



## Alternative Federal Budget 2007

› Budget in Brief

March 2007

# Strength in Numbers

## Alternative Federal Budget 2007: Budget in Brief

### INTRODUCTION

This year's *Alternative Federal Budget* is called *Strength in Numbers* for a very specific reason: Canadians thrive when we work together. When it comes to solving the challenges life throws at us, we understand the inherent advantage of strength in numbers. We know that we're better off calling on friends and families during personal crises than trying to handle them alone. We know that pooling our buying power gets us lower prices. And we know that an active federal government that provides cost-effective, transparent programs and services is worth every penny we pay in taxes.

The plan outlined in this year's *Alternative Federal Budget* will ensure access to high-quality, affordable, and accountable higher education, and begin to address the crushing debt-loads with

which many of our young people are saddled. It will bring Canadians a national Pharmacare plan, a National Housing Strategy, and a truly Universal Child Care program. By meeting the terms established at Kelowna, it will begin to address our obligations to our First Nations and Aboriginal peoples. It will create a real new deal for cities and communities that addresses crumbling infrastructures and years of financial neglect. It will strengthen the Employment Insurance system so that it meets the changing needs and realities of our workforce. It will address the real fiscal imbalance: the one between the federal government and provincial and municipal governments and our First Nations. And, most importantly, it will tackle the two biggest issues of our time: inequality and the state of our environment.

While in previous years the AFB was able to fund social programs and priorities out of accumulated surpluses, recent policies of the Harper Conservatives have changed the fiscal landscape significantly. Ill-advised and poorly-targeted tax cuts have drained the surpluses of previous years: there is simply not enough fiscal room for Stephen Harper to meet his commitments to make additional tax cuts without also making massive cuts to spending.

These tax cuts and program cuts will make it impossible for the federal government to address the problems that concern Canadians: growing inequality, health care, the environment. The AFB reverses the most problematic of the Conservative tax cuts—cuts which do little to help those most in need, and which represent the squandering of our collective fiscal capacity—in order to put our tax dollars to more efficient and equitable use. And we are committed to redefining the role of the military to shift the focus from combat roles to peacekeeping, sovereignty support, and disaster relief.

There is no question that the 2007 Alternative Budget launches an ambitious plan. It tackles years of neglect—neglect of the most vulnerable among us, and of the social programs that benefit us all as a society and that take full advantage of our strength in numbers. As with previous Alternative Budgets, *AFB 2007: Strength in Numbers* provides sound financial decisions to address the most pressing social issues, to create the conditions for economic growth, and to ensure real security for all Canadians.

## THE AFB: FUNDING THE FUTURE WE WANT

In 2006–07, the AFB projects a \$9.2 billion underlying budget surplus. However, once previous promises paid for out of the underlying budget surplus are taken into account, the planning surplus drops to \$4.7 billion.

In 2007–08, we foresee an underlying budget surplus that drops to \$8.1 billion. Once all previous promises are taken into account, the planning surplus drops to \$4.2 billion. In future years, the underlying budget surplus hovers between \$7.7 and \$8.3 billion, but the government's outstanding promises reduce the planning surplus to between \$3.7 and \$4.2 billion per year.

Through a combination of using the forthcoming budget surpluses, expenditure review and reallocation, new environmental measures and refraining from debt paydown, the AFB is able to generate sufficient fiscal room to pay for a variety of spending measures.

This marks a departure from previous AFBs, in which the forthcoming budget surpluses were able to fund the vast majority of any measures proposed in the AFB.

The dwindling budget surpluses force the question: how will we pay for the Canada we want? Every tax cut that further erodes fiscal capacity makes this question more pressing. If, as expected, the federal government enacts more tax cuts in the upcoming 2007 federal Budget, in all likelihood the days of sizeable federal budget surpluses will be over. And, as this juncture approaches, it signals the need to have a serious debate about how we will make the choices that are necessary to pay for the future we want.

**TABLE 1 AFB spending measures** (Increases from current proposed spending)

(\$ Millions)	2007-08	2008-09	2009-10	Total
<b>Aboriginal peoples</b>				
<i><b>Kelowna</b></i>				
Health	125	200	285	610
Housing	420	230	245	895
Education	200	360	410	970
Economic opportunities	38	40	42	120
<i><b>Beyond Kelowna</b></i>				
Child welfare	125	129	134	388
Fiscal sustainability	801	28	29	858
Environmental stewardship**	110	114	118	342
Land claims	500			500
<i><b>Urban Aboriginal social infrastructure</b></i>				
Total measures	30	40.7	50.9	122
<b>Agriculture</b>				
Input production coops	50	50	50	150
Organic, sustainable agriculture initiatives	200	200	200	600
<b>Canada US Relations</b>	0	0	0	0
<b>Child care</b>				
National child care program	1750	2750	3750	8,250
<b>Cities</b>				
Reach 5 cents gas tax transfer immediately	800	1,000		1,800
Green Public Transit Supplement**	400	400	400	1,200
CIRA amortization	75	175	300	550
<b>Culture and the arts</b>				
Increase to the budget of the Canada Council for the Arts	0	50	50	100
New Canadian museums policy	75	75	75	225
CBC regional Programming	42	52	52	146
Canadian television Fund	50	75	100	225
Reverse cuts made via expenditure reallocation	12.3	12.3	12.3	37
<b>Defence and development</b>				
Ice breakers (amortized cost)	24	24	24	72
GNI goal for international development	460	802	1218	2,480
<b>Environment***</b>				
Renewable energy production incentives	312.5	312.5	312.5	938
Transfers to provinces, municipalities and First Nations (for housing, transit etc.)	462.5	462.5	462.5	1,388
Energy efficient buildings and lighting programs	165	165	165	495
Mackenzie Valley, NWT	5	5	5	15

\* See Tax chapter \*\* See Environment chapter \*\*\* Does not include environmental measures discussed in other chapters

**NOTE** Numbers may not add due to rounding

**TABLE 1** CONTINUED **AFB spending measures** (Increases from current proposed spending)

(\$ Millions)				
<b>Environment***</b> <i>Continued</i>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>Total</b>
Species at Risk Act	55	55	55	165
AFB Environment Fund	290	286	132	708
Green energy tax refund	1000	1000	1000	3,000
<b>Equality for women</b>				
Reverse Status of Women's cuts	89.2	89.2	89.2	268
Operational budget Status of Women Canada	5	5	5	15
<b>Fiscal imbalance</b>				
<i>Proposals mentioned are in other chapters</i>				
<b>Health care</b>				
NIHB	405	463	527	1,395
Pharmacare	2500	2750	3000	8,250
Skills upgrade for health care workers	200	200	200	600
Tuition relief	200	200	200	600
<b>Housing</b>				
Homelessness Partnering Initiative			150	150
Residential Rehabilitation Assistance Program**			150	150
Reverse cuts to CMHC programs budget	45	45	45	135
Affordable housing initiative	1300	1300	1300	3,900
Energy efficiency for low income households**	100	100	100	300
<b>Industrial restructuring</b>				
Canadian Literacy Initiative	10	10	10	30
Workplace skills strategy	41	42	42	125
Training and Education Centre Infrastructure Fund	8	8	9	25
Labour market participation agreements	700	700	700	2,100
Investment tax credit	500	500	500	1,500
Sectoral development councils	50	50	50	150
Sector specific investment supports	600	600	600	1,800
Just Transition Fund**	100	100	100	300
<b>Post-Secondary education</b>				
Increase PSE transfer 3.9 over 3 years	1000	1300	1600	3,900
<b>Poverty/inequality</b>				
Redirect "Universal Child Care" payments to CCTB*	2,355	2,426	2,498	7,279
<b>Retirement</b>				
<i>See Tax chapter</i>				
<b>Total expenditures</b>	<b>18,785</b>	<b>19,981</b>	<b>21,553</b>	<b>60,319</b>

\* See Tax chapter \*\* See Environment chapter \*\*\* Does not include environmental measures discussed in other chapters

**NOTE** Numbers may not add due to rounding

## EXPENDITURE REVIEW AND DEMOCRATIC ACCOUNTABILITY

In recent years, several tax and spending measures have been announced that the AFB will reverse. The savings generated by these reallocations will be available to fund measures proposed in the AFB.

The AFB expenditure review and reallocation process targets the following areas:

- the reversal of several tax cuts announced in the 2006 federal Budget;
- limiting federal government contracting-out;
- abolishing the cash payment started under the Universal Child Care Program and directing these funds towards the Child Tax Benefit;
- reversing the preferential oil and gas treatment in the corporate income tax system; and
- reversing and reallocating certain defence expenditures.

## TAX FAIRNESS

To enhance tax fairness, the AFB will make changes to the tax system in order to generate more revenue from the affluent and corporations, and use these funds to support low-income Canadians. Taken together, these measures will also serve to offset the growing inequality of market incomes in Canada.

The AFB will:

- introduce a new tax rate on incomes above \$250,000;
- reduce the maximum RRSP and RRP contribution level;
- Increase the inclusion rate for capital gains income (corporate and personal).

- eliminate 50% deductibility for meals and entertainment expenses;
- eliminate special treatment of employee stock options;
- close the income trust loophole (flow-through entities);
- increase the Canada Child Tax Benefit (CCTB) by more than \$1500 by 2009–10;
- increase the GST credit and threshold by 25%; and
- Redesign the Canada Employment Tax Credit.

## FISCAL IMBALANCE

The *Alternative Federal Budget* takes a completely different approach to the issue of fiscal imbalance. We will make substantial new investments in national projects for health care, child care, post-secondary education, housing, and infrastructure renewal, all of which will involve substantial increases in federal transfer payments to provincial governments and, through provincial governments, to local governments.

In total, this additional investment is larger than the total value of the current fiscal equalization program.

The AFB also highlights the fundamental issues that threaten the future of Canadian fiscal federalism: the absence of any real relationship between the design of the equalization system and its constitutional purpose of equalizing access to services; and the destructive impact on provincial fiscal capacity of interprovincial competition to reduce taxes.

## ABORIGINAL PEOPLES

### Health

Funding is necessary to ease the uphill battle First Nations children, adults, and elders face in accessing basic health care needs and ensure the sustainability of the Non-Insured Health Benefits (NIHB) program. As a first step, the AFB would allocate the \$610 million over three years to health initiatives for First Nations health care funding as per the Kelowna accord.

### Education

While federal statistics consistently show an 18% gap between non-Aboriginal and First Nations PSE outcomes, Indian and Northern Affairs Canada (INAC) PSE programs have essentially remained frozen at the same level since 1996, subject to an inadequate 2% annual increase. To address this growing gap, the AFB will allocate \$970 million over three years.

### Housing

The AFB will deliver \$895 million over three years to repair existing housing units, meet the shortfall and ensure the sustainability of existing and new First Nations housing stock, as well as to introduce new market based mechanisms.

### Economic opportunities

Income security reform could provide an important link between social assistance, employment and training, and other labor market promotion initiatives, providing for both personal and community development, especially in the area of literacy (basic, technology and communications) and cultural supports. The AFB will make an initial investment of \$120 million over three years to begin work on these key issues.

### Child welfare

The current formula drastically underfunds services that support families and allow them to safely care for their children in their homes and communities. The AFB will allocate \$388 million over three years to support First Nations families and allow them to safely care for their children.

### Fiscal sustainability

Since 1996, the federal government has maintained an arbitrary 2% cap on spending increases for core services—less than one-third of the average 6.6% increase that most Canadians will enjoy through the Canada Health and Social Transfers in each of the next five years. The AFB will invest \$801 million in the 2007–08 fiscal year to eliminate the shortfall created by the 2% cap over 10 years and develop an appropriate escalator clause to ensure that future investments keep up with the rate of inflation and First Nations population growth.

### Environmental stewardship

In order for First Nations to participate effectively in environmental decision-making, and address and adapt to climate change issues, First Nations require an investment of \$342 million over the next three years.

### Land claims

Canada has an estimated contingent liability of \$15 billion or more to resolve comprehensive and specific claims regarding both lands and infringements in treaties with First Nations. In its first year the AFB will set aside \$500 million toward the resolution of these claims. This represents only a “down-payment” towards the payment of this debt to First Nations. As the resolution process proceeds, the AFB commits to generating fiscal capacity to settle these outstanding claims or to resolving them by other means.

**Aboriginals living in urban centres**

The AFB will dedicate an envelope of over \$90 million over 3 years to allocate to urban Aboriginal peoples in urban centres. Community organizations would then allocate this funding in a manner that responds to the local concerns of urban Aboriginal peoples and acknowledges the linkages between and among community development, cultural centres and employment strategies in each urban centre.

**Friendship Centres: A place to address the unique challenges of urban Aboriginal peoples**

To specifically assist Friendship Centres and ensuring that they continue their vital and cost-effective work, the AFB will invest an additional \$31.6 million over three years for programs and infrastructure.

**AGRICULTURE**

The following measures will be initiated in this *Alternative Federal Budget* to start to redress the market imbalance between farmers and agri-business and ensure that agriculture once again becomes a financially viable livelihood for family farmers:

1. The Canadian Wheat Board, and other cooperative agricultural market mechanisms, will be strengthened and democratized so that farmers' interests are fully protected.
2. The AFB will commit \$50 million annually to help establish purchasing and input production cooperatives to help curb the now virtually unconstrained marketing power of the huge agri-business corporations and lower costs for farmers.
3. The AFB will allocate \$200 million per year in bridge financing to help fund the transition to

organic, sustainable, energy-conserving, and other alternative production methods.

4. Grain prices must be raised to meet production costs, but this will require joint action by all the major grain exporting nations to balance supply and demand. In this budget, we make a commitment to open talks to this end with other grain-exporting countries.
5. Other reforms will include a) banning the privatization of seed stocks; b) making it mandatory for food labels to indicate the presence of genetically-modified ingredients; and c) launching a campaign to educate consumers about how food price revenues are shared among all the agricultural players, including farmers.

**CANADA–U.S. RELATIONS**

The Canadian government should take a cooperative and pragmatic approach to relations with the United States, as befits interdependent nations with many common interests and values. Nevertheless, it should act forcefully in disputes with the U.S. government rather than taking the appeasement approach of recent months, and challenge NAFTA where fundamental Canadian policy interests are at stake.

Specifically, the AFB will:

- freeze further increases in military expenditures pending a full public review of Canada's defence needs, with a view to prioritizing sovereignty protection and supporting UN peace building and peacemaking activities;
- implement the recommendations of the Arar Commission;

- impose a moratorium on further harmonization initiatives (particularly those dealing with health, safety, and the environment) under the SPP and undertake a full Parliamentary review with public consultations;
- stop efforts to dismantle the Canadian Wheat Board and implement policies to offset the damage from the Softwood Lumber Agreement to workers, small and medium producers, and their communities; and
- develop a made-in-Canada resource security policy.

### CHILD CARE AND EARLY LEARNING

In order to achieve long-term goals for child care, the AFB will increase annual funding for ELCC to \$5 billion by 2010, by which time all children aged three to five should have access to a quality child care space in their community. Building this system requires the following:

1. maintaining the Bilateral commitments to First Nations, provinces and territories for ELCC services;
2. re-directing the funds from the Child Care Spaces Initiative;
3. confirming the funds already committed under the 2003 Multilateral Framework Agreement on ELCC; and
4. providing an additional transfer.

### CITIES AND COMMUNITIES

The AFB will get the urban agenda back on track with:

#### **A National Communities Strategy**

a national vision which articulates the importance and nature of the cross-country network of communities we want to have and sustain in Canada.

#### **Department of Community Development**

with a senior minister to address both the policy and program sides of community issues.

#### **Good Neighbour Legislation**

making it mandatory that the federal government support local planning objectives such as urban revitalization, sustainable development, heritage preservation, and support for public transit through its property and land development activities. Retaining public ownership of federal real property assets is key to this initiative as it provides the federal government with a major investment tool in communities.

#### **Accelerate the Gas Tax Transfer**

to the value of the full \$.05 a litre and make it permanent, providing municipalities with an additional \$1.2 billion in 2007–08 and an additional \$1 billion in 2008–09.

#### **Canadian Infrastructure Renewal**

##### **Agency: Renewing and greening our communities and economy**

AFB 2007 commits \$5 billion a year in funding the creation of a Canadian Infrastructure Renewal Agency that will undertake infrastructure, energy efficiency and retrofit projects cost-shared with other levels of government.

#### **Green Public Transit Supplement**

In order to meet our Kyoto goals, public transit must be a priority. The AFB will use a portion of the carbon tax to allocate \$1.2 billion over three years to enhance public transit infrastructure and make public transit more affordable.



## CULTURE AND THE ARTS

The AFB will ensure that the one time \$20 million increase included in the 2006–07 Budget as well as the one time \$30 million promised for 2007–08 in the May 2006 federal Budget are secured as permanent funding to the Canada Council for the Arts' base budget. Additionally, the AFB will top up this amount by \$100 million in additional permanent funding by 2009–10 to meet the “doubling” of the Canada Council's budget campaign objective as originally advocated by the Canadian Arts Coalition, its allies, and supporters.

The AFB also supports further calls for increases to federal arts and culture funding and will place the Department of Canadian Heritage's suite of “Tomorrow Starts Today” programs on a permanent “A-based” funding basis.

### New Canadian museums policy

The AFB will implement a new federal museums policy, and will invest \$75 million per year in new, permanent federal government fiscal support to meet the objectives of the new policy.

### Canadian Broadcasting Corporation and Canadian Television Fund

The AFB will provide the CBC with \$20 million in start-up money and \$22 million for annual operating expenses to achieve at least part of the objective of providing radio services to Canadians who currently do not have a local station. This figure will increase respectively by \$5 million in capital and \$5 million in operating funds in both 2008–09 and 2009–10.

The Canadian Television Fund (CTF) is essential for the production of quality, distinctively Canadian TV programs. AFB 2007 will address this by allocating an additional \$50 million in new funding for the CTF, ramping up to \$100 million annually in new monies by 2009–10.

## Impact of Expenditure Review on Canada's arts and culture

The AFB will reverse the \$4.63 million over 2 years cut from the Museums Assistance Program (MAP) at the Department of Canadian Heritage (DCH). It will also reverse the \$1.1 million cut through “Operating/Program Efficiencies” at the Department of Canadian Heritage, and the reduction of \$11.9 million imposed on the Public Diplomacy program at the Department of Foreign Affairs.

## DEFENCE AND DEVELOPMENT

### Defence

The AFB is committed to redefining the role of Canada's military in order to shift the focus from war-fighting roles back to UN peacekeeping, sovereignty support, and disaster relief. The AFB will immediately set up an expert panel to assess the existing direction of defence policy through public hearings in all regions of Canada in order to engage the country in a national debate on how Canada's Armed Forces can best represent Canadian priorities and values. This panel will be charged with the task of ensuring that the Canadian Armed Forces are capable of performing its responsibilities in terms of peacekeeping, sovereignty protection, and disaster relief.

The expert panel will be charged with reviewing defence expenditures to ensure that they are consistent with this change in focus of the Canadian Armed Forces. Our defence expenditure review will ensure that salaries of defence personnel are not adversely affected and that necessary expenditures will be made to ensure the health and safety of all military personnel.

The AFB will allocate \$960 million for the construction, in Canada, of three new icebreakers for the Canadian Coast Guard, which are vital to

protecting sovereignty in Canada's North and to supporting northern communities and Arctic research.

### **Development**

The AFB will set Canada on a firm schedule to reach 0.7% of Gross National Income by the year 2015, with an interim target of 0.5% by 2010. The AFB will increase foreign aid by \$460 million in 2007–08, by \$802 million in 2008–09, and by \$1.2 billion in 2009–10. Furthermore, the AFB will focus its aid on eradicating poverty, be consistent with Canada's human rights obligations, and consider the perspectives of civil society and the poor, both in Canada and overseas. To ensure this, we will seek a regularly reviewed legislated mandate for aid spending by Parliament.

### **EMPLOYMENT INSURANCE**

The AFB will build a better EI system by implementing a uniform EI entrance requirement of 360 hours of work, to lower the high barrier to qualifying for part-time and temporary workers and new entrants to the workforce, increasing the benefit rate to 60% of earnings, based on the best 12 weeks of earnings, and increasing the maximum benefit period to 50 weeks.

Gradually raising maximum insurable earnings from \$39,000 to \$45,000 will increase net premium revenues to cover program improvements.

The AFB also supports investment in training through EI and improvements to service access.

### **ENVIRONMENT**

The AFB will invest a total of about \$1.4 billion per year to accelerate growth in the renewable energy and energy efficiency sectors as part of a comprehensive national strategy, and will include the following initiatives:

1. Increased production incentives for low-impact renewable electricity and heat technologies.
2. Additional transfers to provinces, municipalities and First Nations for investments in energy efficiency and renewable energy. These funds will support diverse programs including community energy plans and innovative financing, public transit, better urban design, and shifting freight and personal modes of transportation.
3. Increased support for building retrofit programs, including support for energy efficiency retrofits for low-income housing, and tax measures to support phasing out inefficient lighting by 2015.

The AFB will start by eliminating the additional allowance that permits 100% of oil sands investments to be written off as expenses in the year in which they are incurred.

The AFB will invest \$25 million over five years, and then \$4 million annually, in a network of protected areas through the Northwest Territories Protected Areas Strategy, national parks proposals and regional land use plans.

The AFB will renew the Canadian government's commitment to the Species At Risk Act (SARA), with a \$275 million investment over five years.

### **Putting a price on carbon**

The AFB will put a price on carbon emissions in order to integrate environmental values into market prices and reduce emissions from both industrial and individual sources. The AFB will implement a greenhouse gas (GHG) emissions

targets-and-trading system for heavy industry, utilities and other large emitters.

Using the revenues generated by both and the permit trading system and the carbon tax, the AFB will finance:

1. a Just Transition Strategy to assist workers and communities impacted by shifting employment created by the transition toward a greener economy; and
2. a Green Energy Tax Refund to help low and middle income Canadians transition towards sustainable energy consumption.

These actions would finally put Canada on an effective track to addressing climate change, and combine to redirect Canadians' tax dollars towards a modern economy and a healthier environment; reduce Canada's long-term energy dependence; and increase supplies of low-impact, renewable energy. In addition, they would reduce air pollution and related health problems, lowering the incidence of respiratory illnesses, and saving health care dollars and human lives.

## EQUALITY FOR WOMEN

The AFB will reinstate the previous Terms and Conditions, along with providing a substantial increase to the budget of the Women's Program of Status of Women Canada to \$100 million annually. In addition to project funding, core funding will be restored to equality-seeking groups, including women-centred services.

The AFB will also reinstate the \$5 million cut from the operational budget of Status of Women Canada.

The AFB will also hold a full and transparent gender-budgeting exercise encompassing all aspects of the federal budget as part of making the federal budget more democratic.

## HEALTH CARE

The AFB will take immediate steps to establish a national Pharmacare program to provide equal access to major prescription drugs across the country in a cost-effective manner, and to keep the rising costs of prescription drugs in check. Essential drugs will be covered in the way that Medicare now covers hospitals and physicians. It would be funded on a 50/50 cost shared basis with the provinces. The AFB will allocate an additional \$2.5 billion in 2007–08 to the national Pharmacare program.

The AFB also commits Ottawa to enter into an agreement with First Nations in order to meet the demands of the First Nations Action Plan for Non-Insured Health Benefits.

### Dealing with the impending labour crisis in public health care

The AFB sets out a plan to move towards a meaningful "care guarantee" by assuring there are enough health care staff, in the right place, providing the right care, at the right time, with a cost of \$400 million per year, for the next 10 years. The AFB will expand the number of seats in medical and nursing schools, as well as other health professional programs, by providing more post-secondary funding, and will implement a student debt-reduction program for graduates of medical and nursing and medical professional programs in return for service to designated under-serviced areas.

To begin dealing with skills shortages in the health care sector, the AFB commits \$200 million each year over three years for a pilot program in skills upgrading for existing health care workers.

## HOUSING AND NEIGHBOURHOODS

The AFB will renew funding for the Homelessness Partnering Strategy and the Residential Rehabilitation Assistance Program (RRAP) for at least five years, and will extend the mandate for the Supporting Communities Partnership Initiative (SCPI) so that long-term solutions to homelessness can be put in place at the neighbourhood level where they are needed.

The AFB will cancel the \$45 million annual cuts to the Canadian Mortgage and Housing Corporation's (CMHC's) housing programs budget which is needed to expand the social housing stock in Canada and to address much-needed repairs to the existing stock, particularly in neighbourhoods of decline.

The AFB will reverse the government's cuts to the \$500 million program to improve energy efficiency in Canada's low-income households.

### A national housing framework

Canada still does not have a long-promised national housing framework.

To give communities the stability and predictability to participate as full partners in building affordable housing and to ensure an adequate supply of affordable, mixed housing, the AFB will increase funding by \$1.3 billion per year.

This Affordable Housing Initiative will:

- build 20,000 new affordable housing units per year; and
- renew 8,000 units per year to ensure that the existing stock can continue to subsidize housing for households with very low incomes.

## INDUSTRIAL RESTRUCTURING, SECTORAL DEVELOPMENT, TRAINING, AND PROTECTION FOR WORKERS

In order to develop a multi-stakeholder national strategy aligned with the demands of the “new” economy, the *Alternative Federal Budget* will:

- Establish multi-stakeholder Sector Development Councils which will be responsible for identifying major economic challenges, opportunities, and policy responses on a sector-by-sector basis.
- Expand sector-specific supports to stimulate more investment in Canada. This will be funded by increasing the Corporate Income Tax (CIT) rate by 0.5 percentage points. Even after this increase, Canada's CIT would remain lower than the general American CIT. However, the AFB will exempt the struggling manufacturing sector from the CIT increase.
- Establish a Just Transition Fund
- Institute temporary investment tax credit for investment in new Canadian-made machinery and equipment.
- Review and amend the Canada Investment Act to ensure that incoming foreign investment generates significant public interest benefits.
- Cancel current free trade talks with South Korea and replace these talks with efforts to negotiate more balanced trade relationships with countries in the Asia-Pacific and use the suspension of the Doha talks to implement broadly based transparent and inclusive multi-level government and sector consultations, and public interest reviews on all current trade positions.
- Create a “Buy Canada Act” with built-in “Green and Social Justice” biases that encourages an effectively coordinated public procurement strategy across all levels of government.

### Skills training

Despite record-high profits and growing complaints about skills shortages, Canada still lacks a consistent federal policy designed to promote workplace training and development.

The *Alternative Federal Budget* will establish four skills development programs:

- **Canadian Literacy Initiative** to fund new workplace and community programs that strengthen adult skills in reading, writing and basic math.
- **Workplace Skills Strategy** that provides financial support for innovative pilot projects.
- **Labour Market Partnership Agreements** with all provinces and territories for the expansion of apprenticeships, literacy and foundation skills, workplace skills development, supports for immigrants, aboriginal peoples, older workers and other currently employed workers facing labour market barriers.
- **Training and Education Center Infrastructure Fund** that matches investments in facilities and other program resources, including programs supporting apprenticeships.

### Protections for workers

The *Alternative Federal Budget* will:

- re-establish an independent federal minimum wage (to cover workers in federally regulated industries) at \$10 per hour, indexed annually to CPI inflation;
- enact the changes to the bankruptcy laws that were passed by Parliament before the 2006 election; and
- amend EI regulations to include income support for training leaves for currently employed workers, and amend the Canada Labour Code and the Public Service Employment Act to provide an annual training and learning leave entitlement of at least one

week for all workers in federally regulated workplaces.

### POST-SECONDARY EDUCATION

The AFB will build on the 2005 program to reduce tuition fees, remove post-secondary education from the Canada Social Transfer, and create a new Post-Secondary Education Transfer (\$3.9 billion over three years) governed by a Post-Secondary Education Act to ensure accessibility and quality. This will substantially reduce student debt over time and remove some pressure on student financial aid programs.

The AFB will scrap wasteful aid programs such as the Registered Education Savings Plans (RESPs), the Canada Education Savings Grant, Learning Bonds, the Millennium Scholarship, and others. The savings will be used to fund a national system of needs-based grants administered through the Canada Student Loans Program.

### PRIVATIZATION, CONTRACTING-OUT, AND P3S

Public delivery of public services generally provides more efficient, less expensive, higher-quality, and more accountable services than privatized delivery. High-quality public services increase our overall and collective economic, social, and environmental security.

The *Alternative Federal Budget* will:

- halt the sale of public assets, saving the federal government \$200 million in banking fees and ongoing annual savings;
- close the federal P3 promotion offices;

- stop forcing municipalities, provinces and territories to use P3s for their infrastructure projects;
- redirect federal funding to support public services, instead of privatized services;
- revitalize the federal public service and reduce use of contracting-out, saving \$945 million over three years;
- introduce full disclosure and accountability for government contracts and P3s;
- implement full cost accrual accounting through the federal government estimates and procurement process;
- strengthen support for programs slashed as part of the federal program review;
- require full review of the cost-effectiveness of tax incentives, contracting-out, and P3s in comparison with public delivery, and reverse these where appropriate; and
- make the budgetary process much more transparent, accountable, and democratic.

## RETIREMENT AND SENIORS' BENEFITS

Canada needs a comprehensive plan to address the needs of its aging society. The AFB will undertake a major review of the retirement income system to ensure that it meets the needs of the changing work force and addresses the concerns of those groups who face the most uncertainty as they move into old age—particularly older women left on their own.

### Strengthening the basic income guarantee

We will increase Guaranteed Income Supplement (GIS) benefits to a total increase of 15% as a first step to strengthening the basic income guarantee

for seniors. We estimate the cost of this measure to be approximately \$800 million in the first year.

### The Canada Pension Plan

While the Canada Pension Plan will be able to meet its obligations through the next 75 years, even if there are unexpected economic or demographic fluctuations, there are still problems with the plan that need to be addressed.

We will take steps to have federal, provincial, and territorial ministers who administer the CPP implement an elder-care or caregiving dropout in the CPP.

We will also have the ministers undertake a review of the calculation of the CPP contributory period to explore measures that would help recent immigrants accumulate adequate pensions.

### Changes to the third tier of the retirement income system

The maximum annual RRSP contribution limit for 2007 will be reduced by about \$4,000. We estimate that tax revenues will increase by about \$600 million as a result of this rollback which will be redirected to help fund the planned increase in the GIS.

### Regulation of workplace pension plans

We will implement a pension benefits guarantee fund at the federal level that will be funded by contributions from employers who sponsor pension plans under federal jurisdiction. Such a fund will guarantee the pensions, up to certain limits, of workers whose benefits are put at risk by the bankruptcy or insolvency of their employers.

### Priority for review of retirement income system in policy development

The mandate of the newly-appointed Secretary of State for Seniors will be expanded to include responsibility for Pensions and Retirement Security. The Secretary of State will then

immediately initiate a dialogue on retirement security among all the stakeholders and be given

one year to report back to Parliament on the outcome of this national dialogue.



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