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Leadership for Tough Times

Alternative Federal Budget
Fiscal Stimulus Plan



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The Alternative Federal Budget is a collaborative project involving representatives from a broad spectrum of civil society, coordinated by the CCPA.

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Summary

The global economic crisis is starting to impact Canada's economy and there is widespread consensus that it's time for our federal government to act swiftly to stop a downturn from turning into something far more serious.

The G20, APEC, the IMF and the OECD all agree a global downward spiral can be avoided if governments intervene quickly to boost economic activity by 2% of GDP.

The AFB stimulus package reflects this consensus. It injects \$33 billion (2% of GDP) into Canada's economy in 2009–10, creating 407,000 jobs. It prevents plummeting purchasing power, it provides income protection and skills training for Canadians who lose their jobs, and it gives the green light to shovel-ready infrastructure projects.

This plan pays for itself, boosting the economy by 3%, offsetting the slowdown and laying the foundation for a new phase of sustainable economic expansion.

The AFB stimulus package invests \$3.4 billion to fix Employment Insurance, expanding its reach to more out-of-work Canadians, increasing benefits to cover 60% of insured earnings, extending benefits to 50 weeks, and offering in-

novative temporary measures such as allowing workers to job share to prevent massive job loss. It also doubles the refundable GST credit and puts measures in place to ensure poverty does not dramatically escalate during tough times.

The AFB injects \$14.7 billion to get long-deferred hard and soft infrastructure projects moving forward in 2009. The Federation of Canadian Municipalities estimates a \$123 billion deficit in needed transportation, water, housing and electricity infrastructure. There are long-term gains to be had, too, in finally expanding children's access to early learning, child care and community supports.

The AFB plan is responsive to pressing challenges of the day. It recognizes some sectors are in serious danger. It sets out key criteria for stabilizing and restructuring Canada's auto and forestry sectors to meet the demands of the future.

The AFB plan knows the future can't look like the past. It allocates \$5.8 billion to accelerate investments in green infrastructure, training and education, R&D, and energy retrofits. It also recognizes the unique opportunities that emerge from a flagging housing market: it purchases ground floor condos in major centres,

expanding the stock of desperately needed affordable rental housing.

The AFB infrastructure plan green lights projects that are ready to go and repairs aging infrastructure — making Canada safer, creating new jobs just when the economy needs it and creating a legacy of more affordable housing, more affordable child care, greener infrastructure and expanded broadband access.

This wave of investments will yield returns to Canadians for years to come through reduced

costs and higher incomes, for households and governments. The AFB plan, as verified by Informetrica Ltd., will produce an estimated \$1.50 of economic activity for every dollar of stimulus — a big “bang for the buck”.

The AFB stimulus plan will put Canada on a path towards greater equity, inclusion and energy efficiency — sustainability in every sense. Quite simply, it provides leadership and vision in tough times.

AFB Fiscal Stimulus Plan

As the global economic crisis spills over from the financial sector into the real economy, the reality of a Canadian recession is sinking in.

Hundreds of thousands of Canadians are expected to lose their job in the coming months. Statistics Canada reports 71,000 employees lost their job in November, the biggest monthly loss since 1982. The unemployment rate rose from 6.2% to 6.3%, but would have risen much more if Canada's labour force had not lost so many workers, particularly older workers.

As job losses mount, the economy may be hit by the biggest wave of mortgage foreclosures, credit card defaults and personal bankruptcies Canada has seen in generations. The warning signs are already there: consumer bankruptcies shot up by 23% between October 2007 and October 2008. There is also worrying overstock in new housing units and declining prices of housing resales.

Evaporating assets in the stock markets and the precarious state of business, including that of long-time blue-chip companies, has raised concerns about the retirement prospects for Canada's biggest-ever cohort of elderly and near-elderly.

The length and depth of the global recession is unknowable. However, there is broad consensus that both its duration and severity will be conditioned by what governments do now to soften the blow. Statements by G20 leaders and economists at the IMF and OECD stress that, in order to prevent this scenario from turning into an economic free-fall for billions of people, governments must start stimulating their domestic economies. Their advice is to ramp up spending in a coordinated manner — to the tune of 2% of GDP — and to bring it on stream as quickly as possible.

Countries around the world are moving quickly on this advice. The economic stimulus package of President-elect Barack Obama is expected to total \$700 billion U.S. dollars. The European Commission has agreed on an economic stimulus plan of €200 billion euros (\$264.3 billion U.S.). In Britain, Prime Minister Gordon Brown has put forward a plan amounting to almost \$38.8 billion U.S. dollars. China announced a \$586 billion U.S. dollar stimulus package in early November.

This AFB stimulus package injects a total of \$32.9 billion into Canada's economy in 2009—

10 — 2.1% of GDP — in a move to protect Canadians from the worst of a recession, to leverage automatic stabilizers in the system, and to create jobs with infrastructure investments that have long been on the books.

Fiscal Room

The federal government has greater fiscal room to stimulate the economy than virtually every other developed nation. Thirteen years of fiscal surpluses and strong growth have reduced the debt-to-GDP ratio by more than half — from 68.4% in 1995–96 to 29.8% in 2007–08. Federal debt as a share of the economy is now equivalent to the level it was in 1965–66.

To date, the Conservative government's main intervention in the economic crisis is to provide more liquidity, primarily through \$75 billion in support to Canada's big banks, despite its earlier insistence that Canada's banking system is better capitalized and less exposed to risk than the American system.

The Economic and Fiscal Update

Instead of bold stimulus measures to confront the economic crisis, Finance Minister Jim Flaherty's Economic and Fiscal Update (EFU), or mini-budget, does quite the opposite. Contrary to measures taken by nations across the globe and virtually unanimous expert advice, this government has brought forward an anti-stimulus package. Projecting surpluses for the next three years (based on rosy economic forecasts that virtually no one believes), the Conservative government announced \$4.5 billion in cuts to public spending next year and a commitment to further debt payment — measures that could worsen a recession.

The Conservative government claims its \$31 billion in tax cuts announced as far back as 2006 doubles as stimulus, even though less than a third of those tax cuts come on stream in Janu-

ary. An analysis by the Centre for Spatial Economics concludes the fiscal stimulus effect of the next round of tax cuts is a mere \$2.5 billion. It is not the stimulus Canada needs. In fact, a TD Bank study of U.S. tax rebates found only 10% of their value resulted in actual stimulus to the American economy. Yet the Conservative government has signaled its unwavering commitment to tax reductions.

To maintain the fiction that it will prevent a deficit the government announced the following spending cuts in the EFU:

- Sell public assets (into a distressed market) to gain \$2.3 billion in 2009/10 and a total of \$10 billion over the next five years.
- Reduce equalization payments to have-not provinces by an expected \$1.8 billion in 2009–10, and \$4.5 billion in 2010–11, with unspecified further cuts.
- Cut base funding to any program that had not fully spent its budget in the previous year, expected to be worth \$2 billion or more in 2009–10, and by more than \$5 billion over the next five years.
- Reduce wages for federal public servants by \$4.1 billion over the next five years, including rolling back increases and outlawing the right to strike for federal public servants.
- Accelerate program review to cover \$25 billion of programs, yielding unspecified amounts of money coming from unspecified program cuts. The last round of such review covered \$13.6 billion of programs, and provided \$896.1 million over three years — \$310.6 million in 2009–10 — to be allocated to government priorities.

The EFU provided no new funding for infrastructure; merely promising to accelerate already committed funding for infrastructure projects. There is already a \$3 billion backlog in committed funding for infrastructure investment. This has developed because of the Harper govern-

ment's new Building Canada Fund, which has introduced bureaucratic and lengthy delays due to its requirement for applicants to fully consider public-private partnerships (P3s). Requiring private sector capital at the front end to trigger money flow is precisely what is in short supply these days.

The EFU provided more credit with an allocation of \$350 million each to Export Development Canada (EDC) and Business Development Bank of Canada (BDC) to provide loans that would be repaid, resulting in revenue streams for Canadians, not net costs. The only nod to fears about retirement incomes was a measure to temporarily reduce by 25% the amount of savings retirees must withdraw from tax-sheltered funds (the Registered Retirement Income Funds). It will cost the public purse \$200 million in 2008–09 — essentially a further tax cut for Canadians who can afford to keep money in savings, rather than help for retirees or near-retirees whose incomes are shrinking.

The Liberal-NDP Coalition Accord to Address the Economic Crisis

In contrast to the Conservative government's Economic and Fiscal Update, the Liberal-NDP Coalition's December 1st economic accord outlined the need for significant fiscal stimulus measures. While not fleshed out and costed, these measures are moving in the right direction in terms of the kinds of economic stimulus Canada needs today.

The Coalition's economic stimulus outline includes:

- Accelerating existing infrastructure funding and substantial new investments, including municipal and inter-provincial projects (such as transit, clean energy, water, corridors and gateways)
- Addressing the urgent infrastructure needs of First Nations, Métis and Inuit

- Housing construction and retrofitting
- Investing in key sectoral strategies (like manufacturing, forestry and automotive) designed to create and save jobs, with any aid contingent on a plan to transform these industries and return them to profitability and sustainability
- Expanding unemployment insurance and skills training
- Providing income support and transition assistance for older workers
- Protecting pensions
- Expanding child benefits and child care.

The AFB Stimulus Package

The AFB starts with the premise that it is not just the amount of economic stimulus that is important, but also how that money is spent.

Informetrica Limited has calculated \$1 billion of personal tax cuts increases GDP by \$720 million and creates 7,000 jobs. The same \$1 billion spent on infrastructure creates more than twice the number of jobs — 16,000, about half in construction — and increases GDP by \$1.78 billion.¹ Investing in health-related services boosts GDP by roughly the same amount and creates 18,000 jobs.

Even transfers to low-income Canadians have a bigger multiplier effect than generalized tax cuts, a point made recently by the IMF. Investing \$1 billion to boost the incomes of the poor — who spend everything they earn — would boost GDP by almost \$900 million and create 7,000 jobs.

The AFB stimulus package buys \$33 billion worth of services, supports and infrastructure for the long term, and stimulates an additional \$14 billion in other types of spending. In other words, every dollar of stimulus creates \$1.50 in economic activity. This package boosts the 2009 economy by 3%, significantly offsetting the forecast economic downturn.

TABLE 1 Aggregate Stimulus Spending

	2009–10
Protect Canadians	\$12.4 Billion
Strengthen and Build Infrastructure	\$14.7 Billion
Prepare for the Future	\$5.8 Billion
Total Stimulus	\$32.9 Billion (2.1% of GDP)
Jobs Created	407,000
Nominal GDP Effect	3.08%

Simply put, government spending provides more stimulus than tax cuts, because it creates more jobs. People who have jobs spend. People who lose them do not.

These expenditures can produce long-term payback in terms of higher incomes and/or reduced costs — for households, businesses and government. It is estimated that for every dollar invested in early childhood development and care saves between \$3 and \$9 in future spending on health care and the criminal justice system, as well as on income supports.²

Extensive analysis shows the biggest bang for the buck comes from measures that prevent and reduce poverty; strengthen systems of public infrastructure; and invest in long-term energy-efficient solutions.

The AFB sets out a fully costed one-year stimulus program that follows these principles. The plan will reach its full potential only with effective provincial consultation and joint action. It:

- Protects Canadians who experience loss of income, maintaining Canadians’ purchasing power and economic resilience;
- Strengthens and builds systems of infrastructure, both hard and soft, to create a solid platform for the next phase of expansion;

- Prepares for the coming challenges of climate change, growing income inequality and aging populations.

It should be noted that the \$33 billion price tag associated with this proposed stimulus package does not translate to a \$33 billion drain on the public purse. The package creates 407,000 jobs. That means about 30% to 40% of the stimulus comes back to all governments in the form of higher revenues and lower outlays for income supports and other spending required in hard times. Consequently the net cost of the \$33 billion package falls to between \$20 and \$23 billion.

In addition, the package's deficit impact will also be affected by the way capital expenditures are accounted for. Amortization spreads capital costs over the life of their use. In the case of public infrastructure, annual costs could be spread over 25 years, significantly reducing the annual budgetary impact.

The AFB stimulus package relies on timely partnership with the provinces and municipalities. If either level of government cuts back in the face of new federal stimulus measures, the effect of the stimulus package will be muted.

As well, the stimulus effect these investments increases if manufactured inputs products and services are made in Canada. Similarly, the job and income creating benefit of this stimulus package is amplified when providers of service are both local and non-profit. Where possible, the stimulus package encourages this approach.

This stimulus package is a prelude to the full Alternative Federal Budget, to be released in late January 2009. This document identifies priority items that require swift action to offset the worst effects of the coming economic storm.

JOB ONE

Protect Canadians in tough economic times

The AFB stimulus package recognizes the federal government must act swiftly to prevent the rapid loss of incomes and increased poverty. Job One is to cushion the blow for the most vulnerable among us — the jobless, the elderly, and children. Economic stimulus measures often entail lag times before implementation. This section details programs chosen to act quickly as Canada's first line stimulus. In addition, the proposed changes target lower income individuals, injecting a more effective stimulus than tax cuts could provide.

EI Reforms (\$3.4 B)

(This is over and above system increases due to rising unemployment)

The first order of business is to improve the reach and income replacement levels of Canada's EI program. Hundreds of thousands of Canadians stand to lose their job in the coming months. If hiring is essentially frozen with increasing unemployment in 2009, many Canadians will experience economic dislocation and asset stripping of households. The current EI system is ill-prepared for this expected onslaught of need. Only 42% of

Canada's 1,162,000 unemployed currently receive jobless benefits, and unemployed women are less likely to receive benefits than men.

EI's 55% rate of replacing incomes is inadequate for many workers, particularly those with modest or low wages. For that reason, the AFB prioritizes raising EI rates, setting aside \$1.8 billion to increase benefit levels from 55% to 60% of insured earnings. It also sets aside \$504 million to provide uniform entrance requirements of 360 hours and \$300 million to base benefits on the best 12 weeks of earnings. The AFB will also extend benefits to 50 weeks. While this measure will not have a significant effect on EI costs now, it is a necessary measure to aid workers as the recession deepens.

These reforms would greatly extend the reach and support Canada's EI system should provide during difficult economic times.

In addition, the EI program permits the use of job-sharing as a way to soften the blow of job loss. The program is now worth \$13 million but may grow to \$150 million, as it did in the early 1990s. However there are no net new costs, as this program simply shares otherwise occurring jobless benefits.

TABLE 2 Protect Canadians Stimulus (\$million)	
Program	2009–10
<i>Employment Insurance</i>	
Uniform Entrance requirements of 360 hours	\$504
Basing benefits on best 12 weeks of earnings	\$300
Raise benefits from 55% to 60% of insured earnings	\$1,812
Decreased Entrance requirements (no 2 week waiting)	\$766
Stimulus EI Total	\$3,381
<i>Poverty Reduction</i>	
Poverty Reduction Fund to support provincial initiatives	\$2,000
<i>Increase Supports to Seniors</i>	
Guaranteed Income Supplement	\$1,196
<i>Increase Supports to Families with Children</i>	
Increase Canada Child Tax Benefit	\$612
Increase National Child Benefit Supplement	\$637
<i>Increase Supports to Working Poor</i>	
Increase WITB Payments	\$661
<i>Increase Purchasing Power</i>	
Double the Refundable GST Credit	\$3,339
<i>Affordable Housing</i>	
Double funding for CMHC Residential Rehabilitation Assistance Program	\$110
Continue funding for Homelessness Partnering Strategy	\$135
<i>Youth Employment</i>	
Youth Summer Jobs	\$98
<i>Forestry Sector</i>	
Reforestation Program	\$200
Protect Subtotal	\$12,368

New Provincial Poverty Reduction Transfer (\$2 B)

Canadians have been working in record numbers, yet poverty rates are still stubbornly high. Poverty exacts a huge price from individuals,

communities, governments and economies. Not only can rising poverty be prevented during difficult economic times, it can be reduced. Comprehensive poverty reduction plans, like those pursued in some provinces, can provide a powerful stimulus to the economy and produce significant savings down the line, as well as increased revenues. The stimulus effects of these public investments are significant for both individuals and economies, as has recently been noted by the IMF, but the investments need to be equally significant.

The AFB stimulus package provides a new transfer to the provinces to improve their provision of income supports and community services. Other areas of the stimulus package are also targeted to reducing poverty, but this measure places the federal government as a partner with the provinces in the effort to reduce the depth of poverty for Canadians on disability and social assistance, as well as reverse the loss of supports due to cutbacks in the early to mid-1990s. This is the first significant downturn Canadians have faced since the Depression without substantial EI and welfare systems in place. A long and deep recession will exact a heavy toll on households and municipalities — which can be considerably softened with a focused attempt to improve incomes of the poorest households. This new transfer mechanism will be further explained in the upcoming AFB. The AFB is of the view that there should be an income floor below which no Canadian falls. This is not currently the case.

Seniors Guaranteed Income Supplement (\$1.2 B)

Retirement incomes have been badly eroded for many Canadian retirees, but poverty among the elderly can be eliminated with relatively little cost through changes to the Guarantee Income Supplement, which is targeted to lower income seniors. As part of the stimulus package, the AFB

focuses on increasing Guarantee Income Supplement benefits by 15% or an average yearly benefit level of \$6,000 for a single person up from \$5,213.³

Pension Guarantee Fund (No proposed costs, regulatory change)

Many seniors may be affected by the current crisis as the dramatic fall in equity prices puts their retirement benefits in question. Those Canadians who have private employer-based pension plans also face serious declines in the values of those benefits.

The AFB stimulus package provides a pension benefit guarantee fund, similar to that in Ontario, for the 10% of workers whose employers fall under federal jurisdiction. In addition, the federal government should work with the provinces to establish a national system of pension benefit guarantees, to ensure that retirees would not lose 100% of their contractual rights to pension benefits in the event of corporate takeover or bankruptcy. In Ontario, pension benefits from single-employer pension plans are insured to a maximum of \$1,000 a month. The Ontario government is considering a ceiling of \$2,500 per month. This would require no additional cost to the federal budget, since this system of public insurance would be paid through premiums. This measure could have the added cost-savings of pooled risk, particularly for single employer plans.

Child Care Tax Benefit/ National Child Benefit Supplement (\$1.2 B)

The AFB proposes increased support for families raising children, many of whom will be challenged to make ends meet in the coming months. The Canada Child Tax Benefit, which has a broad reach, will be increased by 8%, for a cost of \$612 million. The average benefit level would increase to just over \$3,100/year.⁴ The National Child Benefit Supplement, which is targeted to the poor-

est families, will be increased by 15%, for a cost of \$637 million. The average benefit level would increase to just over \$1,800/year.⁵ This is a structural change to the program, implementing improvements that have been proposed for years.

Working Income Tax Benefit (\$661 M)

As Canadians turn to any job they can find, there may be a growth in the number of Canada's working poor. The Working Income Tax Benefit (WITB) has a small scope, but for those who fall through the cracks of EI and welfare systems, its enhancement could be critical in these difficult times. The AFB increases the average benefits significantly, from \$462 to \$1,000 a year.⁶ This measure should be accompanied by increases in minimum wages.

GST Credit (\$3.3 B)

Many Canadians who work in low-paying jobs will gain little benefit from EI payments, the WITB or other income supports. The GST credit reaches the working poor and low-income individuals in a way that other programs do not. The AFB stimulus package will double the average benefit refunded by the GST credit, from \$369 to \$700 a year.⁷

Homelessness Initiatives (\$244 M)

The AFB stimulus package will support increased parliamentary allocations to the CHMC to support already successful programs. The Residential Rehabilitation Assistance Program has successfully transformed pre-existing affordable housing buildings. The AFB stimulus package doubles its budget to continue its success.

As well, the Homelessness Partnering Strategy from HRSDC has created transitional housing and strategies to stop homelessness in Canada. The AFB Stimulus package continues its funding throughout the stimulus period.

Summer student job program (\$98 M)

Without government supports it is anticipated that youth and students will face a challenging summer in 2009 if they are looking for employment. The AFB stimulus package doubles the government's 2008 allocation for The Canada Summer Jobs budget, at a cost of \$98 million.

Sectoral Strategies (No amount specified at this time)

The coming recession will hit certain communities and regions of the country far harder than others. The forestry and manufacturing sector, particularly in automobiles and auto parts, have already been hard hit.

The AFB recognizes the seriousness of the situation facing Canada's auto sector and the potential implications sector failure could have on the national economy.

The AFB calls on the federal government to use its financial and regulatory powers to free up the flow of credit through the auto industry during this restructuring phase — including using measures similar to the massive support it has offered to the financial sector in recent months (such as loan guarantees, short-term conditional credit, tapping the lending power of federal financial institutions such as EDC and BDC, and

pressing commercial lenders to re-establish traditional credit flows to the automakers and their financing subsidiaries). These measures, aimed at preventing a major collapse of the auto industry, need not cost taxpayers a dollar (since they are focused on resolving the freeze in private finance that is the immediate cause of the current crisis).⁸

The AFB recognizes the Canadian auto industry needs a longer-term policy framework to ensure its ongoing viability, to respond to the lopsided impacts of globalization and the pressing environmental and energy challenges of the future. The full AFB will provide more details of our approach to this longer term project.

Canada's forestry sector is also in major transition. This restructuring is complex and requires a made in Canada response. This includes: a major investment in reforestation across Canada, government procurement of Canadian materials, measures to help older workers transition to retirement, and improved programs to help forestry workers re-train and transition out of the sector. Many of these features are noted in other sections of the stimulus package; this package allocates \$200 million towards reforestation. The full AFB will elaborate further on strategies for the sector.

JOB TWO

Strengthen and Build the Base

Canadian communities face a major backlog of hard and soft infrastructure needs that have been deferred for 15 years for want of capital and assistance from senior levels of government. The Federation of Canadian Municipalities noted that, in 2007, there was a \$123 billion deficit in needed transportation, water and electricity systems. The Kelowna accord identified billions required in First Nations communities. And our federal government has long delayed expanding early learning and child care, a necessary infrastructure for a world in which most adults in households with children are working. Canada's post-secondary system of training has also fallen into neglect in the past decade, resulting in soaring tuition costs that cause unintended negative effects. While spending on both social and physical infrastructure does not have a specific gender focus, social infrastructure is certainly more woman friendly than physical infrastructure.

Not only do investments in social infrastructure such as health and education create more resilient families and communities; they provide taxpayers with a strong economic return.

Investments in early learning and child development, in upgrading and retraining, in disease management and disease prevention all have huge payback for individuals and for the public purse. Social infrastructure generates savings for the public purse as well as higher incomes for individuals and higher revenues for governments.

To the extent that social infrastructure funding flows to non-profit, community-based organizations, it can provide additional strength and resilience to the local social fabric. The AFB does not support using social infrastructure money to expand or advance the corporatization or privatization of service delivery in health care and child care services. The stimulus dollars should be used to provide jobs and services, not profits.

Finally, social infrastructure spending most benefits those at the margins. These are investments that truly level the playing field for all citizens, regardless of their ability to pay. This enhances the potential contribution of everyone, increasing the potential for growth and innovation in the economy.

TABLE 3 Strengthen and Build Stimulus (\$million)

	2009–10
<i>Cities/Infrastructure</i>	
Maintenance/Expand section of Communities Fund	\$8,760
<i>Affordable Housing</i>	
Investment in Affordable Housing	\$1,756
<i>Arts/Culture</i>	
Canadian Content Fund	\$135
<i>Child Care</i>	
Create provincial social transfer for child care	\$2,200
<i>Post-Secondary Education</i>	
Canada Student Grant Program	\$350
<i>Aboriginal/First Nations: Hard Infrastructure</i>	
Water Upgrades	\$100
Housing on-off reserve	\$400
Health Infrastructure First Nation/Inuit	\$110
<i>Rural Communications</i>	
Extend broadband connectivity to rural areas	\$600
<i>Aboriginal/First Nations: Soft Infrastructure</i>	
Education On/Off Reserve and Post Secondary Education	\$200
Economic Development	\$50
Transformation of health services	\$80
Strengthen and Build Subtotal	\$14,740

Hard infrastructure investments establish a foundation not just for commerce, but they also improve our lives, with better roads and bridges, cleaner water, more efficient waste and electricity systems, and housing. These projects are also good job creators. To maximize this potential, the AFB recommends procurement policies that purchase machinery and materials from Canadian and even local sources, wherever possible.

The AFB will invest the revenues accruing from the government's purchase of \$75 billion of CMHC and bank mortgages to increase the

stock of affordable rental housing (worth \$3 billion over the next three years). Federal support will also flow from converting the P3 fund into a fund for helping communities to maximize the value of public assets in their communities (\$1.3 billion).

Hard Infrastructure (\$11.7 B)

Traditionally federal infrastructure assistance comes at the back end of a project, when the agency, province or municipality submits the bill. The AFB stimulus package notes that the federal government can borrow money more cheaply and quickly than any other jurisdiction of government or private sector player. Consequently, the AFB stimulus plan provides for up-front capital for projects that have met with provincial and municipal approvals and are simply short of capital.

The AFB stimulus package would also use these funds to lever training components into infrastructure projects.

Municipal Infrastructure (\$8.8 B)

The deficit of \$123 billion in municipal infrastructure identified by the FCM should be reduced, with federal assistance. A 10-year program would suggest an annual \$12.3 billion undertaking. The federal government has budgeted \$6 billion in 2009–10 for infrastructure, subject to a number of constraints. The AFB stimulus package would add \$8.8 billion in 2009–10 to front-end load a 10-year rebuilding schedule, with the expectation that provinces would be able to pick up more of the balance as the economy improves over the coming decade.

The AFB stimulus package would also cut through P3 red tape that is holding up construction and requiring cities to engage in more expensive, more risky, and less accountable P3 projects. Many federal programs require a private-sector partner providing capital in order to receive funding. With the credit crunch, private

financing for many P3s has effectively dried up, unduly delaying much needed initiatives. The P3 requirement and screen will be eliminated from future infrastructure spending to protect public services.

Infrastructure is often a double-edged sword in an economic stimulus program. While it can effectively employ Canadians and therefore provide needed stimulus to the economy, large infrastructure projects often take significant time to plan and implement. If poorly planned, infrastructure projects are in full swing only after the economy emerges, contributing to inflation upon recovery. This lag time needs to be mitigated.

Many municipal infrastructure projects are ready to go, they just need funding. The AFB stimulus package gives these projects the go-ahead, stipulating that projects must break ground within the fiscal year to receive funding. Such a requirement should alleviate much of the perceived downside to infrastructure projects.

Affordable Housing (\$1.8 B)

This new fund facilitates the repair and construction of affordable housing units across the country. It is in addition to the funds generated by the federal government's purchase of mortgage pools from the CMHC and the banks, which will yield \$1.1 billion for federal coffers in 2009–10. The AFB would reinvest these amounts, with a focus on purchasing already built units that are failing to sell because of oversupply of condominium units across the country. New housing construction should meet R-2000 standards in order to have a low energy footprint.

First Nations Hard Infrastructure (\$610 M)

The AFB honours the long-awaited First Nations Kelowna accord and immediately invests \$100 million for upgrading water systems, \$400 million for housing, and \$110 million for health-related infrastructure.

Expanding broadband access (\$600 M)

Strong economic growth within Canada is premised on many prerequisites, including high speed access to information via the internet. While not an issue in urban centers, rural communities are quickly falling behind. Private companies are increasingly focused on growth markets and not on the needs of all Canadians, particularly rural ones. As such, there is little private sector incentive to invest in broadband for rural communities. The AFB injects rapid investment in broadband technology, ensuring Canada's rural communities do not fall behind their urban cousins.

Soft Infrastructure (\$3.0 B)

Early Learning and Child Care (\$2.2 B)

The economic crisis will place additional pressure on working parents and particularly women. Canada has yet to create an affordable national child care system although some provinces, notably Quebec, have made greater advances in this area.

Early learning and child care stimulus will go directly to Canadians working in the sector providing a more direct stimulus than is possible in other areas. As well, child care is in the unique position of easing the burden on those who may be forced to work longer hours to make ends meet. The AFB stimulus package would act quickly and aggressively to fund rapid early learning and child care expansion across the country.

Low-Income Student Grants (\$350 M)

Unemployment rates measure the number of Canadians who are actively looking for employment, not those who have simply stopped looking. Many Canadians who simply abandon their job search will be looking to retrain and upgrade their skills. Stimulus spending on education, particularly post-secondary education, can encourage Canadians to be better prepared for future challenges.

The AFB stimulus package will inject \$350 million into low-income grants for students, increasing the value of the Canada Student Grants to \$4,000.

Arts & Culture (\$135 M)

The Conference Board of Canada recently estimated that for every dollar invested in culture, the return is \$1.84. The AFB stimulus package recognizes the strong multiplier effect investments in arts and culture provide and will expand

two key federal programs with a new Canadian Content fund worth \$135 million.

First Nations Soft Infrastructure (\$330 M)

Canada needs all hands on deck in the coming years. The inexcusable avoidance of First Nations' issues cannot be deferred. This package strengthens First Nations communities' ability to thrive, through economic development (\$50 million), on- and off-reserve training and education (\$200 million), and transformation of their approach to public health care (\$80 million).

JOB THREE

Prepare

Canada is facing three challenges to the nation's well-being and standard of living: climate change, demographic shifts, and growing income inequality.

Local communities and some provinces have been grappling with green policy, training and education needs, and stubbornly high poverty for years, without support from the most senior level of government.

The AFB recommends a go-forward approach to deal with these issues.

This part of the package focuses on greening the future and starting to address the massive changes that are about to take place in Canada's labour market.

EI Training Fund (\$600 M)

Many workers cannot take part in EI programs that offset lost income during apprenticeships and training programs. Health care workers are among this group as are other professions that will need retraining and retooling as our economy adjusts. Retraining and upgrading is urgently needed and EI income support would facilitate worker retraining. During a time of economic

contraction, the AFB stimulus package will encourage workers to retrain if they would otherwise be laid off.

National Renewable Energy Job Training Fund (\$80 M)

As Canada makes the transition to an economy that is less dependent on carbon and high energy needs, new skills will be required. The Renewable Energy Job Training Fund will help workers retrain for future challenges in a carbon-free economy.

Green Municipal Infrastructure Fund (\$4.4 B)

Initiatives supported by the Green Municipality Infrastructure Fund must support environmentally sustainable infrastructure projects such as public transit, water and wastewater treatment, community energy systems and the handling of solid waste. The AFB Green Fund will top up the Government of Canada's New Deal for Cities and Communities, which directed a portion of the gas tax to municipalities.

TABLE 4 Prepare for the Future Stimulus (\$million)

	2009–10
Expand EI for worker retraining	\$600
University Research Funding Grant	\$230
Create Green manufacturing R&D Fund	\$386
Green Municipal Infrastructure Fund	\$4,380
<i>Green Energy</i>	
National Renewable Energy Job Training Fund	\$80
Low-income housing retrofits	\$150
Prepare Subtotal	\$5,826

Increased spending on new green infrastructure represents 50% of the spending on deferred municipal infrastructure noted above.

Green Manufacturing R&D Fund (\$386 M)

The previous Technology Partnerships Canada branch of Industry Canada, along with the present Industrial Technologies Office, sponsors research and development (R&D) programs in conjunction with private enterprise in order to commercialize innovative technologies. Previous programs have focused on space and aerospace and early hydrogen adoption. Given the challenges in moving to the next stage of green

manufacturing, the AFB stimulus package will initiate a green manufacturing R&D fund.

The new Industry Canada fund will have a mandate to provide funding support for strategic R&D and demonstration projects that develop environmentally friendly manufacturing techniques which will be readily applicable to Canadian industry. In line with previous industrial R&D funds, the Green Manufacturing R&D fund will have a starting budget of \$386 million.

Energy Retrofits for Low-Income Housing (\$150 M)

The AFB recognizes that the objective of energy efficiency is difficult to achieve for low-income households. Retrofits and new appliances may save money and reduce carbon emissions, but they require money up front. The AFB provides \$150 million to produce cost-savings and energy-savings for households and the economy.

Post Secondary Education Research Funding Grant (\$230 M)

The AFB stimulus package will allocate \$230 million to fund university research grants, encouraging innovation for to secure Canada's economic future.

Conclusion

Canadians are very worried about this recession and its impact on their lives. They are looking for leadership from their federal government to protect Canadians and stabilize the economy. They want government leadership to build the foundations that will set our country on a course towards a more just and sustainable society; that will address the great challenges of our time: climate change and the growing gap between the rich and the rest of us.

They want Canada to do its part, along with other nations.

The AFB economic stimulus package is a bold and achievable set of initiatives that can protect Canada from the economic storm it faces today while also building for future generations. This document begins to lay the groundwork for Canada's transition into a new era of sustainable economic growth that recognizes the leading role our federal government can and should play. The resources are available. Up to now, political will has been the missing ingredient in Canada. A political consensus has now emerged to support it. It is time to move.

APPENDIX 1
Costing and Assumptions

APPENDIX 1 Costing and Assumptions (\$million)

Program	2009–10
Unemployment ⁹	7.40%
Protect	
<i>Increase Supports to Seniors</i>	
Guaranteed Income Supplement	\$1,196
<i>Increase Supports to Families with Children</i>	
Increase Canada Child Tax Benefit	\$612
Increase National Child Benefit Supplement	\$637
<i>Increase Supports to Working Poor</i>	
Increase WITB Payments	\$661
<i>Increase Purchasing Power</i>	
Double the Refundable GST Credit	\$3,339
<i>Employment Insurance</i>	
Uniform Entrance requirements of 360 hours	\$504
Basing benefits on best 12 weeks of earnings	\$300
Raise benefits from 55% to 60% of insured earnings	\$1,812
Decreased Entrance requirements (no 2 week waiting)	\$766
Stimulus EI Total	\$3,381
<i>Affordable Housing</i>	
Double funding for CMHC Residential Rehabilitation Assistance Program	\$110
Continue funding for Homelessness Partnering Strategy	\$135
<i>Youth Employment</i>	
Youth Summer Jobs	\$98
<i>Poverty Reduction</i>	
Poverty Reduction Fund to support provincial initiatives	\$2,000
<i>Forestry Sector</i>	
Reforestation Program	\$200
Protect Subtotal	\$12,368
Strengthen and Build	
<i>Cities/Infrastructure</i>	
Maintain/Expand Communities Fund	\$8,760

<i>Affordable Housing</i>	
Investment in Affordable Housing	\$1,756
<i>Aboriginal/First Nations: Kelowna</i>	
Water Upgrades	\$100
Housing on-off reserve	\$400
Health Infrastructure First Nation/Inuit	\$110
<i>Rural Communications</i>	
Extend broadband connectivity to rural areas	\$600
<i>Child Care</i>	
Create provincial social transfer for child care	\$2,200
<i>Post-Secondary Education</i>	
\$6000/year from Canada Student Grant Program	\$350
<i>Arts/Culture</i>	
Canadian Content Fund	\$135
<i>Aboriginal/First Nations: Kelowna</i>	
Education on-off Reserve and Post Secondary Education	\$200
Economic Development	\$50
Transformation of health services	\$80
Strengthen and Build Subtotal	\$14,740
Prepare	
Extend EI for workers to retrain	\$600
University Research Funding Grant	\$230
Create Green Manufacturing R&D Fund	\$386
Green Municipal Infrastructure Fund	\$4,380
<i>Green Energy</i>	
National Renewable Energy Job Training Fund	\$80
Low-income housing retrofits	\$150
Prepare Subtotal	\$5,826
Total Stimulus	\$32,935
Hard Infrastructure	\$15,996
Income Supports	\$10,413
Soft Infrastructure	\$6,513
Stimulus as a percentage of GDP	2.10%

Notes

1 GDP effects are with respect to 2009. This section is indebted to the results of Informetrica Limited's most recent update of their forecasting model, released December 2008. All employment and GDP estimates of the effects of different types of stimulus are based on the multipliers provided by this model.

2 The Chief Medical Officer of Health, *Report on the State of Public Health in Canada: 2008*, Ottawa: 2008

3 The average benefit per single person, per month, is currently \$434. Raising this amount by 15% provides an additional \$787 annually.

4 Assumes one child and a household income of \$25,000/year

5 Assumes one child and a household income of \$25,000/year

6 For a single person household with no children making \$10,000/year

7 For a single person household with no children making \$25,000/year

8 These measures, in essence, utilize the balance-sheet power of the federal government and its agencies (including lending agencies) to leverage private credit flows at feasible rates to the industry. In the same way, the over \$150 billion in financial support that has been provided by federal agencies to the banking sector since September does not show up as an expenditure item on the government's budget.

9 Alternative Federal Budget—Economic and Fiscal Update November 2008, Scenario 3

> ABOUT THE CENTRE

The Canadian Centre for Policy Alternatives is an independent, non-profit research institute funded primarily through organizational and individual membership. It was founded in 1980 to promote research on economic and social issues from a progressive point of view. The Centre produces reports, books and other publications, including a monthly magazine. It also sponsors lectures and conferences.

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Le Centre canadien de politiques alternatives est un institut de recherche indépendant et sans but lucratif, financé en majeure partie par ses membres individuels et institutionnels. Fondé en 1980, son objectif est de promouvoir les recherches progressistes dans le domaine de la politique économique et sociale. Le Centre publie des rapports et des livres, ainsi qu'une revue mensuelle. Il organise aussi des conférences et des colloques.



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