



2014 Federal Budget

Overall this budget reaffirms the government's commitment to boost Canada's competitiveness. It provides details on the delivery of promises made in past announcements and very little in terms of ambitious new investments.

Fiscal Framework

The February 11 federal budget stays the course towards eliminating the deficit, thereby protecting Canadian taxpayers from higher interest charges, while boosting confidence. The federal government's latest official forecast calls for a significant narrowing in the budget deficit to \$2.9 billion in fiscal 2014-15 from the prior year's shortfall of \$16.6 billion. Ottawa then looks for the budget to get back in the black in 2015-16, with a \$6.4 billion surplus. The return to surplus will no doubt be a key to the Conservative's election platform next year.

A lot of things still need to go right to balance the books by fiscal 2015-16, including sustained spending restraint and a rebound in growth. The latest forecast projects annual program spending growth of roughly 1.9% in 2013-14, -0.4% in 2014-15 and 3.7% in 2015-16. Most of the savings realized over the forecast horizon are a result of managing compensation costs and by moving National Defence funding for major capital procurements to future years.

In light of still modest economic growth, the government continues to incorporate additional prudence into the projections (i.e. a \$3 billion annual cushion) to allow for a small underperformance in the economy, a position the Canadian Chamber supports.

Canada's relatively favourable fiscal position still sets it aside from most other major industrialized economies and provides a strategic advantage for long term growth.

Advancing the Competitiveness Agenda: What Did the Budget Deliver?

The budget's areas of focus align well with the Canadian Chamber's Top 10 Barriers to Competitiveness, a national plan to regain Canada's competitive edge. More specifically:

Tackling skills shortages

Ensuring Aboriginals peoples, the disabled and young people get the training and tools they need to participate more fully in the workplace continues to be a high priority for the Canadian Chamber.

The budget confirms significant new investments, albeit not immediately (\$1.25 billion from 2016-17 to 2018-19), to establish the structures and standards necessary to ensure that young First Nations people have access to education systems on reserves comparable to provincial and territorial school systems. Additional funding (\$500 million over seven years beginning in 2015-16) is dedicated to building and renovating schools for First Nations students.

The Canada Student Loans Program is being expanded to provide apprentices registered in Red Seal trades with interest-free loans of up to \$4,000 per period of technical training. Additionally, the government will take steps to ensure that apprentices are aware of the existing financial supports available to them while they are on technical training through the Employment Insurance (EI) program.

The government will improve the Youth Employment Strategy to align it with the evolving realities of the job market and to ensure federal investments in youth employment provide young Canadians with real-life work experience in high-demand fields—science, technology, engineering, mathematics and the skilled trades. \$40 million will go towards supporting 3,000 full-time internships for post-secondary graduates for 2014–15 and 2015–16. \$15 million will be reallocated annually to support up to 1,000 internships in small- and medium-sized enterprises.

Funding is also provided to connect persons with developmental disabilities with jobs and to expand vocational training programs for this segment of the population.

The budget confirmed the Canada Job Grant will be launched in 2014. The federal government will contribute up to \$10,000 per person. Employers would be required to contribute on average one-third of the total costs of training. Small businesses will benefit from flexible arrangements under the Canada Job Grant, for example, by counting wages as part of the employer contribution.

The government announced that it is launching an enhanced job matching service to ensure Canadians are given the first chance at available jobs that match their skills in their local area. Finally, modest funding is devoted to supporting the successful implementation of an Expression of Interest economic immigration system.

Tackling uncompetitive travel and tourism strategies

No new measures were announced with respect to travel and tourism.

Tackling inadequate plans for addressing deficiencies in public infrastructure

The budget proposes to allocate a further \$1.3 billion over two years on a cash basis to support additional strategic investments in public infrastructure and transportation services across Canada, including funding for the Windsor-Detroit International Crossing (\$470 million over two years on a cash basis). The government will also invest \$165 million over two years to advance the construction of a new bridge for the St. Lawrence. This project will be delivered through a public-private partnership. An additional \$378 million over two years will be dedicated to advance the repair and maintenance of federal bridges in the Greater Montreal Area. Finally, the Budget provides \$40 million over two years to accelerate repair and maintenance work at small craft harbours across Canada and \$33 million over two years to support the divestiture of regional ports to local interests and the continued operation and maintenance of federally owned ports.

Tackling barriers to success in global markets

The government highlighted its new Global Markets Action Plan (announced in November 2013). The plan will target emerging and established markets with broad Canadian interests, as well as emerging markets with specific opportunities for Canadian businesses. Three-year market access plans for each of these priority markets will be developed, implemented and updated regularly, mobilizing partnerships across governments and the private sector to make the pursuit of Canada's commercial interests a coordinated national effort.

On the tariff front, the government expects to have a full assessment by the end of 2014 of the impact on retail prices of the 2013 elimination of tariffs on baby clothing and certain sports and athletic equipment. This assessment will guide future decisions on tariff reductions.

The budget permanently eliminates tariffs on mobile offshore drilling units used in offshore oil and gas exploration and development.

Tackling internal barriers to trade

The government announced that will work to develop an Internal Trade Barriers Index that will play a key role in identifying measures that currently restrict trade and in helping all jurisdictions focus reforms and negotiation efforts on priority areas. In addition, the government will explore opportunities

to work with willing jurisdictions through initiatives such as BizPaL, the online portal for federal, provincial, territorial and municipal permits and licences, to make it easier for Canadian businesses to operate anywhere across the country. The government will also take action within its jurisdiction to allow Canadians to take beer and spirits, in addition to wine, across provincial boundaries for their personal use.

Tackling our complex and costly tax system

The government recognized the frequency of remittances (source deductions in respect of employees' income tax, CPP contributions and EI premiums) can be onerous for small business owners, especially those who have to remit on a frequent basis. To make it easier for businesses to prepare, file and pay taxes, the budget proposes to reduce the maximum number of payments businesses have to prepare and submit to the Canada Revenue Agency (CRA). It is achieving this by increasing the threshold level of average monthly withholdings at which employers are required to remit.

The government is proposing to eliminate the need for individuals to apply for the GST/HST credit and to allow the CRA to automatically determine if an individual is eligible to receive the credit. In addition to simplifying tax filing for individuals, this measure will eliminate the need for the CRA to issue notices each year to about two million applicants who do not qualify for the credit.

To facilitate corporate reorganizations, the government proposes to simplify compliance in terms of accounting and reporting of GST/HST for transfers of business assets by one member of a closely related group of corporations and/or partnerships to a new member of that group.

The government is committed to maintaining a modern and efficient tax system. Part of doing so means frequently updating tax legislation. To make it easier for taxpayers to know the status of proposed tax measures, the budget announced that legislation will be introduced to require the Minister of Finance to table in Parliament annually a list of the government's outstanding tax measures.

Tackling the lack of clear sustainability policies

The government noted that responsible resource development is an important part of the government's economic plan to create jobs, growth and long-term prosperity. The government will continue to consult with Aboriginal partners on maximizing opportunities related to resource projects. Territorial governments, Aboriginal groups and industry have repeatedly expressed the need for more predictable regulatory processes in the North that enhance environmental protection, while encouraging exploration and investment.

As reiterated in the 2013 Speech from the Throne, ensuring safe and responsible resource development remains a key priority for the government. The government noted that developing the infrastructure to build safe pipelines and strengthening the tanker safety regime to transport our energy exports to new markets is essential for Canada's future prosperity and security.

The budget proposes to provide \$28 million over two years to the National Energy Board to review project applications, like the TransCanada Pipelines Limited's Energy East Pipeline Project, within legislated timelines to provide timeline certainty. This funding will be fully cost-recovered from industry.

Tackling the severe shortage of economic development tools for businesses in Canada's territories

The government recognizes that Canada's North has tremendous economic potential, particularly in the mining and oil and gas industries, and in renewable resource industries. The budget provides \$40 million over two years (starting in 2014-15) to renew CanNor's Strategic Investments in Northern Economic Development (SINED) program. This program focuses on enhancing the economic infrastructure of the territories; developing the capacity of Northern organizations and individuals to help them take advantage of economic opportunities; promoting economic diversification; and increasing dialogue on Northern economic development issues.

To help unlock the economic potential of the North, the government will work with territorial governments and local municipalities to develop transportation infrastructure in the North.

To ensure the North's full potential, the government is committed to exercising Canada's sovereignty over the North by securing international recognition of the limits of Canada's extended continental shelf, including the North Pole.

To keep pace with the needs of Canadians in rural and Northern communities, the budget provides \$305 million over five years to extend and enhance broadband service to an additional 280,000 Canadian households, which represents near universal access. The government will announce further details about the new program in the coming months.

Tackling inconsistent regulatory policies between Canada and the U.S.

The government noted that broad progress has been made in implementing commitments from the Canada-U.S. 2011 *Regulatory Cooperation Council Action Plan*, with initiatives addressing four main regulated sectors: agriculture and food, transportation, health and personal care products, and the environment. The government will continue to take action to deepen bilateral cooperation between Canadian and U.S. regulators to reduce duplication, streamline operations and eliminate the burden of unnecessary requirements on stakeholders. This will include changes to Canada's regulatory processes to help synchronize the adoption of technical regulations in areas where Canada and the U.S. have similar policy objectives. With strong support from industry stakeholders in the chemical, petroleum and mining sectors, the government will introduce amendments to the *Hazardous Products Act* and other consequential amendments to align and synchronize implementation of common classification and labelling requirements for workplace hazardous chemicals. This measure will facilitate international trade, reduce costs to businesses and consumers and enhance worker health and safety through improved and consistent hazard identification which, the government estimates, will provide a net benefit for Canadians of nearly \$400 million in increased productivity and decreased health and safety costs.

Tackling insufficient support for innovation in Canadian manufacturing

The budget provides an additional \$500 million over two years to the Automotive Innovation Fund to support significant new strategic research and development projects and long-term investments in the Canadian automotive sector. The fund provides repayable contributions to automotive firms that are undertaking strategic, large-scale research and development projects focused on new vehicle technologies.

The budget proposes to modernize Canada's intellectual property framework by ratifying or acceding to the following widely recognized international treaties: the Madrid Protocol, the Singapore Treaty, the Nice Agreement, the Patent Law Treaty and the Hague Agreement. The government has tabled these treaties in Parliament and will propose the required legislative amendments to the *Patent Act*, the *Trade-marks Act* and the *Industrial Design Act*.

In Conclusion

We urge the government to press forward with the further measures we have proposed to secure Canada's economic future. For a breakdown of the Canadian Chamber's 10 barriers challenging the competitiveness of Canada's businesses, please visit our website at http://www.chamber.ca/advocacy/top-10-barriers-to-competitiveness/Booklet_Top_10_Barriers_2014.pdf