

AFB 2009

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ALTERNATIVE FEDERAL BUDGET 2009

Budget in Brief

Beyond the Crisis: A Budget for a Strong and Sustainable Future

Introduction

The global economic crisis — by all accounts the most dangerous since the 1930s Great Depression — is making its entry into Canada as the grim statistics now rolling in attest. In the final two months of 2008, the Canadian economy lost over 100,000 full-time jobs. Consumer bankruptcies are rising, the housing market is beginning to sag, and the worst is yet to come.

While the situation is in great flux, and Canada's future relies on many unknowable factors, a few things are becoming clear. Most notably, the way nations have been governing their economies is undergoing rapid change. The economic orthodoxy that pushed governments to the sidelines and revered the wisdom of free markets is officially yesterday's ideology.

The immediate challenge for government is to stabilize the credit markets and inject sufficient aggregate demand into the economy to compensate for the collapse of private consumption and investment until the recovery begins. International bodies are encouraging governments, especially those with relatively strong fiscal and external balances such as Canada,

to loosen the purse strings, invest in their people, and disperse serious amounts of public funds quickly to counteract the shrinking private economy.

Alternative Federal Budget 2009 addresses the economic crisis on two fronts: an immediate jolt via a two-year fiscal stimulus package to help bring about economic recovery, and a plan to put the country on solid economic ground for the long term.

The AFB maps out a new direction for Canada. Two principles are absolutely essential to moving forward. The first is restoring federal government leadership. The path of passive, *laissez-faire* government (except to enforce market disciplines and bolster military spending) is unacceptable in the new political reality.

The second principle is rebuilding federal fiscal capacity. Massive tax cuts — which have overwhelmingly benefited the most affluent members of our society — have turned Canada into a low-tax jurisdiction within the industrialized world and transformed Canada's progressive tax system into a regressive one. Public services and infrastructure — which are critical to

TABLE 1 Summary of AFB Measures

	2008–09	2009–10	2010–11
Revenues (\$millions)			
Base Case	239,367	231,693	229,175
AFB Tax Measures		-4,729	-3,305
Stimulus Effect		11,270	12,276
Total	239,367	238,235	238,146
Expenditures (\$millions)			
Base Case	208,095	218,290	226,800
AFB measures		31,926	26,904
Total	208,095	250,216	253,704
Debt Service	31,500	33,063	36,415
Balance (Deficit)	(228)	(45,045)	(51,974)
Closing Debt (accumulated deficit)	455,966	501,011	552,984
Rev/GDP	15.3%	14.7%	14.0%
Budget balance/GDP	0.0%	-2.8%	-3.0%
Debt/GDP ratio	29.1%	30.9%	32.4%

a high productivity economy and from which the vast majority of Canadians gain an enormous benefit — have been dramatically weakened.

It is time for government to think on a grander scale. It is time to establish a new paradigm to ensure that, once the economy bounces back from its current shock, it works for the majority, not just a powerful minority. The hallmark of this year's AFB plan is social solidarity: where people support each other, taking back control of the most powerful tool they have, their government; where the most vulnerable are not left to fall by the wayside; where all groups, sectors and regions are part of the collective effort; where everyone has a stake in its success.

Macroeconomic and Fiscal Framework

Alternative Federal Budget 2009 released the first year of its fiscal stimulus plan, *Leadership for Tough Times*, on January 6, 2009. The full AFB presents the full two-year fiscal stimulus package, situates it within a fiscal framework, and links it to a longer-term restructuring plan.

The status quo Federal Budget will turn to deficit in 2009–10, if not in 2008–09. Compared to other G-7 countries, Canada's debt burden (debt/GDP) is the lowest by a fair margin. And with an unbroken string of fiscal and current account sur-

pluses over the last decade, Canada is very well positioned to do its part in a coordinated international effort to combat the global recession.

Canada confronts the 2009 recession with a shrunken public sector. Federal revenues were 15.8% of GDP in 2007–08, which is very low by historical standards, and a reflection of the priority given to tax cuts in recent years.

The federal government has been slow to acknowledge the deteriorating economic picture. The AFB puts forward a “go big” stimulus plan. It injects \$36.7 billion (2.3% of GDP) into Canada's economy in 2009–10, and a slightly smaller amount in 2010–11. This plan boosts the economy by 3.5% in the first year and 2.8% in the second, mitigating the slowdown and laying the foundation for a new phase of sustainable economic expansion.

The AFB budget measures meant to stimulate the Canadian economy will of course increase the deficit. However, a portion of the full cost of those measures will be recovered by the federal government through increased taxation revenue and decreased expenditures. The federal debt burden (debt as a proportion of GDP) expands from its current 29.1% to 32.4% by the end 2010–11 under the AFB spending scenario. Even at this slightly elevated level, Canada easily maintains one of the lowest debt-to-GDP ratios in the G-7.

TABLE 2 Stimulus and Employment Effects

	2007	2008	2009	2010
Base Case				
Unemployment	6.0%	6.6%	7.4%	8.0%
Unemployed (millions)	1.009	1.209	1.356	1.466
Employed (millions)	16.866	17.111	16.964	16.854
GDP (\$millions)	1,535,646	1,566,359	1,566,359	1,605,518
Nominal GDP growth	5.9%	2.0%	0.0%	2.5%
Stimulus Scenario				
Unemployment	6.0%	6.6%	6.5%	6.9%
Unemployed (millions)	1.009	1.209	1.216	1.308
Employed (millions)	16.866	17.111	17.434	17.566
GDP (\$millions)	1,535,646	1,566,359	1,620,636	1,706,107
Nominal GDP growth	5.9%	2.0%	3.5%	5.3%

With the implementation of the AFB measures, official unemployment increases, albeit at a slower rate than under the base case. Government stimulus creates and sustains over 400,000 new jobs, offsetting the loss of jobs in the private sector. In the base case, many more workers unable to secure employment simply abandon their job search and are therefore not counted as “unemployed.”

The AFB Stimulus Plan does not implement broad-based personal income tax cuts nor corporate income tax cuts. They are a poor source of stimulus compared to government spending. Furthermore, most tax cuts give the largest benefits to the rich. Permanent tax cuts are especially ineffective, and, worse, they drain revenues the government will need to avoid a long-term structural deficit.

With the global economic crisis at Canada’s doorstep and our fiscal capacity crippled, deficits are now all but certain. However, with targeted spending measures designed to maximize the effect of stimulus dollars, the federal government can keep Canadians employed and tide our economy over until the eventual recovery.

Taxation

Over the past decade, tax cuts have undermined the tax system’s capacity to serve these purposes. Fiscal stimulus entails the government pumping more money into the economy as spending that it draws out as taxes. In this context, it would be counterproductive to insist that every dollar of needed expenditure be raised immediately through higher taxes.

Tax cuts are a poor source of economic stimulus. This money provides economic stimulus only if it is spent. But most tax cuts give the largest benefits to the rich, who are more likely than average citizens to save and pay down debt.

One way of preventing structural deficits while providing stimulus is to enact tax measures that will generate substantial revenue as the economy recovers without collecting too much during the recession.

This year’s AFB would:

- reinstate a 6% GST rate effective July 1, 2011.
- maintain the \$5,000 TFSA given to each Canadian on January 1, 2009, but will not add to it in future years.
- would tax the full value of employee stock options when they are given effective July 1, 2011.
- freeze maximum annual RRSP contributions at \$20,000, the maximum currently in effect for the 2008 tax year.
- reinstate the 21% corporate tax rate and 1.12% corporate surtax that were in effect from 2004 through 2007 on July 1, 2011.

Aboriginal Peoples

When compared to what the average Canadian citizen receives in programs and funding, First Nations government funding lags significantly behind. As a result, the health and safety of First Nations citizens on reserve is at serious risk. In addition,

on a per capita basis, First Nations children are over-represented within the child welfare system, roughly 15 times more than non-Aboriginal children.

The federal government chose to repudiate the commitment toward all Aboriginal peoples that was made by the Prime Minister and all Provincial Premiers to national Aboriginal leadership in the 2005 agreement known as the Kelowna Accord. On top of this repudiation, the total budget for Indian and Northern Affairs Canada (INAC) decreased by 3.5% between 1999 and 2004 when adjusted for inflation and population growth, due to a 2% cap on spending.

- The AFB will therefore invest \$829 million over three years or \$276 million/year to eliminate the shortfall created by the 2% cap.
- The AFB allocates \$5 billion over five years to First Nations and Aboriginal communities both on and off reserve, to meet the needs identified by the Kelowna Accord.
- The AFB will allocate \$388 million over three years to support First Nations families and allow them to safely care for their children in their homes and communities.
- The AFB allocates \$342 million over the next three years to support First Nations participation in environmental decision-making, and to support First Nations communities address and adapt to climate change related issues.
- The AFB will allocate over \$122 million over three years to Aboriginal peoples in urban centres in addition to Friendship Centre Funding.

Agriculture and Food Security

While the current economic crisis is a recent development, many argue that agriculture in Canada has been in a state of crisis for the last 30 years. Between 1974 and 2001 gross incomes on Canadian farms increased threefold while net incomes have actually fallen, as farmers were squeezed between input suppliers and output buyers who continually consolidate and grow. This has forced a constant flow of farmers off the land.

This budget proposes the following funding increases:

- \$100 million in direct, targeted funding for producers in the cattle industry and the possibility of \$50 million in each of the next two years, with the aim of stemming the flow of

farmers off the land while strategies aimed at stabilizing the industry are developed.

- \$60 million in additional funding for the Canadian Food Inspection Agency. This funding would be earmarked for grants to low-income producers transitioning to certified organic production, as well as marketing the CFIA organic label to domestic consumers.
- \$75 million for the development of 'bio-regional' research centres across the country, which will be increased to \$150 million in the following two years in order to offer grants for the adoption of flexible technology and the creation of local food networks.
- \$65 million for the Canadian Grain Commission in order to ensure more predictable and stable funding, thereby reducing dependence on user fees. This will ensure the CGC protects producers and continues to ensure the quality of Canadian wheat.

Child Care and Early Learning:

In addition to being a key component of the eventual achievement of equality for women in the workforce, child care is critical to the social and economic security of *all* Canadians. Quality child care services promote healthy children and families, stronger, more inclusive communities, and a productive, well-performing economy.

Even more importantly, quality early learning and child care (ELCC) benefits the children who access it. Nurturing and stimulative care, in the home and in the community, provides the foundations for lifelong health, learning and skill development.

Regulated child care spaces exist for less than 20% of Canada's children, despite the fact that three-quarters of mothers of young children are in the labour force. And, outside of Quebec, Canadian parents pay amongst the highest child care fees in the world.

- The AFB will increase Canada Child Tax Benefit (CCTB) benefits by 8% to an average benefit level of over \$3,100 a year with a budgetary impact of \$612 million in 2009–10 and 2010–11.
- The AFB will increase National Child Benefit support by 15% to an average benefit of \$1,800 a year with a budgetary impact of \$637 million a year.

- The AFB will provide an additional \$2.2 billion transfer to provincial child care programs in 2009–10 and \$2.8 billion in 2010–11 with the goal of reaching \$5 billion a year by 2013.

Cities and Communities

Local communities will be on the front lines in dealing with the damages from the economic downturn. The AFB Stimulus Plan relies heavily on municipal infrastructure to drive the engine of growth and put Canadians back to work during the coming recession.

- The AFB will invest \$6.57 billion in general municipal infrastructure as an important part of the Stimulus Plan in 2009–10
- An additional \$5.1 billion in 2009–10 and \$6.0 billion in 2010–11 will be invested in a Green Infrastructure Fund. Of that \$3.65 billion will be directed towards water and wastewater.
- The AFB will increase and extend federal funding for public transit by ramping it up to \$2 billion a year.

In its 2007 Budget, the Conservative government committed \$1.25 billion of the public's money to a P3 Fund to subsidize the privatization of public assets. The AFB would eliminate this wasteful use of the public's money and instead create a Public Assets Financing Agency to help provinces, municipalities, first nations and other public bodies (including hospitals and universities) secure lower cost financing for public infrastructure investments.

- The AFB will double the funding provided through provinces to communities in the Community Development Trust to \$2 billion.
- The AFB will establish a federal Department of Communities with a senior minister, as was outlined in AFB 2008.
- AFB will eliminate the federal P3 office and instead create a Public Assets Office through the Department of Communities to work with communities to maximize the benefits of public assets.
- The AFB will put in place a federal procurement strategy to maximize the environmental, economic and social benefits of federal government procurement.

- The AFB will introduce new community economic development (CED) programs by restoring and expanding funding for the Social Economy Initiative that was cancelled by the Conservative government. These will be almost doubled from the \$132 million that had been allotted previously.

Communications for Social and Economic Development: A National Inclusion Strategy

Over the last two decades, telecommunications policy has been increasingly driven by an industrial strategy linked to technological innovation and competitiveness. As a result, regulations were dismantled, and with them, a national vision of the importance of the sector to Canadian identity and prosperity.

In order to reestablish its position nationally and internationally, Canada needs a national strategy that promotes social and economic development by making broadband connectivity ubiquitous. In addition, it will require new investments in community-based programs that help Canadians make effective use of the new technologies and an ongoing process of consultation that ensures that the diverse needs of communities are met.

- The AFB will invest \$2 billion over five years in a pan-Canadian infrastructure project to extend broadband connectivity to rural areas.
- The AFB will invest \$250 million over three years to support new and existing National Public Access Program sites.
- A sum of \$750,000 will be set aside to research and verify community broadband connectivity and support requirements.

Culture and Communications

The arts and cultural sector makes an important contribution to the Canadian economy; however, this is not the only reason why the federal government should prioritize its support to this sector. The arts and culture sector has one of the highest rates of self-employment in the Canadian economy (25%) and includes many different lines of creative activities: from broadcasting to book publishing, to the performing arts, music and sound recording, film, video, and new media.

The AFB will:

- Promote Canadian artists and cultural materials internationally.
 - Implemented through programs replacing Trade Routes and PromArt: \$30 million a year
- Establish next generation training programs in areas of new media, broadcasting, arts, and in succession planning: \$22 million a year.
- Investing in significant programs as tools to produce strong Canadian Content (included in AFB Stimulus Plan).
 - Canadian Television Fund: \$150 million (with \$150 million matched funds from private sector for a total impact of \$300 million)
 - New Media Fund: \$14.5 million a year
 - National Museum Policy: \$75 million

To improve Canada's declining public telecommunications infrastructure, starting in 2009–10, and over a period of five years, we will invest \$2 billion from the Building Canada Fund in a pan-Canadian infrastructure project to extend broadband connectivity beyond its current boundaries. While much current infrastructure needs to be revisited, connecting rural and remote populations will be a priority.

As well as helping rural communities connect, broadband expansion can also provide economic stimulus in rural areas. Given the job creation potential of this type of expansion, rural broadband expansion was included in the AFB Stimulus Plan, with \$1 billion of the five-year investment occurring in the first two years.

The National Inclusion Strategy will expand federally-supported programs directed towards those with limited access and ability to use the technology. The AFB will invest \$250 million over three years to support new and existing National Public Access Program sites. A process of ongoing and wide-ranging consultations with local stakeholders will ensure that all regions, rural, remote and urban, are connected and receive the support needed to make effective use of broadband connectivity.

Defence

Canadian military spending continues to grow dramatically as the government pursues an unprecedented military build up of forces and equipment, and Canada enters the eighth year of its costly combat role in Afghanistan, a war that many are acknowledging as unlikely to be won continues to cost lives and

billions of dollars. In parallel, defence officials have embarked on a shopping spree to replace current Canadian equipment and to add new military capabilities.

The Alternative Federal Budget recommends that:

- In light of the deteriorating situation in Afghanistan and Canada's heavy burden in both killed and injured soldiers the federal government initiate a military withdrawal, saving \$525 million in 2009–10 and \$1.1 billion in 2010–11
- The purchase of military hardware should be postponed until Canadians are back on their feet, and savings should be directed towards putting Canadians back to work. The delays will save \$100 million in 2009–10 and \$262 million in 2010–11.

Employment Insurance

A decent Employment Insurance program is needed in a recession not just to cushion unemployed workers, but also to help place a floor under the wages of employed workers and prevent a downward spiral in the job market. In the last recession in 1991, slightly less than 80% of workers were eligible for EI. Today under 40% are eligible. The following measures will better prepare the system to adequately cope with the coming wave of unemployment.

- The AFB would increase in the level of the benefits from 55% to 60% of insured earnings. The estimated cost is \$1.8 billion.
- The AFB would base benefits universally on the best 12 weeks for an estimated cost of \$300 million.
- The AFB would lower entrance requirements to 360 hours worth \$504 million.
- The two week waiting period entrance requirement would be removed at a cost of \$765 million.
- The AFB would extend benefits up to 50 weeks per year in all regions.
- The AFB will commit \$600 million through EI to improved worker training, \$200 of which would be directed to health care workers.

Protecting our Climate, Nature, and Water: Integrating Environmental and Economic Strategies

Canada must take urgent steps to reduce the risks posed by climate change and simultaneously take advantage of the huge opportunities available in low-impact renewable energy and energy efficiency. Canada needs to make positive changes to build a green economy through its infrastructure investments and industrial strategy. These measures will help to create hundreds of thousands of new green jobs.

- The AFB will implement a greenhouse gas cap and trade system for large emitters. This system will move rapidly to full auctioning of all emission permits.
- The AFB will also introduce, beginning in 2011, a carbon tax as an important first step towards integrating environmental values into market prices for consumers and small businesses. The revenues raised from the carbon tax and cap and trade systems would be directed to a Green Energy Tax Refund, energy efficiency, green infrastructure, renewable energy, industry adjustment and other measures designed to assist in the adjustment to a greener economy.
- The AFB will invest \$150 million in 2009–10 and \$75 in 2010–11 in housing retrofits for those in the lower income bracket.
- Workers who lose jobs due to Kyoto implementation must be provided with other options, particularly in sectors experiencing overall growth. The AFB will create transition programs for displaced workers to ensure that the Canadian labour force has the skills required to support a greener economy.

The long-term health of human societies, including the economy, depends on the long term health of natural ecosystems. In the face of unprecedented pressure from climate change and other environmental stresses, Canada needs to act decisively to safeguard our marine and terrestrial ecosystems. Over the past two years, the federal government has taken concrete steps towards establishing a network of protected areas.

The AFB will invest \$174 million a year in:

- Establishing Canada's national system of marine protected areas by 2012, implementing integrated oceans management plans and completing regional environmental assessments in each of Canada's oceans;

- Continuing work to complete Canada's terrestrial systems of national parks, national wildlife areas and migratory bird sanctuaries, and ensure their long-term protection; and
- Improving incentives under the federal Agricultural Policy Framework for protecting ecological goods and services on agricultural lands.
- The AFB will launch a plan to restore, protect and enhance the environment of the Great Lakes-St. Lawrence basin that will cost \$1.8 billion over five years or \$360 million a year.

Water

The AFB recognizes water as a human right by enshrining it in domestic law, by recognizing the existing rights of Aboriginal communities to water, and by supporting the recognition of water in international law.

As part of the AFB, \$3.7 billion in 2009–10 and \$3.1 billion in 2010–11 will be invested in a National Water Fund for municipalities.

An additional \$150 million over two years will be devoted to water operator training and certification, along with water conservation programs.

The AFB will establish national enforceable drinking water standards that include a training program for workers and dedicated money for upgrading of infrastructure.

The AFB introduces a plan to curb water pollution.

The AFB will introduce stricter regulation of the bottled water industry.

The AFB allocates \$50 million over two years to:

- research and information on impacts of climate change on watersheds and infrastructure;
- renewal and funding of the Flood Damage Reduction Program; and
- drought and flood planning and support for Indigenous communities.

The AFB will ban bulk water exports and will institute a plan to expand and improve research and capacity with regards to water, water treatment, conservation, and climate change impacts on watersheds.

The AFB will invest \$355 million over two years to study potential tar sands contamination, participate in the Global Environmental Monitoring program, increase the water monitoring

stations and training and develop a water quality framework for provinces and communities.

Health Care

A strong economy is essential to a strong and viable health care system. At the same time, health care is a significant economic engine. It is the third largest sector of the economy, employing more than one in ten Canadians, the overwhelming majority of whom are publicly-employed. In addition, public health care expenditures are responsible for spin off jobs that employ workers in many other sectors. Moreover, public health care is one of the most important bulwarks protecting the population from the current economic crisis. In this moment of crisis, it would be irresponsible for the Canadian government to abandon medicare to the forces of private capital.

- The AFB will ensure that the Canada Health Act is enforced and that current agreements on federal cash transfers be observed.
 - A moratorium will be imposed on the delisting of medically necessary hospital services.
 - A new agreement on wait time reductions will be negotiated, linking federal transfers for wait time reductions to the use of non-profit and publicly-funded providers.
 - The AFB will dedicate \$200 million a year out of the Employment Insurance to fund health care worker retraining.
 - The AFB will expand seats in health care professional programs and will provide a grant for 50% of tuition fees up to \$5000 per year based on financial need costing \$100 million in 2009–10 and \$150 million in 2010–11.
 - The AFB will implement the Romanow Commission recommendations as regards the need for the expansion of public health care to include long-term and home care.
 - The AFB will set aside money to develop a broad legislative agenda that would meet the needs of immigrant health care workers.
 - The AFB will work toward the removal of cultural and other barriers encountered by First Nations and Aboriginal peoples.
- The AFB would devote \$900 million in 2009–10 and \$1,800 million in 2010–11 to the creation of a national formulary in preparation for a more robust pharmacare plan in the future.
 - The AFB would tie all health care infrastructure funding to public, non-profit ownership, control, management and operation of the facilities, equipment, and services.
 - Efforts such as the Global STOP TB Initiative should be supported in order that rates of tuberculosis among indigenous peoples be reduced.

Housing

More than three million Canadian households are precariously housed. The roots of the current nation-wide affordable housing crisis stretch back two decades to funding cuts and downloading that gutted Canada's previously successful national housing strategy.

Even before the global economic tsunami washed over Canada in 2008, a record number of households were suffering; and many more will be swept into the housing abyss in the coming months. The good news is that the solutions — including new investments in affordable housing — are not only good for those who need a home, but they will deliver new jobs, boost other economic activity and even increase tax revenues for government.

The AFB will add \$7.5 billion over three years (\$2 billion a year in new housing funds and \$500 million a year in reinvested CMHC surpluses).

The new and redirected spending will allow for:

- 10,000 new affordable homes (or more) in year one;
- 15,000 new affordable homes (or more) in year two;
- 20,000 new affordable homes (or more) in year three;
- Permanent and enhanced funding for the federal homelessness strategy;
- Permanent and enhanced funding for the federal housing rehabilitation program;
- A national energy retrofit program to allow low and moderate-income households to conserve home energy.

Immigration

Immigration is extremely important to this country — not least of all because we have an aging population and a declining birth rate. Within a decade, some eight million individuals, or one in five Canadians, will be in their retirement years. Indeed, by 2007, Statistics Canada projections showed that immigrants are likely to be the primary source of population gains by 2030. Immigrants to Canada have been increasingly arriving from countries other than the traditional Northern European ones.

A major stumbling block for immigrants is being able to have their international education, credentials, skills, and experience fairly recognized. At the opposite end of the skills spectrum, the temporary workers' program represents a deeply flawed shift towards an immigration framework that wrongly promotes temporary residency rather than permanent residency status for newcomers.

- The AFB will reinstate the original *Canadian Agency for Assessment and Recognition of Credentials* and increase its budget to \$70 million over two years.
- The AFB will place a moratorium on the Temporary Foreign Worker Program and commence a comprehensive assessment.
- The AFB will end immigration policies that perpetuate gender and class inequity.
- The AFB will allow those entering Canada on temporary work permits, no matter the category, to apply for permanent residence and bring family members.

International Development

Across the planet, 50,000 people die from poverty-related causes every day. Another 800 million people go to bed hungry each night. More than one billion people live in extreme poverty. HIV/AIDS, malaria, and tuberculosis cause (and are caused by) poverty as individuals and economies of affected countries are debilitated by these and other diseases. If we are to achieve global security, these causes of human insecurity must be addressed.

Canada's foreign aid performance has fallen from 0.34% of our Gross National

Income (GNI) in 2005–06, to 0.28% in 2007 according to OECD DAC figures, or less than half of the UN aid target of 0.7%.

The AFB will set a timetable to increase Canadian Official Development Assistance (ODA) over the next ten years to reach 0.7% of GNI by 2018. This will require \$322 million in 2009–10 and \$718 million in 2010–11.

International Economy

Once recovery is underway the international community must take steps to rethink and reform the global financial and economic architecture. These should include a fundamental rethinking of international trade and investment agreements; more publicly accountable systems of governance; new mechanisms to address international trade and financial imbalances; tighter regulation of global financial markets especially hedge funds and private equity funds, and more accountable central banks; new international taxation regimes such as financial transaction taxes and the ending of offshore tax havens; and new structures and institutions to combat inequality and poverty and promote environmentally sustainable development.

It is time to re-imagine economic relations on the North American continent in a whole new way — that benefits popular majorities in all three countries. The AFB would:

- Eliminate NAFTA's investment chapter provisions that give corporations the right to sue governments for alleged lost profits, giving them the powers to ratchet down unwanted policies and regulations.
- Renegotiate energy and other resource policy provisions, notably the "proportionality clause" that compels Canada to continue exporting this country's oil and natural gas resources to the United States, even if these exports result in domestic shortages here at home.
- Exclude water from NAFTA and all trade agreements, and ban bulk water exports
- Protect workers and the environment. As it stands now, NAFTA functions in such a way as to foster a race to the bottom for both workers and the environment in all three countries.
- Create more space for active industrial policies — policies that facilitate domestic processing of resources and greater use of local procurement; and for policies that expanding basic public services like Medicare and education without risk of challenge by foreign investors.

Post-Secondary Education and Research

The average tuition fees for undergraduate students has risen to \$4,724, up 3.6% from 2007–08. Combined with the additional fees that most institutions charge for various services to circumvent provincial tuition fee regulation, total compulsory education fees climb to more than \$5,419. In specialized programs such as medicine and dentistry, students are forced to pay more than double that, driving student debt for many future health professionals into six figures.

- New funding in the AFB will return the federal cash contribution to pre-1992 levels with \$200 million in 2009–10 and \$400 million in 2010–11 transferred to the provinces.
- The AFB will re-allocate funds from federal education and tuition tax credits to increase the value of the Canada Student Grants to \$6,000 a year.
- The AFB recognises the importance of peer-reviewed independent research and will increase the granting councils' base budgets by \$230 million in 2009–10 and \$200 million in 2010–11.
- Federal funding for arts, humanities, and social science university researchers has lagged behind council funding for engineering and sciences over the past two decades. The AFB will gradually close the gap in research funding by allocating at least 50% of the new research funding to the Social Sciences and Humanities Research Council.

Poverty Reduction

If the federal government does not act swiftly and decisively, the economic fragility of Canadian households, businesses and communities could quickly accelerate into one of the deepest and most protracted periods of economic turmoil Canada has faced.

The AFB highlights the importance of federal programs that can prevent or reduce poverty among the elderly, the working poor, children and indeed all low-income households.

- The AFB will enhance the Guaranteed Income Supplement by 15%, increasing the average supplementary benefit received by the poorest Canadian seniors by \$785 a year costing \$1.2 billion a year. The AFB improves the National Child Benefit Supplement by 15% and the Canadian Child Tax Benefit by 8% costing \$612 million and \$637 billion respectively.

- It more than doubles supports for the working poor through the Working Income Tax Benefit to \$1,000 a year worth \$661 million a year. And it virtually doubles the refundable GST credit, raising the average credit from \$369 to \$700 and costing \$3.3 billion a year.
- The AFB stimulus package also proposes an innovative poverty reduction transfer to the provinces worth \$2 billion in both the first and second year.
- The goal of the AFB's federal poverty reduction transfer is to reduce poverty in all jurisdictions by 25% over the next five years, with particular attention to Canada's most vulnerable groups. This would lift 770,000 Canadians out of poverty. The transfer would focus on specific country wide benchmarks for success in combating poverty.

Privatization, P3s and Accountable Contracting

Privatization is an essential component of a neoliberal ideology that favours smaller government, free markets, deregulation, and individualism. But when services and infrastructure are publicly owned and operated, they are more efficient, less expensive, of higher quality, and more accountable.

AFB promotes direct public spending targeted to Canadian businesses and Canadian workers, with infrastructure investment managed and coordinated by public service workers across each level of government.

The Harper government recently indicated that it has reviewed \$13.6 billion in program spending for 2007, \$25 billion in 2008, and 60% more of departmental spending in 2009–10. Their view of what is essential is likely to limit the capacity of federal departments and agencies to carry out their work. The AFB will undertake a transparent and comprehensive Program Review process.

Specifically, the AFB will:

- turn the federal P3 office into a Public Assets office that will work directly with other levels of government to invest in public infrastructure and eliminate the Federal P3 fund;
- 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;

- review Canada's regulatory regime and ensure that it protects the interests of Canadians and that resources are in place to ensure pro-active and precautionary monitoring and enforcement by public officials;
- strengthen or re-establish social support, cultural and scientific programs that have been eliminated or weakened as a result of ideologically based expenditure reviews;
- make sure that the budgetary process is transparent, accountable, and democratic, ensuring that the Auditor-General, the Parliamentary Budget Officer, and the people of Canada understand the relationship between the programs that are wanted and needed and the revenues that the Government receives; and
- implement full-cost-accrual accounting through the federal government estimates and procurement process that will reflect the value of government assets on public books and the long-term costs of leasing properties to show the actual deficit.

Sectoral Development

Some of Canada's most important value-added industries have already been pushed to the brink by the effects of the global crisis. Dramatic actions must be taken to preserve key value-added industries that are in jeopardy because of the global and Canadian recessions. But we can't lose sight of the longer-run challenge of recreating a more balanced, diversified, and value-added economic structure.

- AFB will establish a series of Sector Development Councils with a budget of \$50 million a year, which would pull together the key stakeholders in several targeted sectors to begin strengthening relationships and developing sector-wide development strategies.
- Canada's auto industry requires emergency support to help North American producers survive the effects of the credit crunch. The Alternative Federal Budget supports these initiatives, in return for firm guarantees regarding proportional Canadian investment and production opportunities, and progress by the industry in improving the environmental performance of both its production facilities and its vehicles.

Other initiatives to support the survival and restructuring of the auto industry included in the AFB include:

- Expanding the Automotive Innovation Fund (to \$250 million per year)
- Open negotiations with the U.S. and Mexico on a new North American Auto Pact.
- Provide a time-limited \$3000 "scrappage" incentive to encourage Canadians with older on-the-road gas-guzzlers to purchase a new made-in-North-America vehicle.
- The AFB would implement a \$200 million a year for five years in reforestation and skills training in the forestry sector.
- The AFB would commit \$100 million to cleaning up old mine and tailing sites.
- The AFB would establish the Canadian Development Bank, which would participate in the financing of key new investments by major companies in strategic, targeted industries in Canada.
- A Green Manufacturing Fund worth \$386 million in 2009–10 and \$340 million in the next year. This Fund would provide additional support for commercializing promising green technologies.
- A National Renewable Energy Skills Fund, with a budget of \$80 million in 2009–10 and \$60 million in the following year to provide support for retraining and employment in projects associated with renewable energy.

Seniors and Retirement Security

Canada's public pension system, the OAS and Guaranteed Income Supplement (a sub-program of OAS which targets low-income seniors) offer a basic level of income security for Canada's seniors.

- As the GIS is targeted to low income seniors it makes for an ideal tool to stimulate the economy as the 2009 recession approaches. As part of the AFB, GIS benefits would be increased 15%, worth \$1.2 billion.
- The AFB will also launch an ambitious expansion of the CPP. We support the policy goal of doubling CPP benefits through one (or all) of the following methods:
 - Increasing the yearly maximum pensionable earnings (YMPE) for CPP contributions (currently \$44,900);

- Increasing the replacement rate for CPP retirement pensions from 25% to 50% of the average industrial wage.
- Raising CPP premiums for employers who do not offer workplace pensions;
- The AFB opposes any effort to create a so-called “defined contribution” or “money purchase” tier of the CPP, which could lead to the slow privatization of the CPP itself, with investment risk borne by CPP holders.
- The AFB also proposes an elder care or caregiving drop-out period for CPP benefit calculations. This measure would assist those caring for family members with disabilities or older relatives.

Ensuring Women’s Equality

Women make up the lion’s share of the precarious and part-time work force, where jobs are most likely to be cut in times of recession. Women account for about seven in 10 of all part-time employees and are more likely than men to work part-time due to caregiving responsibilities. Women’s incomes for full-time

employment are lower than those for men. Women tend to be over-represented in the service sector where, in most cases, benefits and severances packages are non-existent. As governments ponder multi-million dollar bailouts for the private sector, many women are unable to make ends meet and are bearing the brunt of this economic crisis.

The AFB will invest \$20 million in developing a federal gender-responsive budgeting strategy to best consider the impacts on women of national budgets.

The AFB will invest \$3 million in a Gender Equality Commissioner to ensure that policies do not discriminate against women.

The AFB will also invest \$50 million to strengthen Status of Women Canada, reopen its regional offices and to support women’s organizations to conduct civil society gender-based analysis on policies to inform government analyses.

The AFB will invest \$20 million in an independent inquiry of a missing and murdered Aboriginal women.

The Alternative Federal Budget will invest \$20 million in a Commission to revisit the current federal/provincial/territorial arrangements regarding Social Assistance and will propose adjustments to current welfare rates.



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