and that expected results are achieved.

Departmental authorities will be streamlined with increased authorities to spend approved by the Treasury Board based on evidence of strong risk management in departments.
Spending will be subject to requirements set out in the *Financial Administration Act* and will be subject to review by the internal audit function within departments and by the Office of the Auditor General.

The *Financial Administration Act* imposes specific responsibilities on departments for prudent management of resources and requirements that govern payments made from the Consolidated Revenue Fund, including the requirement to maintain adequate financial records and to ensure that payments:

- do not exceed funds appropriated for the purpose by Parliament;
- are requisitioned by a Minister or authorized officer in a form prescribed by Treasury Board; and
- are made only after the departmental officer responsible certifies that performance conditions were met if the payments are for goods or services received, or that the recipient is entitled to the payment if it is a grant or contribution.

The internal audit function within departments provides an additional element of internal control. Operating independently of line management, internal audit provides an objective assessment of practices and activities and contributes to accountability and transparency. Internal audit provides deputy heads with assurance as to the design and operation of the governance, risk management and control processes in their organizations.

At year-end, all spending is subject to reporting, and audit by the Office of the Auditor General, through the *Public Accounts of Canada* tabled annually in Parliament, as well as various other accountability reports, including *Departmental Performance Reports*.

The Government initiated a dialogue with the Auditor General in the early phases of this implementation plan, with an aim to ensuring that the Plan is consistent with full accountability and good governance. The Government will maintain this dialogue throughout the duration of the Economic Action Plan.

Transparency and reporting are critical tools in ensuring that spending is both responsive and responsible. The Government will report regularly to Parliament on the overall implementation of the Economic Action Plan. Individual Ministers will provide separate updates to Canadians on actions in their areas of responsibility as required.
Chapter 3

Working With Domestic and International Partners
Working With Domestic and International Partners

Introduction

Important elements of the Economic Action Plan involve cooperation with partners in provincial and territorial governments and the private sector in Canada. Ultimately, the success of national policy responses will depend on the degree of international coordination among Group of Twenty (G20) countries.

This chapter reviews action required of other partners in delivering the Action Plan: Parliament, provincial governments and the private sector. It also sets out timelines for engagement with G20 countries.

Role of Parliament

None of the spending measures contained in the Economic Action Plan can proceed without securing relevant authorities from Parliament. The Budget Implementation Act, 2009 and the 2009–10 Main Estimates are currently before Parliament.

• The House of Commons has approved the Budget Implementation Act, 2009, which now requires approval by the Senate before it can come into force.

• The 2009–10 Main Estimates contain a central Vote of $3 billion to allow departments to start implementing elements of the Plan, which are not included in the Budget Implementation Act, 2009. Without this provision, departments would not be able to implement large elements of the Plan before late June or early July.

Subject to Parliamentary approval, these Acts would provide authority for over $13 billion in measures. Supplementary Estimates will also be tabled in Parliament this spring to provide spending authority for most of the remaining measures in the Economic Action Plan.

Partnerships With Other Levels of Government

Canada is the most decentralized of the major industrialized economies. The fiscal positions of the provinces are, on average, as strong as that of the federal government, with total provincial debt about one-half of the size of the federal debt. Further, federal transfers to provinces and territories continue to increase strongly (see box entitled “Fiscal Balance”).
At the First Ministers’ Meeting on January 16th, Premiers and Territorial Leaders agreed to work with the Government of Canada on a number of important actions to provide stimulus to the Canadian economy, including the timely implementation of cost-shared stimulus initiatives, full labour mobility, further harmonizing business regulations, and accelerating infrastructure investments.

Close to $12 billion of the stimulus planned in Canada’s Economic Action Plan is from expected contributions of provincial, territorial and municipal governments. These funds are in the areas of social housing, provincial and municipal infrastructure, and aid to the auto sector, in partnership with the Government of Ontario (Table 3.1).

Table 3.1
Canada’s Economic Action Plan: Actions of Partners

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(millions of dollars)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Federal Actions</strong></td>
<td>22,742</td>
<td>17,200</td>
<td>39,942</td>
</tr>
<tr>
<td><strong>Provincial, Territorial and Municipal Actions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Action to Stimulate Housing Construction</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social housing—renovations</td>
<td>500</td>
<td>500</td>
<td>1,000</td>
</tr>
<tr>
<td>Social housing—seniors</td>
<td>200</td>
<td>200</td>
<td>400</td>
</tr>
<tr>
<td>Social housing—persons with disabilities</td>
<td>25</td>
<td>50</td>
<td>75</td>
</tr>
<tr>
<td><strong>Subtotal—housing leverage</strong></td>
<td>725</td>
<td>750</td>
<td>1,475</td>
</tr>
<tr>
<td><strong>Immediate Action to Build Infrastructure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accelerating Provincial/Territorial Base Funding Initiative</td>
<td>415</td>
<td>415</td>
<td>830</td>
</tr>
<tr>
<td>Communities component of Building Canada Fund</td>
<td>500</td>
<td>500</td>
<td>1,000</td>
</tr>
<tr>
<td>Community recreational facilities</td>
<td>250</td>
<td>250</td>
<td>500</td>
</tr>
<tr>
<td>Green infrastructure</td>
<td>200</td>
<td>200</td>
<td>400</td>
</tr>
<tr>
<td>Infrastructure Stimulus Fund</td>
<td>2,000</td>
<td>2,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Post-secondary construction</td>
<td>1,000</td>
<td>1,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Canada Health Infoway</td>
<td>167</td>
<td>167</td>
<td>334</td>
</tr>
<tr>
<td><strong>Subtotal—infrastructure leverage</strong></td>
<td>4,532</td>
<td>4,365</td>
<td>8,897</td>
</tr>
<tr>
<td><strong>Supporting Sectoral Adjustment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auto sector loans (Ontario)</td>
<td>1,300</td>
<td>1,300</td>
<td>2,600</td>
</tr>
<tr>
<td><strong>Total Provincial, Territorial and Municipal Actions</strong></td>
<td>6,557</td>
<td>5,115</td>
<td>11,672</td>
</tr>
<tr>
<td><strong>Total Stimulus (Federal Actions Plus Leverage)</strong></td>
<td>29,298</td>
<td>22,316</td>
<td>51,613</td>
</tr>
</tbody>
</table>

Note: Totals may not add due to rounding.
In addition to providing matching funding, provinces will play a significant role in administering and putting into action a number of measures—notably training programs and infrastructure projects.

The Government is engaged in negotiations and discussions, and is working to finalize agreements with provincial and territorial governments on a range of measures from the Action Plan. In addition to those referenced in the above table, these include a number of measures under the Canada Skills and Transition Strategy: Employment Insurance training programs, support for long-tenured workers, the Strategic Training and Transition Fund, the Targeted Initiative for Older Workers, the Apprenticeship Completion Grant, the Foreign Credential Recognition Program, the Aboriginal Skills and Training Strategic Investment Fund and the First Nations Child and Family Services Program. The Government is also consulting with provincial and territorial governments on enhancements to the Working Income Tax Benefit.

Provincial and territorial government approval and administrative processes may need to be accelerated—in similar fashion to recent action taken by the federal government—to ensure that economic stimulus is delivered in a timely fashion. The Government will be firmly adhering to its “use it or lose it” approach to the measures in the Economic Action Plan. The underlying principle is the need for these measures to be implemented this year, when the stimulus is most needed, rather than later on, once the recovery has taken effect.

It is also important to ensure that the actions in the stimulus plan are truly incremental to existing programs already underway or planned. There is significant activity scheduled to take place in the next two years, particularly in areas such as training and infrastructure, where the Government had invested over $33 billion before the $12 billion in new infrastructure measures contained in the Action Plan. In order for the new investments to be truly incremental and have the anticipated impacts on the economy and job creation, both of these tranches of investment need to proceed at the same time, rather than having the new measures displace the existing measures.

Reporting is an important element of the Government’s accountability framework. The Government will be reporting in detail on Government actions taken to implement this Plan and progress achieved. The Government would welcome separate reports from provincial and territorial governments or the opportunity to work cooperatively with provincial and territorial governments on joint assessments of progress.
Provinces and territories have begun to take action. For example, the British Columbia Budget, released on February 17, 2009, included significant investments in infrastructure in partnership with the federal government and substantial support for the 2010 Olympic Games in Vancouver. The province will spend over $14 billion on capital infrastructure over the next three years. Over the coming days and weeks, other provinces will also be coming forward with their Budgets (Table 3.2). The Government looks forward to working collaboratively with provincial and territorial governments on concrete actions and investments to bolster the Canadian economy through these challenging times.

Federal, provincial and territorial Ministers of Finance will meet on May 25 to take stock of economic conditions and review progress made in all jurisdictions in implementing the economic stimulus, with a particular emphasis on drawing lessons from measures and approaches that are clearly working and making adjustments in areas where more progress is needed.

Table 3.2

<table>
<thead>
<tr>
<th>Recent and Upcoming Provincial and Territorial Budgets</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Columbia</td>
</tr>
<tr>
<td>New Brunswick</td>
</tr>
<tr>
<td>Saskatchewan</td>
</tr>
<tr>
<td>Yukon</td>
</tr>
<tr>
<td>Quebec</td>
</tr>
<tr>
<td>Manitoba</td>
</tr>
<tr>
<td>Ontario</td>
</tr>
<tr>
<td>Newfoundland and Labrador</td>
</tr>
<tr>
<td>Alberta</td>
</tr>
</tbody>
</table>
Fiscal Balance
The fiscal positions of the provinces are, on average, as strong as that of the federal government, with total provincial debt about one-half of the size of the federal debt.

Budget 2007 took measures to restore fiscal balance, with over $39 billion in investments over seven years:

- A renewed Equalization program.
- An enriched Territorial Formula Financing program.
- Increased long-term support for post-secondary education.
- A new approach to long-term funding support for training.
- A new long-term plan for infrastructure.

The Government is keeping its commitment to restoring fiscal balance with long-term growing transfer support to provinces and territories. For 2009–10, major federal transfers are now at an unprecedented level of $52 billion and they will continue to grow:

- The Canada Health Transfer (CHT) will be $24 billion in 2009–10 and will continue to grow at 6 per cent a year.
- The Canada Social Transfer (CST) will be $10.9 billion in 2009–10 and will grow at 3 per cent a year.
- Equalization will be $14.2 billion in 2009–10 and will continue to grow in line with the economy.
- Territorial Formula Financing (TFF) will be $2.5 billion in 2009–10.
Fiscal Balance (cont’d)

Chart 3.1
Major Federal Transfers Will Continue to Grow
billions of dollars

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Projection</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>40</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>80</td>
<td>90</td>
<td>100</td>
<td>110</td>
<td>120</td>
</tr>
</tbody>
</table>

Notes: For 1991–92 to 2008–09, major federal transfers include CHT, CST, TFF, Equalization and predecessor programs (Canada Health and Social Transfer, Established Programs Financing and Canada Assistance Plan). For 2009–10 to 2013–14, major federal transfers include CHT (6-per-cent escalator), CST (3-per-cent escalator), TFF and Equalization (assume growth of GDP). Does not include statutory subsidies, transfers for infrastructure, and adjustments for Alternative Payments for Standing Programs and Youth Allowances Recovery.

International Efforts

The actions included in the Economic Action Plan fulfill Canada’s commitments at the November 2008 G20 leaders’ summit to provide timely stimulus to domestic demand, while maintaining long-run fiscal sustainability.

Canada will continue to support international efforts to deal with the current turmoil and to limit the impact of future economic downturns on financial markets.

Stabilization of the global financial system is a precondition for economic recovery globally and in Canada. Since the beginning of the crisis, governments around the world have taken extraordinary measures to address the problems in financial markets. However, there is still work to be done—specifically cleansing bank balance sheets of illiquid assets.
Decisions taken in the coming weeks in the United States and in other major economies to address problems in their financial sectors will be critical. The proper and timely implementation of such programs is the key to restoring confidence in financial markets.

Canada has been fortunate in that our banks are sound, are prudently regulated and generally have conservative lending practices. Consequently, they have not been adversely affected to the same degree as other banks around the world. All the major Canadian banks reported profits in their most recent quarter and have been able to raise significant amounts of capital in private markets. This is supporting ongoing lending to Canadian consumers and businesses. However, over the medium term, sustained availability of financing must be combined with action in other countries to reinforce financial stability and restore economic growth.

G20 leaders are meeting in April to take stock of global economic conditions. In addition, leaders will review reports of working groups on financial sector regulatory issues, including the results of a working group co-chaired by Canada on enhancing sound regulation and strengthening transparency in the financial sector.

Private Sector Efforts
The Government carried out extensive public consultations and relied heavily on the advice of business leaders, economists and the thousands of Canadians who participated in online consultations in pulling together its Economic Action Plan.

The private sector has a continuing role to play in working cooperatively with the Government to ensure that the Government has full information to implement and administer programs in a manner that has the maximum economic impact. The Government is holding consultations on several measures where it can benefit from input from the business community and Canadians.

The Government is also concluding discussions with third-party organizations and finalizing funding agreements with private sector partners who will be delivering components of the Action Plan, such as the Institute for Quantum Computing, the Canada Youth Business Foundation, the YMCA/YWCA and the Canada Health Infoway.
The Government is counting on continued cooperation from the financial sector in providing access to credit. In a market economy such as Canada’s, the allocation of credit to households and businesses is a function carried out by financial institutions operating in a competitive, efficient and prudently regulated market. In the current challenging financial circumstances, it is critical that Canada’s financial institutions, which are sound and well capitalized, make every effort to meet the needs of creditworthy borrowers. The Government is providing significant support through the Extraordinary Financing Framework to ensure that our financial institutions have adequate access to liquidity and term funding. This funding allows financial institutions to on-lend to their retail and business customers through their normal credit granting operations.

Financial Crown corporations, such as Export Development Canada and the Business Development Bank of Canada, complement private sector lenders in extending credit to Canadians. The Government is ensuring that financial Crown corporations have sufficient resources and flexibilities to service their clients and meet their mandates under all economic circumstances. Canada’s Economic Action Plan expands the resources and scope of action for financial Crown corporations to increase their lending activities substantially, both individually and through collaborative initiatives with the private sector such as the Business Credit Availability Program. Financial Crown corporations are ensuring that these additional flexibilities and resources are used to provide incremental credit support as soon as possible.

**How Can Businesses Benefit From the Business Credit Availability Program?**

The Business Credit Availability Program (BCAP) is a joint effort between Canadian financial institutions, Export Development Canada (EDC) and the Business Development Bank of Canada (BDC). Participating private sector lenders have committed to working with the financial Crown corporations to find solutions for creditworthy business clients who would otherwise have insufficient access to credit. Canadian businesses should first call their financial institutions to see how BCAP can apply to them. In some cases, they will be referred to BDC or EDC. Businesses can also choose to contact BDC or EDC directly if they have an existing relationship.

BDC’s role is to help build the capacity of Canadian entrepreneurs, with a special focus on small and medium-sized businesses. It provides term financing of up to $75 million. Visit www.bdc.ca.

EDC’s role is to foster Canada’s trade through financing and risk management solutions. Visit www.edc.ca.
The Government will continue to consult extensively with Canadians and businesses in Canada. For example, the Economic Advisory Council to the Minister of Finance has met once since the Budget was tabled and will continue to provide the Minister with updates and advice on both the economic situation and progress in implementing the Economic Action Plan. In addition, the Minister of Finance is forming the Advisory Committee on Financing to advise the Minister on financing conditions and the design, scope and scale of initiatives under the $200-billion Extraordinary Financing Framework.
Chapter 4

Progress Achieved to Date
Introduction

Canada’s Economic Action Plan consists of $40 billion in support of the economy over the next two years. When combined with provincial and territorial government actions, the Economic Action Plan amounts to $52 billion. Necessary steps have been taken to provide the Government with authority to make payments and to administer proposed tax reduction measures amounting to close to 90 per cent of the value of the Economic Action Plan by the start of the fiscal year on April 1, 2009.

For those items that require further development or negotiation to proceed, Ministers will be providing Canadians with regular updates on progress in specific areas.

The Government’s Economic Action Plan comprises five main elements:

✔ Action to Help Canadians and Stimulate Spending ($13.5 billion over three years).
✔ Action to Stimulate Housing Construction ($7.8 billion over three years).
✔ Immediate Action to Build Infrastructure ($11.8 billion over two years).
✔ Action to Support Businesses and Communities ($7.5 billion over two years).
✔ Action to Improve Access to Financing and Strengthen Canada’s Financial System ($200 billion to encourage liquidity).

The following five sections review progress in each of the areas of the Action Plan.
ACTION TO HELP CANADIANS AND STIMULATE SPENDING
Chapter 4

Canada’s Economic Action Plan includes $13.5 billion over three years to support workers affected by the global economic slowdown, create opportunities for Canadian workers through skills development, strengthen partnerships with Aboriginal Canadians, and stimulate the economy by providing personal tax relief to Canadians.

Table 4.1
Action to Help Canadians and Stimulate Spending

<table>
<thead>
<tr>
<th></th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(millions of dollars)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Canada Skills and Transition Strategy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strengthening benefits for Canadian workers</td>
<td>950</td>
<td>950</td>
<td>1,900</td>
<td></td>
</tr>
<tr>
<td>Enhancing the availability of training</td>
<td>940</td>
<td>965</td>
<td>1,905</td>
<td></td>
</tr>
<tr>
<td>Keeping Employment Insurance rates frozen</td>
<td>818</td>
<td>1,631</td>
<td>2,449</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal—Canada Skills and Transition Strategy</strong></td>
<td>2,708</td>
<td>3,546</td>
<td>6,254</td>
<td></td>
</tr>
<tr>
<td><strong>Further Developing a Highly Skilled Workforce</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strengthening Partnerships With Aboriginal Canadians</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Relief for Canadians</td>
<td>695</td>
<td>3,020</td>
<td>3,180</td>
<td>6,895</td>
</tr>
<tr>
<td><strong>Total—Action to Help Canadians and Stimulate Spending</strong></td>
<td>695</td>
<td>5,880</td>
<td>6,945</td>
<td>13,520</td>
</tr>
<tr>
<td><strong>Total stimulus value</strong></td>
<td>5,880</td>
<td>6,945</td>
<td>13,520</td>
<td></td>
</tr>
</tbody>
</table>

Notes: The Government is also providing $2.1 billion to freeze Employment Insurance rates for 2009. Totals may not add due to rounding.
Progress Achieved to Date
Action to Help Canadians and Stimulate Spending

Highlights

✓ Unemployed workers will receive enhanced benefits on April 1 or sooner—an extra five weeks of Employment Insurance, work-sharing and wage earner protection.

✓ Additional funding for training for unemployed Canadians will be available to provinces and territories by April 2009.

✓ Enhanced support for older workers in vulnerable communities will be available to participating provinces by April.

✓ Most Canadians will begin to see benefits from personal income tax reductions, for measures effective January 1, 2009, on their pay stubs as of April 1.

✓ Measures to provide more opportunities for youth employment are anticipated to be in place by June.

✓ Five Aboriginal training and employment projects are expected to be approved in May and commence in the summer.

Canada Skills and Transition Strategy

The Canada Skills and Transition Strategy provides $8.3 billion to both help Canadians hardest hit by the downturn weather today’s economic storm and provide them with the necessary training to prosper in tomorrow’s economy. It consists of a three-pronged strategy to strengthen benefits, enhance the availability of training and maintain low Employment Insurance (EI) premium rates. Considerable progress has been made in implementing the strategy.

The EI program exists to provide financial support to Canadians who have lost their jobs. Steps have been taken to improve service delivery and to ensure the efficient and timely processing of new EI claims in order to provide those workers who have been laid off access to EI as quickly as possible.
Chapter 4

In addition, the Government has moved quickly to ensure that the additional support provided through the Economic Action Plan will be available to workers. With the Royal Assent of the *Budget Implementation Act, 2009*, the following enhanced benefits will be available to eligible workers:

- **Extra Five Weeks of Regular EI Benefits**: Regular benefit entitlements will be extended by five weeks and the maximum benefit duration will rise from 45 to 50 weeks, providing reassurance to unemployed workers that they will have financial support for a longer period. Service Canada will start providing this benefit to all claims that were active two weeks before the date of Royal Assent.

- **Wage Earner Protection**: The Economic Action Plan extends the benefits of the Wage Earner Protection Program to cover severance and termination pay, as well as wages and vacation pay owed to eligible workers following the bankruptcy of their employer. These extended benefits will be available to all eligible employees whose employer became bankrupt after January 26, 2009.

With the approval of the necessary regulatory and program changes, the following benefit enhancements will be available to eligible workers.

- **Work-Sharing**: Work-sharing is a current element of the EI program, designed to avoid layoffs by offering benefits to qualifying workers willing to work a reduced work week temporarily until their employer is able to bring people back on full time. Changes to extend, over the next two years, these arrangements by 14 weeks, to a maximum of 52 weeks, have been approved by the EI Commission and new agreements became eligible for the extended duration as of February 1, 2009.

> “The investments in worker training through EI, the extension of the EI work-sharing program and support to communities that have been affected by the economic downturn, are welcome initiatives that will help more Canadians keep their jobs and employers hold onto talented workers.”
> 
> —Forest Products Association of Canada, press release, January 27, 2009
• **Long-Tenured Workers:** Individuals who have spent years working in one industry or for one employer may now face the prospect of unemployment and the need to retrain for a new job, possibly in an entirely different industry. Regulatory changes to the EI program will provide the authority to extend EI income benefits for long-tenured workers participating in longer-term training with additional time and financial support. Consultations with provinces and territories have begun. Upon completion of these consultations, approvals will be sought, with the goal of providing these extended benefits by late May 2009.

### Support for Long-Tenured Workers

John has been continuously employed in the forest industry for the last 10 years. His employer has recently ceased operations and he has been permanently laid off. John has decided to significantly upgrade his skills so that he can transition to work in a different, growing industry.

The long-tenured workers initiative will provide John with income support as he does this. As a long-tenured worker who is eligible, he could receive up to 104 weeks of EI income benefits while he is engaged in EI training and then searching for employment in his new field. This is double the number of weeks he could receive under the current program.

### Enhanced Work-Sharing

Nancy is employed by a manufacturing company that is experiencing a reduction in demand caused by the slowdown in new home construction. Her employer and her co-workers have agreed that it would be better to share the available work among all the employees than to have layoffs.

The enhancements to the EI work-sharing program will allow all of the workers to remain employed and working a reduced work week for up to 52 weeks, an increase of 14 weeks. Each worker would be paid for the days in a week that they work and would receive EI benefits for the other days.

In recognition of the current economic conditions, the eligibility criteria for work-sharing agreements have been made more flexible, allowing more employers like Nancy’s to avoid layoffs while their industry recovers, thus minimizing the financial impact of the downturn on their workers and the communities they live in.
Enhancing the Availability of Training

Current benefits under Labour Market Development Agreements (for EI-eligible Canadians) and Labour Market Agreements (for those not eligible for EI) provide considerable support to workers through employment benefits, training, job-search and self-employment assistance. Canada’s Economic Action Plan strengthens these programs. Under the Budget Implementation Act, 2009, funding is available as of April 1, 2009 and will flow to those provinces that have signed amended or new agreements to ensure appropriate accountability and reporting.

- **EI Training Programs:** The Economic Action Plan provides targeted two-year funding of $1 billion to expand the availability of training delivered through the EI program by provinces and territories. This funding will be allocated based on the share of unemployed persons in a province or territory and will flow through the amended existing Labour Market Development Agreements beginning April 1, 2009.

- **Strategic Training and Transition Fund:** The Economic Action Plan provides $500 million for this targeted two-year initiative to support the labour market needs of individuals, whether or not they qualify for EI, and to help ensure that all Canadians will be able to access the training and other assistance they need. The funding will be allocated based on the share of unemployed persons in a province or territory and will flow through the amended Labour Market Agreements by April 15, 2009.

- **Older Workers:** The Economic Action Plan provides an additional $60 million over three years to the Targeted Initiative for Older Workers (TIOW), a federal-provincial-territorial employment program to better support older workers and their families in vulnerable communities through a range of employment activities. The scope of the TIOW will be expanded to include vulnerable cities with populations of less than 250,000. Amending agreements will be signed with all participating provinces and territories and new agreements will be negotiated with any new province or territory that elects to begin to participate in the initiative by April 2009.
Progress has also been made on the other initiatives in the Economic Action Plan designed to enhance training opportunities.

- **Youth Employment:** The Economic Action Plan provides two-year targeted funding to enable more employers in the not-for-profit sector to hire summer students and to enhance the federal public service student employment program. These funds will flow through the Canada Summer Jobs Program and the Federal Student Work Experience Program. The funding will be available to hire summer students by May 2009. The Economic Action Plan also provides a one-time grant of $15 million to the YMCA and YWCA to place youth in internships in not-for-profit and community services organizations, with a focus on environmental projects. It is anticipated that internships will begin in June.

- **Apprentices:** The Economic Action Plan provides $40 million a year to launch the Apprenticeship Completion Grant, which will provide a taxable grant of $2,000 to apprentices who complete their certification in any of the Red Seal skilled trades. Implementation is expected to be completed by July 1, 2009, with payment retroactive for apprentices who received their certification on or after January 1, 2009.

- **Aboriginal Canadians:** The Economic Action Plan provides $100 million over three years to support the Aboriginal Skills and Employment Partnership (ASEP) initiative. Five ready-to-go ASEP projects have been identified, with approvals scheduled for May and projects expected to commence in the summer. A call for additional projects is being prepared and will be launched in April. New projects will be assessed and approved by August with projects to start by October. The Aboriginal Skills and Training Strategic Investment Fund of $75 million, which will strengthen opportunities for partnership and targeted training for Aboriginal Canadians, is scheduled to be launched in late March, the call for business plans to be issued in April, with projects to begin by August 2009.

**Keeping EI Rates Frozen**

The Government committed in the Economic Action Plan to freeze EI premium rates for 2010 at $1.73, the same rate as 2009. This will take effect once the *Budget Implementation Act, 2009* has received Royal Assent.
Canada's Economic Action Plan: Protecting the Vulnerable

Canada's Economic Action Plan includes a number of important measures to support low-income Canadians and others affected by the economic downturn, both now and in the future.

- $1.9 billion to strengthen Employment Insurance benefits to help unemployed Canadians and their families through the extraordinary challenges ahead.
- Increasing funding for training by $1.5 billion over two years to create more and better opportunities for Canadians through skills development.
- Effectively doubling the total tax relief provided by the Working Income Tax Benefit.
- Additional support for low- and middle-income families through increases to the National Child Benefit supplement and the base benefit of the Canada Child Tax Benefit.
- Increasing the basic personal amount—the amount that all Canadians can earn before paying federal income taxes—by 7.5 per cent over its 2008 level to $10,320 in 2009.
- Targeted tax relief for about 2.2 million seniors through an increase to the Age Credit.
- $2.1 billion in investments in social housing to support low-income Canadians, including seniors, persons with disabilities and Aboriginal Canadians.
- Investments to support First Nations and Inuit health and child and family services on reserves.
- $60 million to expand the scope of the Targeted Initiative for Older Workers.
- $25 million per year to expand coverage of the Wage Earner Protection Program to include severance and termination pay.

The Government has made considerable progress in implementing these measures. Many of these measures are included in the Budget Implementation Act, 2009, now before Parliament, which permits benefits to begin flowing as soon as April 2009 for tax measures and some EI enhancements. Consultations are underway with provinces and territories on other elements, including investments in social housing and enhancements to the Working Income Tax Benefit.
Canada’s Economic Action Plan: Protecting the Vulnerable (cont’d)

Low- and modest-income Canadians are the main beneficiaries of many of the tax reductions introduced by the Government since 2006. For example, increasing the basic personal amount provides more tax relief to those with lower incomes as a proportion of the tax they pay. In addition, maintaining the Goods and Services Tax (GST) credit level, while reducing the GST by 2 percentage points, translates into more than $1.1 billion in annual benefits for low- and modest-income Canadians. Chart 4.1 illustrates the share of personal income tax relief and taxes paid by tax bracket.

Chart 4.1
Share of Personal Income Tax Relief and Taxes Paid by Tax Bracket, in 2009

Note: Totals may not add due to rounding.

Further Developing a Highly Skilled Workforce

The Economic Action Plan provides $87.5 million over three years to temporarily increase the number of Canada Graduate Scholarships (CGS) awarded by the granting councils. This measure is to be delivered through the existing CGS program. Authority to access the supplementary funding is anticipated to be secured in early April, and the granting councils plan to award the additional scholarships from existing applicant pools.

Canada’s Economic Action Plan also sets aside funding of $3.5 million over two years to accelerate the implementation of the Industrial Research and Development Internships program launched in Budget 2007. This funding will support 600 additional internships over the time period, bringing the total number of internships available each year to 1,000. Authority to access this additional funding is anticipated to be secured in April 2009.

Tax Relief for Canadians

Canada’s Economic Action Plan proposed, effective January 1, 2009, to:

- Increase 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.

- Effectively double the tax relief provided by the Working Income Tax Benefit (WITB) to encourage low-income Canadians to find and retain a job.

- Increase the Age Credit amount by $1,000, providing up to an additional $150 of annual tax savings for low- and middle-income seniors.

In addition, effective July 1, 2009, the Economic Action Plan proposed to raise the level at which the National Child Benefit supplement (NCBs) for low-income families and the base benefit of the Canada Child Tax Benefit (CCTB) are phased out, providing a benefit of up to $436 for a family with two children.

“They’re lowering the lowest and middle income tax brackets. They’re boosting the working tax benefit and the personal exemption. These are very good things particularly for low income Canadians.”

—Craig Alexander, TD Bank Financial Group Deputy Chief Economist, January 27, 2009
Progress Achieved to Date
Action to Help Canadians and Stimulate Spending

Lowering the Welfare Wall
Tax relief provided by this Government has improved work incentives, particularly for low-income Canadians. Chart 4.2 illustrates how the measures taken since 2006, including those in the Economic Action Plan, reduce average effective marginal tax rates on low- and modest-income Canadians, thus improving incentives for them to work.

Chart 4.2
Average Effective Marginal Tax Rates
(per $10,000 in additional income, in 2009)
Single Parent, One Child

Notes: This chart shows the combined effect of the reduction in benefits and increases in taxes on $10,000 of additional earned income. Effective marginal tax rates vary across provinces and territories, and this figure is based on a weighted average of all provinces and territories, except Ontario. It takes into account agreements reached with Quebec, British Columbia and Nunavut on their respective specific WITB designs.
Personal Income Tax Relief for Canadians Since 2006—Examples

Taxpayers will benefit from considerable personal income tax relief and increased child benefits in 2009.

- Beverly earns $35,000 and is a single parent with two children. Without the measures taken by this Government, she would have paid $1,629 in federal personal income taxes in 2009.
  - Tax relief provided prior to the Economic Action Plan reduced her federal personal income taxes by $1,150.
  - Measures proposed in the Economic Action Plan will reduce her federal income taxes by an additional $66 and increase her National Child Benefit supplement by $436 for a total benefit of $502.
  - In total, her federal personal income taxes in 2009 will be reduced by 75 per cent, or $1,216.

- Bob and Emily are a couple with two children. Bob earns $45,000 and Emily earns $85,000. Without the measures taken by the Government, they would have paid $20,097 in federal personal income taxes in 2009.
  - Tax relief provided prior to the Economic Action Plan reduced their personal income taxes by $1,455.
  - Measures proposed in the Plan will further reduce their taxes by about $483.
  - In total, their federal personal income taxes in 2009 will be reduced by 10 per cent, or $1,938.

- Matthew and Giuliana are a one-earner family with two children, and Matthew’s income is $90,000. Without the measures taken by the Government, the family would have paid $14,516 in federal personal income taxes in 2009.
  - Tax relief provided prior to the Economic Action Plan reduced their personal income taxes by about $1,182.
  - Measures proposed in the Economic Action Plan will reduce their federal income taxes by $350 and increase their child benefits by $76, for a total benefit of $426.
  - In total, their federal personal income taxes in 2009 will be reduced by 11 per cent, or $1,532.

Taxes will be reduced further for individuals who purchase a first home or undertake home renovations in 2009. The new Home Renovation Tax Credit, for example, will provide a 15-per-cent non-refundable income tax credit of up to $1,350 on eligible home renovation expenses. A credit of $750 will also be provided to recognize the closing costs incurred by taxpayers buying a first home.
Steps have been taken to ensure that the benefits of these tax reduction measures flow to Canadians as set out in the Action Plan:

• Canadians will pay less taxes, and they will see it on their pay stubs. The Canada Revenue Agency has committed to adjust the 2009 Payroll Deductions Tables to take effect April 1, 2009, at which time taxpayers subject to withholding (e.g., most employees) will begin to benefit from the higher basic personal amount and tax bracket thresholds. Taxpayers paying by instalment, including many seniors, can immediately adjust their payments to reflect the changes for the 2009 taxation year.

• A general Notice of Ways and Means Motion was tabled in Parliament with the Budget on January 27, 2009, followed by the tabling of a detailed Notice of Ways and Means Motion for select measures on February 4, 2009. In accordance with these motions, the Canada Revenue Agency is administering the basic personal amount, tax bracket threshold and Age Credit changes for the 2009 taxation year pending passage of implementing legislation. (Royal Assent of implementing legislation, however, is required before the proposed higher payments under the CCTB/NCBs and WITB can be made. The Economic Action Plan proposed that the increases in the CCTB/NCBs take effect July 1, 2009.)

• The Budget Implementation Act, 2009 includes the proposals to increase the basic personal amount and the top of the two lowest personal income tax brackets, enhance the CCTB/NCBs, and increase the Age Credit.

• In recognition of the important role played by provinces and territories in providing basic income support, the Government committed in the Economic Action Plan to consult with provinces and territories before implementing the final design of the enhanced WITB for the 2009 taxation year. Consultations among federal, provincial and territorial officials on the enhancement of the WITB were initiated in February 2009. Legislation implementing the enhanced WITB will be tabled in Parliament later this year, following the conclusion of discussions with provinces. Low-income working Canadians will receive tax relief from the enhanced WITB when they file their 2009 tax return. Legislation must receive Royal Assent before enhanced WITB benefits are paid.

“The tax changes will put money back in the pockets of Canadians, boosting confidence and encouraging spending, which is critical to the retail sector and Canada’s overall economic recovery.”

—Retail Council of Canada, press release, January 28, 2009
The next report will provide further updates on the status of implementing legislation and provincial and territorial consultations on the enhancement of the WITB.

Table 4.2
Action to Help Canadians and Stimulate Spending

<table>
<thead>
<tr>
<th>2009–10 Stimulus Value (millions of dollars)</th>
<th>Authorities in Place</th>
<th>Next Steps</th>
<th>Funding to Flow/ Benefits Available</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Canada Skills and Transition Strategy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>An extra five weeks of EI benefits</td>
<td>575</td>
<td>Part of Budget Implementation Act, 2009 (BIA)</td>
<td>Effective upon Royal Assent, benefits will be paid for claims that were active two weeks before Royal Assent. Service Canada to be ready the day of Royal Assent.</td>
</tr>
<tr>
<td><strong>Employment Insurance—long-tenured workers</strong></td>
<td>250</td>
<td>April</td>
<td>Finalize discussions with provinces and territories and issue regulations. Extended benefits to be available by late May.</td>
</tr>
<tr>
<td><strong>Employment Insurance—work-sharing</strong></td>
<td>100</td>
<td>April</td>
<td>Changes approved by the EI Commission to be effective retroactive to February 1, 2009.</td>
</tr>
<tr>
<td><strong>Wage Earner Protection Program</strong></td>
<td>25</td>
<td>BIA</td>
<td>Effective upon Royal Assent, benefits extended to eligible employees whose employer became bankrupt after January 26, 2009.</td>
</tr>
<tr>
<td><strong>Employment Insurance training programs</strong></td>
<td>500</td>
<td>April</td>
<td>Finalize agreements with provinces. Funds will flow to provinces and territories that have signed amending agreements beginning April 1, 2009.</td>
</tr>
<tr>
<td><strong>Strategic Training and Transition Fund</strong></td>
<td>250</td>
<td>Yes</td>
<td>Finalize agreements with provinces and territories. Funds will flow to provinces and territories that have signed amending agreements by April 15, 2009.</td>
</tr>
<tr>
<td><strong>Canada Summer Jobs Program</strong></td>
<td>10</td>
<td>Yes</td>
<td>Funding to be available to hire students by May 2009.</td>
</tr>
</tbody>
</table>
Table 4.2 (cont’d)  
Action to Help Canadians and Stimulate Spending

<table>
<thead>
<tr>
<th>2009–10 Stimulus Value (millions of dollars)</th>
<th>Authorities in Place</th>
<th>Next Steps</th>
<th>Funding to Flow/Benefits Available</th>
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</thead>
<tbody>
<tr>
<td><strong>Canada Skills and Transition Strategy (cont’d)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal public service student employment program</td>
<td>10</td>
<td>April</td>
<td>Funding to be available to hire students by May 2009.</td>
</tr>
<tr>
<td>YMCA/YWCA</td>
<td>15</td>
<td>Yes</td>
<td>Finalize funding agreements. Anticipate that internship placements will begin in June.</td>
</tr>
<tr>
<td>Targeted Initiative for Older Workers</td>
<td>20</td>
<td>Yes</td>
<td>Finalize amendments to agreements with provinces already participating by April 2009. Negotiate agreements with those not yet participating and that elect to do so.</td>
</tr>
<tr>
<td>Apprenticeship Completion Grant</td>
<td>40</td>
<td>Yes</td>
<td>Finalize discussions with provinces and territories. Grants to be paid as of July 1, retroactive to January 2009.</td>
</tr>
<tr>
<td>Foreign Credential Recognition Program</td>
<td>25</td>
<td>Yes</td>
<td>Work with provinces and territories to develop a common framework by September 2009.</td>
</tr>
<tr>
<td>Aboriginal Skills and Employment Partnership</td>
<td>20</td>
<td>Yes</td>
<td>Move forward with five ready-to-go projects, which will commence in the summer. New projects to be approved by August and start by October 2009.</td>
</tr>
<tr>
<td>Aboriginal Skills and Training Strategic Investment Fund</td>
<td>25</td>
<td>Yes</td>
<td>Consultations with provinces and territories are underway. 90 per cent of funding notionally allocated by region. Program to be launched in late March, call for business plans to be issued in April, projects to begin in August 2009.</td>
</tr>
<tr>
<td>Aboriginal Human Resource Development Strategy</td>
<td>25</td>
<td>Yes</td>
<td>To be included in Supplementary Estimates (A).</td>
</tr>
<tr>
<td>Keeping Employment Insurance rates frozen</td>
<td>818</td>
<td>Part of BIA</td>
<td>Effective upon Royal Assent.</td>
</tr>
</tbody>
</table>
Table 4.2 (cont’d)
Action to Help Canadians and Stimulate Spending

<table>
<thead>
<tr>
<th>2009–10 Stimulus Value (millions of dollars)</th>
<th>Authorities in Place</th>
<th>Next Steps Available</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Further Developing a Highly Skilled Workforce</strong></td>
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<td></td>
</tr>
<tr>
<td>Canada Graduate Scholarships program</td>
<td>35</td>
<td>April</td>
</tr>
<tr>
<td>Industrial Research and Development Internship program</td>
<td>2.5</td>
<td>April</td>
</tr>
<tr>
<td><strong>Strengthening Partnerships With Aboriginal Canadians</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Nations and Inuit health programs</td>
<td>108</td>
<td>Yes</td>
</tr>
<tr>
<td>First Nations child and family services</td>
<td>7</td>
<td>No</td>
</tr>
<tr>
<td><strong>Tax Relief for Canadians</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal income tax relief for all taxpayers</td>
<td>1,885</td>
<td>Part of BIA</td>
</tr>
<tr>
<td>Increases to the National Child Benefit supplement and Canada Child Tax Benefit</td>
<td>230</td>
<td>Part of BIA</td>
</tr>
<tr>
<td>Enhancing the Working Income Tax Benefit</td>
<td>580</td>
<td>General Notice of Ways and Means Motion</td>
</tr>
<tr>
<td>Targeted relief for seniors</td>
<td>325</td>
<td>Part of BIA</td>
</tr>
</tbody>
</table>
ACTION TO STIMULATE HOUSING CONSTRUCTION
Canada’s Economic Action Plan provides up to $7.8 billion in tax relief and funding to support home ownership, to help stimulate the housing sector and to improve housing across Canada.

Table 4.3
Action to Stimulate Housing Construction

<table>
<thead>
<tr>
<th></th>
<th>2008–09</th>
<th>2009–10</th>
<th>2010–11</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(millions of dollars)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support for Home Ownership</td>
<td>530</td>
<td>2,840</td>
<td>345</td>
<td>3,715</td>
</tr>
<tr>
<td>and the Housing Sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in Housing for Canadians</td>
<td>1,025</td>
<td>1,050</td>
<td></td>
<td>2,075</td>
</tr>
<tr>
<td><strong>Total—Action to Stimulate Housing Construction</strong></td>
<td>530</td>
<td>3,865</td>
<td>1,395</td>
<td>5,790</td>
</tr>
<tr>
<td><strong>Total stimulus value</strong></td>
<td>30</td>
<td>5,365</td>
<td>2,395</td>
<td>7,790</td>
</tr>
<tr>
<td><strong>With provincial contributions</strong></td>
<td>6,090</td>
<td>3,145</td>
<td>9,235</td>
<td></td>
</tr>
</tbody>
</table>

Note: Totals may not add due to rounding.

Highlights

✔ Canadian families can now undertake renovations that will be eligible for the Home Renovation Tax Credit. The Canada Revenue Agency has posted details on the credit on its website at www.cra-arc.gc.ca.

✔ By April, Canada Mortgage and Housing Corporation will be in a position to process loan applications through the Municipal Infrastructure Lending Program for housing-related infrastructure initiatives.

✔ By April 1, funding will be available for provinces and territories who have signed new agreements for renovation and retrofit of social housing units.

✔ By April, funding will be available for provinces and territories who have signed new agreements for the construction of new housing units for low-income seniors and persons with disabilities.

✔ By April, funding will be available to support new housing, the renovation of existing social housing and for complementary housing activities on reserve.
Support for Home Ownership and the Housing Sector

Canada’s Economic Action Plan proposed:

- Implementing a temporary Home Renovation Tax Credit that will provide Canadian families with up to $1,350 in tax relief. The Home Renovation Tax Credit will apply to eligible home renovation expenditures for work performed, or goods acquired, after January 27, 2009 and before February 1, 2010.

- Increasing the Home Buyers’ Plan withdrawal limit to $25,000 from $20,000 for 2009 and subsequent calendar years in respect of Registered Retirement Savings Plan withdrawals made after January 27, 2009.

- Providing up to $750 in tax relief through the First-Time Home Buyers’ Tax Credit for individuals who acquire a qualifying home after January 27, 2009 (i.e., the closing is after that date).

- Providing an additional $300 million over two years to the ecoENERGY Retrofit programs to support an estimated 200,000 additional home retrofits.

“[Budget 2009] helps keep skilled workers on the job at a time when home building starts are sagging. I think it’s a great opportunity to stimulate the renovation business across Canada.”

— Canadian Home Builders’ Association, January 27, 2009
Significant progress has been made in implementing these measures:

- A general Notice of Ways and Means Motion was tabled in Parliament with the Budget on January 27, 2009, followed by the tabling of a detailed Notice of Ways and Means Motion for select measures on February 4, 2009. The Canada Revenue Agency is administering the new measures in accordance with these Motions.

- Implementing legislation was tabled on February 6, 2009 (Budget Implementation Act, 2009) and included amendments to implement the increase in the Home Buyers’ Plan withdrawal limit.

## What Are Eligible Renovation Expenditures?

To be eligible, expenditures incurred in relation to a renovation or alteration to an eligible dwelling (or the land that forms part of the eligible dwelling) must be of an enduring nature and integral to the dwelling, and include the cost of labour and professional services, building materials, fixtures, rentals and permits. A dwelling will generally be considered eligible if it is used for personal purposes.

### Eligible

- Renovating a kitchen, bathroom or basement.
- New carpet or hardwood floors.
- Building an addition, garage, deck, garden/storage shed or fence.
- Re-shingling a roof.
- A new furnace, woodstove, boiler, fireplace, water softener or water heater.
- A new driveway or resurfacing a driveway.
- Painting the interior or exterior of a house.
- Window coverings directly attached to the window frame and whose removal would alter the nature of the dwelling.
- Laying new sod.
- Swimming pools (permanent—in ground and above ground).
- Fixtures—lights, fans, etc.
- Associated costs such as permits, professional services, equipment rentals and incidental expenses.
• Funding under the ecoENERGY Home Retrofit program will be available starting April 1, 2009 to reimburse home owners that undertake eligible retrofits to make their homes more energy efficient.

The June report will provide further updates on the status of legislation to implement the higher Home Buyers’ Plan limit and progress towards tabling of legislation for the implementation of the Home Renovation Tax Credit and the First-Time Home Buyers’ Tax Credit.

**Benefits From the Home Renovation Tax Credit**

Wanda is planning to redo her kitchen and bathroom this year, rather than later next year, in order to take advantage of the new credit. Because her projects will involve more than $10,000 of eligible expenditures, she will get the maximum tax credit of $1,350.

**Investments in Housing for Canadians**

Canada’s Economic Action Plan proposed a one-time federal investment of $1 billion over two years for renovation and energy retrofits, $475 million over two years for the construction of social housing units for low-income seniors and persons with disabilities, $400 million over two years for new social housing and remediation of existing housing stock on reserve, and $200 million to support social housing in the North.

There will be an emphasis on projects that are ready to go and flexibility to reallocate resources where take-up is slow. The spending authorities for 2009–10 are in the *Budget Implementation Act, 2009*.

These housing initiatives will be delivered through existing Canada Mortgage and Housing Corporation (CMHC) and Indian and Northern Affairs Canada (INAC) programs and existing arrangements with provinces and territories and direct CMHC and INAC delivery. Program terms and conditions have been completed and approved, as have amendments to CMHC’s Corporate and Business Plans. Discussions have been held with provincial and territorial officials laying out the parameters of the initiatives, and amending agreements for federal-provincial-territorial arrangements have been prepared. They include reporting requirements for the new funding and are expected to be in place by April. A number of provinces have already submitted proposals for housing initiatives.
Royal Assent of the Budget Implementation Act, 2009 and signed agreements with provinces will enable CMHC to implement the following measures by April 1, 2009:

- **Renovation and Retrofit of Social Housing**: The Economic Action Plan provides a one-time federal investment of $1 billion over two years to address the backlog in demand for renovation and energy retrofits of the social housing stock ($850 million to be cost-shared with provinces and territories and $150 million to address needs of existing social housing which CMHC administers). The $850 million will be allocated on the basis of each province and territory’s share of units and will be cost-shared. Once provinces and territories have signed the amended Affordable Housing Initiative agreements, CMHC will be in a position to accept and approve proposals. A number of provinces have already identified projects that are ready to go, including proposals for social housing renovation and retrofit work. Arrangements are also in place for the implementation of measures for the CMHC-administered social housing units. Projects will be selected through a Request for Proposals process.

---

**Affordable Housing—A Recent Success Story**

More individuals with a disability now have access to more affordable, barrier-free housing in Summerside, Prince Edward Island.

Independence Place, which is an affordable housing project that meets the needs of people with physical disabilities and makes a positive difference in their lives, is the result of a partnership between Scotcor Construction Ltd., the City of Summerside, the PEI Council of the Disabled, and the Government of Prince Edward Island and Government of Canada, through the Affordable Housing Initiative.

Independence Place has 11 units designed to meet the particular needs of the tenants, and has energy-efficiency features such as geothermal heat pumps and insulated concrete forms that keep electricity costs down for residents, while being environmentally friendly.

The Canada-Prince Edward Island Affordable Housing Agreement supports the creation of additional affordable housing units for low- to moderate-income Islanders through rental, conversion and home ownership initiatives.
• **First Nations Housing:** Canada’s Economic Action Plan provides $400 million over the next two years to support new on-reserve housing, renovations of existing social housing and for complementary housing activities. $250 million will be provided through CMHC, with the funds to be delivered through existing CMHC programs. CMHC is working with INAC, First Nations and the National First Nations Housing Liaison Committee on proposed projects. The delivery of funds will start following this engagement strategy, likely in early April. $150 million will be provided by INAC to First Nations for complementary housing activities such as lot servicing, creating new high-density developments, renovating existing housing units, and assisting in the transition of band-owned units to market-based units.

• **Northern Housing:** Canada’s Economic Action Plan provides $200 million over the next two years to support the renovation of existing and construction of new social housing in the three territories. One half of the total allocation will be provided to Nunavut in recognition of its greater needs and $50 million for each of the other territories. Once territories have signed amended Affordable Housing Initiative (AHI) agreements, CMHC will be in a position to accept and approve proposals.

• **Housing for Low-Income Seniors and Persons With Disabilities:** The Government recognizes that in difficult times, low-income seniors and persons with disabilities may have increased difficulty finding affordable and suitable housing. In recognition of this reality, the Economic Action Plan provides $475 million to support the construction of new housing units for low-income seniors and persons with disabilities. The $475 million will be allocated on the basis of each province and territory’s share of total population and will be cost-shared. Once amended AHI agreements have been finalized, CMHC will be in a position to accept and approve proposals.

• **Helping Municipalities Build Stronger Communities:** Canada’s Economic Action Plan makes available up to $2 billion over two years in direct, low-cost loans to municipalities through CMHC for housing-related infrastructure. This infrastructure includes water lines, sewers and neighbourhood regeneration projects. CMHC’s Corporate and Borrowing Plans have been amended to allow implementation of the application process to begin. Loan applications have been developed and will be posted on the CMHC website in March. CMHC will be in a position to process applications by April.
### Table 4.4

**Action to Stimulate Housing Construction**

<table>
<thead>
<tr>
<th>Support for Home Ownership and the Housing Sector</th>
<th>Funding to Flow/ Benefits Available</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Home Renovation Tax Credit</strong></td>
<td></td>
</tr>
<tr>
<td>3,000</td>
<td>Notice of Ways and Means Motion</td>
</tr>
<tr>
<td>Enhancing the energy efficiency of our homes</td>
<td>April</td>
</tr>
<tr>
<td>150</td>
<td>Process applications from homeowners.</td>
</tr>
<tr>
<td>Increasing withdrawal limits under the Home</td>
<td>February</td>
</tr>
<tr>
<td>Buyers’ Plan</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Part of BIA</td>
</tr>
<tr>
<td>First-Time Home Buyers’ Tax Credit</td>
<td>February</td>
</tr>
<tr>
<td>175</td>
<td>Notice of Ways and Means Motion</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Investments in Housing for Canadians**

<table>
<thead>
<tr>
<th>Renovation and retrofit of social housing</th>
<th>April</th>
</tr>
</thead>
<tbody>
<tr>
<td>425</td>
<td>Upon Royal Assent to BIA</td>
</tr>
<tr>
<td>Amended AHI agreements have been provided to</td>
<td>Effective upon Royal Assent.</td>
</tr>
<tr>
<td>provinces and territories. Funding will flow</td>
<td>Amended AHI agreements</td>
</tr>
<tr>
<td>once agreements have been signed.</td>
<td>have been provided</td>
</tr>
<tr>
<td>75</td>
<td></td>
</tr>
<tr>
<td>Supplementary Estimates (A)</td>
<td>June</td>
</tr>
<tr>
<td>Housing for low-income seniors</td>
<td>April</td>
</tr>
<tr>
<td>200</td>
<td>Upon Royal Assent to BIA</td>
</tr>
<tr>
<td>Effective upon Royal Assent. Amended AHI</td>
<td>Effective upon Royal Assent.</td>
</tr>
<tr>
<td>agreements have been provided to provinces and</td>
<td>Amended AHI agreements</td>
</tr>
<tr>
<td>territories. Funding will flow once agreements</td>
<td>have been provided</td>
</tr>
<tr>
<td>have been finalized.</td>
<td>have been finalized.</td>
</tr>
<tr>
<td>Housing for persons with disabilities</td>
<td>April</td>
</tr>
<tr>
<td>25</td>
<td>Upon Royal Assent to BIA</td>
</tr>
<tr>
<td>Effective upon Royal Assent. Amended AHI</td>
<td>Effective upon Royal Assent.</td>
</tr>
<tr>
<td>agreements have been provided to provinces and</td>
<td>Amended AHI agreements</td>
</tr>
<tr>
<td>territories. Funding will flow once agreements</td>
<td>have been provided</td>
</tr>
<tr>
<td>have been finalized.</td>
<td>have been finalized.</td>
</tr>
</tbody>
</table>
### Table 4.4 (cont’d)
#### Action to Stimulate Housing Construction

<table>
<thead>
<tr>
<th>Action to Stimulate Housing Construction</th>
<th>2009–10 Stimulus Value (millions of dollars)</th>
<th>Authorities in Place</th>
<th>Next Steps</th>
<th>Funding to Flow/ Benefits Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in Housing for Canadians (cont’d)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Nations housing</td>
<td>200</td>
<td>Upon Royal Assent to BIA</td>
<td>Effective upon Royal Assent. CMHC and INAC working with National First Nations Housing Liaison Committee. Funding will flow once this engagement has been completed.</td>
<td></td>
</tr>
<tr>
<td>Northern housing</td>
<td>100</td>
<td>Upon Royal Assent to BIA</td>
<td>Effective upon Royal Assent. Amended AHI agreements have been provided to territories. Funding will flow once agreements have been finalized.</td>
<td></td>
</tr>
<tr>
<td>Loans to municipalities</td>
<td>1,000</td>
<td>Yes</td>
<td>Loan applications have been developed and will be posted on CMHC’s website in March. CMHC will be in a position to process applications in April.</td>
<td></td>
</tr>
</tbody>
</table>
IMMEDIATE ACTION TO BUILD INFRASTRUCTURE
Canada’s Economic Action Plan allocates close to $12 billion in new infrastructure funding over two years to create jobs across Canada and to ensure Canada emerges from the economic downturn with a more modern and greener infrastructure. The investments focus on four kinds of infrastructure projects:

• Provincial, territorial and municipal infrastructure.
• First Nations infrastructure.
• Knowledge infrastructure.
• Federal infrastructure.

Implementing these measures will generally involve completing a project selection or contracting process, issuing project or contract awards, negotiating and entering into agreements with project proponents, securing the necessary permits and approvals, and flowing funding during project construction.

Table 4.5
Immediate Action to Build Infrastructure

<table>
<thead>
<tr>
<th></th>
<th>2008–09</th>
<th>2009–10</th>
<th>2010–11</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(millions of dollars)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in Provincial, Territorial and Municipal Infrastructure</td>
<td>3,220</td>
<td>3,195</td>
<td>6,414</td>
<td></td>
</tr>
<tr>
<td>Investments in First Nations Infrastructure</td>
<td>260</td>
<td>255</td>
<td>515</td>
<td></td>
</tr>
<tr>
<td>Investments in Knowledge Infrastructure</td>
<td>1,786</td>
<td>1,351</td>
<td>3,137</td>
<td></td>
</tr>
<tr>
<td>Investments in Federal Infrastructure Projects</td>
<td>462</td>
<td>254</td>
<td>716</td>
<td></td>
</tr>
<tr>
<td><strong>Total—Immediate Action to Build Infrastructure</strong></td>
<td><strong>5,727</strong></td>
<td><strong>5,055</strong></td>
<td><strong>10,782</strong></td>
<td>**        **</td>
</tr>
<tr>
<td><strong>Total stimulus value</strong></td>
<td>6,224</td>
<td>5,605</td>
<td>11,829</td>
<td></td>
</tr>
<tr>
<td><strong>With provincial contributions</strong></td>
<td>10,756</td>
<td>9,970</td>
<td>20,726</td>
<td></td>
</tr>
</tbody>
</table>

Note: Totals may not add due to rounding.
Highlights

✔ Repair work and upgrades for federally owned infrastructure are slated to begin in buildings across Canada in April.

✔ An initial Request for Proposals for the $4-billion Infrastructure Stimulus Fund will be issued early this spring.

✔ Funding will be available once the Budget Implementation Act, 2009 receives Royal Assent to support shovel-ready projects of provinces, territories and municipalities who have signed agreements with the federal government to accelerate payments under the Provincial/Territorial Base Funding Initiative and the Bonus for Community Projects.

✔ Major projects such as the Telus World of Science in Calgary, Alberta, improvements to GO Transit in Ontario, and the Evergreen transit line in Vancouver, British Columbia, are being expedited under the Building Canada plan to begin construction over the next two construction seasons.

✔ Since the Budget, close to $1.5 billion in joint funding for 480 projects in smaller communities has been approved and announced under Building Canada in British Columbia, Alberta, Saskatchewan, New Brunswick and Ontario.

✔ First Nations ready-to-go infrastructure projects have been identified and will commence construction.

✔ Proposals for priority post-secondary infrastructure projects are due from institutions and provincial and territorial governments in March 2009. Decisions on successful projects are expected to be announced in April and May 2009.

✔ Detailed design plans for the first year of the 10-year repair program on the Champlain Bridge in Montréal are complete and the tendering process for initial contracts is underway. A similar competitive bidding process will be undertaken this spring for the Blue Water Bridge in Sarnia, Ontario, and the Peace Bridge in Fort Erie, Ontario.

The following outlines the Economic Action Plan infrastructure stimulus measures and highlights progress to date on these initiatives to ensure construction takes place over the next two seasons.
Federal infrastructure programs provide funding to provinces, territories and municipalities to help them undertake needed investments in Canada’s public infrastructure. Canada’s Economic Action Plan makes available up to $6.4 billion in new and accelerated funding for provinces, territories and municipalities in 2009–10 and 2010–11 at this critical time, and it is intended that this funding will be matched by provinces, territories and municipalities.

**Infrastructure Stimulus Fund:** Project selection to identify projects in each province and territory is being launched for funding under the $4 billion available for provincial, territorial, municipal and community infrastructure under the Infrastructure Stimulus Fund. Discussions with the provinces and territories are being held to identify initial projects to be approved and announced this spring.

**Accelerated Payments Under the Provincial/Territorial Base Funding Initiative:** All provinces and territories have been offered to take advantage of the $1 billion in accelerated payments under the Provincial/Territorial Base Funding Initiative. Provinces and territories can elect to use all of the remaining $175 million for projects to be built in the next two years, rather than receiving $25 million a year until 2014. Since the Budget, Canada has flowed $115 million to provinces and territories under this initiative.

**Bonus for Community Projects:** An additional $320 million in federal funding has been accelerated beyond what was planned for approval for small community projects in seven provinces. Provinces are being encouraged to approve all of the existing funding for small communities as soon as possible in order to be able to gain access to the $500-million top-up announced in the Economic Action Plan for community projects.

“Our industry is pleased the government recognized that the best and quickest way to get Canadians back to work is through investments in infrastructure—every billion dollars invested means more than 11,500 jobs.”

—Canadian Construction Association
Green Infrastructure Fund: A first round of projects for the five-year $1-billion Green Infrastructure Fund to support projects that improve the environment will be announced this summer.

“FCM strongly supports the federal government’s commitment to invest significant new dollars in infrastructure projects that will put Canadians to work in 2009 and 2010.”

—Federation of Canadian Municipalities, January 27, 2009

Funding authority for 2009–10 for the Infrastructure Stimulus Fund, the acceleration of payments under the Provincial/Territorial Base Funding Initiative, the Bonus for Community Projects, and the Green Infrastructure Fund are included in the Budget Implementation Act, 2009. Once the Act receives Royal Assent and agreements are in place with partners, Infrastructure Canada will be able to flow funds to initiate work on approved construction projects.

Recreational Infrastructure Canada: Calls for proposals under Recreational Infrastructure Canada will begin in spring 2009 to allow projects to be selected in time for the 2009 construction season. Under this initiative, $500 million will be provided over two years to support the construction and upgrading of community recreational facilities across Canada.

The Evergreen Line, a rapid transit line from the Lougheed Town Centre Station in Burnaby through Port Moody to Coquitlam, can now be built under Canada’s Economic Action Plan.

In the short term, this project will create thousands of direct jobs in the Metro Vancouver economy. This expanded, efficient and environmentally sustainable transit system will also help Vancouver attract and keep the jobs of the future.
Priority Projects: Federal, provincial and territorial governments have worked together to identify a number of major projects that could be expedited under the Building Canada plan to begin construction over the next two construction seasons. This includes the Telus World of Science in Calgary, Alberta, improvements to GO Transit in Ontario, and the Evergreen transit line in Vancouver, British Colombia. Other projects are under negotiation with provinces and territories. These projects can be approved quickly under new streamlined approval processes and construction can commence as soon as they are announced.

Accelerating Approval Processes: A series of regulations under the Canadian Environmental Assessment Act were introduced and came into force in March 2009 to further streamline approvals, minimize duplication, and limit the number of separate federal environmental assessments for infrastructure projects funded under the Building Canada plan. This is expected to greatly reduce the number of projects that will be subject to a separate federal environmental assessment in the upcoming construction season. Amendments to the Navigable Waters Protection Act have been introduced as part of the Budget Implementation Act, 2009 to also streamline regulatory approval processes under that Act.

National Recreation Trails: Discussions are progressing with the National Trails Coalition on a cost-shared initiative to create, upgrade and sustain snowmobile and all-terrain-vehicle trails throughout the country. Canada’s Economic Action Plan provides $25 million in 2009–10 for the initiative, which will be matched by the Coalition and its partners.

First Nations Infrastructure

Canada’s Economic Action Plan provided $515 million over two years for ready-to-go First Nations community infrastructure projects, to be focused on three priority areas: schools ($200 million), water and wastewater projects ($165 million) and critical community services infrastructure, such as health and police facilities ($150 million). For school construction/renovation and water and wastewater projects, authorities have been secured and specific ready-to-go projects that will be funded identified. A number of school construction projects have been announced and others are expected in the next couple of weeks. Authorities have also been secured for certain critical community services infrastructure, some specific projects have been identified and consultations with provinces are underway.
Funding for Knowledge and Information Infrastructure

The Economic Action Plan dedicates more than $3.1 billion over two years for investments in knowledge infrastructure that will help to build Canada’s capacity for innovation in the longer term while providing short-term economic stimulus across the country.

Improving Infrastructure at Universities and Colleges: Discussions have been held with provinces, territories and institutions to ensure a quick launching of the $2 billion included in the Economic Action Plan for repairs, maintenance and construction at post-secondary institutions. The Minister of Industry and Minister of State (Science and Technology) have asked post-secondary institutions and provincial governments to identify their priority projects by the end of March 2009. The Budget Implementation Act, 2009 includes an initial appropriation of $1 billion to facilitate the timely flow of funding for repairs and maintenance. Decisions on successful projects are expected to be announced in April and May 2009, with disbursement of the initial funding provided through the Budget Implementation Act, 2009 occurring shortly thereafter.

Canada Foundation for Innovation: The Foundation will announce decisions in June 2009 on an additional $150 million provided for in the Economic Action Plan to increase the funding for the 2009 Leading Edge and New Initiatives Funds Competition. The Economic Action Plan also provides an additional $600 million to the Foundation, pending the development of a strategic plan to guide its activities and future competitions. The terms of the future competitions will be released by December 2010. This element is not part of the short-term stimulus package.

Institute for Quantum Computing: A funding agreement will be in place by March 31, 2009 for $50 million provided in the Economic Action Plan to support the construction and establishment of the Institute for Quantum Computing, based at the University of Waterloo. Funding will be disbursed starting in 2009–10, as needed by the Institute, over a five-year period.
Supporting Canada’s Vision for the North: After a series of consultations with stakeholders, on February 20, 2009 the Minister of Indian Affairs and Northern Development formally issued a call for proposals for the $85-million Arctic Research Infrastructure Fund to maintain or upgrade key existing research facilities in the Arctic. Project proposals were due by March 4, 2009. Successful proponents will be notified in April. It is expected that funding will be provided beginning this summer to coincide with the construction season in the North. The Government is also moving ahead with the $2-million feasibility study for the High Arctic Research Station, as provided for in the Economic Action Plan, and the Minister of Indian Affairs and Northern Development has announced a short list of three potential locations for the Station.

Modernizing Federal Laboratories: The Treasury Board Secretariat has established a process, including timelines and selection criteria, for departments operating qualifying laboratories to make proposals to access $250 million over two years to address deferred maintenance at federal laboratories. Proposals are due this month and funding decisions will be made in early April 2009.

Canada Health Infoway: The Economic Action Plan provides Canada Health Infoway with $500 million to support the goal of having 50 per cent of Canadians with an electronic health record by 2010 and to speed up the implementation of electronic medical records. A funding agreement will be signed between Canada Health Infoway and the Minister of Health and funds will flow once the Budget Implementation Act, 2009 receives Royal Assent. It is anticipated that $150 million to $250 million will be spent in year one with the remaining used in the following year.

Extending Access to Broadband Services in Rural Communities: Preliminary consultations have been held with provinces, territories and the private sector to design a $225-million program over three years beginning in 2009–10 to extend and improve broadband coverage to all currently underserved communities. A call for applications is expected to be issued by summer 2009.

Funding to Upgrade and Modernize Federal Infrastructure
Canada’s Economic Action Plan makes significant investments to renew federal infrastructure, providing benefits to Canadians through better passenger rail services, safer bridges and highways, refurbished harbours for small craft and more efficient border crossings.
An Improved Rail System: VIA Rail Canada is completing work specifications to support improvements to passenger rail, particularly in the Montréal-Ottawa-Toronto corridors, and will be in a position to request companies to bid on equipment and infrastructure projects starting in April. Projects include trackwork and the overhaul of many of VIA's passenger cars, some station work and computer system upgrades.

The Keewatin Railway in Manitoba and the Tshiuetin Rail Transportation in Quebec and Labrador are currently completing plans and specifications for new capital projects, and plan to request bids for the capital projects this spring and summer, respectively.

Trans-Canada Highway: Preparatory work to complete the twinning of the Trans-Canada Highway through Banff National Park has already started. Tree clearing for the new lanes and aggregate crushing for the roadbed have commenced. Officials have begun the preparation of Requests for Proposals with respect to contracts with design engineering firms and construction contractors.

Federal Bridges: Detailed design plans for the first year of the 10-year repair program on the Champlain Bridge in Montréal, Quebec, are complete and the tendering process for initial contracts is underway. A similar competitive bidding process will be undertaken this spring for the Blue Water Bridge in Sarnia, Ontario, and Peace Bridge in Fort Erie, Ontario, in early spring. Contracts for repairs on the Portage Bridge located in the National Capital Region will be awarded early this spring. Building on funding previously available, Public Works and Government Services Canada will be able to accelerate progress on a number of bridge assets:

- Alexandra Bridge (National Capital Region)—Contract awarded February 16, 2009. Work is expected to start in March/April 2009 with a completion date of February 2011.
- Chaudière Crossing (National Capital Region)—A report with recommendations by an engineering firm on a repair program for the arches is scheduled to be completed by March 31, 2009.
- LaSalle Causeway (Kingston, Ontario)—Tender and contract award is scheduled for summer 2009.
Small Craft Harbours: The Department of Fisheries and Oceans will soon begin the tendering process for projects to accelerate the repair and maintenance of core commercial fishing harbours and undertake associated dredging. Canada’s Economic Action Plan provides up to $200 million for this work over the next two years. Some work projects will start once contracts are signed, beginning this spring.

Border Infrastructure: The Economic Action Plan provides $80 million on a cash basis to improve and expand border infrastructure to ensure the shared border with the United States remains secure and efficient. This funding will replace, modernize and expand border crossings at Kingsgate, Pacific Highway and Huntingdon in British Columbia and Prescott in Ontario to ensure adequate commercial examination installations. The funding will also allow the Canada Border Services Agency (CBSA) to upgrade its infrastructure in Northern British Columbia and the Yukon. The CBSA is concluding agreements with Ontario, British Columbia and the Yukon.

Aviation Security: Measures to support the development of aviation security plans and improve the operations of the Canadian Air Transport Security Authority are expected to be implemented in June.

Small Craft Harbours
The Department of Fisheries and Oceans will contract out a total of $3.9 million over two years at the Lower East Pubnico Harbour in Nova Scotia. Project work will involve constructing a breakwater wharf, extending an existing wharf, constructing a service area, dredging and installing additional floating wharves.

Contaminated Sites: The Government is moving forward to accelerate work to clean up federal contaminated sites, which is expected to produce economic activity valued at up to $245 million over the next two years, including assessments, remediation and program management. Departments have identified the projects to be accelerated, and work will begin in the 2009 construction season.
Federal Buildings: Repair and restoration work for federally owned infrastructure funded in the Economic Action Plan is slated to begin in buildings across Canada in April 2009. Public Works and Government Services Canada will use a private sector service provider to deliver at least $200 million of this investment. Other contracting mechanisms will also be used to employ the private sector to deliver the program.

Enhancing Accessibility: Public Works and Government Services Canada has established a list of improvements to building accessibility, and work is expected to begin in April 2009. The focus of the work will be on high-readiness projects such as exterior routes, visitor parking, drinking fountains and tactile signs and intermediary readiness projects such as interior doors and corridors, building entrances, interior/exterior ramps, stairways and existing washrooms.

Previous Investments in Infrastructure

Announced in Budget 2007, the seven-year, $33-billion Building Canada plan consists of a suite of programs to meet the varying needs of infrastructure projects across Canada:

- The Gas Tax Fund and an increased rebate in the GST paid by municipalities, which provide predictable, long-term funding for municipalities.
- The Provincial/Territorial Base Funding Initiative, which provides $25 million per year for each province and territory.
- The Building Canada Fund, which supports infrastructure projects across Canada, both large and small.
- The Gateways and Border Crossings Fund and the Asia-Pacific Gateway and Corridor Initiative to strengthen trade-related infrastructure.
- The Public-Private Partnerships Fund, the first national infrastructure program in Canada dedicated toward public-private partnerships.

Canada’s Economic Action Plan accelerates the Building Canada plan and expands federal investments in infrastructure with almost $12 billion in new infrastructure stimulus funding over two years, including funding for provincial, territorial and municipal infrastructure, First Nations infrastructure, knowledge infrastructure and federal infrastructure.
## Table 4.6
### Immediate Action to Build Infrastructure

<table>
<thead>
<tr>
<th>2009–10</th>
<th>Value (millions of dollars)</th>
<th>Authorities in Place</th>
<th>Next Steps</th>
<th>Funding to Flow/ Benefits Available</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investments in Provincial, Territorial and Municipal Infrastructure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Green Infrastructure Fund</td>
<td>200</td>
<td>Upon Royal Assent of BIA</td>
<td>Program announcement in spring. Request for Proposals in summer.</td>
<td>Fall</td>
</tr>
<tr>
<td>Bonus for Community Projects</td>
<td>250</td>
<td>Upon Royal Assent of BIA</td>
<td>Sign agreements with provinces and territories.</td>
<td>Fall</td>
</tr>
<tr>
<td>Accelerating payments under the Provincial/Territorial Base Funding Initiative</td>
<td>495</td>
<td>Upon Royal Assent of BIA</td>
<td>Sign agreements with provinces and territories.</td>
<td>Spring</td>
</tr>
<tr>
<td>Infrastructure Stimulus Fund</td>
<td>2,000</td>
<td>Upon Royal Assent of BIA</td>
<td>Program announcement and Request for Proposals in spring.</td>
<td>July</td>
</tr>
<tr>
<td>Recreational Infrastructure Canada</td>
<td>250</td>
<td>April</td>
<td>Solicit and review project proposals.</td>
<td>Summer</td>
</tr>
<tr>
<td>National recreation trails</td>
<td>25</td>
<td>May</td>
<td>Discussions with the National Trails Coalition.</td>
<td>Summer</td>
</tr>
</tbody>
</table>

### Investments in First Nations Infrastructure

On-reserve infrastructure investments:

| | | | |
| School construction | 95 | Yes | Discussions with communities are underway. A number of projects have been announced and others are expected soon. | April |
| Water and wastewater projects | 83 | Yes | Discussions with communities are underway. | April |
| Critical community services (health and police facilities) | 83 | No | Agreements with provinces and First Nations to be completed. | June/July |

### Investments in Knowledge Infrastructure

| | | | |
| Improving infrastructure at universities and colleges | 1,000 | Upon Royal Assent of BIA | Review projects. | June |
| Canada Foundation for Innovation | | May | First-round projects selected. | 2010–11 |
| Institute for Quantum Computing | 50 | April | Sign agreement with the Institute for Quantum Computing. | June |
## Table 4.6 (cont’d)

### Immediate Action to Build Infrastructure

<table>
<thead>
<tr>
<th>2009–10 Stimulus Value (millions of dollars)</th>
<th>Authorities in Place</th>
<th>Next Steps Available</th>
<th>Funding to Flow/Benefits Available</th>
</tr>
</thead>
</table>

### Investments in Knowledge Infrastructure (cont’d)

<table>
<thead>
<tr>
<th>Artic research infrastructure</th>
<th>36</th>
<th>April</th>
<th>Review proposals.</th>
<th>June</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modernizing federal laboratories</td>
<td>100</td>
<td>April</td>
<td>Select projects.</td>
<td>April</td>
</tr>
<tr>
<td>Canada Health Infoway</td>
<td>500</td>
<td>Upon Royal Assent of BIA</td>
<td>Funding agreement to be signed between Canada Health Infoway and the Minister of Health.</td>
<td>April</td>
</tr>
<tr>
<td>Extending access to broadband services in rural communities</td>
<td>100</td>
<td>April</td>
<td>Consultations with stakeholders and issuance of Request for Proposals.</td>
<td>Fall</td>
</tr>
</tbody>
</table>

### Federal Infrastructure

<table>
<thead>
<tr>
<th>An improved rail system</th>
<th>141</th>
<th>April</th>
<th>Complete plans and specifications for projects; issue Request for Proposals.</th>
<th>May-October</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trans-Canada Highway</td>
<td>20</td>
<td>Yes</td>
<td>Issue Request for Proposals.</td>
<td>April</td>
</tr>
<tr>
<td>Federal bridges</td>
<td>47</td>
<td>April</td>
<td>Issue Request for Proposals.</td>
<td>April</td>
</tr>
<tr>
<td>Small craft harbours</td>
<td>89</td>
<td>April</td>
<td>Issue Request for Proposals.</td>
<td>Spring (contracts)</td>
</tr>
<tr>
<td>Repair and restoration of federal buildings</td>
<td>158</td>
<td>Yes</td>
<td>Work to begin in April.</td>
<td>April</td>
</tr>
<tr>
<td>Enhancing accessibility of federal buildings</td>
<td>20</td>
<td>Yes</td>
<td>List of projects to be finalized; work to begin in April.</td>
<td>April</td>
</tr>
<tr>
<td>Manège Militaire in Québec City</td>
<td>2</td>
<td>No</td>
<td>Consultations with stakeholder groups; perform assessments.</td>
<td>Spring/summer</td>
</tr>
<tr>
<td>Accelerating action on federal contaminated sites</td>
<td>92</td>
<td>April</td>
<td>Finalize selection of projects.</td>
<td>May</td>
</tr>
<tr>
<td>Border facilities</td>
<td>7</td>
<td>No</td>
<td>Consultations currently underway.</td>
<td>February 2010</td>
</tr>
<tr>
<td>Aviation security</td>
<td>383</td>
<td>No</td>
<td>Finalize details of spending plans. Most of funding expected to be included in Supplementary Estimates (A).</td>
<td>Summer</td>
</tr>
</tbody>
</table>
ACTION TO SUPPORT
BUSINESSES AND
COMMUNITIES
Chapter 4

Canada’s Economic Action Plan protects jobs and supports structural adjustment during this extraordinary crisis with $7.5 billion in additional support for sectors, regions and communities.

Table 4.7
Action to Support Businesses and Communities

<table>
<thead>
<tr>
<th></th>
<th>2008–09</th>
<th>2009–10</th>
<th>2010–11</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(millions of dollars)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accelerated Capital Cost Allowance</td>
<td>340</td>
<td>355</td>
<td>695</td>
<td></td>
</tr>
<tr>
<td>for Computers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tariff Relief on Machinery and Equipment</td>
<td>12</td>
<td>76</td>
<td>81</td>
<td>169</td>
</tr>
<tr>
<td>Sectoral Competitiveness</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-Term Support for Key Sectors</td>
<td>194</td>
<td>330</td>
<td>524</td>
<td></td>
</tr>
<tr>
<td>Culture</td>
<td>177</td>
<td>158</td>
<td>335</td>
<td></td>
</tr>
<tr>
<td>Tourism</td>
<td>70</td>
<td>70</td>
<td>140</td>
<td></td>
</tr>
<tr>
<td>Subtotal—Sectoral Competitiveness</td>
<td>441</td>
<td>558</td>
<td>999</td>
<td></td>
</tr>
<tr>
<td>A More Sustainable Environment</td>
<td>501</td>
<td>201</td>
<td>702</td>
<td></td>
</tr>
<tr>
<td>Supporting Small Businesses</td>
<td>170</td>
<td>195</td>
<td>365</td>
<td></td>
</tr>
<tr>
<td>Helping All Regions Prosper</td>
<td>844</td>
<td>731</td>
<td>1,575</td>
<td></td>
</tr>
<tr>
<td>Total—Action to Support Businesses and Communities</td>
<td>12</td>
<td>2,372</td>
<td>2,121</td>
<td>4,504</td>
</tr>
<tr>
<td>Total stimulus value</td>
<td>5,272</td>
<td>2,255</td>
<td>7,527</td>
<td></td>
</tr>
<tr>
<td>With provincial auto sector loans</td>
<td>6,572</td>
<td>2,255</td>
<td>8,827</td>
<td></td>
</tr>
</tbody>
</table>

Note: Totals may not add due to rounding.

Highlights

✓ Once the Budget Implementation Act, 2009 receives Royal Assent, $500 million of the $1-billion Community Adjustment Fund will be available to support economic adjustment and diversification initiatives in communities hardest hit across Canada.

✓ The Canada Revenue Agency is administering the increase in the amount of small business income eligible for the reduced federal tax rate to $500,000, which took effect on January 1, 2009.

✓ The Canada Revenue Agency is administering the temporary accelerated capital cost allowance rate for investment in computers, which took effect after January 27, 2009.

✓ Tariff eliminations came into force on a range of imported machinery and equipment on January 28, 2009.
✓ The Industrial Research Assistance Program will ramp up its support to small and medium-sized firms starting April 1, 2009, with a doubling of its contributions budget.

✓ The Canada Revenue Agency will administer the one-year extension of the temporary Mineral Exploration Tax Credit when it comes into effect April 1, 2009.

A Business Tax Advantage for Long-Term Prosperity

A competitive business tax system that is responsive to changes in the economic environment is important to encourage new investment, growth and job creation in all regions of Canada.

The measures proposed in the Economic Action Plan build on the significant business tax reductions introduced by the Government since 2006, including reductions in the general corporate income tax rate to 15 per cent by 2012 from 22.12 per cent (including the corporate surtax) in 2007, with a scheduled reduction to 19 per cent in 2009. As a result of these tax reductions, Canada will have the lowest overall tax rate on new business investment in the G7 by next year and the lowest statutory tax rate in the G7 by 2012.

Chart 4.3
Canada’s Progress Towards Establishing the Lowest Tax Rate on New Business Investment in the G7

METR\(^1\) on New Business Investment, in 2012

<table>
<thead>
<tr>
<th>per cent</th>
<th>United States</th>
<th>Canada (Prior to the 2006 Budget)</th>
<th>Canada (Prior to the 2007 Economic Statement)</th>
<th>Canada (Second-lowest in the G7)</th>
<th>Canada (Tax reductions to date)</th>
</tr>
</thead>
<tbody>
<tr>
<td>33.8</td>
<td>32.5</td>
<td>27.1</td>
<td>26.3</td>
<td>25.7</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Excludes resource and financial sectors and tax provisions related to research and development.

Source: Department of Finance Canada.
Chapter 4

Canada’s Economic Action Plan proposed to:

- Introduce a temporary two-year 100-per-cent capital cost allowance (CCA) rate for computers acquired after January 27, 2009 and before February 1, 2011.
- Extend the temporary 50-per-cent straight-line accelerated CCA rate to manufacturing or processing machinery and equipment acquired in 2010 and 2011.
- Undertake consultations with stakeholders and provinces on the desirability and feasibility of implementing an arrivals duty-free program at Canada’s international airports.

Benefits From the Temporary 100-Per-Cent CCA Rate for Computers

Jill’s small business has needed new computers for some time. Now, because of Canada’s Economic Action Plan, she has decided to make the $5,000 investment this year in order to take advantage of the temporary 100-per-cent accelerated CCA rate that is available for computers purchased before February 1, 2011.

The temporary accelerated CCA rate for investment in manufacturing or processing machinery and equipment, and the temporary 100-per-cent CCA rate for investment in computers, will contribute to boosting Canada’s productivity through the faster adoption of newer technology and by encouraging the retooling needed by businesses to emerge even stronger and better equipped to compete globally as the economy recovers.

To date, significant progress has been made:

- The Canada Revenue Agency is administering the accelerated CCA for investment in computers based on the Economic Action Plan proposal. The amendments to the Income Tax Regulations that are required for this measure, and the extension of the temporary 50-per-cent straight-line accelerated CCA rate for manufacturing or processing machinery and equipment acquired in 2010 and 2011, are currently being processed for submission to Treasury Board and publication in the Canada Gazette.
• The consultations with stakeholders and provinces on the desirability and feasibility of implementing an arrivals duty-free program at Canada’s international airports have been launched.

Other tax measures of a more technical or administrative nature are also being administered by the Canada Revenue Agency or steps are being taken to implement them, as noted at the end of this chapter.

**Tariff Relief on Machinery and Equipment**

**Tariff Relief on Machinery and Equipment:** In accordance with the Notice of Ways and Means Motion tabled with the Budget on January 27, 2009, tariffs on a range of machinery and equipment have been eliminated and related amendments to the *Customs Tariff* have been included in the *Budget Implementation Act, 2009*. This measure will represent savings for Canadian manufacturers worth more than $440 million over the next five years. The Canada Border Services Agency issued a notice to importers on January 27, 2009 to inform them of the coming into force of these changes on goods imported on or after January 28, 2009. The Government will undertake further consultations with industry to identify additional areas where tariff relief could be provided.

**Customs Tariff Treatment of Temporarily Imported Containers:** Proposed amendments to the *Customs Tariff* have been included in the *Budget Implementation Act, 2009*, to make two technical corrections related to the tax and tariff treatment of temporarily imported containers. Furthermore, a notice was issued in the February 7, 2009 *Canada Gazette, Part I* seeking the views of stakeholders on the further proposed modifications to the *Customs Tariff* treatment of temporarily imported containers to further liberalize the use of containers in Canada.

**Sectoral Competitiveness**

**Forestry:** Natural Resources Canada will begin making new additional commitments in support of market diversification and innovation initiatives for the forestry sector by summer 2009. A contribution agreement will be finalized with FPInnovations by spring 2009 to deliver one component of the forestry support with funding for its activities provided by summer 2009. A total of $170 million over two years was provided in the Economic Action Plan in support of the forestry sector through these initiatives.
Agriculture: The Economic Action Plan outlined four measures designed to provide support for Canada’s agriculture sector, including funding of $500 million for an AgriFlexibility program to help the sector adapt to pressures and improve its competitiveness, and $50 million to support private investments that will contribute to reduced costs, increased revenues and improved operations of meat slaughter and processing plants in Canada. In addition, the Action Plan committed the Government to amend the Farm Improvement and Marketing Cooperatives Loans Act (FIMCLA) and to move toward devolution of the delivery of the AgriStability program to interested provinces. Authorities will be in place this spring for the AgriFlexibility and meat slaughter and processing investment programs with funds to flow later in the year. Amendments to the FIMCLA will be introduced this spring. Discussions with provinces are currently underway for the devolution of the AgriStability administration to interested provinces.

Shipbuilding: The Economic Action Plan allocated $175 million to the Department of Fisheries and Oceans (DFO) to support the shipbuilding sector through the procurement of 98 new Canadian Coast Guard vessels and vessel life extensions and refits for 40 aging vessels. DFO is finalizing the statement of requirements for the procurement of new vessels. For all vessels projects, Requests for Proposals will be issued in the spring.

The Automotive Industry: On December 19, the U.S. government introduced a US$17.4-billion loan package for General Motors (GM) and Chrysler. The Canadian and Ontario governments followed on December 20 to offer a C$4-billion liquidity loan package to the Canadian subsidiaries of GM and Chrysler.

Both GM and Chrysler drew down on immediate bridge financing from the U.S. government, which they indicated allowed them to sustain operations without using immediate Canadian support. Discussion with both companies continue.

The Government is currently reviewing the long-term restructuring plans submitted by General Motors and Chrysler to the U.S. government on February 17, 2009 and to the Canadian and Ontario governments on February 20, 2009. Decisions on federal support for the companies will continue to be guided by a commitment to work with the province of Ontario to secure a more competitive and sustainable industry in Canada.
These actions are based on sound principles articulated in the Economic Action Plan, and include: focusing on long-term success, protecting taxpayers, making support available to a range of automotive firms, and ensuring the involvement of all stakeholders. As indicated in the Economic Action Plan, the Minister of Industry will develop, over the coming months, a principles-based strategy to position Canada’s automotive sector for sustainable, long-term success.

**Canada’s Space Industry:** In the summer of 2009, the Canadian Space Agency will issue a Request for Proposals for a number of industry-led projects to develop terrestrial prototypes of rovers and other robotic vehicles supported by the $110 million over three years provided in the Economic Action Plan. The agency will issue a contract in the summer of 2009 for the delivery, in early 2012, of a terrestrial prototype of a robotic on-orbit servicing system. Contracts for the rovers and robotic vehicles will be issued before fiscal year-end for delivery in early 2012.

**Cultural Sector:** Revised program guidelines to support infrastructure-related costs for local and community cultural and heritage institutions such as local theatres, libraries and small museums will be posted by April 2009 and contributions of $15 million are expected to be announced by October 2009. $20 million for the National Arts Training Contribution Program will support the highest calibre artistic institutions in Canada to train artists for professional careers. Confirmation of funding to organizations for 2009–10 will be provided in July 2009, once Parliamentary approval of the Supplementary Estimates (A) is in place.

**Tourism:** New support for the tourism sector will stimulate growth and help bring Canada to the forefront of the minds of travellers both here and abroad. This includes:

- By the summer of 2009, the Canadian Tourism Commission will receive the $20 million allocated for 2009–10 for domestic advertising and new activities in priority international markets.
- Also by the summer of 2009, initial funding will be provided by Industry Canada to marquee festivals and events that promote tourism from the $100 million over two years provided in the Economic Action Plan.
- Projects are set to begin in time for the 2009 construction season to upgrade visitor facilities and national historic sites in Canada’s national parks including visitor centres, roads, waterways and sites with national historic significance.
Long-Term Competitiveness for Canadian Industry

Improving Canada’s Competition and Investment Frameworks:
Canada’s Economic Action Plan commits the Government to implement improvements to Canada’s competition and investment laws and policies based on the recommendations of the Competition Policy Review Panel. These changes will improve the competitiveness of Canadian businesses and better protect consumers. The Minister of Finance has brought forward these reforms through the *Budget Implementation Act, 2009*, currently before Parliament. Pre-publication of regulatory changes will commence as soon as possible after Royal Assent.

A More Sustainable Environment

Transforming to a Green Economy: Details will be announced in coming months on the five-year $1-billion Clean Energy Fund. This fund will support research and demonstration projects focused on clean energy technologies, including carbon capture and storage.

Capital Cost Allowance for Carbon Capture and Storage: The Government has committed to undertake consultations with stakeholders to identify specific assets used in carbon capture and storage with a view to providing accelerated capital cost allowance in respect of such investments. Details will be made available in the coming weeks.

Strengthening Canada’s Nuclear Advantage: Atomic Energy of Canada Limited will start investing an additional $351 million over the coming fiscal year, beginning April 1, to develop the Advanced CANDU Reactor, and to maintain safe and reliable operations at the Chalk River Laboratories.

Supporting Small Businesses

Reducing Taxes for Small Businesses: The Economic Action Plan proposed to further support the growth of small businesses by increasing the amount of small business income eligible for the reduced federal income tax rate of 11 per cent to $500,000 from $400,000 as of January 1, 2009. A general Notice of Ways and Means Motion was tabled in Parliament with the Budget on January 27, 2009, followed by the tabling of a detailed Notice of Ways and Means Motion on February 4, 2009. In accordance with these motions, the Canada Revenue Agency is currently administering this measure. It will be implemented through the *Budget Implementation Act, 2009*. 

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Fostering Entrepreneurship and Small Business Growth: Funding of $10 million will be provided to the Canadian Youth Business Foundation by the summer of 2009 to support and mentor young Canadians who are creating new businesses.

Helping Small and Medium-Sized Companies Innovate: Starting April 1, 2009, the Industrial Research Assistance Program will ramp up its support for small and medium-sized enterprises with an additional $200 million over two years provided in the Economic Action Plan.

Helping All Regions Prosper

Community Adjustment Fund: Contributions of $500 million in 2009–10 will start flowing to communities to help mitigate the short-term impacts of restructuring once the Budget Implementation Act, 2009 receives Royal Assent. This is part of the $1 billion provided over two years in the Economic Action Plan to support activities such as community transition plans and economic diversification initiatives.

Southern Ontario Development Agency: The Economic Action Plan provides more than $1 billion over five years for the Southern Ontario development agency, which will support economic and community development, innovation and economic diversification in Southern Ontario communities. The Government is developing options to ensure a successful and timely launch of the new agency and determine the nature of programming that will address Southern Ontario’s specific needs, and build on Ontario’s tremendous strengths.

Eastern Ontario Development Program: Contributions in support of business and community development in rural areas of Eastern Ontario will continue, starting April 1, 2009, with the $10 million per annum provided in the Economic Action Plan. Industry Canada via FedNor will continue to deliver this funding until such time as the Southern Ontario development agency is operational.

Strengthening Economic Development in the North: Contributions under the Strategic Initiative for Northern Economic Development will continue, starting on April 1, 2009, from $10 million available in 2009–10 out of a total of $90 million over five years provided for the program in the Economic Action Plan. A new regional economic development agency will be established for the North in 2009–10 with a further $10 million provided in the Economic Action Plan.
Extending the Mineral Exploration Tax Credit: The Economic Action Plan proposes to extend for an additional year the temporary 15-per-cent Mineral Exploration Tax Credit to flow-through share agreements entered during the period from April 1, 2009 to March 31, 2010. The credit supports mineral exploration activity across Canada and helps businesses raise capital by providing an incentive for individuals who invest in flow-through shares issued to finance mineral exploration. A general Notice of Ways and Means Motion was tabled in Parliament with the Budget on January 27, 2009, followed by the tabling of a detailed Notice of Ways and Means Motion on February 4, 2009. In accordance with these motions, the Canada Revenue Agency will administer the extension of the credit, which will be effective April 1, 2009. This measure is included in the Budget Implementation Act, 2009.

Table 4.8
Action to Support Businesses and Communities

<table>
<thead>
<tr>
<th>2009–10 Stimulus Value (millions of dollars)</th>
<th>Authorities in Place</th>
<th>Next Steps</th>
<th>Funding to Flow/ Benefits Available</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Tax Advantage</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporary 100-per-cent CCA rate for computers</td>
<td>340 Budget 2009</td>
<td>Promulgate amendments to the Income Tax Regulations.</td>
<td>February</td>
</tr>
<tr>
<td>Temporary accelerated CCA rate for manufacturing or processing machinery and equipment</td>
<td>– Budget 2009</td>
<td>Promulgate amendments to the Income Tax Regulations.</td>
<td>As of 2010</td>
</tr>
<tr>
<td>Arrivals duty-free</td>
<td>–</td>
<td>Consultations with stakeholders and provinces on the desirability and feasibility of implementing an arrivals duty-free program at Canada’s international airports.</td>
<td>–</td>
</tr>
<tr>
<td><strong>Tariff Relief for Manufacturers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tariff relief on machinery and equipment</td>
<td>76 Budget 2009</td>
<td>Effective on goods imported since January 28, 2009.</td>
<td>Since January 28, 2009</td>
</tr>
</tbody>
</table>
Table 4.8 (cont’d)  
Action to Support Businesses and Communities

<table>
<thead>
<tr>
<th>2009–10 Stimulus Value (millions of dollars)</th>
<th>Authorities in Place</th>
<th>Next Steps</th>
<th>Funding to Flow/ Benefits Available</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sectoral Competitiveness</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Short-Term Support for Key Sectors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forestry marketing and innovation</td>
<td>70</td>
<td>April</td>
<td>Ongoing.</td>
</tr>
<tr>
<td>Agricultural flexibility program</td>
<td>65</td>
<td>April</td>
<td>Launch program.</td>
</tr>
<tr>
<td>Strengthen slaughterhouse capacity</td>
<td>20</td>
<td>April</td>
<td>Contribution agreements to be signed by end of September 2009.</td>
</tr>
<tr>
<td>Amendments to Farm Improvement and Marketing Cooperatives Loans Act (FIMCLA)</td>
<td>March</td>
<td>Table amendments in Parliament in the spring.</td>
<td>Contingent on Royal Assent of amendments to FIMCLA</td>
</tr>
<tr>
<td>Shipbuilding</td>
<td>90</td>
<td>March</td>
<td>DFO finalizing statement of requirements; Request for Proposals to be issued in spring.</td>
</tr>
<tr>
<td>Canada’s space industry</td>
<td>20</td>
<td>April</td>
<td>Request for Proposals issued in June 2009 and contracts awarded in late 2009 (to be completed by 2012).</td>
</tr>
<tr>
<td><strong>Culture</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cultural infrastructure</td>
<td>30</td>
<td>March</td>
<td>Guidelines to be posted by April 2009. Committed to announcing contributions of $15 million by October 2009.</td>
</tr>
<tr>
<td>Canada Prizes for the Arts and Creativity</td>
<td>25</td>
<td>Fall</td>
<td>Details of initiative being developed.</td>
</tr>
<tr>
<td>National Arts Training Contribution Program</td>
<td>7</td>
<td>March</td>
<td>Organizations to be informed of their level of funding for 2009–10 in July 2009.</td>
</tr>
<tr>
<td>Community newspapers and magazines</td>
<td>15</td>
<td>March</td>
<td>To be included in Supplementary Estimates (A).</td>
</tr>
<tr>
<td>Canadian Television Fund</td>
<td>100</td>
<td>March</td>
<td>To be included in Supplementary Estimates (A).</td>
</tr>
</tbody>
</table>
Table 4.8 (cont’d)
Action to Support Businesses and Communities

<table>
<thead>
<tr>
<th>2009–10 Stimulus Value (millions of dollars)</th>
<th>Authorities in Place</th>
<th>Next Steps</th>
<th>Funding to Flow/ Benefits Available</th>
</tr>
</thead>
</table>

**Tourism**

- **Canadian Tourism Commission** 20 April To be included in Supplementary Estimates (A).

- **Marquee festivals** 50 April Approve early projects for summer festival season.

- **Parks Canada** 70 March Finalize project selection.

**A More Sustainable Environment**

- **Transformation to a green energy economy** 200 April Finalize project details and launch calls for proposals. Fall

- **Consultations on accelerated CCA for carbon capture and storage assets** – – Details to be made available in the coming weeks.

- **Canadian Environmental Sustainability Indicators initiative** 10 April Continuation of existing program. April

- **Strengthening Canada’s nuclear advantage** 351 April Finalize corporate planning by Atomic Energy of Canada Limited for 2009–10. April

**Supporting Small Businesses**

- **Reducing taxes for small businesses** 45 Part of BIA Royal Assent to BIA. January

- **Canadian Youth Business Foundation (CYBF)** 10 April Funding agreement between Industry Canada and the CYBF. Summer

- **Canada Business Networks** 15 April Continuation of existing program. April

- **Industrial Research Assistance Program** 100 April Receive and approve applications. April
### Table 4.8 (cont’d)

**Action to Support Businesses and Communities**

<table>
<thead>
<tr>
<th>Action Description</th>
<th>2009–10 Stimulus Value (millions of dollars)</th>
<th>Authorities in Place</th>
<th>Next Steps</th>
<th>Funding to Flow/ Benefits Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helping All Regions Prosper</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southern Ontario development agency</td>
<td>206</td>
<td>April</td>
<td>While the agency is being established in 2009–10, Industry Canada will provide funding through existing programming that benefits Southern Ontario.</td>
<td>June</td>
</tr>
<tr>
<td>Eastern Ontario Development Program</td>
<td>10</td>
<td>April</td>
<td>Continuation of existing program.</td>
<td>April</td>
</tr>
<tr>
<td>Strengthening economic development in the North</td>
<td>10</td>
<td>June</td>
<td>Launch the new regional economic development agency for the North.</td>
<td>September</td>
</tr>
<tr>
<td>Strategic investments in northern economic development</td>
<td>10</td>
<td>April</td>
<td>Put in place new territorial investment plans to guide project selection.</td>
<td>Summer/ fall</td>
</tr>
<tr>
<td>Community Adjustment Fund</td>
<td>500</td>
<td>Upon Royal Assent of BIA</td>
<td>Determine and develop delivery mechanisms, regional priorities and program framework agreements.</td>
<td>Summer</td>
</tr>
<tr>
<td>Promoting energy development in Canada’s North</td>
<td>37.6</td>
<td>May</td>
<td>Obtain necessary approvals.</td>
<td>December</td>
</tr>
<tr>
<td>Extending the Mineral Exploration Tax Credit</td>
<td>70</td>
<td>Part of BIA</td>
<td>Royal Assent to BIA.</td>
<td>April</td>
</tr>
</tbody>
</table>
ACTION TO IMPROVE ACCESS TO FINANCING AND STRENGTHEN CANADA’S FINANCIAL SYSTEM
Introduction
Canada’s financial system is sound and better equipped to cope with the challenging global financial climate than those of many other nations. Nevertheless, Canada is not immune to the global crisis, and thus a key part of Canada’s Economic Action Plan is to improve access to financing and strengthen Canada’s financial system.

Highlights
✓ Over $50 billion in funding has been provided to Canadian financial institutions through the Insured Mortgage Purchase Program and the Canada Mortgage Bond program.
✓ The availability of financing support for businesses through Export Development Canada and the Business Development Bank of Canada has been expanded.
✓ Collaboration has been increased between financial Crown corporations and private sector lenders and credit insurers under the Business Credit Availability Program.
✓ Consultations are underway with interested market participants on the design of the Canadian Secured Credit Facility.
✓ The Canadian Lenders Assurance Facility has been launched and the Canadian Life Insurers Assurance Facility will be launched in March.

“[W]e support the budget initiatives that provide short-term support to Canadians and businesses, facilitate the flow of credit through the capital markets, and lay the foundation for recovery.”

—Investment Industry Association of Canada, January 27, 2009

“The government took critical steps in the budget to stimulate liquidity, provide incentives that will encourage manufacturers to invest in machinery and equipment.”

—Canadian Manufacturers & Exporters, January 27, 2009
Improving Access to Financing: The Extraordinary Financing Framework

The effect of tight credit conditions is being felt throughout the Canadian economy. The Government is taking action to keep credit restrictions from deepening the economic downturn in Canada by creating the Extraordinary Financing Framework (EFF).

The EFF embraces a number of new and existing initiatives totalling $200 billion, the overall aim of which is to expand the availability of credit and to respond to gaps in credit markets.

To help manage the EFF, the Government is moving to form the Advisory Committee on Financing. This committee will include users and suppliers of financing, along with other experts. The committee will advise on financing conditions and the design, scope and scale of initiatives under the EFF. The Chair and members of the committee will be announced shortly.

Insured Mortgage Purchase Program

Through the Insured Mortgage Purchase Program (IMPP), the Government will purchase up to a total of $125 billion in insured residential mortgage pools from Canadian financial institutions to help them to continue lending to Canadian consumers and businesses.

As of February 24, 2009, $51.3 billion has been provided through eight reverse auctions. Two more auctions are scheduled to be completed in March 2009. An operational schedule for the first quarter of 2009–10 will be available before the end of March.

To date, 15 different financial institutions have participated directly in the IMPP, including banks, non-bank deposit-taking institutions, and life insurance companies.

There is strong evidence that the IMPP is working to moderate the impact of the global financial turmoil on credit conditions in Canada. During the fourth quarter of 2008, residential mortgages sold as National Housing Act mortgage-backed securities, which are eligible to be sold into both the IMPP and the Canada Mortgage Bond programs, grew at a rapid 28 per cent. More generally, consumer credit rose 1.9 per cent, residential mortgage credit increased 2.6 per cent and business credit advanced by 1.6 per cent.
Financial institutions have indicated that the program helps to reduce business and consumer lending rates. The 5-year mortgage rate has decreased by 1.4 percentage points since last October when the IMPP was introduced, while the prime lending rate has dropped 1.75 percentage points.

At the two most recent auctions, financial institutions did not tender as many mortgages as the Government was prepared to buy. This is another sign that the program is providing ample funding, and it may indicate that lenders’ concerns about access to funding are easing.

The June report will include a further update on the operations of the IMPP.

**New Flexibilities and Resources for Financial Crown Corporations**

The Extraordinary Financing Framework includes a number of initiatives to support access to credit for Canadian businesses through the financial Crown corporations.

**Legislative Initiatives to Provide More Flexibility to Financial Crowns**

The Government committed additional capital of $350 million to both Export Development Canada (EDC) and the Business Development Bank of Canada (BDC) in the November 2008 Economic and Fiscal Statement, while increasing their borrowing limits. This will result in about $3 billion in increased lending capacity for the financial Crown corporations.

In Canada’s Economic Action Plan, the Government has proposed to further strengthen the ability of EDC and BDC to respond to the needs of Canadian businesses by expanding their authorities to provide additional financing support to Canadian businesses. Proposed measures include increases to capital limits for both corporations, a higher contingent liability limit for EDC and an increase to the Canada Account portfolio limit. Moreover, the Government is temporarily permitting EDC to provide domestic financing and insurance, as a complement to BDC’s and private lenders and insurers’ activities.

These measures require legislative changes to the *Export Development Act* and the *Business Development Bank of Canada Act* that will come into effect once the *Budget Implementation Act, 2009* receives Royal Assent.
Business Credit Availability Program

Financial Crowns are also responsible for delivering the Business Credit Availability Program (BCAP), in conjunction with private sector lenders. Under this initiative, EDC and BDC will provide loans and other forms of credit support at market rates to creditworthy businesses.

Participating private sector lenders have committed to:

- Working with the financial Crown corporations to find solutions for creditworthy business clients who would otherwise have insufficient access to credit.
- Ensuring that the extension of credit by financial Crown corporations is incremental for Canadian businesses and does not displace or substitute for private credit in aggregate.

BCAP is being facilitated by a steering group made up of senior representatives of government, the financial Crown corporations and private sector lenders, which met for the second time in early March. The program is already showing early results. Through increased bilateral discussion with their private sector partners, business referrals to the financial Crowns have increased. EDC and BDC have also developed a referral and coordination mechanism governing their activities in the domestic market. Discussions are also underway at senior levels between EDC and private sector insurers to determine how EDC can work with private sector insurers to support the provision of accounts receivables insurance during this difficult period.

The June report will contain the first update on the volume of credit extended under BCAP.

Additional Capital for EDC and BDC Announced in the November 2008 Economic and Fiscal Statement

The $350 million of additional capital allocated to BDC that was announced in the November Economic and Fiscal Statement has been earmarked to support credit extension under BCAP. Out of this $350-million investment, $250 million was provided to BDC in January 2009 so it could immediately begin to increase its term lending activities. The remaining $100 million will finance a working capital guarantee facility that is expected to be in place by April 2009.
The purchase of $350 million in additional share capital of EDC was completed on January 23, 2009. This injection has allowed EDC to offer more than $250 million in new insurance coverage so far this year. In addition, EDC has also created a $200-million high-risk financing pool for auto parts suppliers and toolers. The injection will also enable EDC to enhance its assistance to other sectors severely impacted by the credit crunch, and EDC will also be looking to work in partnership with financial institutions to leverage greater access to credit through its partners for Canadian businesses.

**CMHC Loans to Municipalities for Housing-Related Infrastructure**

Canada’s Economic Action Plan also makes available up to $2 billion over two years in direct, low-cost loans to municipalities through CMHC for housing-related infrastructure. CMHC’s Corporate and Borrowing Plans have been amended to allow implementation of the application process to begin. Loan applications have been developed and will be posted on the CMHC website in March. CMHC will be in a position to process applications in April.

An update on the volume of approved loans will be provided in the June report.

**Short-Term Loans to the Automotive Industry**

Recognizing the importance of the automotive industry in Canada, the Government committed to make available $2.7 billion in short-term loans in December 2008 to Chrysler Canada Inc. and General Motors of Canada Ltd. as part of a $4-billion joint federal-provincial loan facility. Discussions with the automakers are continuing on access to financing in support of their Canadian operations.

The June report will contain an update on the take-up of this facility.

**Canada Small Business Financing Program**

The Economic Action Plan increases the maximum loan amounts, from $250,000 to $350,000 and to $500,000 for real property, as well as the limit of allowable losses that an individual financial institution can claim for reimbursement under the Canada Small Business Financing Program, from the current 10 per cent to 12 per cent. This will provide incentives for lenders to continue to offer Canada Small Business Financing loans to small businesses, and will result in more small businesses having access to the financing they need, for an amount that is more in line with current prices.
These changes are expected to result in more than $300 million in additional lending to small businesses.

This measure will come into force on April 1, 2009 or on the day on which the *Budget Implementation Act, 2009* receives Royal Assent, whichever is later.

**Canadian Secured Credit Facility**

The disruption in financial markets has lessened the availability of certain types of financing, notably in the securities markets. To address this shortage, the Economic Action Plan announced the Canadian Secured Credit Facility, which will support the purchase of up to $12 billion in term asset-backed securities backed by loans and leases on vehicles and equipment.

A consultation document was published on the BDC website (www.bdc.ca) in February, and consultations have since been undertaken with a wide array of interested parties. Following the consultation period, the terms of participation, the design of the facility and the operational framework will be finalized.

The June report will contain an update on the operations of the facility.

**Canadian Lenders Assurance Facility and Canadian Life Insurers Assurance Facility**

Under the Canadian Lenders Assurance Facility (CLAF) and the Canadian Life Insurers Assurance Facility (CLIAF), the Government will provide insurance on the wholesale term borrowing of federally regulated deposit-taking institutions and life insurers to ensure that they are not put at a competitive disadvantage relative to foreign competitors.

These temporary facilities are offered to lenders on commercial terms so there is no expected fiscal cost. These facilities will be available until December 31, 2009.

The CLAF became operational on February 26. At present, the CLAF uses a bridging mechanism that allows for payment to bond holders under existing authorities in the highly unlikely event of a default pending enactment of a permanent appropriation authority provided for in the *Budget Implementation Act, 2009*.

The CLIAF, which is modelled on the CLAF, will become operational in March.
Each debt security that is issued by a financial institution using the CLAF or CLIAF will be made public on the Bank of Canada website (www.bankofcanada.ca) on a transaction-by-transaction basis.

The June report will contain an update on debt issued under the CLAF and CLIAF.

**Modernization of Bank of Canada Authorities**

In Budget 2008, the Government modernized the authorities of the Bank of Canada to support the stability of the financial system. The Bank has used this modernized framework to increase its provision of extraordinary liquidity through a number of facilities. This extraordinary liquidity peaked at $41 billion in December 2008 and stood at about $37 billion on February 18, 2009.

Demonstrating its ongoing commitment to support the efficient functioning of financial markets, the Bank announced a new Term Purchase and Resale Agreement Facility for Private Sector Instruments on February 23, 2009, which will allow eligible market participants with significant activities in Canada’s private sector money and bond markets to obtain liquidity using a range of securities as collateral. This measure significantly broadens access to liquidity for a new group of market participants.

**10-Year Canada Mortgage Bond**

The Canada Mortgage Bond (CMB) program, administered by Canada Mortgage and Housing Corporation, provides mortgage funding to participating financial institutions through sales of bonds in the public market that are backed by pools of insured mortgages.

In July 2008, the Government announced an expansion of the CMB program to include a 10-year maturity. Two issues of 10-year CMBs, the most recent on February 18, have provided an additional $4.5 billion in liquidity to financial institutions. The new quarterly maturity is expected to provide up to $10 billion in incremental funding for financial institutions through 2009.

The June report will contain an update on the volume of financing provided by the 10-year CMB.
Recent Developments in Extension of Credit in Canada

Total business credit in Canada continues to rise, but at a slower pace than in past years. In January 2009, total borrowing by Canadian businesses stood 4.2 per cent above its level one year earlier. This compares to year-over-year growth of 7.8 per cent in December 2007.

Businesses borrow from banks, from non-bank lenders and directly through the financial markets. To date, the financial market channel is the one that has been most affected by the credit crunch. For example, total credit raised through securitization in financial markets fell by 14.3 per cent, or $21 billion, between the beginning of the credit crunch in July 2007 and December 2008. The business sector accounted for more than half of the decline, or about $12.3 billion.

While businesses have reduced their borrowing from financial markets, they have been able to increase their use of bank loans. As of January 2009, business credit provided by banks stood 10.4 per cent above its level one year earlier. Business lending by all financial institutions (including non-bank lenders) increased by 11.5 per cent over the same period. Banks have increased both traditional business loans (up 11.2 per cent year-over-year) and guarantees of borrowing undertaken directly by their clients (the volume of Bankers Acceptances is up 7.8 per cent year-over-year).

While the volume of business lending continues to rise, the terms and conditions available to borrowers continue to tighten. In the most recent Bank of Canada survey of senior loan officers at banks, conducted over the fourth quarter of 2008, survey respondents reported a further widespread tightening in lending conditions. Similarly, in the Bank of Canada’s most recent Business Outlook Survey, nearly two-thirds of firms reported tighter credit conditions over the past three months relative to the previous three months. Most firms reported that the tightening came in the form of higher borrowing costs.

Growth in household credit (including consumer loans and residential mortgages) has remained relatively strong in recent months. In December, mortgage lending stood 10.7 per cent above its level one year earlier. Use of household lines of credit has expanded as well, leading to a 10.2-per-cent increase year-over-year in total household credit as of December 2008.

Despite the decline in the prime and 5-year mortgage rates, credit conditions have generally tightened for consumers as well. For example, before the credit crunch began, floating rate mortgages and consumer lines of credit were available at rates as much as 1 percentage point below the prime rate. Now these loans are being renewed at rates as much as 1 percentage point above prime.
Strengthening Canada’s Financial System

While the Extraordinary Financing Framework provides an immediate response to alleviate the impact of the global credit crunch in Canada, Canada’s Economic Action Plan also has initiatives that will strengthen Canada’s financial system and modernize the regulatory framework going forward.

Safeguards for Financial Stability

While the recent financial turmoil has demonstrated that Canada possesses one of the most stable and well capitalized financial systems in the world, events around the world demonstrate that it is prudent to ensure that the Government is equipped with a broad range of flexible tools to safeguard the financial system.

Canada Deposit Insurance Corporation

The Budget Implementation Act, 2009 contains legislative amendments to the Canada Deposit Insurance Corporation Act that would provide the Canada Deposit Insurance Corporation with more flexible and up-to-date regulatory tools for dealing with weak or failing institutions in Canada. Recent events have demonstrated the need for increased flexibility to deal with exceptional circumstances in financial markets.

Minister of Finance

The Budget Implementation Act, 2009 broadens the powers of the Minister of Finance under the Financial Administration Act to enter into transactions that promote financial stability and maintain efficient and well-functioning markets. It also includes authority for the Government to inject capital into federally regulated institutions, upon the determination of the Minister of Finance that circumstances warrant it.

These standby authorities will become effective once the Budget Implementation Act, 2009 receives Royal Assent.
Securities Regulation

The Canadian Securities Regulation Regime Transition Office Act (CSRRTOA) has been tabled in Parliament as part of the Budget Implementation Act, 2009. The CSRRTOA provides the legal authority and mandate for the Transition Office. The Budget Implementation Act, 2009 also includes authority for the Minister of Finance to make direct payments, in an aggregate amount not exceeding $150 million, to provinces and territories for matters relating to the establishment of a Canadian securities regulation regime and a Canadian regulatory authority.

Action will be taken to set up the Transition Office once the CSRRTOA comes into force, and an update on progress will be provided in the June report.

Helping Consumers of Financial Products

A strong and stable financial system depends on the ability of its users to make informed decisions when managing the risk associated with using credit. To strengthen consumer protection, the Government is moving to limit business practices by federally regulated financial institutions that may not be beneficial to consumers who use credit cards, or who pay for mortgage insurance. Moreover, the Government is moving to ensure that the information that financial institutions are required to disclose is clearer and more understandable to consumers.

With Royal Assent of the Budget Implementation Act, 2009, the Government will be in a position to move quickly to bring forward specific regulations for public comment.

Financial literacy is an important life skill that empowers consumers to make the best financial decisions in their particular circumstances. The Government has announced the establishment of an independent task force, which will make recommendations to the Minister of Finance on a cohesive national strategy on financial literacy.

The task force will be launched in the spring of 2009, and the June report will contain an update on its progress.
Federally Regulated Private Pension Plans

A public consultation paper on the legislative and regulatory regime for federally regulated private pension plans was released in January, seeking written submissions from interested stakeholders. Public consultations led by the Parliamentary Secretary to the Minister of Finance will begin in March and will conclude by the end of April 2009. Legislative amendments will be put forward later this year.

The Office of the Superintendent of Financial Institutions recently released additional guidance on the use of smoothing in asset valuations for federally regulated plans on March 6, 2009.

Regulations to implement the temporary solvency funding relief announced in Canada’s Economic Action Plan and in the November 2008 Economic and Fiscal Statement are currently being developed and will be in place ahead of the June 2009 deadline for filing 2008 valuation reports.
Table 4.9  
**Action to Improve Access to Financing and Strengthen Canada’s Financial System**

<table>
<thead>
<tr>
<th>2009–10 Stimulus Value (millions of dollars)</th>
<th>Authorities in Place</th>
<th>Next Steps</th>
<th>Funding to Flow/ Benefits Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insured Mortgage Purchase Program</td>
<td>Up to $125,000 in financing</td>
<td>Yes</td>
<td>June report on program activity.</td>
</tr>
<tr>
<td>Expanded powers for Export Development Canada (EDC)/Business Development Bank of Canada (BDC)</td>
<td>N/A</td>
<td>Upon Royal Assent of BIA</td>
<td>June report on program activity.</td>
</tr>
<tr>
<td>Business Credit Availability Program</td>
<td>At least $5,000 in financial support</td>
<td>Yes</td>
<td>June report on program activity.</td>
</tr>
<tr>
<td>Additional capital for EDC and BDC</td>
<td>Up to $3,000 in financing</td>
<td>Yes</td>
<td>June report on activity.</td>
</tr>
<tr>
<td>Canada Mortgage and Housing Corporation loans to municipalities</td>
<td>Up to $1,000 in financing</td>
<td>Yes</td>
<td>June report on activity.</td>
</tr>
<tr>
<td>Loans to auto industry</td>
<td>Up to $2,700 in financing</td>
<td>Yes</td>
<td>June report on take-up.</td>
</tr>
<tr>
<td>Canada Small Business Financing program</td>
<td>Up to $300 in loans</td>
<td>Upon Royal Assent of BIA</td>
<td>June report on program activity.</td>
</tr>
<tr>
<td>Canadian Secured Credit Facility</td>
<td>Up to $12,000 in financing</td>
<td>Yes</td>
<td>Finalization of framework; June report on operations.</td>
</tr>
<tr>
<td>Canadian Lenders Assurance Facility</td>
<td>N/A</td>
<td>Yes</td>
<td>June report on activity.</td>
</tr>
<tr>
<td>Canadian Life Insurers Assurance Facility</td>
<td>N/A</td>
<td>Yes</td>
<td>June report on activity.</td>
</tr>
<tr>
<td>Modernization of Bank of Canada authorities</td>
<td>Yes</td>
<td></td>
<td>June report on activity.</td>
</tr>
<tr>
<td>Canada Mortgage Bond</td>
<td>Up to $10,000 in financing</td>
<td>Yes</td>
<td>Issue bonds on quarterly basis; June report on activity.</td>
</tr>
<tr>
<td>Advisory Committee on Financing</td>
<td>N/A</td>
<td>N/A</td>
<td>Finalize committee and hold periodic meetings.</td>
</tr>
</tbody>
</table>
Table 4.9 (cont’d)
Action to Improve Access to Financing and Strengthen Canada’s Financial System

<table>
<thead>
<tr>
<th>2009–10 Stimulus Value (millions of dollars)</th>
<th>Authorities in Place</th>
<th>Next Steps</th>
<th>Funding to Flow/Benefits Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada Deposit Insurance Corporation authorities and mandate</td>
<td>N/A</td>
<td>Upon Royal Assent of BIA</td>
<td>Standby authority.</td>
</tr>
<tr>
<td>Expanded powers for Minister</td>
<td>N/A</td>
<td>Upon Royal Assent of BIA</td>
<td>Standby authority.</td>
</tr>
<tr>
<td>Recapitalization/equity investments in banks</td>
<td>N/A</td>
<td>Upon Royal Assent of BIA</td>
<td>Standby authority.</td>
</tr>
<tr>
<td>Measures to protect consumers regarding credit cards</td>
<td>N/A</td>
<td>Upon Royal Assent of BIA</td>
<td>Publish draft regulations; June report on status.</td>
</tr>
<tr>
<td>Canadian securities regulator</td>
<td></td>
<td>Upon Royal Assent of BIA</td>
<td>Set up Transition Office; legislation to be tabled in the fall.</td>
</tr>
<tr>
<td>Measures to protect consumers regarding mortgage insurance</td>
<td>N/A</td>
<td>Upon Royal Assent of BIA</td>
<td>Publish draft regulations; June report on status.</td>
</tr>
<tr>
<td>National strategy on financial literacy</td>
<td>Yes</td>
<td></td>
<td>Appoint task force; June report on status.</td>
</tr>
<tr>
<td>Improving the legislative and regulatory framework for federally regulated pension plans</td>
<td>N/A</td>
<td>Expected by end of 2009–10</td>
<td>Public consultations March–April; legislation to be tabled in the fall.</td>
</tr>
</tbody>
</table>
Other Tax Measures

The following table summarizes the current state of implementation for other tax measures announced in the Economic Action Plan.

Table 4.10
Other Tax Measures

<table>
<thead>
<tr>
<th>2009–10 Stimulus Value (millions of dollars)</th>
<th>Authorities in Place</th>
<th>Next Steps</th>
<th>Funding to Flow/ Benefits Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered Retirement Savings Plan/Registered Retirement Income Fund losses after death</td>
<td>– Part of BIA</td>
<td>Royal Assent to BIA.</td>
<td>February</td>
</tr>
<tr>
<td>International taxation</td>
<td>– Part of BIA</td>
<td>Royal Assent to BIA.</td>
<td>After 2011</td>
</tr>
<tr>
<td>Timing of acquisition of control of a corporation</td>
<td>– Part of BIA</td>
<td>Royal Assent to BIA.</td>
<td>February</td>
</tr>
<tr>
<td>Canada Revenue Agency strategic review — electronic filing</td>
<td>– Part of BIA</td>
<td>Royal Assent to BIA.</td>
<td>After 2009</td>
</tr>
<tr>
<td>Simplify Goods and Services Tax/Harmonized Sales Tax application for direct sellers</td>
<td>– Budget 2009</td>
<td>Consultations on legislative proposals in Budget 2009.</td>
<td>2010</td>
</tr>
<tr>
<td>Aboriginal tax policy measures</td>
<td>– –</td>
<td>Ongoing negotiations with Aboriginal governments.</td>
<td>–</td>
</tr>
</tbody>
</table>
Chapter 5

Conclusion and Next Steps
Canada’s Economic Action Plan will help to protect Canadians from the global economic downturn while providing the solutions we need to secure long-term growth. It builds on previous actions taken by the Government to support the economy by providing timely and historic amounts of stimulus to boost growth, maintain confidence and promote recovery in all regions of the country.

While many of the measures presented in the Plan are tailored specifically to help Canadians face the economic slowdown, they all align with the Government’s long-term economic plan, Advantage Canada, that was introduced in the fall of 2006 to build a stronger economy and create future employment opportunities by improving the competitiveness of Canadian businesses and making Canada a more innovative, productive and prosperous country.

The Government is moving forward aggressively to implement the Action Plan in a manner that responds to the current needs of Canadians while ensuring continued strong management of federal spending. While the Government is prepared to take innovative approaches when necessary, it is not prepared to take action that is contrary to all the normal controls and oversight.

In order to provide the stimulus when Canadians and our economy need it most—now and next year—the Economic Action Plan must first be approved by Parliament. The Budget Implementation Act, 2009 and the 2009–10 Main Estimates, which contain Action Plan initiatives, are currently before Parliament. With the cooperation of all Parliamentarians, these Acts would allow for more than 90 per cent of beneficial stimulus to start flowing into the Canadian economy as early as April. The Budget Implementation Act, 2009 would also provide the Canada Revenue Agency with a basis for ongoing administration of tax measures.

In the meantime, the Government is moving forward on a number of fronts to ensure the Action Plan is implemented rapidly, including:

✔ Negotiating and finalizing agreements with provincial and territorial governments on a range of measures that involve provincial partnerships.

✔ Concluding discussions with third-party organizations and finalizing funding agreements with private sector delivery partners.

✔ Tendering and awarding contracts and Requests for Proposals for federal infrastructure projects.
✓ Reviewing applications and selecting projects for a number of programs that are federally administered.

✓ Making necessary regulatory changes where required for certain other measures.

Successful implementation of this Action Plan will best be achieved through cooperative working relationships between federal, provincial and territorial governments. As noted above, the Government of Canada is working closely with its provincial and territorial partners on a number of cost-shared initiatives, including social housing, municipal infrastructure and enhanced labour market training.

Those efforts will continue so that the economic stimulus is delivered in a timely fashion. Federal, provincial and territorial Ministers of Finance will meet on May 25 to take stock of the economy, review progress made in implementing the economic stimulus, and share views about approaches that are clearly working and making adjustments in areas where more progress is needed.

The private sector also has a role to play by ensuring that the Government has full information about how best to implement and administer programs in a manner that has the maximum economic impact. For example, by working together with the chartered banks, the Business Development Bank of Canada and Export Development Canada are on track to maximize the flow of financing to businesses in Canada.

The Government will continue to consult extensively with Canadians and Canadian businesses to ensure the success of the Economic Action Plan. For example, the Economic Advisory Council to the Minister of Finance continues to provide the Minister with updates and advice on both the economic situation and progress in implementing the Action Plan. In addition, the Minister of Finance is forming the new Advisory Committee on Financing to advise him on the design, scope and scale of initiatives under the $200-billion Extraordinary Financing Framework to improve access to financing for Canadian consumers, households and businesses.

Internationally, G20 leaders are meeting in April to take stock of the global economy. Leaders will also review reports of working groups on financial sector regulatory issues, including the results of a working group co-chaired by Canada on enhancing sound regulation and strengthening transparency in the financial sector.
Going forward, the Government will report regularly to Canadians on the implementation of the Economic Action Plan. Subsequent reports, which will be provided in June, September and December, will focus on projects that have been launched, dollars spent and outcomes achieved. In the 2009 Economic and Fiscal Update, the Government will also provide a comprehensive analysis of the impact of coordinated policy actions across all G7 countries, including Canada’s.