

CANADA'S ECONOMIC ACTION PLAN

YEAR 2

A SIXTH REPORT TO CANADIANS



Government
of Canada

Gouvernement
du Canada

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Chapter 1

Overview





Highlights

- ✓ Canada's Economic Action Plan is a two-year \$62-billion plan to boost confidence and support the economy in response to the deepest global recession since the 1930s.
- ✓ Implementation of the Economic Action Plan is on track and delivering results to Canadians.
- ✓ In its first year of implementation, the Economic Action Plan has delivered over \$33 billion in stimulus to the economy.
- ✓ All of the jobs lost during the recession in Canada have now been recouped, with nearly 430,000 jobs created since July 2009.
- ✓ On average, the Economic Action Plan is estimated to have boosted Canada's gross domestic product (GDP) growth by 1.5 percentage points per quarter since the second quarter of 2009.
- ✓ In 2010–11, the Action Plan is on track to deliver a further \$22 billion in federal stimulus spending, complemented by \$7 billion in stimulus funding from provinces, territories, municipalities and other partners.
- ✓ Funding for the Action Plan in 2010–11 is 98 per cent committed.
- ✓ Canadians are benefiting from permanent tax relief. As well, an estimated 4.6 million Canadian families benefited from the temporary Home Renovation Tax Credit.
- ✓ The Government is providing exceptional support for the unemployed, with total Employment Insurance (EI) payments up by over \$5 billion from 2008–09. Enhancements to EI continue to flow to unemployed Canadians.
- ✓ Economic Action Plan funds have been committed to over 23,000 projects across the country. Of these, close to 22,500, or 97 per cent, have begun or have been completed.
 - The Government has committed all of the funding available under the \$4-billion Infrastructure Stimulus Fund towards approximately 4,000 projects across the country. About 99 per cent of the projects are underway or completed.



- Almost all of the \$500 million made available under the Recreational Infrastructure Canada program has been committed to almost 2,000 projects across the country, over 1,900 of which are already underway or completed.
 - Over 9,000 projects are underway or completed to improve social housing and First Nations housing across the country.
 - Under the Knowledge Infrastructure Program, 56 projects have been completed and work has begun on more than 420 additional projects.
- ✓ The Government is actively managing the Economic Action Plan to ensure effective delivery of stimulus.
 - ✓ The Government is committed to winding down the stimulus as the economy recovers and returning to budgetary balance over the medium term.



Introduction

Canada's Economic Action Plan has helped Canadians through the worst global recession since the 1930s and is now contributing to a solid economic recovery. However, global economic growth remains fragile and, at home, too many Canadians remain out of work. The continued implementation and completion of the Economic Action Plan will help ensure the strength of the recovery in Canada.

We will stay on this course. Completion of the Economic Action Plan is this Government's focus. Today's report indicates 98 per cent of all Economic Action Plan spending for 2010–11 is committed. More than 23,000 projects have been committed to, with close to 22,500 completed or underway.

Our priority remains creating jobs for Canadians and we are delivering. Nearly 430,000 jobs have been created in Canada since July 2009, more than were lost as a result of the global recession.

We will continue with this focus on jobs and growth as we complete implementation of the Economic Action Plan. Once the Plan is fully implemented, we will continue to lower taxes and promote practical, workable and affordable ideas as we follow through on our plan to return Canada's finances back to balance over the medium term.

At their June meeting in Toronto, Group of Twenty (G-20) leaders were in broad agreement on the need to follow through on delivering existing stimulus to strengthen the international recovery.

To sustain recovery, we need to follow through on delivering existing stimulus plans, while working to create the conditions for robust private demand.

— G-20 Declaration, Toronto Summit, June 27, 2010



They also recognized, however, the need to wind down fiscal stimulus going forward, and committed to fiscal plans that will at least halve deficits by 2013 and stabilize or reduce government debt-to-GDP ratios by 2016. Budget 2010 laid out a plan that goes beyond this commitment, bringing Canada’s finances back to balance over the medium term—well before any other Group of Seven (G-7) country. As part of this plan, the Government will follow through on the “exit strategy” built into the Action Plan by allowing temporary stimulus measures to end as the economy recovers.

...advanced economies have committed to fiscal plans that will at least halve deficits by 2013 and stabilize or reduce government debt-to-GDP ratios by 2016.

— G-20 Declaration, Toronto Summit, June 27, 2010

Canada’s Economic Action Plan

The implementation of Canada’s Economic Action Plan continues to be timely and effective. The Action Plan protects Canadian jobs and incomes by delivering a \$62-billion shot in the arm to the economy (Table 1.1). Taxes have been reduced, EI benefits have been extended for the unemployed, thousands of infrastructure projects are underway across the country, significant support has been provided for science and technology, industries and communities, and extraordinary actions have been taken to improve access to financing. The Economic Action Plan is an investment in jobs now and in our future prosperity.

Canada’s Economic Action Plan is “...large, timely, well diversified and structured for maximum effectiveness.”

— International Monetary Fund (IMF),
Canada: 2009 Article IV Consultation, May 2009



The Action Plan is:

- **Reducing the Tax Burden for Canadians:** Providing Canadians with significant, permanent personal income tax relief and Canadian businesses with the lowest overall tax rate on new business investment among the major industrialized economies.
- **Helping the Unemployed:** Providing more resources for EI benefits to support those who have lost their jobs and providing the training required to help Canadians get the additional skills they need for the jobs of tomorrow and to get back to work. This includes providing additional benefits to long-tenured workers. It also includes providing support to Canadian workers participating in work-sharing arrangements and to the self-employed.
- **Building Infrastructure to Create Jobs:** Providing new infrastructure and housing funding to create jobs across Canada and ensure Canada emerges from the economic downturn with a more modern and greener infrastructure, as well as an expanded capacity to provide affordable housing to lower-income Canadians. These projects are benefiting workers and the economy across the country. The Economic Action Plan has also provided additional support to the housing sector through the Home Renovation Tax Credit.
- **Creating the Economy of Tomorrow:** Improving infrastructure at colleges, universities, federal laboratories and research facilities, introducing additional support for graduate students and internships, and supporting research and technology leadership in Canada.



- **Supporting Industries and Communities:** Supporting local economies and protecting jobs in regions, communities and sectors that have been most affected by the economic downturn.
- **Improving Access to Financing and Strengthening Canada’s Financial System:** Ensuring the continued stability of the Canadian financial system and improving access to financing for Canadian households and businesses.

To their credit, even during the crisis, Canadian governments carried through with structural reforms.

— Organisation for Economic Co-operation and Development (OECD),
Economic Survey of Canada 2010, September 13, 2010

Table 1.1

Canada’s Economic Action Plan

	2009–10	2010–11	
	Dollars Spent ¹	Stimulus Value	Total
	(millions of dollars—cash basis)		
Reducing the Tax Burden for Canadians	3,020	3,180	6,200
Helping the Unemployed	3,725	5,353	9,077
Building Infrastructure to Create Jobs	6,802	8,869	15,671
Creating the Economy of Tomorrow	1,550	2,323	3,873
Supporting Industries and Communities	10,979	2,271	13,250
Total federal stimulus measures	26,076	21,995	48,071
Assumed provincial and territorial actions	7,062	6,968	14,029
Total Economic Action Plan stimulus	33,138	28,963	62,100

Note: Totals may not add due to rounding.

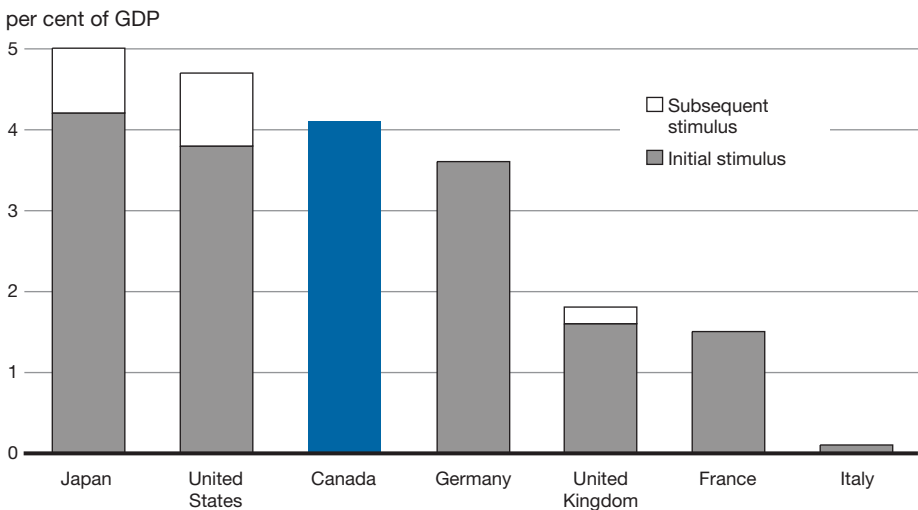
¹ Includes estimated values for tax reduction measures.

Canada had the strongest fiscal position in the G-7 at the onset of the global recession, which allowed it to respond quickly and forcefully to stimulate the economy and support Canadians through the worst of the recession (Chart 1.1). Indeed, the policy response set out in Canada's Economic Action Plan is one of the largest stimulus packages among G-7 countries.

Canada's Economic Action Plan is one of the largest fiscal stimulus plans in the G-7



Chart 1.1
**Fiscal Stimulus Flowing in 2009 and 2010,
G-7 Countries**



Notes: IMF estimates exclude loans, including those to the auto sector, for all countries. Figure for Canada includes provincial/territorial stimulus in addition to that assumed in the Economic Action Plan as estimated by the Department of Finance.

Source: IMF, *Fiscal Monitor*, May 2010.



The Plan Is Working

All of the jobs lost during the recession in Canada have now been recouped, with nearly 430,000 jobs created since July 2009.

Canada's Economic Action Plan Is Supporting the Economic Recovery in Canada

Canada's Economic Action Plan provided a large, timely and targeted response to the global crisis, with stimulus totalling more than \$62 billion over two years. The Action Plan has had a strong positive impact on the Canadian economy both during the recession and over the recovery to date.

The Action Plan, combined with Canada's strong fundamentals, including a sound financial sector and strong corporate, household and government balance sheets, allowed Canada to weather the global recession better than most other industrialized countries. Indeed, the recession in Canada was less pronounced than in any other G-7 economy (Chart 1.2).

Canada is benefiting from its past good policies, in spite of the fact that Canada was severely hit through trade...from south of the border.

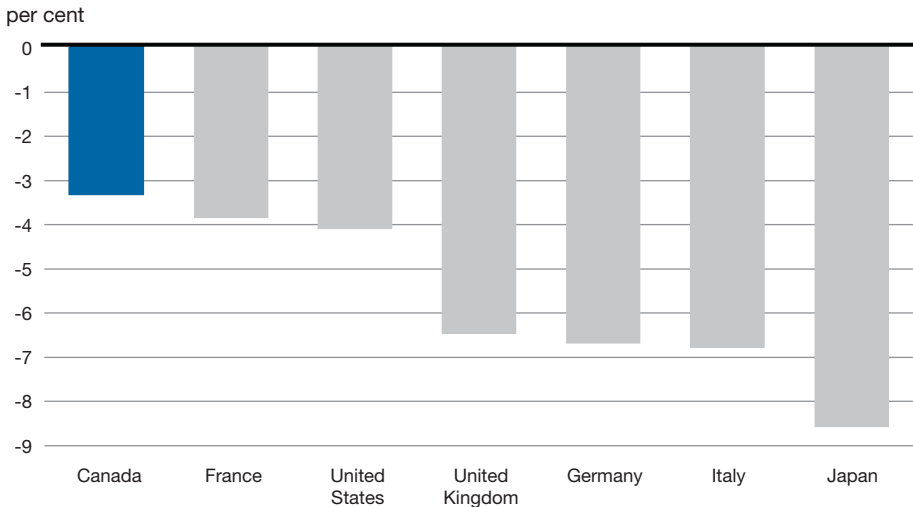
— Pier Carlo Padoan, OECD Chief Economist
April 8, 2010



Canada fared better than all other G-7 countries during the global recession



Chart 1.2
Overall Contraction in Real GDP During the Recession



Note: The overall contraction in GDP is measured by the peak-to-trough decline in real GDP: 2008Q2–2009Q3 for U.K.; 2008Q2–2009Q2 for Italy; 2008Q2–2009Q1 for France, Germany and Japan; 2008Q3–2009Q2 for U.S.; 2008Q1–2009Q2 for Canada.

Sources: Statistics Canada; U.S. Bureau of Economic Analysis; Japan Cabinet Office; U.K. Office for National Statistics; Deutsche Bundesbank; National Institute for Statistics and Economic Studies of France; National Institute for Statistics of Italy.

The Economic Action Plan is supporting a solid economic recovery in Canada, which began in the third quarter of 2009. Following strong growth of 4.9 per cent in the fourth quarter of 2009 and 5.8 per cent in the first quarter of 2010, real GDP increased by 2.0 per cent in the second quarter of 2010 (Chart 1.3).

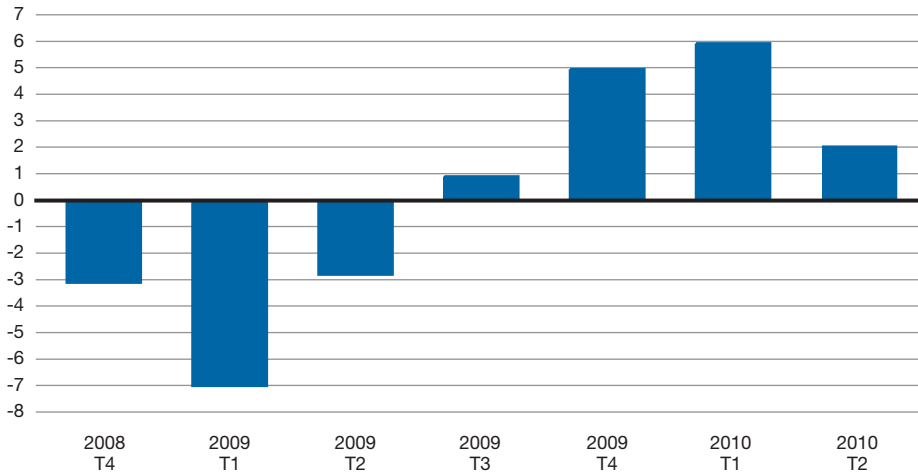


The Economic Action Plan is supporting an economic recovery



Chart 1.3
Real GDP Growth

per cent, period to period at annual rates



Source: Statistics Canada.

The recovery in output has led to a recovery in jobs in Canada. All of the jobs lost during the recession in Canada have now been recouped, with nearly 430,000 jobs created since July 2009, which represents the trough in employment (Chart 1.4). The Economic Action Plan has strongly supported this jobs recovery.

Canada is increasingly on the lips and minds of international investors. Those we've talked to are getting religion on Canada's potential outperformance versus a growing list of advanced economies. Indeed, it's hard to recall a time when the country possessed such relative, if not absolute, strength.

— Warren Lovely, Macro Strategy Group,
CIBC World Markets Inc., July 14, 2010

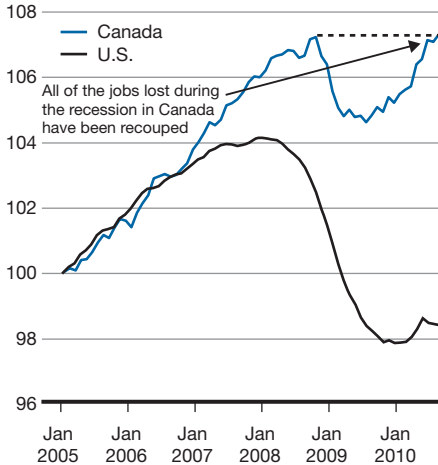


Canada's solid economic recovery has also supported a recovery in the labour market



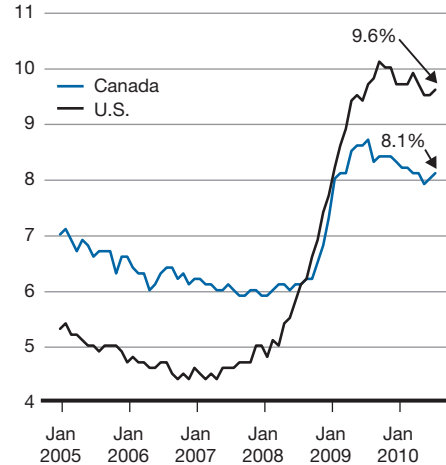
Chart 1.4
Total Employment

index, January 2005 = 100



Unemployment Rate

per cent



Sources: Statistics Canada; U.S. Bureau of Labor Statistics.

As a result of strong job creation, the unemployment rate in Canada fell from a peak of 8.7 per cent in August 2009 to 8.1 per cent in August 2010. This is significantly better than what private sector economists were expecting early in the recession. In early 2009, some private sector economists were forecasting the unemployment rate to peak at as high as 10 per cent.

The labour market recovery in Canada contrasts sharply with labour market developments in the United States, where employment remains well below pre-recession levels. The U.S. unemployment rate is also near a 27-year high and remains above the Canadian unemployment rate—a phenomenon not seen in nearly three decades.

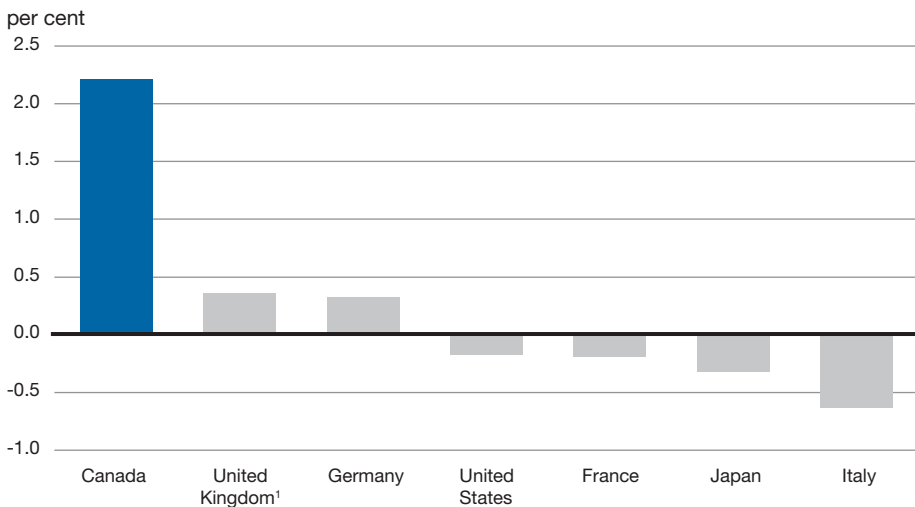


Canada's labour market has also performed better than its G-7 peers, with Canada being the only G-7 country to have posted significant positive employment growth since June 2009 (Chart 1.5).

The Canadian labour market has been much stronger than in any other G-7 country



Chart 1.5
Change in Total Employment, June 2009 to June 2010



¹ Data for the U.K. is on a quarterly average basis.

Sources: Statistics Canada; U.S. Bureau of Labor Statistics; Japanese Ministry of Health, Labour and Welfare; U.K. Office for National Statistics; Deutsche Bundesbank; National Institute for Statistics and Economic Studies of France; National Institute for Statistics of Italy.



The Government's Policies Are Supporting a Strong Job Market



The Government's strong policies have contributed to significant job growth in Canada. Since January 2006, employment in Canada has increased by close to 950,000, the strongest performance of any G-7 country by far over this period.

- Nearly 430,000 jobs have been created in Canada since July 2009, with the result that all of the jobs lost during the recession have now been fully recouped.

The economic recovery in Canada has been supported by significant increases in government investment in infrastructure, largely reflective of investments provided in the Economic Action Plan. As of the second quarter of 2010, government capital investment was over \$6 billion higher than it would have been had it followed the trend prior to the implementation of the Action Plan (Chart 1.6). This is in sharp contrast to the U.S., where government investment in infrastructure has remained broadly stable over the past two years.

According to the IMF and OECD, Canada is expected to be the fastest-growing economy in the G-7 over 2010 and 2011.

IMF, *World Economic Outlook Update*, July 2010 and
OECD, *Economic Outlook No. 87*, May 2010



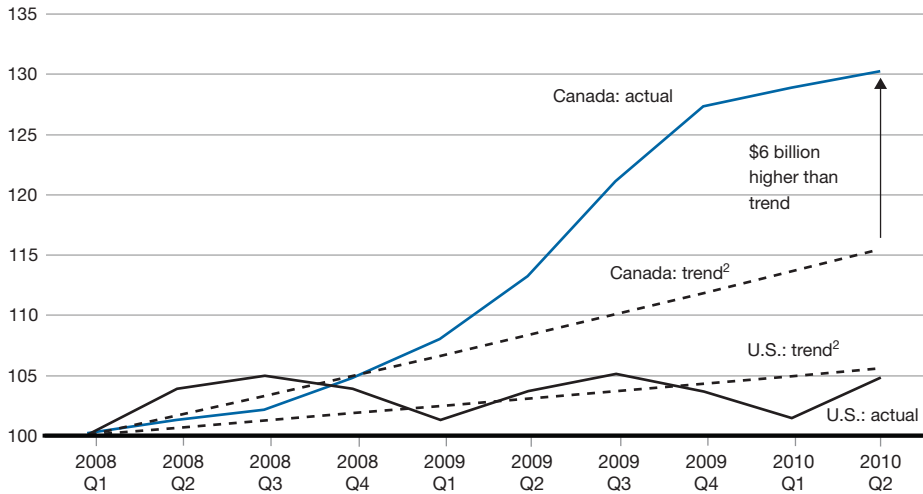
Government investment in infrastructure is supporting the recovery in Canada



Chart 1.6

Real Government Fixed Capital Formation¹

index, 2008Q1 = 100

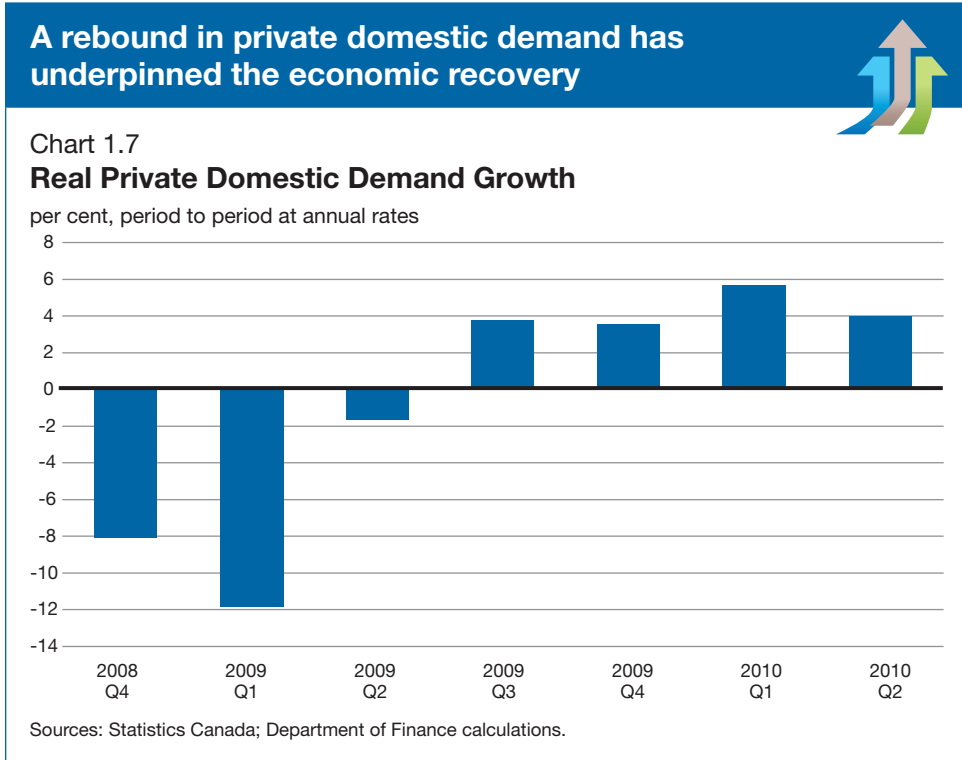


¹ Government fixed capital formation includes government expenditures on construction, engineering, and machinery and equipment.

² The trend extrapolates the level in 2008Q1 to the present using the average growth rate between 2000Q1 and 2008Q4.

Sources: Statistics Canada; U.S. Bureau of Economic Analysis; Department of Finance calculations.

The Economic Action Plan also helped individuals through the worst of the recession by providing tax relief and support for the unemployed. These measures also had a positive impact on consumer and business confidence and contributed to the rebound in private domestic demand—the sum of consumer and business expenditures—which has underpinned the economic recovery (Chart 1.7).



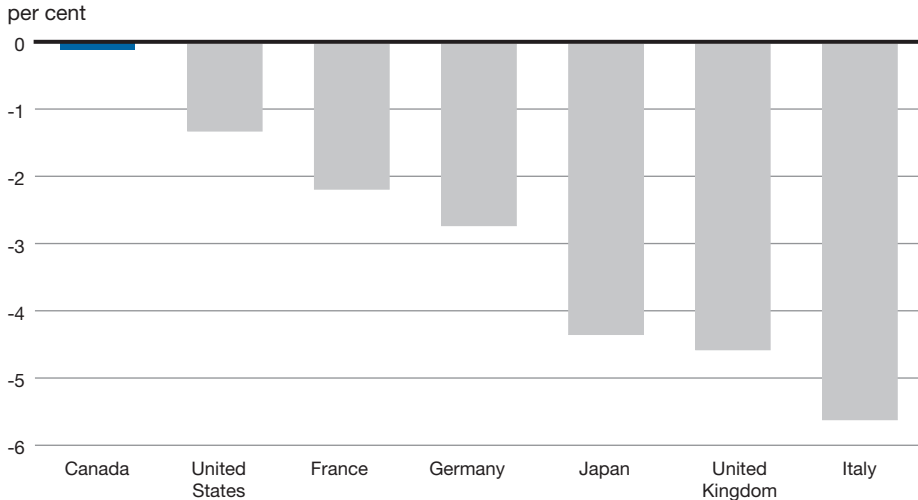
As a result of Canada's solid economic performance over the recovery to date, economic output has now virtually returned to pre-recession levels. Canada is the only G-7 country to have virtually recouped the output lost since the start of the recession (Chart 1.8). Canada is also the only G-7 country to have nearly recouped private domestic activity lost since the start of the recession.



Canada has virtually recovered the output lost during the recession—the best performance in the G-7



Chart 1.8
Change in Real GDP Since Pre-Recession Peak



Sources: Statistics Canada; U.S. Bureau of Economic Analysis; Japan Cabinet Office; U.K. Office for National Statistics; Deutsche Bundesbank; National Institute for Statistics and Economic Studies of France; National Institute for Statistics of Italy.

Canada’s Strong Fiscal Position

Canada was able to respond quickly and forcefully to the recession with a large and comprehensive package of stimulus measures, without putting at risk the country’s long-term fiscal position. Canada’s fiscal position continues to be recognized as one of the strongest in the world.

Canada entered the global crisis in good shape, and thus the exit strategy appears less challenging than elsewhere.

— IMF, *World Economic Outlook*, April 2010

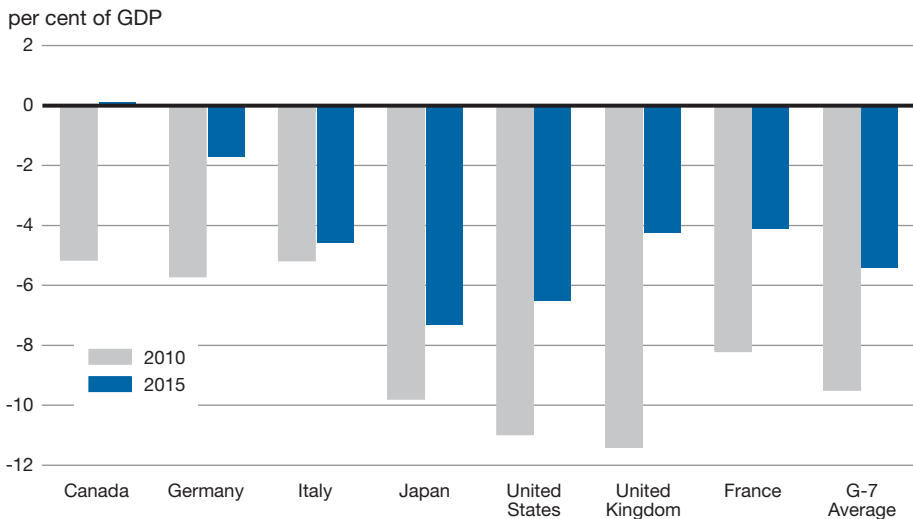


The IMF expects Canada's total government deficit this year to be about half of the average for G-7 countries. Going forward, the IMF expects Canada to be the only G-7 country to return to fiscal balance by 2015. By comparison, it projects that other G-7 countries will record deficits in that year averaging 5.4 per cent of GDP, with deficits ranging from 1.7 per cent of GDP in Germany to 7.3 per cent of GDP in Japan (Chart 1.9).

The IMF expects Canada to be the first G-7 country to return to budget balance



Chart 1.9
Total Government¹ Fiscal Balance, G-7 Countries



¹ Total government comprises the central, state and local levels of government, as well as social security funds. In Canada, total government includes the federal, provincial/territorial and local government sectors, as well as the Canada Pension Plan and Québec Pension Plan.

Source: IMF, *Fiscal Monitor*, May 2010.

Responsible fiscal management in the years prior to the recession resulted in significant reductions in Canada's net debt levels in the years leading up to the crisis. Canada's total government net debt-to-GDP ratio fell from 70.3 per cent in 1995 to a low of 22.6 per cent in 2008, the year of the onset of the economic crisis.



The IMF expects Canada to put its net debt burden back on a downward path by 2013—sooner than any other G-7 country. Indeed, Canada’s total government net debt-to-GDP ratio is projected by the IMF to decline to 30.4 per cent by 2015, by far the lowest among G-7 countries (Chart 1.10).

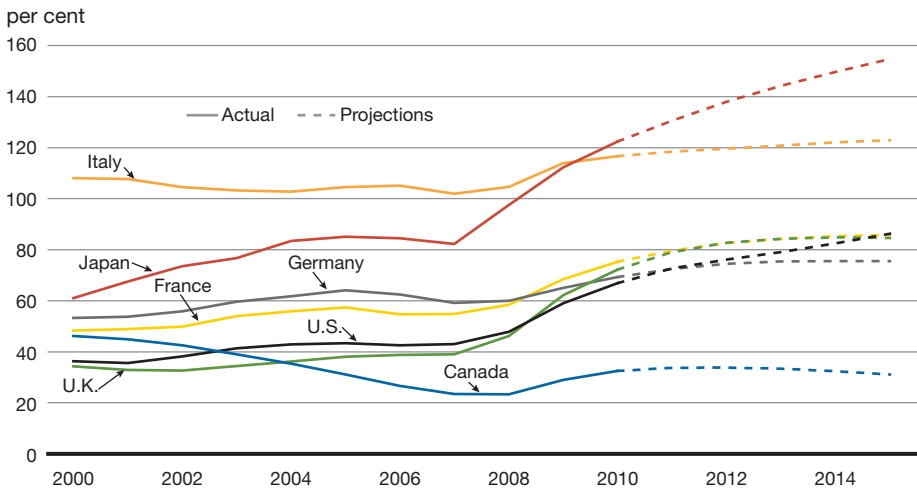
By comparison, the IMF projects that Germany will have the second lowest net debt-to-GDP ratio in the G-7, at around 75 per cent in 2015, more than double that of Canada’s, while that of France, the United Kingdom and the United States are projected to hover around 85 per cent. Japan and Italy are expected to have net debt-to-GDP ratios well above 100 per cent by 2015.

On average, the IMF projects G-7 countries’ net debt-to GDP ratio to reach 93.7 per cent by 2015, twice its 2000 level and nearly three times Canada’s projected level that year.

Going forward, Canada’s relative fiscal position remains the strongest among G-7 countries



Chart 1.10
Total Government Net Debt¹-to-GDP Ratios



¹ Total government net debt is total liabilities net of financial assets of the central, state and local levels of government, as well as those in social security funds. In Canada, total government includes the federal, provincial/territorial and local government sectors, as well as the Canada Pension Plan and Québec Pension Plan. For international comparability, adjustments are made to unfunded public pension liabilities.

Source: IMF, *World Economic Outlook*, April 2010.



Timely Implementation

Canada's Economic Action Plan provides \$62 billion over two years to help protect and create jobs and invest in future prosperity.

In its first year of implementation, over \$26 billion of Action Plan support has been released into the economy in the form of federal stimulus spending or tax reductions. When combined with a further \$7 billion in stimulus from provinces, territories, municipalities and other partners, a total of over \$33 billion has been provided to Canadians as a result of the Economic Action Plan.

Stimulus Provided Is Larger Than Dollars Spent

The Sixth Report to Canadians on Canada's Economic Action Plan implementation includes information on stimulus provided in 2009–10 based on actual dollars spent. However, this approach generally underestimates stimulus flows for infrastructure-related projects, as funds paid out to provinces, territories, municipalities and third parties generally do not reflect the full stimulus achieved.

In particular, amounts paid tend to lag the economic impact of fiscal stimulus since payments are typically made when claims are received. Federal payments flow to recipients (such as provinces, territories and municipalities) only once defined portions of projects are completed and claims are submitted. Upon receiving complete claims, the Government of Canada pays within 30 days. In many cases, entire projects may be finished before a claim is submitted. This results in the amount of funding provided at any given time significantly lagging actual work done and stimulus provided.

In the estimate of the job impact of the Economic Action Plan to date (see annex), this issue has been addressed by using an alternative measure of stimulus flowing into the economy, where available: individual infrastructure project start and end dates have been used to estimate funds flowing, under the assumption of a linear flow of economic stimulus from project start to end. This information is available for approximately three-quarters of project-based infrastructure spending.

In addition, provincial/territorial/municipal leverage assumed in the Economic Action Plan is generally lower than the leverage reported by our partners.



Incorporating both of these adjustments increases the estimated global value of the 2009–10 stimulus by \$2.1 billion, from \$33.1 billion to \$35.2 billion, inclusive of provincial/territorial leverage.

Projects Underway or Completed for Which No Claims Have Been Received



Provinces, territories and municipalities typically receive invoices from the contractor(s) carrying out the work at periodic intervals or, in some cases, only when the project is complete. These governments then submit claims for costs incurred to the Government of Canada. As a result, there is a natural lag between the time when the work is being undertaken, to when a province/territory/municipality is billed for the work, to when they conduct their due diligence review of costs, to when a claim is actually submitted to the Government of Canada for reimbursement. This is a normal situation for infrastructure projects involving multiple partners.

Based on reports from recipients, there are more than 1,600 projects under the \$4-billion Infrastructure Stimulus Fund and over 130 projects under the \$500-million top-up to the Communities Component of the Building Canada Fund that are underway or completed, but for which no claims have yet been submitted.

The implementation of the Economic Action Plan is on track. 98 per cent of the 2010–11 funding for the Action Plan is committed and will be spent in this fiscal year—an estimated \$22 billion in federal stimulus for the Canadian economy.

The support to the economy has been timely and has helped to protect jobs during the global economic recession. The Government will continue to monitor the roll-out of the Action Plan to ensure that remaining stimulus is supporting the recovery as planned.



Table 1.2

Progress in Implementing the Economic Action Plan

	2009–10	2010–11	
	Dollars Spent ¹	Stimulus Value	Stimulus Committed
	(billions of dollars—cash basis)		
Reducing the Tax Burden for Canadians	3.0	3.2	3.2
Helping the Unemployed	3.7	5.4	5.4
Building Infrastructure to Create Jobs	6.8	8.9	8.8
Creating the Economy of Tomorrow	1.5	2.3	2.2
Supporting Industries and Communities	11.0	2.3	2.0
Total—federal support	26.1	22.0	21.6
Assumed provincial and territorial actions	7.1	7.0	7.0
Total Economic Action Plan stimulus	33.1	29.0	28.6

Note: Totals may not add due to rounding.
¹ Includes estimated values for tax reduction measures.

Implementation Is on Track, With 97 Per Cent of Committed Projects Underway or Completed

Over the past 17 months, a great deal has been achieved. Elements of the Economic Action Plan that are directly controlled by the federal government are fully in place. For example:

- The Government delivered over \$3.7 billion in additional support for the unemployed in 2009–10 and is providing a further \$5.4 billion in 2010–11.
- Canadian businesses and over 260,000 Canadians have benefited from enhanced work-sharing arrangements, preserving jobs that might have otherwise been lost.
- Canadians are benefiting from significant new personal income tax reductions that have provided relief, particularly for low- and middle-income Canadians.
- The enhancement to the Working Income Tax Benefit (WITB) is fully implemented. Canadians were able to benefit from this enhancement when they filed their 2009 income tax returns. WITB recipients will continue to benefit from the enhancement in 2010 and future years when they file their income tax returns.
- An estimated 4.6 million Canadian families benefited from the Home Renovation Tax Credit, which ended as scheduled on January 31, 2010.
- Most federal infrastructure projects are well underway, with a significant number of projects completed.



The Government has also secured agreements over the past 17 months to enable provinces, territories, municipalities and private sector partners to implement measures for 2009–10 and 2010–11 that are a shared responsibility. Provincial and territorial governments are delivering:

- Enhanced training programs.
- Significant infrastructure and social housing spending.

Economic Action Plan funds have been committed to over 23,000 projects across the country, of which 97 per cent have begun or have been completed. Projects underway or completed include:

- Over 7,700 provincial, territorial and municipal infrastructure projects, including about 4,000 Infrastructure Stimulus Fund projects, over 1,900 Recreational Infrastructure Canada projects and about 1,200 accelerated Building Canada projects.
- Almost 1,900 projects to renovate and repair federal buildings.
- Over 300 projects to enhance the accessibility of Crown-owned buildings for persons with disabilities.
- More than 475 projects to improve infrastructure at colleges and universities across the country.
- Over 215 projects to modernize federal laboratories.
- Over 9,000 social housing and First Nations housing projects.
- 270 projects to improve small craft harbours.
- Close to 1,600 projects to assist communities hardest hit by the recession through the Community Adjustment Fund.
- 119 cultural infrastructure projects.
- Over 200 projects to upgrade facilities at National Parks and National Historic Sites.
- 88 First Nations infrastructure projects.

Managing the Plan

Implementation is on track. The Government is actively managing the Economic Action Plan to maximize benefits for Canadians and to ensure that the Plan is having an impact now and in areas where it is needed most.

The Government will continue to work with provincial, territorial and municipal partners to ensure that stimulus funds are effectively delivered.



Winding Down the Plan

In the short term, the Government is focused on finishing the job of implementing the Economic Action Plan. The Government will also continue to monitor economic developments closely and will take action as necessary to protect the recovery. However, it is also important that the stimulus wind down as the recovery becomes more secure, in order to ensure that the federal government's fiscal position is sustainable and that the budget is returned to balance over the medium term.

So while the global outlook remains murky and Canada still faces real challenges, I believe there is good reason for confidence about our country's prospects. We need to avoid complacency, especially in ensuring that our governments drive down recessionary deficits as quickly as possible once the recovery takes hold. But in both the public and private sector, we are on the right track, and should become increasingly attractive to both people and capital across a broad range of industries in services and manufacturing as well as resources.

— John Manley, President and Chief Executive Officer,
Canadian Council of Chief Executives, at the
Euromoney Canada Forum 2010, Toronto, April 22, 2010

Budget 2010 outlined a three-point plan to return the federal budget to balance over the medium term:

- First, the Government will follow through on the “exit strategy” that is built into the Economic Action Plan by ensuring that the temporary measures end as the economy recovers.
- Second, the Government announced targeted measures to limit the growth in direct program spending. These savings will build over the medium term as the recovery becomes more secure.
- Third, the Government is undertaking a comprehensive review of government administrative functions and overhead costs in order to identify opportunities for additional savings and improve service delivery. It will also continue with and augment a number of review processes already underway.

The Government's three-point plan will allow the deficit to fall sharply over the medium term. As a result of the expiration of the Economic Action Plan and measures in Budget 2010, the deficit is projected to decline by almost half from \$53.8 billion in 2009–10 to \$27.6 billion in 2011–12, and by two-thirds to \$17.5 billion in 2012–13. By 2014–15, the deficit is projected to be \$1.8 billion (Chart 1.11).

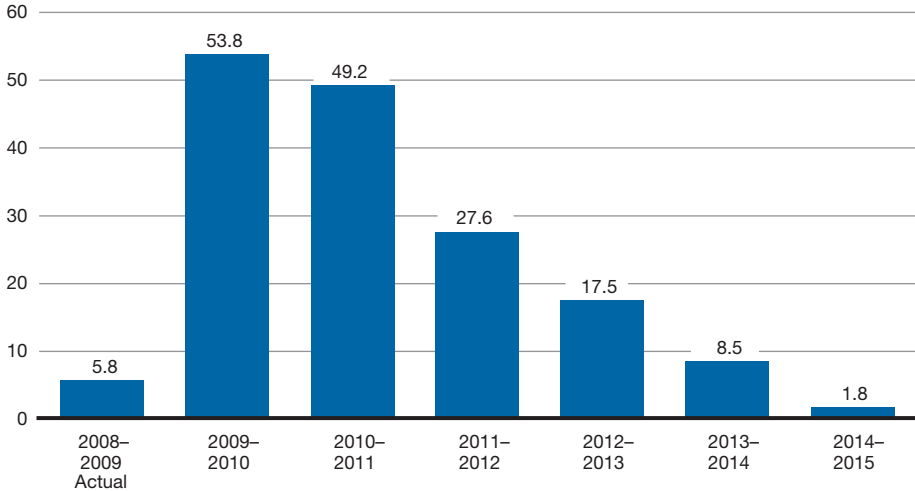


The Government's three-point plan will lead to a sharp decline in deficits and a return to balanced budgets over the medium term



Chart 1.11
Projected Federal Budgetary Deficit

billions of dollars



Source: Department of Finance, Budget 2010, Leading the Way on Jobs and Growth.

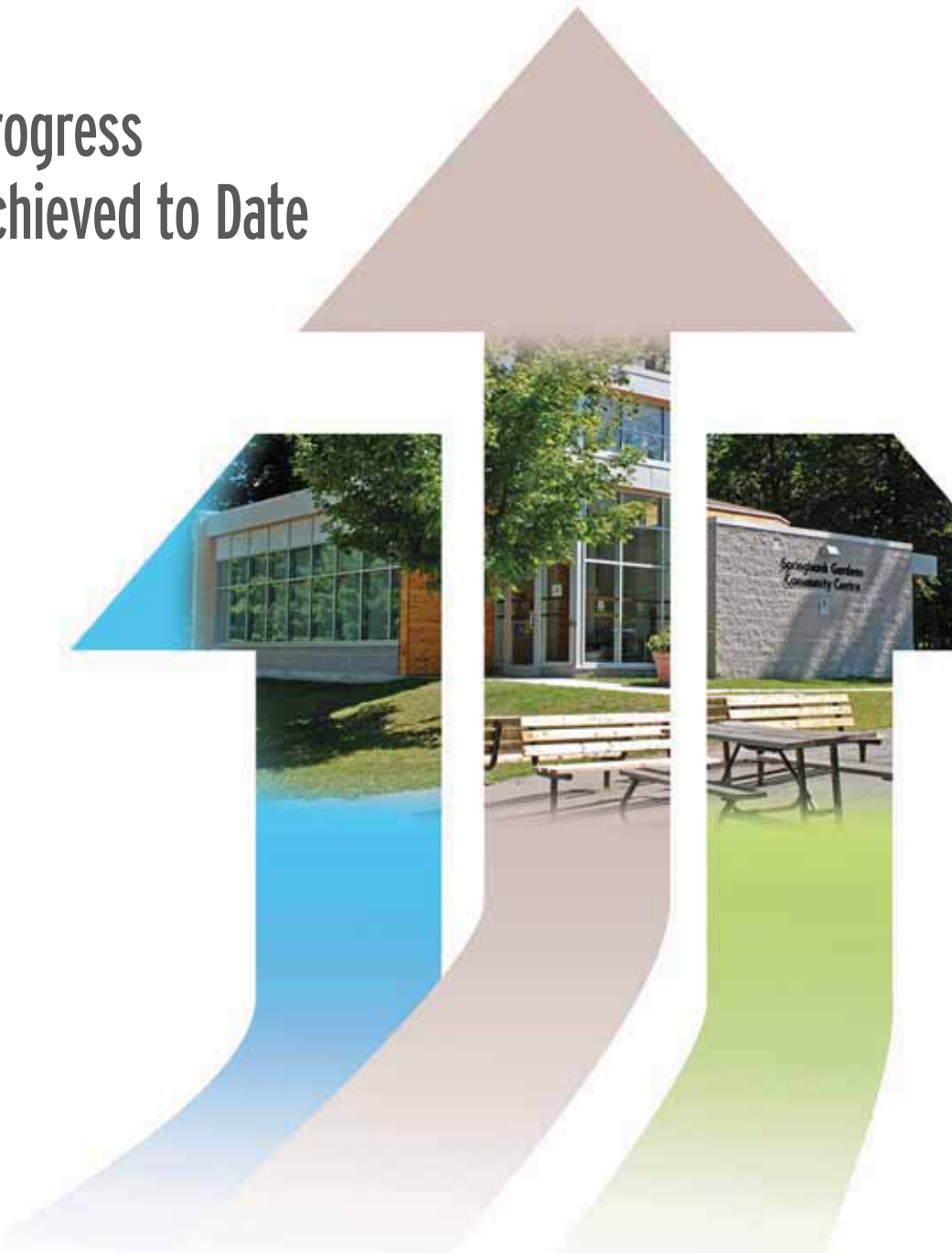
This approach underscores the Government's fundamental belief that the private sector is the engine of growth and wealth creation. The role of government is to provide the infrastructure, programs and services for a prosperous economy and society at levels of taxation that are competitive and sustainable for the long term.

The following chapter provides a detailed review of progress achieved in each of the six areas of the Economic Action Plan.

Canadians are invited to monitor the progress of the Economic Action Plan on the Government's website, www.actionplan.gc.ca.

Chapter 2

Progress
Achieved to Date





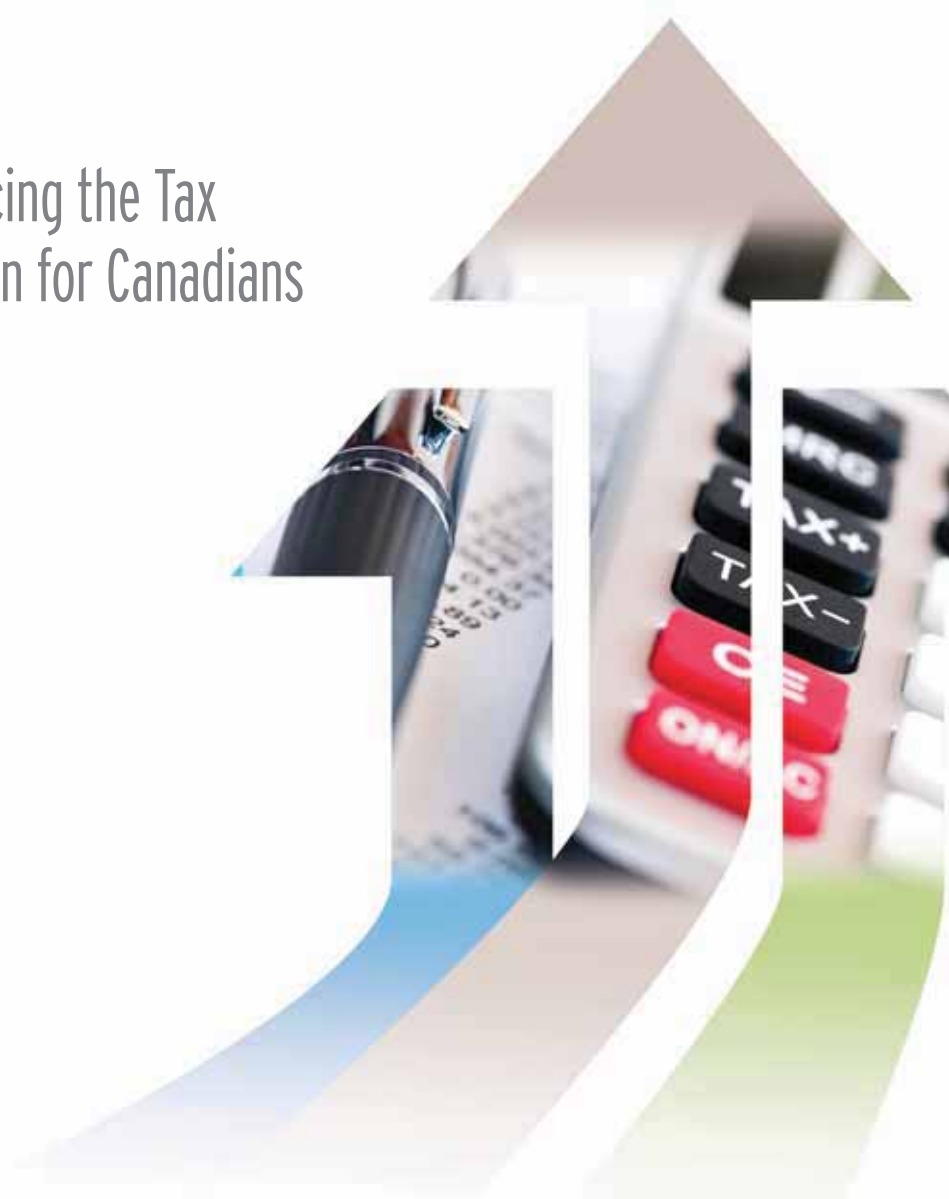
Introduction

This chapter reports in detail on progress achieved since the Fifth Report to Canadians in implementing individual measures contained in Canada's Economic Action Plan. It is divided into six sections that reflect actions taken in the Plan:

- Reducing the Tax Burden for Canadians
- Helping the Unemployed
- Building Infrastructure to Create Jobs
- Creating the Economy of Tomorrow
- Supporting Industries and Communities
- Improving Access to Financing and Strengthening Canada's Financial System

Canadians can follow progress on the implementation of the Economic Action Plan on the Government's website, www.actionplan.gc.ca.

Reducing the Tax Burden for Canadians





Reducing the Tax Burden for Canadians

The tax reductions in Canada’s Economic Action Plan are an essential part of the Government’s effort to stimulate the economy and to create or maintain jobs. Lower taxes help ease the financial pressure on individuals, families and businesses and help build a solid foundation for future economic growth. Lower taxes also stimulate individual spending, which helps to protect and create jobs. The tax reductions in the Action Plan build on previous reductions and reinforce the Government’s ambitious agenda of tax relief aimed at creating a tax system that improves standards of living and fuels job creation and investment in Canada.

The Government took early significant action in the October 2007 Economic Statement, anticipating the prospect of a weaker global economy. It put in place broad-based permanent tax reductions that are sustainable for the future. These reductions have positioned Canada better than most countries to withstand the effects of today’s global economic challenges.

Actions taken by the Government since 2006, including those in the Economic Action Plan, will reduce taxes on individuals, families and businesses by an estimated \$220 billion over 2008–09 and the following five fiscal years. Tax relief for Canadian families and individuals (not including housing-related tax relief) provided under the Economic Action Plan from 2008–09 to 2010–11 totals \$6.9 billion (Table 2.1.1).

Table 2.1.1

Reducing the Tax Burden for Canadians

	2008–09	2009–10	2010–11	Total
	(millions of dollars)			
Personal income tax relief for all taxpayers	470	1,885	1,950	4,305
Increases to the National Child Benefit supplement and Canada Child Tax Benefit		230	310	540
Enhancing the Working Income Tax Benefit	145	580	580	1,305
Targeted relief for seniors	80	325	340	745
Total—Reducing the Tax Burden for Canadians	695	3,020	3,180	6,895

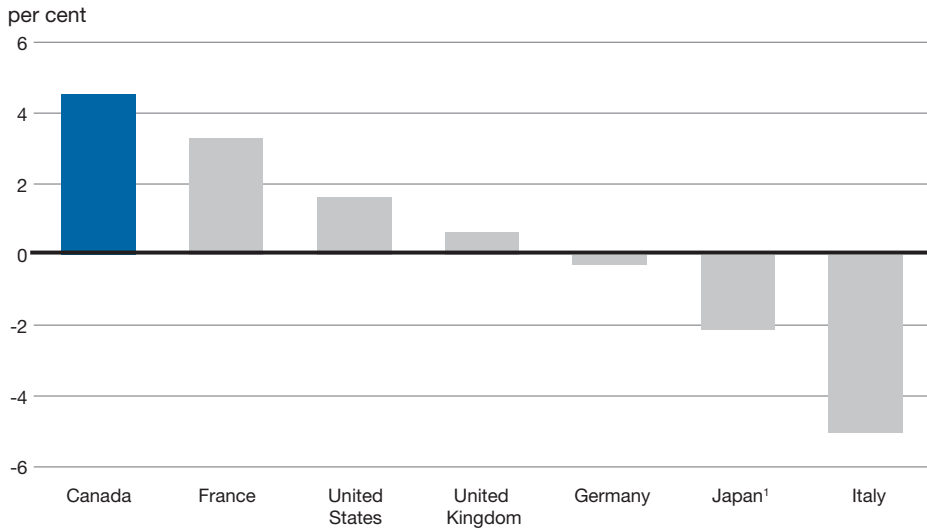
Note: Totals may not add due to rounding. The Canada Child Tax Benefit and the National Child Benefit supplement are considered expenditures for budgetary purposes and thus should not be included in calculations of total tax relief.



As a result of tax reductions and strong economic growth, Canadian incomes have grown faster than in any other G-7 country



Chart 2.1.1
Growth in Real Per Capita Personal Disposable Income from 2006 to 2009



Note: This chart shows gross personal disposable income.

¹ Data for Japan is from 2006 to 2008.

Sources: Statistics Canada; National Institute for Statistics and Economic Studies of France; Japan Cabinet Office; Japan Ministry of Internal Affairs and Communications; Deutsche Bundesbank; Federal Statistical Office of Germany; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.K. Office for National Statistics; Eurostat; National Institute for Statistics of Italy; Department of Finance calculations.

Tax Relief for Individuals and Families

The Economic Action Plan introduced significant new personal income tax reductions that have provided relief, particularly for low- and middle-income Canadians, as well as measures to help Canadians purchase and improve their homes. For example:

- The amount of income that Canadians can earn before paying federal income tax was further increased, and the top of the two lowest income tax brackets was increased so that Canadians can earn more income before being subject to higher tax rates.



- The Working Income Tax Benefit, introduced in Budget 2007, has been effectively doubled. This enhancement lowers the “welfare wall” by further strengthening work incentives for low-income Canadians already in the workforce and encouraging other low-income Canadians to enter the workforce. Canadians have been able to receive enhanced benefits since filing their 2009 income tax returns.
- The level at which the National Child Benefit supplement for low-income families is fully phased out and the level at which the Canada Child Tax Benefit begins to be phased out have been raised, providing a benefit of up to \$438 in 2010 for a family with two children. Additional monthly benefits under these programs began to be paid to families with children in July 2009.
- The Age Credit amount was increased by \$1,000 in 2009 to provide tax relief to low- and middle-income seniors. With indexation, this means additional tax savings of up to \$151 for low-income seniors in 2010.
- To assist first-time home buyers, Canada’s Economic Action Plan provided a tax credit of up to \$750 as well as additional access to their Registered Retirement Savings Plan savings to purchase or build a home.
- An estimated 4.6 million Canadian families benefited from up to \$1,350 in tax relief from the temporary Home Renovation Tax Credit on eligible renovation projects. Canadians were able to claim the credit when they filed their 2009 income tax returns.

Tax relief for individuals and families announced in Canada’s Economic Action Plan is now fully implemented, and Canadians are realizing its benefits.

Actions the Government has taken since 2006 are providing important stimulus to the economy and creating jobs, with almost \$160 billion in tax relief for individuals and families over 2008–09 and the following five fiscal years. Key actions include:

- All Canadians—even those who do not earn enough to pay personal income tax—are benefiting from the 2-percentage-point reduction in the Goods and Services Tax (GST) rate. Maintaining the GST Credit level while reducing the GST rate by 2 percentage points translates into more than \$1.1 billion in GST Credit benefits annually for low- and modest-income Canadians, making purchases more affordable for these Canadians.
- All taxpayers are benefiting from the reduction in the lowest personal income tax rate to 15 per cent from 16 per cent.



- The Tax-Free Savings Account, introduced in Budget 2008, is improving incentives to save through a flexible, registered general-purpose account that allows Canadians to earn tax-free investment income.
- The Government has also introduced relief measures targeted to help families, students, seniors and pensioners, workers, persons with disabilities, and communities.

Canada's Economic Action Plan Tax Relief for Canadians

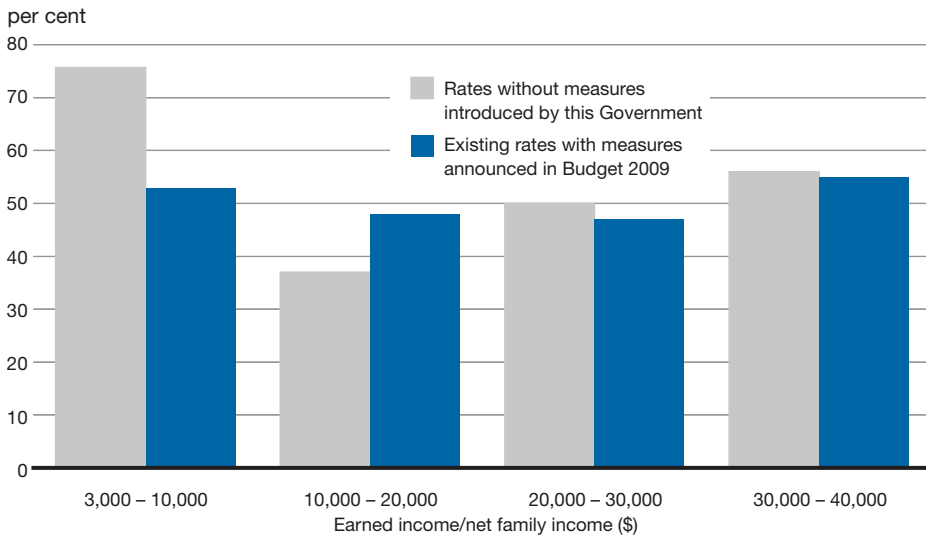


Measures introduced since 2006, including the Working Income Tax Benefit (WITB), have lowered the welfare wall, so that low-income individuals may keep more of their earnings. In 2010, if the WITB had not been introduced, a typical low-income single parent would have only kept 25 cents of each dollar earned between \$3,000 and \$10,000, due to reduced benefits from federal and provincial income-tested programs and taxes. As a result of the enhanced WITB, the same family will keep about 45 cents of each dollar earned.

Chart 2.1.2

Average Effective Marginal Tax Rates

(per \$10,000 in additional income—2010)



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



Tax Relief for Canadian Businesses

A competitive business tax system is essential for creating an environment that encourages new investment, growth and job creation in Canada. The Economic Action Plan builds on corporate income tax reductions to help position Canadian businesses to weather the effects of the current global economic challenges, maintain and create jobs, and emerge from the economic downturn even stronger. Economic Action Plan measures include:

- To help businesses adopt newer technology at a faster pace, a temporary 100-per-cent capital cost allowance (CCA) rate was introduced for computers acquired after January 27, 2009 and before February 1, 2011.
- To help businesses in manufacturing and processing industries restructure and retool to position themselves for long-term success, the temporary 50-per-cent straight-line accelerated CCA rate for investments in manufacturing or processing machinery and equipment was extended to include investments undertaken in 2010 and 2011. Manufacturers and processors were already benefiting from this measure, which was first introduced in Budget 2007 and extended in Budget 2008.
- To support small businesses, the amount of small business income eligible for the reduced federal income tax rate was further increased to \$500,000 effective January 1, 2009, following a previous increase to \$400,000 from \$300,000 as of January 1, 2007.
- To support mineral exploration activity across Canada, the temporary Mineral Exploration Tax Credit was extended to March 31, 2010.

All of the business tax measures in the Economic Action Plan have been fully implemented.

The Government has introduced significant tax relief for Canadian businesses since 2006, including measures in the Economic Action Plan, that total more than \$60 billion over 2008–09 and the following five fiscal years.

Key actions include:

- Substantial, broad-based tax reductions that are lowering the federal general corporate income tax rate from 22.12 per cent (including the corporate surtax) in 2007 to 15 per cent in 2012. These tax reductions include the elimination of the corporate surtax in 2008 for all corporations and the reduction in the federal general corporate income tax rate to 18 per cent as of January 1, 2010 and 16.5 per cent as of January 1, 2011.



The economic cost of giving up the three-point reduction in the federal corporate income tax rate planned by 2013 would be a long-run loss of \$47 billion in capital investment and 233,000 jobs.

— Duanjie Chen and Jack Mintz report
“Canada’s Tax Competitiveness After a Decade of Reforms: Still an Unfinished Plan,” May 2010

- A reduction of the federal income tax rate applying to qualifying small business income to 11 per cent in 2008.
- Alignment of CCA rates for a number of assets to better reflect their useful life—this both reduces the tax burden on investment and ensures neutral tax treatment of different capital assets, encouraging investment to flow to its most productive uses.
- Elimination in 2006 of the federal capital tax, a particularly damaging tax for business investment, and the introduction in 2007 of a temporary financial incentive to encourage provinces to eliminate their general capital taxes and to eliminate or replace their capital taxes on financial institutions with a minimum tax. All provincial general capital taxes will be eliminated by 2012.

Early actions taken by the Government as well as measures included in Canada’s Economic Action Plan are positioning Canadian businesses to emerge stronger and better equipped to compete globally as the economy recovers. An innovative and growth-oriented small business sector can play an important role in this recovery. Recognizing this, the federal government is helping small businesses introduce and invest in their innovations.



Supporting Small Businesses



The tax system provides considerable support to small businesses through lower corporate income tax rates, incentives for investors, enriched financial support for research and development (R&D), and simplified compliance.

Since 2006, the Government has introduced a large number of tax measures to support investment, innovation and growth by small businesses, including:

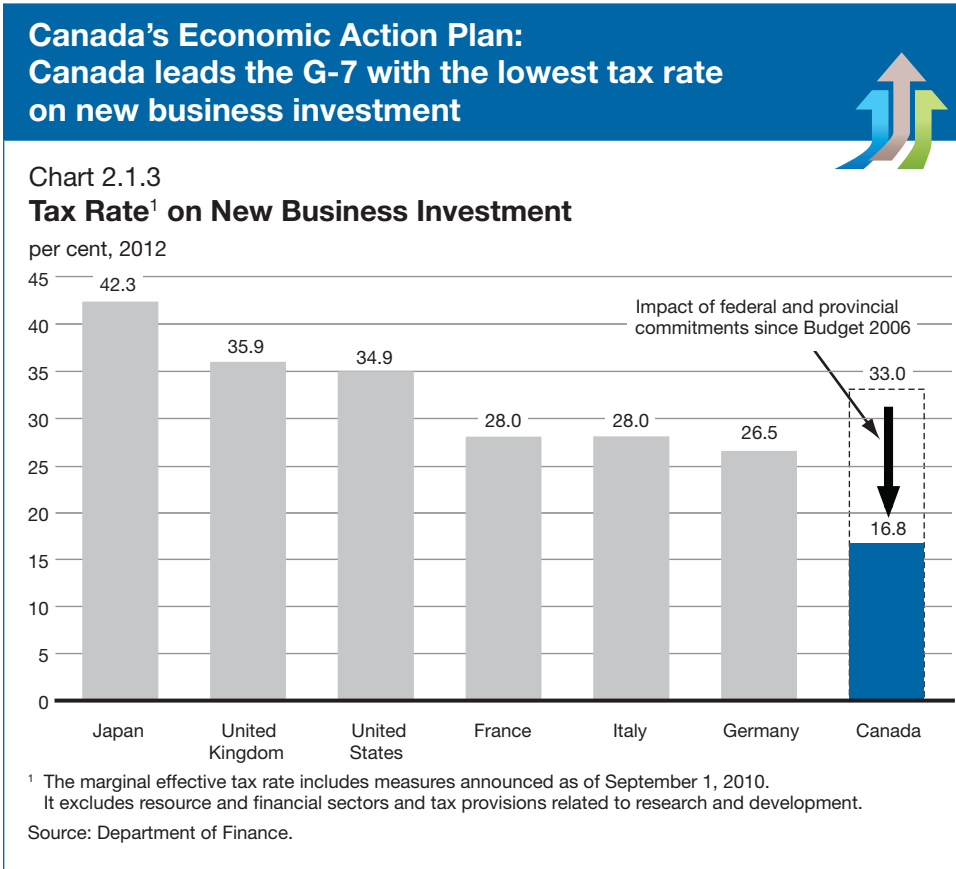
- To help small businesses retain more of their earnings for investment, expansion and job creation, the lower small business tax rate was reduced to 11 per cent from 12 per cent in 2008. The amount of income eligible for this lower rate was increased from \$300,000 to \$400,000 in 2007, and then to \$500,000 in 2009.
- To spur investment in small businesses, Budget 2007 increased the Lifetime Capital Gains Exemption on qualified small business shares to \$750,000 from \$500,000, the first increase in the exemption since 1988.
- Support for R&D through the Scientific Research and Experimental Development Tax Incentive Program was enhanced in Budget 2008. The amount of expenditures eligible for the higher, refundable tax credit was increased to \$3 million and eligibility was extended to medium-sized companies by increasing the taxable capital and income limits.
- To allow small business owners more time to devote to growing their firms, the Government fulfilled its Budget 2007 commitment to reduce the paperwork burden on Canadian businesses by 20 per cent.

Budget 2010 included several measures that help Canadian small and medium-sized companies grow their businesses, including:

- Elimination of tax reporting under section 116 of the *Income Tax Act* for investments such as those by non-resident venture capital funds in a typical Canadian high-technology firm.
- A new Red Tape Reduction Commission to review federal regulations and reduce the cost of compliance for small businesses.
- A new private sector Advisory Committee on Small Business and Entrepreneurship to provide advice on how to further improve business access to federal programs and information.
- A new Small and Medium-sized Enterprise Innovation Commercialization Program, which will provide \$40 million to help federal departments demonstrate new products developed by small and medium-sized companies.



As a result of federal and provincial business tax changes, Canada has an overall tax rate on new business investment¹ that is substantially lower than any other Group of Seven (G-7) country (Chart 2.1.3).



These tax changes have reduced the cost of capital and increased the expected rate of return on investment, and will therefore encourage firms to invest more. For example, a recent Department of Finance study examined the impact of federal corporate income tax rate reductions and found a strong relationship between taxation and investment.² This finding

¹ The marginal effective tax rate (METR) on new business investment takes into account federal, provincial and territorial statutory corporate income tax rates, deductions and credits available in the corporate tax system and other taxes paid by corporations, including provincial capital taxes and retail sales taxes on business inputs. The methodology for calculating METRs is described in the 2005 edition of *Tax Expenditures and Evaluations* (Department of Finance).

² Department of Finance, "Corporate Income Taxes and Investment: Evidence From the 2001–2004 Rate Reductions." *Tax Expenditures and Evaluations* (2007), pp. 41-56.



is consistent with a number of other studies that have examined the impact of taxes on investment.

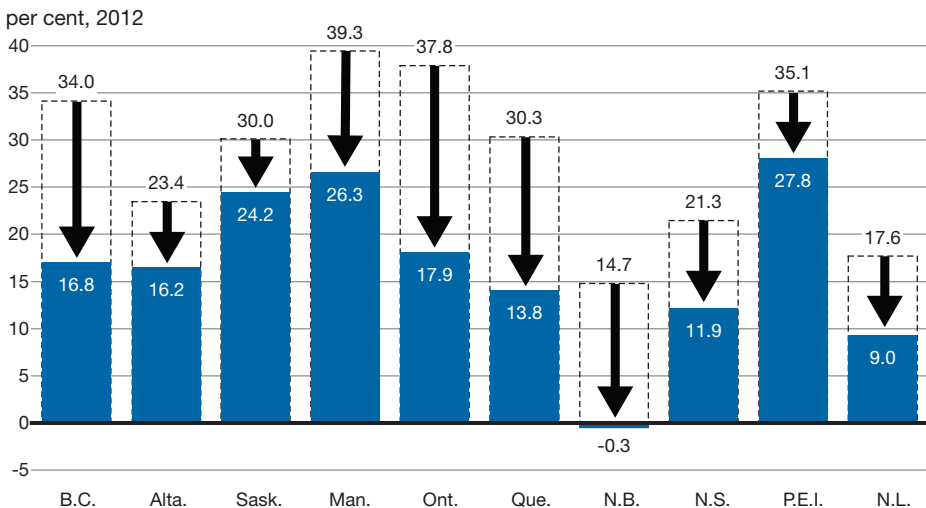
Based on the study, the reduction in the cost of capital from federal and provincial business tax changes between 2006 and 2012 would be expected to significantly increase the capital stock in the long run by almost 4 per cent. The capital stock represents the productive physical assets available to businesses and is a key driver of economic growth and job creation.

Improving the competitiveness of the Canadian tax system requires collaboration among all governments to help Canadian businesses compete globally as the economy recovers. Provinces and territories have also taken action to enhance Canada’s business tax advantage. These actions are helping Canada build a strong foundation for future economic growth, job creation and higher living standards for Canadians.

Provinces are collaborating to improve Canada’s tax competitiveness



Chart 2.1.4
Impact of Federal and Provincial Commitments Since Budget 2006 on the Tax Rate¹ on New Business Investment



¹ The marginal effective tax rate includes measures announced as of September 1, 2010. It excludes resource and financial sectors and tax provisions related to research and development.
Source: Department of Finance.



Table 2.1.2

Reducing the Tax Burden for Canadians

	2009–10	2010–11	
	Dollars Spent ¹	Stimulus Value	Stimulus Committed
	(millions of dollars)		
Personal income tax relief for all taxpayers	1,885	1,950	1,950
Increases to the National Child Benefit supplement and Canada Child Tax Benefit	230	310	310
Enhancing the Working Income Tax Benefit	580	580	580
Targeted relief for seniors	325	340	340
Total: Reducing the Tax Burden for Canadians	3,020	3,180	3,180

Reference:

Tax Measures to Support Housing and Business

Home Renovation Tax Credit	3,000	–	–
Increasing withdrawal limits under the Home Buyers' Plan	15	15	15
First-Time Home Buyers' Tax Credit	175	180	180
Extending the Mineral Exploration Tax Credit	70	-15	-15
Increase in the income limit for the small business tax rate	45	80	80
Temporary 100-per-cent capital cost allowance rate for computers	340	355	355
Temporary accelerated capital cost allowance rate for manufacturing or processing machinery and equipment	–	–	–

¹ Includes estimated values for tax reduction measures.

Helping the
Unemployed





Helping the Unemployed

While there are now signs of recovery in the labour market—Canada has regained all of the jobs lost during the downturn—Canadians have felt the impacts of the global economic recession. Canada’s Economic Action Plan includes \$9.1 billion over two years to support those workers most affected and help them access opportunities through skills development and training. The Government delivered additional support under the Economic Action Plan of over \$3.7 billion for the unemployed in 2009–10 and is providing a further \$5.4 billion in 2010–11.

Table 2.2.1

Helping the Unemployed

	2009–10	2010–11	Total
	(millions of dollars—cash basis)		
Strengthening benefits for Canadian workers	1,258	1,550	2,808
Enhancing the availability of training	896	996	1,892
Maintaining low Employment Insurance premium rates	1,570	2,807	4,377
Total—Helping the Unemployed	3,725	5,353	9,077

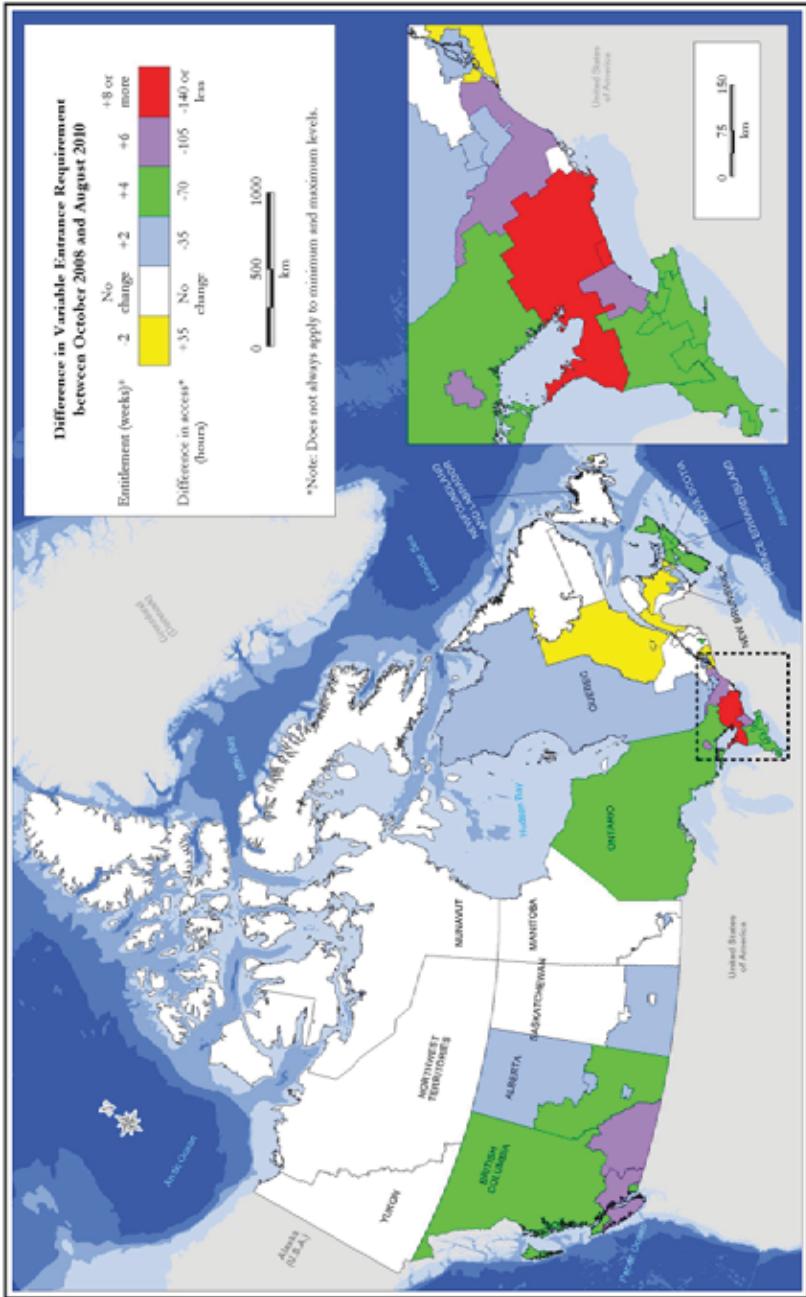
Note: Totals may not add due to rounding.

Over the course of the recession, this additional assistance, combined with the natural increase in EI benefits that occurs during economic downturns, led to a significant increase in the temporary support provided by the Employment Insurance (EI) program to Canadians. Total EI benefits and support measures were \$5.3 billion higher in 2009–10 than in 2008–09 (Chart 2.2.1).

In areas where unemployment has risen, the program has automatically adjusted to lower eligibility criteria to qualify and extended the duration of EI benefits. As of August 2010, 36 out of the 58 EI regions had a lower eligibility requirement and higher duration of benefits than they did in October 2008. As such, 83.1 per cent of the labour force population had easier access and longer benefit durations. All regions in B.C. and Alberta have seen a decrease in their eligibility requirements. In addition, 15 regions in Ontario and 5 regions in Quebec have also experienced a decrease in their eligibility requirements.



Access to EI has been made easier and benefits enhanced in regions of the country most affected by the global recession

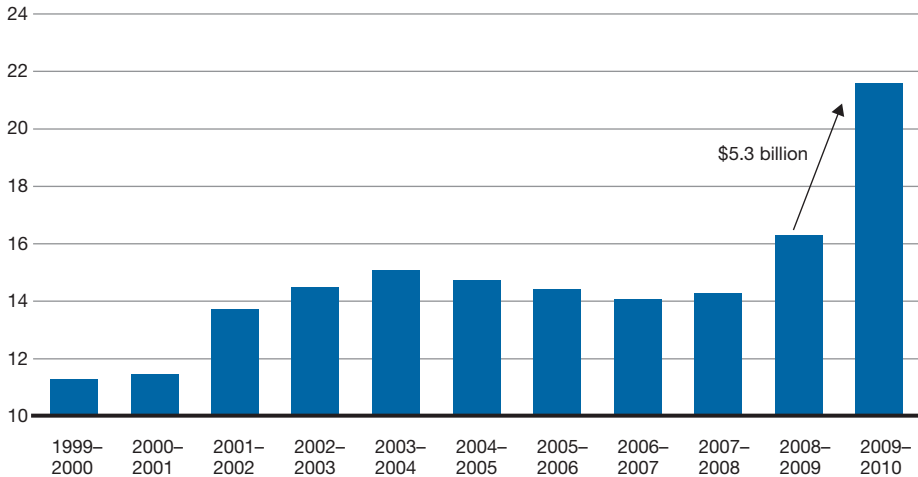


The EI premium rate is remaining at \$1.73 per \$100 in insurable earnings in 2010, the lowest level since 1982. Based on current projections, this represents projected relief of \$9.2 billion over 2009 and 2010 for Canadian workers and their employers relative to what would have been the case had rates been set at the break-even level over these two years. This fiscal cost excludes the additional \$2.9 billion for enhanced EI benefits and training announced in Budget 2009.

EI benefits are up sharply

Chart 2.2.1
Employment Insurance Benefits

billions of dollars



Sources: *Public Accounts of Canada*; Department of Finance.

Canada's Economic Action Plan took immediate and decisive action to protect jobs and help Canadians directly affected by the global recession. At the same time, the Government has maintained a focus on the economy of the future by contributing to the development of a skilled, flexible and knowledgeable workforce. Through these initiatives, the Government is continuing to help Canadians and support jobs and training in 2010-11.



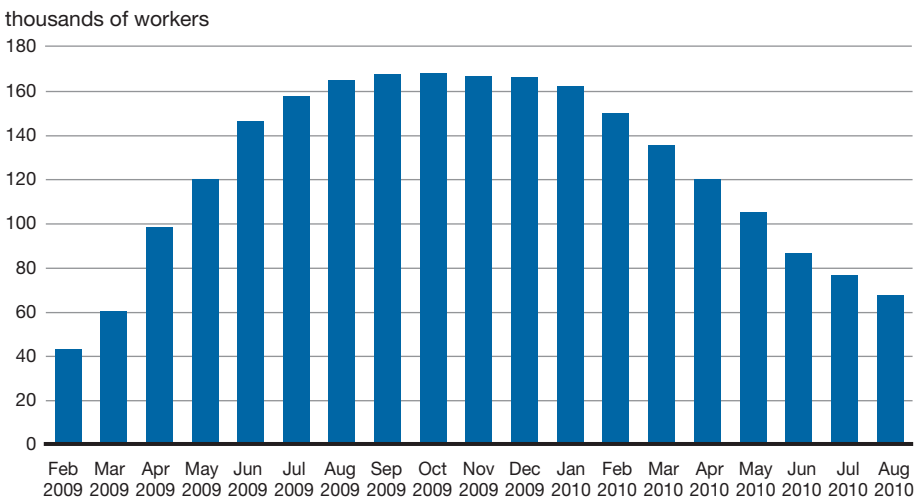
- An extra five weeks of EI benefits has already been provided to more than 890,000 EI claimants. This extension of benefits remained available to workers who made EI claims up to September 11, 2010. Recent claimants will receive these extra weeks of benefits into 2011, with claimants in regions of high unemployment receiving benefits well into the summer of 2011.
- More than 12,000 long-tenured unemployed workers are receiving additional benefits through the Career Transition Assistance program in order to participate in long-term training.
- In addition, the Government has estimated that more than 500,000 long-tenured unemployed workers, those who have paid into EI for years, are eligible to receive between 5 to 20 weeks of additional benefits. To date, over 120,000 long-tenured workers have received additional weeks of EI benefits. In high unemployment regions, recent long-tenured claimants could receive these extra weeks of benefits into the fall of 2011.
- In August 2010, over 67,000 Canadians were participating in over 3,300 work-sharing agreements (Chart 2.2.2). Since February 2009, more than 260,000 Canadians have participated in more than 9,500 work-sharing agreements. The number of participants in work-sharing has decreased as the recovery takes hold.
- Since January 27, 2009, payments have been made to more than 23,000 claimants under the Wage Earner Protection Program.
- The Government has responded to the needs of Canada's self-employed workers by providing EI special benefits, including maternity, parental, sickness and compassionate care benefits, on a voluntary basis. The self-employed have been able to opt into EI special benefits since January 31, 2010, and will be able to apply for benefits as early as January 2011.
- Of the \$1.9 billion committed to enhancing the availability of training, \$900 million or 47 per cent had been spent by March 31, 2010.
- The Government provided \$750 million to the provinces and territories in 2009–10 in support of training and skills development programs, benefiting more than 200,000 Canadians, and will provide a further \$750 million in 2010–11.
- It is expected that current projects under the enhanced Targeted Initiative for Older Workers will provide additional support to over 9,300 older workers.
- Approximately 3,500 summer jobs were created as a result of additional support provided to the Canada Summer Jobs Program in 2009–10. A similar number of additional jobs are expected to be created in 2010–11.

- Training and skills development support will be provided to more than 14,700 Aboriginal Canadians through the Aboriginal Skills and Employment Partnership program and the Aboriginal Skills and Training Strategic Investment Fund.
- Apprenticeship Completion Grants have already been provided to more than 31,000 apprentices who completed their apprenticeship training and obtained their certification in any of the designated Red Seal trades.
- Support is being provided to implement the Pan-Canadian Framework for the Assessment and Recognition of Foreign Qualifications. As of August 2010, 59 new agreements are in place to support implementation of the framework.
- Funding is currently supporting 825 youth internships in not-for-profit and community service organizations through the YMCA and YWCA, 767 (93 per cent) of which have an environmental focus.

The number of Canadian workers benefiting from work-sharing has fallen as the recovery takes hold



Chart 2.2.2
Canadian Workers Participating in Active Work-Sharing Agreements



Source: Human Resources and Skills Development Canada.



Canada's Economic Action Plan: Working for Canadians



Enhanced Work-Sharing

The Brick Canada (Ontario)—The Brick Canada, one of the country's largest volume home furnishing retailers, experienced significantly weaker sales at the onset of the recession. Like many companies across the country facing a similar situation, The Brick wanted to avoid reducing their work force.

Seeking an alternative, Dana Dryden, the Director of the Distribution Ontario Centre, heard about work-sharing through Service Canada. The Brick's work-sharing agreement started on June 28, 2009, and ended on June 26, 2010, and provided 300 employees with secure employment. Since the end of the program, the employees have gone back to working full-time hours and are confident of a promising future with the company.

Trecan Combustion (Halifax, N.S.)—Trecan Combustion, a Canadian company that has been designing and manufacturing snowmelters for over 35 years, experienced difficult times in 2009 as sales slowed. Faced with this dramatic change in the business environment, the company contemplated laying off workers. However, rather than letting people go, Trecan turned to the work-sharing program, which provided EI benefits to qualifying workers willing to accept reduced hours. David Regan, the Production Manager at Trecan, said that the program allowed the company to maintain a strong core group of workers. This will help the company as soon as work picks up by enabling it to keep and support some of its most experienced, hard-working employees, which they might otherwise have lost.

YMCA-YWCA Internships

Kingston, Ont. — During her internship with the Kingston Sustainability Centre, Katie McKenzie had the opportunity to gain more than experience. With support from the Youth Eco Internship Program, she is getting closer to her dream of being a primary school teacher. She hopes to teach at the local school board, and her internship allowed her to put her teaching skills to excellent use in developing and implementing curriculum-based education programs focusing on sustainability. Visitors to the Kingston Sustainability Centre can learn how to become more sustainable in their daily activities and choices. With the knowledge she gained and the connections she made in the community, Katie will have a promising future when she finishes her internship.



Canada's Economic Action Plan: Working for Canadians



YMCA-YWCA Internships *(cont'd)*

Victoria, B.C.—Amy Medve is well on her way to achieving her goal of becoming a wildlife biologist thanks to the Youth Eco Internship Program. She applied for funding through the program and then approached the Swan Lake Christmas Hill Nature Sanctuary in Victoria, B.C. for an internship. Through this internship, Amy is gaining valuable experience by being able to focus on breeding bird research and evaluating the types of birds that use the park for breeding. She is learning skills that are vital to becoming a wildlife biologist and that will allow her to contribute to the field of environmental sciences.

Apprenticeship Completion Grant

Inuvik, N.W.T.—Terry is a professional cook who recognized the opportunity that skilled trades offer. When he lost his job in Windsor, Ontario, a restaurant in Inuvik, Northwest Territories, made him an offer he couldn't refuse. He moved to Inuvik, where he completed an apprenticeship at the Mackenzie Hotel, and he has been working there ever since. Terry's dream would not have been realized if he had not benefited from the Government of Canada's Apprenticeship Incentive Grant and Apprenticeship Completion Grant. The two grants are offered to registered apprentices in designated Red Seal trades. Since completing his training, Terry has even had the honour of cooking for the Prime Minister and the Governor General when they visited Inuvik.

Calgary, Alta.—Dana Hawkes is a construction electrician who has benefited from the Apprenticeship Completion Grant. Once she became a certified Red Seal journey person, she was able to use the grant to apply her skills and confidence to work as a construction electrician on many different projects in Alberta, Saskatchewan and B.C. Dana feels that she has chosen the right trade because of the mental and physical challenges the job provides. Her long-term goal is to open her own green electrical business and help homeowners make their houses more eco-friendly.



Canada's Economic Action Plan: Working for Canadians



Aboriginal Skills and Employment Partnership Program

Saskatoon, Sask.—Dylan Ratt was frustrated with being unemployed, and his future brightened as a result of the Bridges and Foundations Career Development Corporation. Canada's Economic Action Plan invested \$2.9 million in the corporation through the federal government's Aboriginal Skills and Employment Partnership (ASEP) program. The corporation supports major economic opportunities identified in the residential construction industry in and around Saskatoon. With training provided for up to 600 Aboriginal people in the region, it is expected that at least 400 participants will secure long-term jobs in construction. Dylan, now an exterior finisher with Global Exteriors in Saskatoon, believes the project gave him the opportunity to find employment and made a huge difference to him and his family.

Sydney, N.S.—The Prosperity Project is a partnership-based initiative supported by the ASEP program. As part of Budget 2007, the Unama'ki Partnership for Prosperity project received \$2.1 million in funding. Canada's Economic Action Plan included an additional investment of \$1.2 million for phase two of the project. Serving as a role model for future graduates and for his children, Jason Johnson feels that employment and training opportunities with the ASEP program will allow Aboriginal people to obtain skills and employment in the environmental field and other trades.

Labour Market Development Agreements

Corner Brook, N.L.—Having had difficulty securing work in her field of study, Tracey Pells researched programs that would help her establish her own business. She came across Human Resources and Skills Development Canada's Self-Employment Program and has moved forward on her career goals by leasing a year-round practice facility for golfers. The Self-Employment Program is one of a broad range of EI training programs that provide financial assistance to help unemployed Canadians find jobs and employers find workers.



Table 2.2.2

Helping the Unemployed

	2009–10	2010–11	
	Dollars Spent	Stimulus Value	Stimulus Committed
	(millions of dollars)		
Strengthening Benefits			
An extra 5 weeks of EI benefits	796	575	575
EI—long tenured workers (Career Transition Assistance program)	15	250	250
EI—long-tenured workers (extension of regular benefits)	215	600	600
EI—work-sharing	211	100	100
Wage Earner Protection Program	22	25	25
Subtotal—Strengthening Benefits	1,258	1,550	1,550
Enhancing the Availability of Training			
EI training programs	500	500	500
Strategic Training and Transition Fund	250	250	250
Canada Summer Jobs Program	10	10	10
Federal public service student employment program	10	10	10
YMCA/YWCA	15	–	–
Targeted Initiative for Older Workers	5	34	34
Apprenticeship Completion Grant	39	40	40
Foreign Credential Recognition program	12	30	30
Aboriginal Skills and Employment Partnership program	7	72	72
Aboriginal Skills and Training Strategic Investment Fund	24	50	50
Aboriginal Human Resources Development Strategy	23	–	–
Subtotal—Enhancing the Availability of Training	896	996	996
Keeping EI premium rates frozen for 2010	1,570	2,807	2,807
Total—Helping the Unemployed	3,725	5,353	5,353

Note: Totals may not add due to rounding.

Building
Infrastructure to
Create Jobs





Building Infrastructure to Create Jobs

Canada's Economic Action Plan provides close to \$16 billion over two years to modernize a broad range of infrastructure including our roads, bridges, public transit, parks and water treatment facilities, and to support home ownership, help stimulate the housing sector and improve housing across Canada. These investments are helping to create and maintain jobs across Canada for the benefit of all Canadians, and will ensure the country emerges from the economic downturn with a more modern and greener infrastructure.

Table 2.3.1

Building Infrastructure to Create Jobs

	2009–10	2010–11	Total
	(millions of dollars—cash basis)		
Building Infrastructure			
Investments in provincial, territorial and municipal infrastructure	852	4,676	5,528
Investments in First Nations infrastructure	229	285	515
Investments in federal infrastructure projects	943	809	1,752
Subtotal—Building Infrastructure	2,025	5,770	7,795
Stimulating Housing Construction			
Support for home ownership and the housing sector	3,376	425	3,801
Investments in social housing for Canadians	1,401	2,674	4,075
Subtotal—Stimulating Housing Construction	4,777	3,099	7,876
Total—Building Infrastructure to Create Jobs	6,802	8,869	15,671
Total—With provincial contributions	8,296	14,673	22,969

Note: Totals may not add due to rounding. The stimulus value reflects projected cash expenditures. The budgetary impact may be somewhat smaller because some of these expenditures relate to construction and renovation costs of federal assets (for which only depreciation is recorded on a budgetary basis) and loans to third parties (where there is a budgetary impact only in the event that there is a risk of loss).

Infrastructure and housing projects are underway across the country. Virtually all funds earmarked for these investments have been committed. Thousands of infrastructure and housing projects are underway and will be completed over the course of 2010–11, creating significant new direct employment in the construction and manufacturing industries.



Building Infrastructure

Investments in Provincial, Territorial and Municipal Infrastructure

As part of Canada's Economic Action Plan, the Government launched a number of new initiatives to stimulate additional investment in provincial, territorial and municipal infrastructure during the 2009 and 2010 construction seasons. These new stimulus initiatives consisted of the Infrastructure Stimulus Fund, top-up funding for community projects, the Green Infrastructure Fund, funding for recreational trails, and the Recreational Infrastructure Canada program.

By working closely with each province and territory to approve projects quickly, the Government has committed, through these new initiatives, close to \$5.6 billion in stimulus funding towards about 7,000 projects. Provinces, territories, municipalities and other partners are also contributing towards these projects, thereby generating a total investment in public infrastructure of some \$15 billion at a critical time.

In addition to launching new stimulus initiatives, the Government has taken steps to accelerate funding under Building Canada initiatives that were announced in Budget 2007. These steps were designed to further increase investment during the 2009 and 2010 construction seasons.

Taking into account both the new stimulus initiatives and accelerated Building Canada initiatives, the Government has committed close to \$11 billion towards approximately 8,000 provincial, territorial and municipal infrastructure projects since the launch of Canada's Economic Action Plan. Combined with contributions from other partners, these projects represent a total investment of over \$33 billion in infrastructure. Some of these projects, particularly the larger-scale ones being funded under the Major Infrastructure Component of the Building Canada Fund, will extend beyond 2010–11.

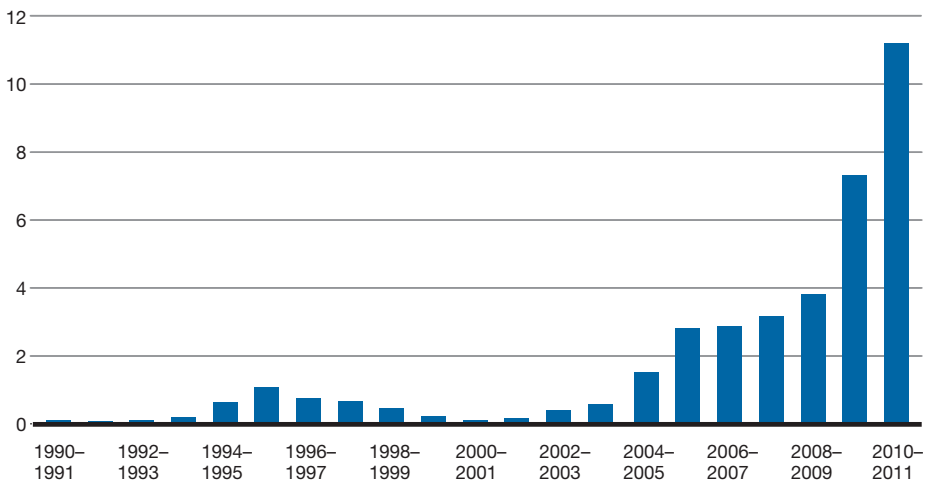
Every region of the country is benefiting from investments in various types of provincial, territorial and municipal infrastructure that are being generated thanks to Canada's Economic Action Plan.

New infrastructure investments build on a solid foundation of support



Chart 2.3.1
Federal Support for Provincial, Territorial and Municipal Infrastructure

billions of dollars



In Budget 2007, the Government announced the unprecedented seven-year \$33-billion Building Canada Plan. Under Canada’s Economic Action Plan, the Government is accelerating and expanding this historic investment in infrastructure.

As a result of these investments, the amount of federal funding available to provinces, territories and municipalities for infrastructure projects will rise to more than \$11 billion in 2010–11, almost three times what was available in 2008–09. Funding in 2010–11 has been revised upwards for a number of infrastructure initiatives, as unspent funds from 2009–10 have been reallocated to projects where work will be made up in 2010–11.



Accelerating Existing Provincial, Territorial and Municipal Infrastructure Initiatives Under Building Canada

Specific actions taken since January 27, 2009 to expedite existing funding under Building Canada initiatives include:

- Streamlining the process required for securing federal approval of infrastructure projects.
- Announcing more than \$3.5 billion in federal funding towards 106 large strategic infrastructure projects that are worth over \$12.7 billion. Funded under the Major Infrastructure Component of the Building Canada Fund, this includes projects that improve transit, and make water cleaner and highways safer. Work is now underway or completed on 90 of these projects.
- Fully committing the initial funding that was made available under the Communities Component of the Building Canada Fund. This represents close to \$1 billion in federal funding to support over 800 infrastructure projects in smaller communities (i.e., those with populations of less than 100,000 people). When combined with funding from provinces and municipalities, these projects represent a total investment in excess of \$3 billion. More than 98 per cent of projects are either underway or completed.
- Transferring more than \$1 billion to provinces and territories through the Provincial/Territorial Base Funding Initiative. Most provinces and territories agreed to take advantage of the federal offer to accelerate funding under the initiative during the two years of the Economic Action Plan. This funding was originally scheduled to flow over seven years (from 2007 to 2014).

Through these actions, hundreds of smaller-scale and major infrastructure projects are underway. Work will continue on these projects in the coming years, thereby helping sustain construction activity over the long term.

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Examples of Building Canada Fund— Major Infrastructure Projects

New Sheppard Light Rail Transit (Toronto, Ontario)

Work is underway to provide Torontonians with a new light rail line, thanks to \$333 million in federal infrastructure funding. The 15-kilometre line is being built on Sheppard Avenue East running from the Don Mills Subway Station to Meadowvale Road. It will replace the Scarborough East bus line and connect to the Sheppard subway line, the York Region Transit/VIVA bus service and future transit expansions. This major investment is helping create jobs in the short term, and will also help increase ridership, reduce travel times and improve air quality.

Safer Highway 97 (Kelowna, British Columbia)

The Government of Canada is investing over \$10 million to ensure safer, more efficient travel along Highway 97 in the Kelowna/Okanagan area. This major road project involves replacing the current intersection of Westside Road and Highway 97 with a grade-separated interchange. Once complete, these changes will go a long way in improving road network connections, reducing traffic congestion and travel times, and improving road safety for drivers. Business, travellers and local citizens alike will enjoy the benefits of the renewed highway.

New Provincial, Territorial and Municipal Infrastructure Initiatives

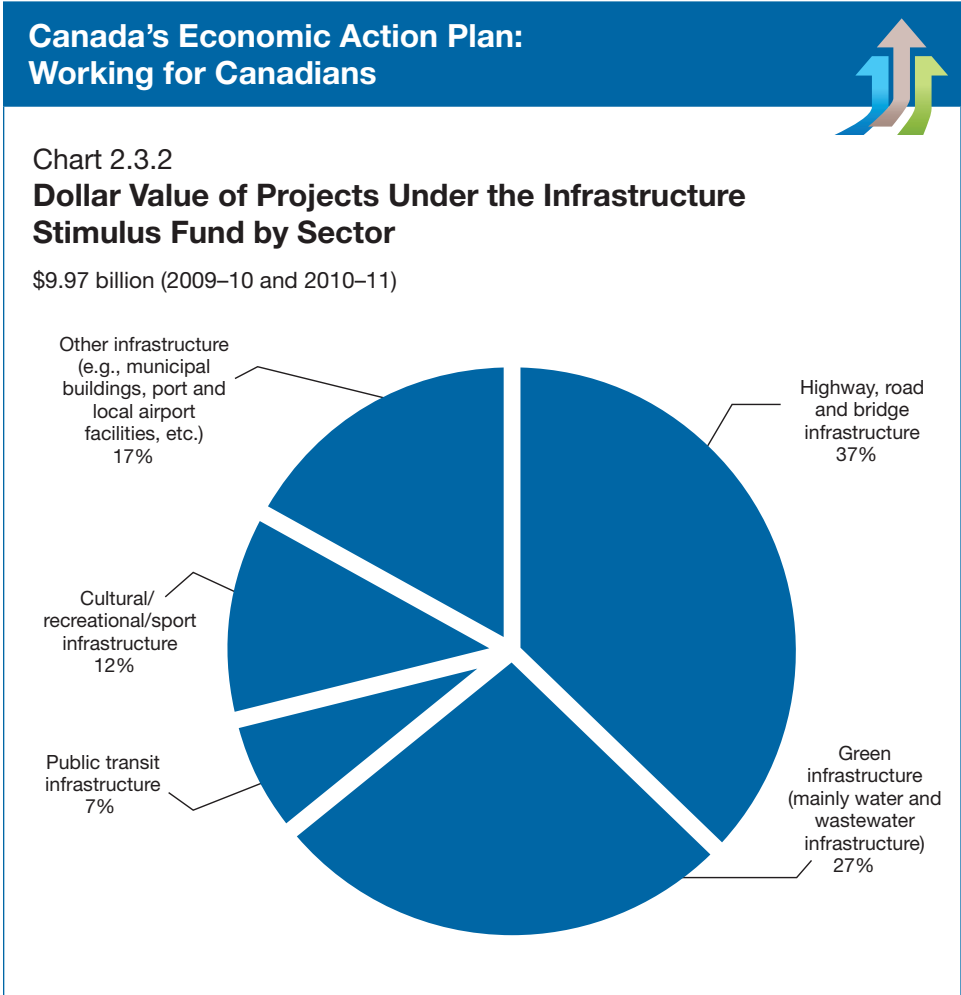
Infrastructure Stimulus Fund: Working in partnership with provinces, territories and municipalities, all of the funding for projects under the Infrastructure Stimulus Fund was committed by January 29, 2010.

This funding was allocated toward approximately 4,000 projects across Canada, representing a total investment of about \$10 billion. Following January 2010, many jurisdictions reported that the amount required for approved projects had been less than expected. In most cases, this has been the by-product of very competitive tender prices from contractors. In a few other cases, projects were withdrawn by proponents. Overall, since the deadline, this has generated savings. Working with our partners, the Government has moved quickly to reallocate and reinvest the bulk of these savings into new projects, providing additional benefits.



Virtually all projects are underway or completed and over 23 per cent are scheduled to end earlier than planned. Current monitoring of projects shows that approximately two-thirds of projects will be finished by the end of December 2010.

As a result, infrastructure is being renewed and improved in communities throughout Canada in the following sectors:





Canada's Economic Action Plan: Working for Canadians



Examples of Infrastructure Stimulus Fund Projects

Christina Lake, British Columbia

The new Christina Living Arts Centre features green design from its roof to its geothermal foundation. Construction is 95 per cent complete on an organic waste processing facility next door thanks to about \$133,000 from the Infrastructure Stimulus Fund. This Solar Aquatics System will use biological methods to break down waste generated by the Centre, by visiting recreational vehicles and by the surrounding community. Plans also include the sale of the resulting by-product as a natural fertilizer. The facility is expected to draw even more visitors to this popular recreational area as researchers and students come to learn from the unique system.

Rural Municipality of Porcupine, Saskatchewan

The local population is seeing real benefits from \$467,000 in federal investment in four area bridge projects. With the community's projects now complete, heavier truckloads and agricultural equipment can make their way around the area more safely and easily. The better movement of goods and services supports the local economy and families alike.

Lady Slipper, Prince Edward Island

Route 2 is an essential road linking the far ends of Prince Edward Island and passing through a multitude of communities. Near Lady Slipper, however, part of this route had been showing its age. The province used \$1.25 million from the Infrastructure Stimulus Fund to widen six kilometres of the road, apply new asphalt and rebuild the road shoulders. Now that the work is finished, citizens and businesses will benefit from the improved safety and the flow of goods and services throughout the area for years to come.

Princeville, Quebec

In Princeville, the Pierre-Prince Community Centre plays an essential role in town life, but until recently, had gone 35 years without major repairs. Now, thanks to more than \$126,000 from the Infrastructure Stimulus Fund, the Centre has upgraded its interior, including building a new stage, upgrading its electrical equipment and improving accessibility. The facade and entranceway have also been renovated.



As of March 31, 2010, more than \$525 million in funding has been paid out to recipients (such as provinces, territories and municipalities) under the Infrastructure Stimulus Fund. Unspent funds from 2009–10 have been reallocated to 2010–11. This is a result of a number of factors, including lower-than-anticipated project costs, as well as lags in the submission of claims from provinces and territories and other recipients. Although 99 per cent of projects have begun or are completed, the federal government has not always been invoiced for payment of eligible costs as they are incurred. In many cases, entire projects are finished before a claim is submitted. There are more than 1,600 projects that are underway or completed for which recipients have not submitted any claims (see box below).

Infrastructure Stimulus Fund total expenditures more than doubled to \$1.1 billion as of July 31, 2010 and will continue to grow as claims are submitted for work done during the 2010 summer construction season.

Bonus for Community Projects: Canada's Economic Action Plan included \$500 million to top up the more than \$1 billion in initial funding that was made available under the Communities Component of the Building Canada Fund. To access this top-up, provinces had to meet two conditions: first, they had to exhaust their share of the initial funding under the Communities Component, and second, they had to direct the top-up funding toward projects that would be built by March 31, 2011. All 10 provinces met these two conditions. As a result, the top-up has been fully committed toward more than 530 projects, representing a total investment of over \$1.5 billion in community infrastructure. 99 per cent of projects are underway or completed.



As of March 31, 2010, approximately \$30 million in funding had flowed under the Bonus for Community Projects. As is the case for the Infrastructure Stimulus Fund, amounts paid are based on claims received and, as such, do not reflect actual economic activity. There are over 130 projects that are underway or completed for which recipients have not submitted any claims (see box below).

Projects Underway or Completed for Which No Claims Have Been Received



Provinces, territories and municipalities typically receive invoices from the contractor(s) carrying out the work at periodic intervals or, in some cases, only when the project is complete. These governments then submit claims for costs incurred to the Government of Canada. As a result, there is a natural lag between the time when the work is being undertaken, to when a province/territory/municipality is billed for the work, to when they conduct their due diligence review of costs, to when a claim is actually submitted to the Government of Canada for reimbursement. This is a normal situation for infrastructure projects involving multiple partners.

Based on reports from recipients, there are more than 1,600 projects under the \$4-billion Infrastructure Stimulus Fund and over 130 projects under the \$500-million top-up to the Communities Component of the Building Canada Fund that are underway or completed, but for which no claims have yet been submitted.



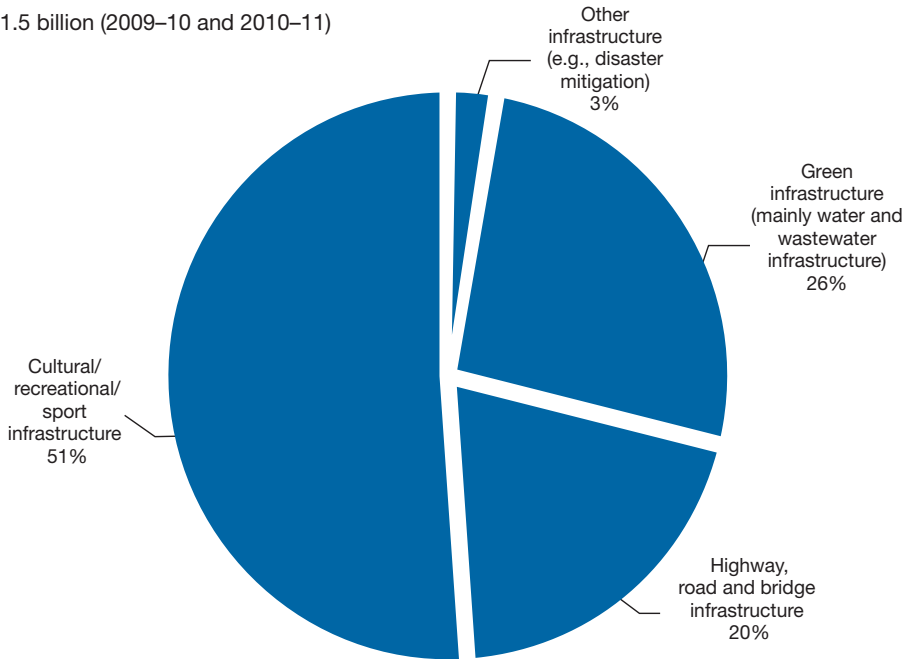
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Chart 2.3.3

Dollar Value of Projects Under the Communities Component— Top-up by Sector

\$1.5 billion (2009–10 and 2010–11)



Canada's Economic Action Plan: Working for Canadians



Examples of Community Projects

Stormwater Flood Hazard Protection (Langford, British Columbia)

In Langford, on the southern tip of Vancouver Island, torrential rains can raise the water levels of nearby Firehall Creek. The resulting floods frequently exceed the capacity of the stormwater system. When this happens, the city and homeowners end up with extensive damage to property and infrastructure, mounds of garbage and debris, and costly repair bills.

Through \$614,075 in federal funding, matched by provincial and municipal contributions, work began in the fall of 2009 to widen and deepen an existing flood control ditch to protect houses on the southwest side of Langford.

The funding will also support a 2,500 m³ stormwater detention pond. The deeper ditch and added pond will dramatically increase Langford's capacity to manage major rain events, and protect its 22,000 citizens and their properties.

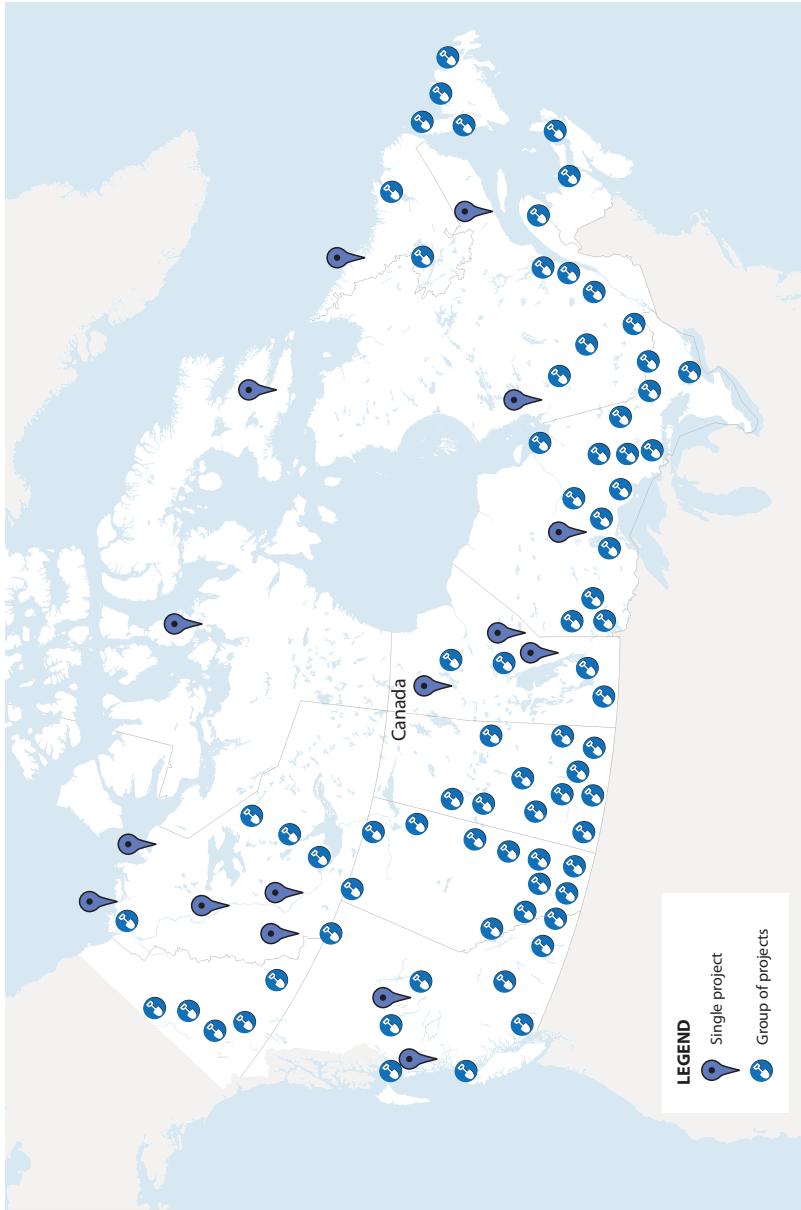
Material Recovery Facility (Saint John, New Brunswick)

The Fundy Region Solid Waste Commission is benefiting from a \$220,477 federal contribution to build a sorting conveyor that simplifies the separation of recyclable materials from garbage headed to the landfill. New baling equipment will mean that sorted materials can be packaged on site for direct shipment to buyers.

With fewer recyclables ending up in landfills, and improved sales of recyclable materials, the City of Saint John will be in a better position to take on additional environmental initiatives.



Infrastructure: Project Commitments Across Canada



Note: Across Canada, a total of over 7,000 project commitments have been made under the Infrastructure Stimulus Fund, the Bonus for Community Projects, Recreational Infrastructure Canada and the Knowledge Infrastructure Program. The total federal contribution to these projects is approximately \$7 billion.



Green Infrastructure Fund: The Government has committed \$779 million under the Green Infrastructure Fund toward 21 projects. Provinces, territories, municipalities and the private sector are also contributing funding towards these projects, which will be built over the coming year, thereby bringing the total investment to more than \$2 billion.

Federal investments in green infrastructure include:

- \$130 million to build a transmission line that will tap into the renewable energy potential of northern British Columbia (e.g., hydro, geothermal, wind and biomass).
- \$11 million for wastewater improvements in the City of Winnipeg that will improve water quality in the Red River and Lake Winnipeg.
- \$234 million for eight wastewater projects in Ontario that will improve water quality, particularly in the Great Lakes Basin.
- \$171 million for six projects in Quebec that will reduce the amount of solid waste going to landfills and generate green energy.
- Close to \$10 million for the City of Saint John's Green Thermal Utility (a non-emitting and sustainable heating and cooling system).
- \$71 million for a hydro generation and transmission project in the Yukon that will boost the availability of green power in the territory.

The Government is actively considering additional projects for funding under the five-year Green Infrastructure Fund.

National Recreational Trails: Canada's Economic Action Plan made available \$25 million to the National Trails Coalition to help build and renew recreational trails for walking, running, cross-country skiing and biking, as well as snowmobile and all-terrain vehicle trails. The funding supported a total of 474 projects that were completed by March 31, 2010. Thanks to additional contributions from the coalition and its partners, these projects represented a total investment of close to \$57 million.

Recreational Infrastructure Canada: Hockey arenas, soccer fields, tennis courts and swimming pools provide Canadians and their families with the benefits of physical activity and community-based experience.

The Economic Action Plan provided \$500 million over two years for the Recreational Infrastructure Canada program, supporting the construction of new facilities and upgrades to existing ones across the country.



To date, virtually all funding has been committed to almost 2,000 projects across the country, of which over 1,900 projects are already underway or completed, creating significant new economic activity in all parts of Canada.

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Examples of Recreational Infrastructure Canada (RIInC) Projects

Maskwa Aquatic Club (Halifax, Nova Scotia)

Having received \$365,985, the Maskwa Aquatic Club is increasing its existing recreational infrastructure capacity through the addition of a recreational multipurpose centre, which includes a boathouse, a clubhouse facility with a fitness centre, volleyball and basketball courts, and aquatic sport activities. This 1-year project created 52 person-months of employment, which is equivalent to 4 full-time jobs.

Buick Creek Arena (Peace River Regional District, British Columbia)

The Peace River Regional District has replaced Buick Creek's outdoor arena with a new indoor arena. Buick Creek is a rural and remote northern location, with the nearest indoor rink located 80 kilometres away. The new facility can be used as an ice arena for an additional 6 months per year. The facility can also be converted into basketball, volleyball and indoor soccer areas (amenities that were previously unavailable). The project included a kitchen, front entrance, sound system, score clock, water recycling system, ice plant and upgraded surface for artificial ice. This project created or maintained 245 person-months of employment and has been completed.

Bancroft Arena (Bancroft, Ontario)

Upgrading of the Bancroft Arena, originally built in 1972, has been completed. The renovation included exterior walls remediation and insulation to increase the energy efficiency of the arena. The project, which received \$20,000 in federal funding, created the equivalent of approximately 8 person-months of employment in construction-related industries.

Sports Centre Renovation and Expansion (Napierville, Quebec)

The Louis-Cyr regional sports centre has been renovated and brought up to standard with a new multi-use hall for aerobic, dance and karate classes; new boards around the skating rink; and renovated locker rooms and service facilities. The Government of Canada has provided \$196,945 out of a total project cost of \$786,532.



Public-Private Partnerships (P3s): The Government of Canada is committed to becoming a leader in P3s. In 2008, the Government created PPP Canada Inc., a new Crown corporation, to spearhead federal P3 efforts and to administer a \$1.2-billion P3 Fund to further develop Canada's P3 market. The P3 Fund, which was launched in September 2009, is the first infrastructure initiative in Canada to focus exclusively on P3 projects. The first investments under the Fund were announced earlier this year and more investments are expected in the coming months. Round 2 for project proposals under the Fund closed on June 30, 2010. A total of 68 proposals in 11 provinces and territories were received. Of those projects, over half (35) are municipal infrastructure projects, 7 are water or wastewater projects, 13 are energy or green energy projects; 18 are transportation-related projects, and 12 are First Nations projects. Several sports, recreation and tourism-related projects were also submitted.

PPP Canada has committed \$75 million so far toward Round 1 projects and anticipates investments of over \$200 million in Round 2. There will be further calls for project submissions in the future.

PPP Canada Inc.



P3 Fund Investments

Maritime Radio Communications Initiative (Atlantic Provinces)

On May 10, 2010, the Government of Canada announced an investment of up to \$50 million from the P3 Fund to support the implementation of the Maritime Radio Communications Initiative. Along with the investment from the federal government, the Provinces of New Brunswick, Nova Scotia and Prince Edward Island will partner with the private sector to deliver an innovative radio communications system that will improve safety and security by linking all emergency services in the three provinces.

Chief Peguis Trail Extension (Winnipeg, Manitoba)

On July 12, 2010, the Government of Canada announced it will contribute up to \$25 million through the P3 Fund towards the Chief Peguis Trail extension in Winnipeg, Manitoba. Along with the investment from the federal government, the Province of Manitoba and the City of Winnipeg will partner with the private sector to deliver necessary improvements to the extension. The Province of Manitoba will invest up to \$9 million while the remainder of the project's construction and maintenance costs will be financed by the City of Winnipeg. The project will significantly reduce traffic on residential streets and improve the safety and security of families in the area, as well as shorten commute times for Winnipeggers. The project will include noise walls to reduce traffic noise; landscaping; and multi-use pathways to encourage walking and cycling.



First Nations Infrastructure

The Government of Canada provides financial support to First Nations to develop and maintain community infrastructure on reserve. This infrastructure is critical for the delivery of basic services to First Nations communities.

The Economic Action Plan provided \$515 million over two years to support infrastructure projects in three priority areas: schools, water and wastewater projects, and health and police facilities in First Nations communities. Virtually all of these funds have now been committed, construction is well underway and many projects have been completed.

Investments in 2009–10 and 2010–11 are spurring job creation and economic development in First Nations communities:

- \$172 million investment in 12 school projects that are underway or completed.
- \$193 million investment in 18 water and wastewater projects that are underway.
- \$135 million investment in health service infrastructure, including over 40 major projects and numerous minor projects that are underway or completed.
- \$15 million investment in First Nations policing infrastructure, with 17 projects completed and an additional 3 projects in planning.



Canada's Economic Action Plan: Working for Canadians



Investing in Schools and Water Infrastructure

Birch Narrows, Saskatchewan (School)

Students of the Birch Narrows Dene First Nation began the 2010–11 academic year in a new school—the first Action Plan-funded First Nations school construction project to be completed. “Being able to educate our children within our community will result in numerous benefits,” said Chief Robert Sylvester. “This school will help to enhance our rate of students graduating, which should translate into an increase in the number of students who continue their education beyond Grade 12.”

The Economic Action Plan invested \$20.3 million in the new school, worth \$25 million, with the balance of funding coming from the Government of Saskatchewan and the First Nation. Construction was completed 11 weeks ahead of schedule and generated more than 105,000 hours of labour, including 60,000 hours for members of the community.

Birch Narrows is located approximately 580 kilometres northwest of Saskatoon.

Kahnawake, Quebec (Water and Wastewater)

\$13 million is being invested through the Economic Action Plan to upgrade the water treatment system on the Kahnawake First Nation. The upgrades will allow the community to meet its development needs and accommodate its growing population. Construction began in October 2009 and is expected to be completed in November 2010.

The Kahnawake First Nation is located 10 kilometres southwest of Montréal and is one of the most populous Aboriginal communities in Canada, with 7,556 members on reserve.



Canada's Economic Action Plan: Working for Canadians



Investing in Critical First Nations Health Infrastructure

Pic Mobert First Nation, Ontario

A new \$2.13 million health centre on the Pic Mobert First Nation officially opened its doors in July 2010. "It's a really exciting opportunity for the community to have a fully functioning health centre that was built by members of our community," Pic Mobert Chief Johanna Desmoulin said. The new facility supports nine staff members and should accommodate the needs of the community as it grows and changes.

O-Pipon-Na-Piwin Cree Nation, Manitoba

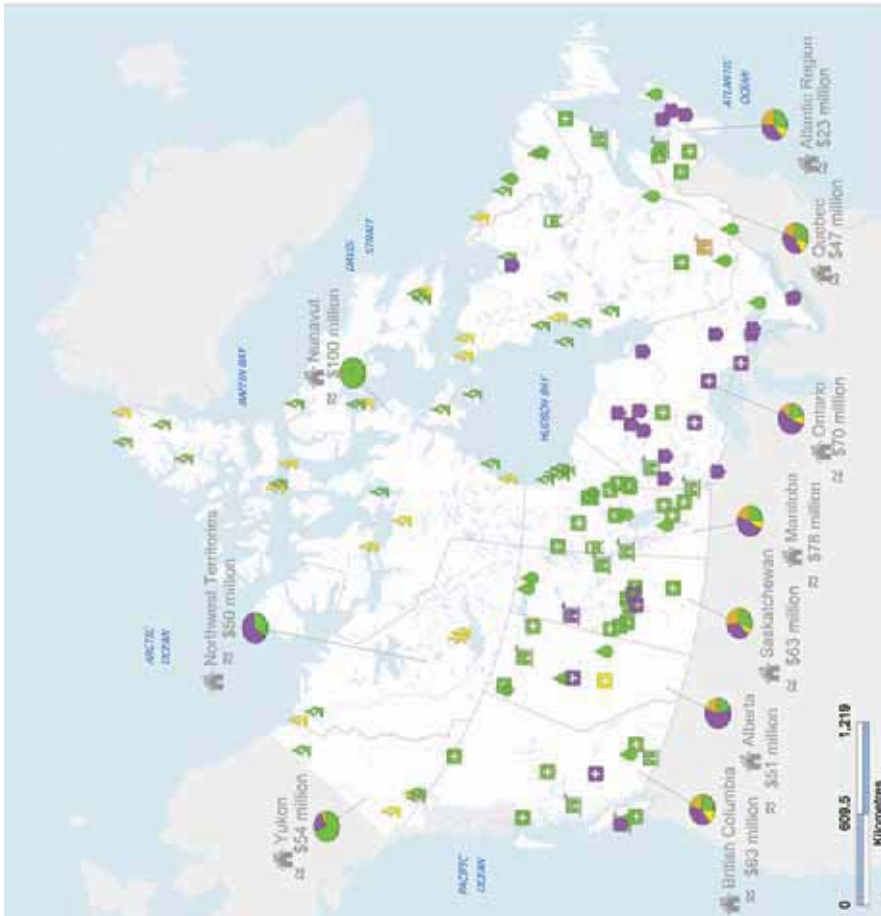
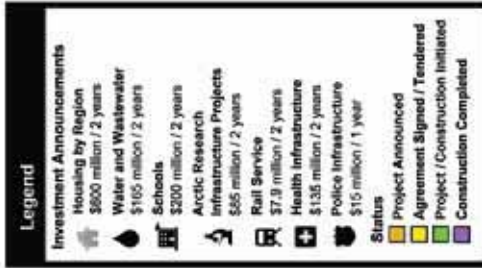
A new nursing station valued at \$5.6 million is under construction to replace an existing health facility dating from 1983. The First Nations community is located approximately 1,000 kilometres north of Winnipeg. Construction is expected to be completed by February 2011.

Huu-ay-aht First Nation, British Columbia

Construction is underway on a new \$2.58 million multipurpose health station to replace the current health station. The Huu-ay-aht First Nation is located approximately 200 kilometres northwest of Victoria. Construction is expected to be completed by February 2011.



Aboriginal and Northern Investment Announcements





Funding to Upgrade and Modernize Federal Infrastructure

Federal infrastructure projects, including investments in faster and more reliable passenger rail services, safer bridges and highways, refurbished harbours for small crafts and more efficient border crossings, are now underway, creating jobs across the country.

VIA Rail: Canada's Economic Action Plan provides funding for a wide range of projects designed to modernize rail passenger services through improvements to infrastructure, locomotives, passenger cars, stations and related facilities. VIA Rail was able to accelerate its capital projects as a result of \$407 million in Economic Action Plan funds that were provided over a three-year period.

Since the last Report to Canadians, VIA Rail has awarded a \$20-million contract to upgrade the rail infrastructure between Brockville and Smiths Falls, Ontario. A signal system to control and monitor train movements will be installed and highway-crossing protection will be upgraded to improve safety. Other improvements include the construction of two sidings to allow trains to pass at more locations and to increase the number of trains that can be operated over the line, along with other upgrades to reduce trip times between Ottawa and Toronto. This project is expected to be completed in early 2011.

Additionally, VIA Rail announced in March 2010 that new stations, costing a total of \$8 million, will be built at Smiths Falls and Windsor, Ontario. These projects are to be completed in early 2011.

Canada's Economic Action Plan: Working for Canadians



VIA Rail

In March 2010, Industrial Rail Services Inc. (IRSI) of Moncton, New Brunswick was awarded a \$12.6-million contract to rebuild six Rail Diesel Cars (RDC). These will be used on VIA services between Sudbury and White River in Ontario and between Victoria and Courtenay in British Columbia. The cost is fully funded through the Economic Action Plan.

The first of the six rebuilt RDC's will be delivered by IRSI in April 2011 and the rest of the cars will be completed by the end of that year. The contract will support 31 to 40 positions at IRSI and generate 22.5 person-years of direct employment as well as foster economic activity for numerous suppliers.

Remote Passenger Rail Services: Canada's Economic Action Plan supports two remote passenger rail services: Keewatin Railway, which operates between The Pas and Pukatawagan (northern Manitoba), and Tshiuetin Rail Transportation, which operates between Sept-Îles and Schefferville (northern Quebec) as well as in Labrador. These two First Nations-owned companies serve remote Aboriginal communities. Funding from the Economic Action Plan has helped complete construction of a new passenger waiting station, purchase a locomotive, and complete important track maintenance work involving replacement of ties, rails and culverts.

In Budget 2010, the Government announced funding of \$32 million over two years for the Regional and Remote Passenger Rail Services Contribution Program, which supports these two railways and other remote and regional rail services across Canada.

Federal Bridges: Canada's Economic Action Plan includes projects at the following bridges:

- **Montréal-Area Bridges:** The 48-year-old Champlain Bridge in Montréal is the busiest bridge in Canada. Canada's Economic Action Plan is helping to keep it safe. A 10-year \$212-million comprehensive rehabilitation and repair program is targeting important structural bridge components like beams and girders. All of the \$13 million worth of repairs slated for 2009–10 were completed on time. The repair program for 2010–11 is over twice what it was last year. It is anticipated that all contracts for this construction season will once again be completed on time.

Budget 2010 provided \$51 million over two years to The Jacques Cartier and Champlain Bridges Incorporated to help maintain the safety of Montréal's bridges. This will ensure that the federally owned bridges and other transportation infrastructure in the Greater Montréal Area continue to be safe and serve the needs of commuters.

- **The Blue Water Bridge in Sarnia:** Investments under Canada's Economic Action Plan will increase the safety and efficiency of the Blue Water Bridge, Canada's second busiest commercial crossing with the United States. The scope of the project includes additional signage, and improved lighting and electrical systems. Once completed, these improvements will reduce waiting and processing times for over 5 million vehicles that use this facility annually.



- **The Peace Bridge in Fort Erie:** The Peace Bridge border crossing is Canada's third busiest commercial crossing with the United States, with over 1 million vehicles passing through each year. Investments under the Economic Action Plan will add a new lane for commercial traffic exiting the bridge, which in turn will help maximize trade with our largest trading partner, the United States. Construction on this project is scheduled to be complete this year.
- **National Capital Region Interprovincial Bridges:** The cities of Ottawa and Gatineau are linked by five interprovincial crossings, including the Alexandra Bridge and the Chaudière Crossing. A major rehabilitation of the Alexandra Bridge started in April 2009 and construction is scheduled to be completed in March 2011. Contracts for rehabilitation work on the Chaudière Crossing were awarded in October 2009 and mobilization for the rehabilitation of the arches started in January 2010. Construction is scheduled to be completed in November 2010.
- **Kingston and Burlington Bridges:** The LaSalle Causeway in Kingston and the Burlington Lift Bridge provide passage for essential commercial traffic both on land and water. The Burlington Lift Bridge provides passage for around 1,000 cargo-carrying vessels each year. Work on the Burlington Lift Bridge started in January 2010 and is scheduled to be completed in March 2011. Rehabilitation work on the LaSalle Causeway began in November 2009. The work was completed in June 2010.

Federal Buildings: The Economic Action Plan committed significant funds to repair and renovate the federal government's building portfolio. A total of 866 repair and renovation projects have already been completed and over 1,000 projects worth over \$215 million are currently underway.

In addition, funding was provided to enhance the accessibility of Crown-owned buildings for persons with disabilities. To date, 140 projects have been completed and over 179 projects worth about \$22 million are currently underway. Priority continues to be given to facilities where services are provided directly to Canadians. Projects include:

- Improvements for the visually impaired such as signage in braille.
- Power door openers, voice identification in elevators, and interior and exterior ramps and primary access doors to improve access for persons with physical disabilities.



Most of these projects are contracted through Public Works and Government Services Canada’s private sector building management service provider. To date, the service provider has contracted nearly 600 vendors for the Economic Action Plan investments alone, who in turn contract a large number of sub-contractors, including small and medium-sized enterprises, from coast to coast to coast to deliver this program.

Canada’s Economic Action Plan: Working for Canadians



Federal Buildings—Examples of Repair and Renovation Projects

Accessibility Upgrades in the Douglas Jung Building (Vancouver, British Columbia)

This project brought the existing building up to the current accessibility standards so that the workplace is as inclusive as possible. Upgrades included increasing the number of accessible parking stalls, adding ramps and handrails, as well as making washrooms and the kitchenette more accessible.

Window Replacement at the Government of Canada Building (Brantford, Ontario)

Public Works and Government Services Canada renovated the Government of Canada building, which was built in 1913. The scope of work included the replacement of 81 windows on three floors and in the clock tower. The new windows provide higher energy efficiency, which reduces infiltration and energy requirements, thereby reducing greenhouse gas emissions.

Roof and Flashing Repairs at the Government of Canada Building (Kentville, Nova Scotia)

This project includes the replacement of both the upper and lower roof systems at the Government of Canada building. The work also includes repairs of corroded areas of the metal deck and removal of anchors. The new high performance roofing system provides an environmentally sensitive solution, and the cleaning, priming and recoating of the metal deck will arrest the corrosion in the affected areas.



The Economic Action Plan also provided \$2 million over two years for the development of a comprehensive plan to secure the future of the historic Manège Militaire in the city of Québec. The results of public consultations were released in October 2009 and a real property consultant has been selected to conduct a feasibility and profitability study. The recommendations from this study were received in December. The Government remains firmly committed to the reconstruction of this historic site. The initial rehabilitation work has been authorized and initiated. Work must be done to prepare the site for reconstruction, to maintain and preserve the building, and to ensure workers' safety. Contracts to have the building interior thoroughly cleaned and heritage elements preserved are also anticipated.

Alaska Highway: On sections of the Alaska Highway from Summit Lake, British Columbia to the Yukon border, deck repairs to eight bridges were completed, 28 kilometres of asphalt road surface was repaved, and an intersection was rebuilt to make it safer. These projects totalled \$12 million and were all completed on budget during the short northern summer construction period. Additional work to stabilize erosion and install new culverts was also completed.

Twinning of the Trans-Canada Highway in Banff National Park: The project involves two separate design/build tenders: one for the Icefields Interchange and a second for the twinning of six kilometres of the Trans-Canada Highway between the Interchange and the Alberta-British Columbia border. The Icefields Interchange design/build contract is approximately 80 per cent complete and, weather permitting, the Interchange will be fully operational by the late fall of 2010. For the twinning of the highway to the border with British Columbia, the design/build contract has been awarded and detailed design has commenced. Construction is anticipated to commence in early 2011 with completion scheduled in the fall of 2012.

Small Craft Harbours: Implementation of the Small Craft Harbours Accelerated Infrastructure Program is on track. To date, 130 repair, maintenance and dredging projects have been completed and an additional 140 are underway. Stimulus provided in 2009–10 totalled \$113 million. A further \$87 million is committed in 2010–11.

The construction of a small craft harbour in Pangnirtung, Nunavut, is progressing. In 2009–10, \$4.3 million was spent. The remaining \$12.7 million in Economic Action Plan funds available in 2010–11 is fully committed.



Canada's Economic Action Plan: Working for Canadians



Shippagan, New Brunswick

Shippagan is one of the largest and busiest harbours in the important commercial fishery of northern New Brunswick. Adequate service wharf capacity is essential at a harbour where more than 100 vessels load supplies and offload their catch for processing at area fish plants. Barricades across two important wharves were a serious impediment to service and berthage capacity in the harbour.

Major project work, with Economic Action Plan funding, is nearing completion and both wharves are expected to be back in full service this fall. The rehabilitated infrastructure will greatly improve safety and efficiency at Shippagan harbour.

Pool's Cove, Newfoundland and Labrador

Improvements to the service area at Pool's Cove on the south coast of Newfoundland have resulted in a much more efficient and effective use of the upland area near the main wharf. Small boat fishers can now access the water using a newly constructed launchway and repair their fishing gear on an improved service area. The wharf is also used as a landing point for a local ferry. A \$422,122 contract was awarded to Seagull Construction on November 3, 2009, and the work was completed on May 17, 2010.

Berens River, Manitoba

Berens River is a remote Aboriginal community located 280 kilometres northeast of Winnipeg, Manitoba. Berens River is an active fishing community with over 65 commercial fishers. A new timber crib wharf, which increases landing capacity and provides improved vessel berthing for commercial fishers, was built on Sigurdsson Island in the community of Berens River. A contract for \$185,000 was awarded to Lindell-Dymterko Ltd. and the project was completed on March 17, 2010.

Federal Contaminated Sites: The Government is accelerating work to assess and remediate federal contaminated sites, with over \$200 million worth of projects underway or completed. This work is helping to create jobs and economic activity in communities across Canada, while contributing new green spaces and cleaner bodies of water and soils, and enabling long-term development. Departments have selected over 195 projects for accelerated remediation and will conduct over 1,900 site assessments in 2009–10 and 2010–11.



For example, Indian and Northern Affairs Canada was allocated \$2.2 million over two years to remediate petroleum hydrocarbon-related contaminants in soil and groundwater in a residential area on Watson Island, British Columbia. This remote project site is of significant ecological, cultural and archaeological value to the Gwawaenuk First Nation.

Aviation Security: Canada's Economic Action Plan provides a much-needed boost to aviation security.

- **Canadian Air Transport Security Authority (CATSA):** Over the past year, full body scanners and X-ray equipment were purchased and installed in airports across Canada. These highly advanced devices not only boost aviation security but also increase screening efficiency, while enhancing Canada's level of international technological compatibility. The projects related to the installation and operation of screening equipment continue to create jobs. The Government announced in Budget 2010 that it will provide \$1.5 billion over five years to CATSA to further enhance Canadian aviation security well into the 21st century. This funding will enable CATSA to maintain the security of Canada's air transportation system as well as invest in new equipment to better align with international security requirements. In order to ensure that CATSA continues to fulfill its mandate effectively, the Government is conducting a review of the spending, efficiency and structure of this Crown corporation.
- **Air Cargo:** Funding from the Economic Action Plan helped to launch a comprehensive Air Cargo Security Program. With the deployment of advanced screening technology and the development of a qualified equipment list, Canada is on track to having a secure supply chain for air cargo. In addition to ensuring the efficient and effective movement of goods domestically and internationally, funding under the Economic Action Plan supported approximately 54 full- and part-time jobs. The Government will further enhance the Air Cargo Security Program through its investment of \$95.7 million over five years in Budget 2010. This funding will help Canadian air travellers while helping exporters move cargo in a secure, timely and efficient way, as well as solidify Canada's reputation as a strong partner in combating global terrorism.
- **Other Aviation Security Initiatives:** The Government is working to prevent global terrorism and protect the safety of air travellers through actions and measures including the Passenger Protect Program to keep people who may pose an immediate security threat from boarding commercial flights. The Government is also establishing an information-sharing agreement with the Royal Canadian Mounted Police to conduct more extensive criminal background checks of workers with access to secure areas at Canada's airports.

Investments in Canada's Transportation Infrastructure: Working for Canadians



Budget 2010

In addition to investments made under the Economic Action Plan, Budget 2010 provided significant funding for new initiatives to modernize Canada's transportation infrastructure, including:

- \$175 million to help renew the fleet of Marine Atlantic Inc. and improve the quality of its services.
- \$28 million to support the operations of ferry services between Îles de la Madeleine, Quebec and Souris, Prince Edward Island; Saint John, New Brunswick and Digby, Nova Scotia; and Wood Islands, Prince Edward Island and Caribou, Nova Scotia.
- \$50.5 million to The Jacques Cartier and Champlain Bridges Incorporated to support capital expenditures required to maintain the safety of its bridges and ensure they continue to serve the needs of Montréal-area commuters.
- \$1.5 billion for the Canadian Air Transport Security Authority and Transport Canada for security upgrades to Canada's air transportation system.
- \$95.7 million to pursue a comprehensive Air Cargo Security Program.

The Government also announced its intention to increase its financial participation in the new Windsor-Detroit international crossing to help advance this important national priority.

Stimulating Housing Construction

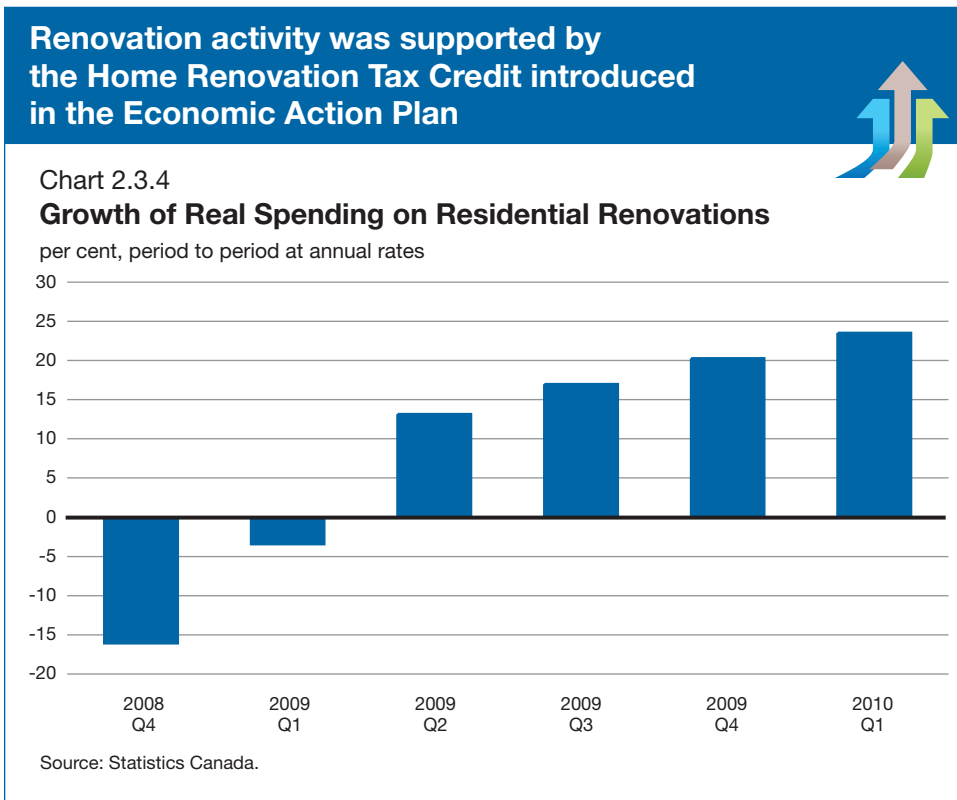
To stimulate Canada's construction industry and protect and create jobs, the Government provided significant support for home ownership and renovations. It is also making investments to renew Canada's social housing and improve municipal housing-related infrastructure.

Supporting Home Ownership and Jobs in Housing Construction

The housing industry is an important source of economic activity and job creation in Canada, as it promotes demand for building materials and other goods and services. For many Canadians, their homes are their most important investment.



Canadians who undertook eligible renovations to their homes after January 27, 2009 and before February 1, 2010 were entitled to receive up to \$1,350 in tax relief from the temporary Home Renovation Tax Credit (HRTC) introduced last year in Canada’s Economic Action Plan. The HRTC expired as planned on January 31, 2010. With support from the HRTC, real spending on residential renovations rebounded strongly, increasing by an average of 18.5 per cent over the four quarters up to the first quarter of 2010 (Chart 2.3.4).



Canada’s Economic Action Plan has provided additional tax support to first-time home buyers, who benefit from greater access to their Registered Retirement Savings Plan savings to purchase or build a home, as well as up to \$750 in tax relief from the First-Time Home Buyers’ Tax Credit.



Canada's Economic Action Plan: Working for Canadians



Supporting Home Renovation Activity

The temporary Home Renovation Tax Credit (HRTC) provided timely stimulus to the Canadian economy while boosting energy efficiency and the value of Canada's housing stock. The HRTC has provided an estimated 4.6 million Canadian families with up to \$1,350 in tax relief on eligible renovation projects.

There is a clear public consensus that the HRTC has been a powerful incentive for Canadians to invest in their homes—thereby supporting employment in the construction industry.

We estimate that the tax credit likely bolstered renovation activity by an additional \$4.3 billion above what it would have been over January 2009 to January 2010—which represents a 0.3% boost to real GDP. As a result, renovation investment was one of the first components of the Canadian economy to fully bounce back from the economic downturn ... Were it not for government economic stimulus, renovation investment would have been materially weaker in 2009... The renovation stimulus measure helped to support a Canadian economic recovery through increasing demand for housing-related goods and services at a time when most other areas of the economy remain weak.

— TD Economics Observation, February 17, 2010

I think there's no question it's increased economic activity, it's created jobs, it's definitely shown consumer confidence in renovating their homes, and I think it's done a lot of good for the industry and for consumers ... it obviously has kept the industry stronger in these tough times and in job creation as well.

— Canadian Home Builders' Association.
House of Commons Standing Committee on Finance, November 3, 2009

I think this is a great idea. Anything that is getting people to spend money when they normally wouldn't and gives them a break at the same time is good. We are seeing money pumping into the economy for buying materials and other things and it all gets passed down the line, right down to the truck driving and transport industry.

— Mark Buyan of MB Home Improvements & Construction
(Penticton, British Columbia).
Penticton Western News, January 7, 2010



Canada's Economic Action Plan: Working for Canadians



Supporting Home Renovation Activity *(cont'd)*

Manufacturers in Manitoba have been getting a shot in the arm from an unlikely source—the federal home renovation tax credit program, which is bolstering sales and saving jobs. The chief executive (Craig McIntosh) of Acrylon Plastics, which manufactures PVC window frames, said the home renovation tax credit program has sent window-frame sales into record-setting territory for the Winnipeg company. “The renovation side (of the housing market) just really took off in April and May and it hasn’t slowed down at all ... It was a record November for us.” Before last spring, when the impact of the two-month-old federal HRTC program really started to be felt, Acrylon had been girding for the worst ... Then along came the HRTC program ... For firms like Acrylon, it was the perfect tonic ... “We were getting ready for it to be a very slow summer ... Then all of a sudden we were saying, ‘What recession?’”

— *Winnipeg Free Press*, December 2, 2009

While final results on the take-up of the HRTC are not yet available, all indicators to date clearly point to the timeliness and effectiveness of this measure in achieving its objective for the benefit of Canadian families and the economy as a whole. It has been a worthy complement to other government measures in support of homeownership, such as:

- Giving first-time home buyers greater access to their Registered Retirement Savings Plan savings to purchase or build a home, and up to \$750 in tax relief from the First-Time Home Buyers' Tax Credit.
- Enhancing the ecoENERGY Retrofit – Homes program, which is encouraging the development and installation of next-generation energy products, as well as fostering improved techniques in home construction and renovation.

Homeowners have also benefited from the enhanced ecoENERGY Retrofit – Homes program to make energy efficiency improvements to their homes. The additional \$300 million provided through the Economic Action Plan is expected to support an estimated 200,000 home retrofits.

The program has experienced unprecedented demand since the Economic Action Plan was announced and has met its targets. In response, the Government allocated \$205 million from the Clean Energy Fund to finance up to an additional 120,000 retrofits for Canadian homeowners.



A further \$80 million was provided to the program, bringing the total increase in funding for the program through the Economic Action Plan to \$585 million.

Investments in Social Housing

Over the past year, historic investments in social housing have contributed significantly to supporting Canada's housing construction and renovation industries. Through Canada's Economic Action Plan, federal commitments of more than \$1 billion in 2009–10 have helped Canadian families find suitable and affordable housing, while putting Canadians back to work.

More than \$1 billion in funding is also available in 2010–11, bringing the total federal investment in social housing to over \$2 billion. Funding for 2009–10 and 2010–11 has been fully committed.

Over \$1.3 billion of this two-year investment is being matched by provincial and territorial governments, which are responsible for program design and delivery. As a result of this joint investment in social housing, over 6,800 construction and renovation projects are underway or have been completed across the country. This includes the construction of 285 projects for low-income seniors and persons with disabilities, and the renovation of 6,533 existing social housing projects nationwide. These projects support some of the most vulnerable in our communities, single-parent families, recent immigrants and Aboriginal Canadians living off reserve.



Canada's Economic Action Plan: Working for Canadians



Investments in Housing for Low-income Seniors

Social Housing Project for Seniors in New Brunswick

Through Canada's Economic Action Plan, a federal investment of \$1.6 million is contributing to a new housing development in Fredericton that will create 40 units for low-income seniors, including 4 accessible units for those with disabilities. This project is being developed by Tannery Court Co-operative Ltd., a non-profit organization that works with community agencies to provide residents with life skills, employment counselling and help reintegrating into the community.

We are pleased to work together to provide affordable and safe accommodations for low-income seniors, families and those who have accessibility needs in the Fredericton region.

— The Honourable Kelly Lamrock, New Brunswick Minister of Social Development and Minister Responsible for Housing

New Affordable Rental Housing for Saskatchewan Seniors

As a result of a \$2.3-million federal-provincial investment through Canada's Economic Action Plan, the Prince Albert Community Housing Society is creating 18 new affordable apartments for seniors in Prince Albert. The non-profit housing corporation owns and manages a housing portfolio of more than 260 affordable rental units in the community. The federal-provincial investment is helping it undertake the development of the new housing, which will allow seniors to stay in their community close to family and friends.

This project exemplifies a commitment on our part to work with the federal government to improve the quality of life for lower income Saskatchewan seniors, and to help them remain in their communities.

— Darryl Hickie, MLA for Prince Albert Carlton, Saskatchewan

The Government of Canada is also investing \$150 million in 2009–10 and 2010–11 to renovate and retrofit federally administered social housing. Currently, there are 1,109 projects underway or completed.

In addition, \$400 million is being invested over two years through the Economic Action Plan in support of housing in over 495 First Nations communities. A further \$200 million is being invested in the North to address their housing needs with over 186 projects underway or completed.



Canada's Economic Action Plan: Working for Canadians



Investments in First Nations and Northern Housing

Alberta First Nation Improves Housing Conditions for Families

The Blood Tribe First Nation community is receiving a federal investment of over \$1.2 million through Canada's Economic Action Plan to help improve housing conditions for households on reserve. With this investment, the community will retrofit 42 social housing units on reserve and will undertake other renovations and lot servicing. In addition to improving housing conditions for families, these retrofits are playing a key role in a construction training program, helping the First Nation to move forward in building capacity and providing a skilled labour force.

We wish to acknowledge all stakeholders including Government, Industry, and the Blood Tribe, in its effort to meet the housing and infrastructure needs of our Blood Tribe members. This program is much needed and will provide many opportunities for our members and at the same time improve the housing conditions here in our community.

— Chief Charles Weasel Head, The Blood Tribe, Alberta

New Affordable Homes Meet Housing Need in Whitehorse

Six Yukon families will soon be able to move into a 6-unit townhouse complex in the Ingram subdivision of Whitehorse as a result of a federal investment of \$2.1 million through Canada's Economic Action Plan. The new affordable homes are barrier-free and are being constructed to meet Yukon Housing Corporation's Super GreenHome standards, which will help provide green build training to the construction industry. The Kwanlin Dün First Nation Development Corporation is constructing the project for Yukon Housing Corporation.

Investing in our existing social housing stocks helps extend the life of the buildings and the retrofits will result in better, more comfortable housing for our clients.

— The Honourable Jim Kenyon, Minister Responsible for
Yukon Housing Corporation

In addition to direct funding for social housing, 179 low-cost loans for over \$1 billion have been approved to date, allowing municipalities to undertake housing-related infrastructure projects.



Canada's Economic Action Plan: Working for Canadians



Municipal Infrastructure

Low-Cost Loan Helps City of Summerside to Go Green

The City of Summerside received approval for an \$8-million direct low-cost loan through the Municipal Infrastructure Lending Program for the development of a new wind farm located on the north side of Prince Edward Island. The farm will produce green, sustainable electricity for Summerside's 15,000 residents. Once the installation of four wind turbines and the construction of related transmission infrastructure is complete, the City expects to supply 27 per cent of Summerside's energy needs to more than 6,700 homes.

Producing wind energy was made a priority by our province and City, and having the opportunity to borrow this money through Canada's Economic Action Plan has allowed the City to decrease the cost of borrowing.

— Basil Stewart, Mayor, City of Summerside, P.E.I.

Improving Wastewater Infrastructure for Southern Ontario Municipality

The Town of Saugeen Shores has been approved for almost \$5.3 million in low-cost loans from the Canada Mortgage and Housing Corporation's (CMHC's) Municipal Infrastructure Lending Program to expand its wastewater treatment facilities, including the construction of a new sewage pumping station and new septage receiving station. For this municipality located on the shoreline of Lake Huron in Ontario, the upgrades will improve the management and efficiency of municipal wastewater infrastructure.

CMHC has provided the Town of Saugeen Shores with low-cost financing for two major infrastructure projects. The ability to finance this work over a fifteen year term, at a fixed rate of interest, guarantees a stable repayment plan that can be built into the municipal sewer rate.

— Mike Smith, Mayor, Town of Saugeen Shores



Table 2.3.2

Building Infrastructure to Create Jobs

	2009–10	2010–11	
	Dollars Spent ¹	Stimulus Value	Stimulus Committed
	(millions of dollars)		
Investments in Provincial, Territorial and Municipal Infrastructure			
Accelerating payments: Provincial/Territorial Base Funding Initiative	179	198	198
Infrastructure Stimulus Fund	525	3,475 ²	3,475 ²
Bonus for Community Projects	30	470	470
Green Infrastructure Fund	5	122	122
National recreation trails	25	–	–
Recreational Infrastructure Canada	87	411 ³	403 ³
Investments in First Nations Infrastructure			
School construction	82	90	90
Water and wastewater projects	69	125	125
Critical community services (health facilities)	67	68	68
Critical community services (police facilities)	12	3	–
Federal Infrastructure			
An improved rail system	138	218	199
TransCanada Highway	16	54	30
Federal bridges	39	58	58
Alaska Highway	13	–	–
Small craft harbours	117	100	100
Repair and restoration of federal buildings	171	158	145
Enhancing accessibility of federal buildings	16	20	20
Manège Militaire in Québec City	1	1	1
Accelerating action on federal contaminated sites	88	150	121
Border facilities	2	42	26
Aviation security	343	8	8
Support for Home Ownership and the Housing Industry			
Home Renovation Tax Credit	3,000	–	–
Home Buyers' Plan withdrawal limit	15	15	15
First-Time Home Buyers' Tax Credit	175	180	180
EcoENERGY Retrofit – Homes program	186	230	230



Table 2.3.2 (cont'd)

Building Infrastructure to Create Jobs

	2009–10	2010–11	
	Dollars Spent ¹	Stimulus Value	Stimulus Committed
	(millions of dollars)		
Investments in Social Housing for Canadians			
Renovation and retrofit of social housing (provincial/territorial)	433	417	417
Renovation and retrofit of social housing (federal)	67	83	83
First Nations housing—CMHC ⁴	125	125	125
First Nations housing—Indian and Northern Affairs Canada	75	75	75
Northern housing	100	100	100
Housing for low-income seniors	200	200	200
Housing for persons with disabilities	25	50	50
Loans to municipalities: housing-related infrastructure	376 ⁵	1,624	1,624
Total—Building Infrastructure to Create Jobs	6,802	8,869	8,758

¹ Includes estimated values for tax reduction measures.

² This includes funding transferred to federal assets (e.g., \$66.8 million reallocated to Parks Canada to upgrade additional National Historic Sites and visitor facilities) and amounts for administrative costs.

³ \$35 million of funding under Recreational Infrastructure Canada for projects in Quebec is being used to support the forestry sector in Quebec.

⁴ This includes \$125 million, split equally over 2009–10 and 2010–11, for the New Construction Initiative for on-reserve housing.

⁵ Represents approved loan amounts as of March 31, 2010.

Creating the Economy
of Tomorrow





Creating the Economy of Tomorrow

Canada’s Economic Action Plan includes about \$4 billion over two years for post-secondary education and research, technology and innovation, and environmental protection. These measures are helping to strengthen Canada’s world-leading research and advanced training facilities and to prepare young Canadians for the jobs of tomorrow. The Economic Action Plan also includes measures to create business opportunities in all parts of Canada and to enable small and medium-sized companies to grow and create jobs.

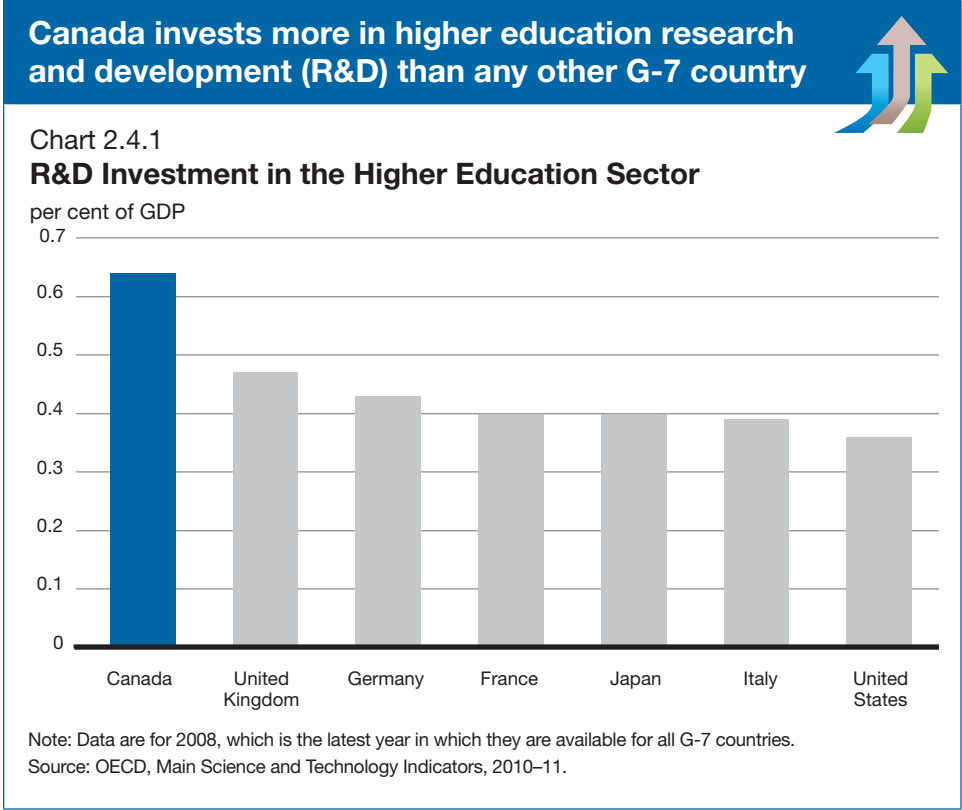
Table 2.4.1

Creating the Economy of Tomorrow

	2009–10	2010–11	Total
	(millions of dollars—cash basis)		
Action to Invest in Post-Secondary Education and Research			
Improving infrastructure at colleges and universities	991	996	1,987
Other	86	155	241
Subtotal—Action to Invest in Post-Secondary Education and Research	1,077	1,151	2,228
Investing in Science and Technology			
Renewing federal laboratories	85	157	242
Clean energy and the environment	358	282	640
Other	30	733	763
Subtotal—Investing in Science and Technology	473	1,172	1,644
Total—Creating the Economy of Tomorrow	1,550	2,323	3,873
Total—With provincial contributions	2,541	3,486	6,027

Note: Totals may not add due to rounding. The stimulus value reflects projected cash expenditures. The budgetary impact may be somewhat smaller because some of these expenditures relate to construction and renovation costs of federal assets (for which only depreciation is recorded on a budgetary basis) and loans to third parties (where there is a budgetary impact only in the event that there is a risk of loss).

The Government is helping to build a strong, innovative economy through science, technology and research excellence, while training a new generation of highly skilled individuals. Canada needs this new wave of highly qualified workers to prosper in a global economy that depends more and more on knowledge and innovation.



The Government is committed to maintaining Canada’s global leadership position in post-secondary research. Funding has been provided to support research excellence at Canadian post-secondary institutions, help Canadian scientists focus on areas where we can be world leaders, and link our research strengths to the opportunities and challenges facing the private sector.

Canada’s Economic Action Plan invests approximately \$5 billion in multi-year science and technology initiatives, an unprecedented investment which underlines the Government’s commitment to its science and technology strategy. These important investments will help position Canada for global excellence in research and development and lead to a more innovative and competitive economy. The Government is supporting state-of-the-art facilities that will help our post-secondary institutions remain at the leading edge, creating an outstanding environment for skills development to produce the highly qualified individuals that businesses require, and positioning Canada for global leadership in knowledge-intensive fields such as clean energy and space technologies.

Post-Secondary Education and Research

As post-secondary students return to classes this fall, they are seeing the positive effects of Canada's Economic Action Plan on university and college campuses across the country. The Knowledge Infrastructure Program is providing \$2 billion over two years for university and college infrastructure projects, including repair, maintenance and construction. Federal funding covers up to half of eligible project costs incurred by March 31, 2011, with other partners providing the balance.

Fifty-six projects have already been completed, and planning, design, construction and renovation work is underway on a further 421 projects at colleges and universities across Canada. These projects represent over \$1.9 billion in Knowledge Infrastructure Program funding, accounting for over 95 per cent of the total program stimulus.

Canada's Economic Action Plan: Working for Canadians



Infrastructure Investments at Universities and Colleges

Completed Projects

- The Government of Canada provided close to \$2.8 million to the Nova Scotia Community College to complete the renovation and upgrade of the Institute of Technology campus, resulting in new and improved spaces for learning, student services and business offices. The project will also improve building safety and accessibility.
- A retrofit of existing buildings at the University of British Columbia (Okanagan campus) to a geexchange system will harvest energy from the "Great Okanagan Aquifer," significantly reducing CO₂ emissions. The project is part of the aspiration of the Okanagan campus to be the most sustainable campus in North America. The Government of Canada has provided \$1.4 million toward this project.
- The Collège François-Xavier-Garneau in Quebec has received \$424,000 from the Government of Canada to refit its three chemistry laboratories to introduce the latest technologies, improve the learning environment and meet new quality standards. The newly equipped modern laboratories will broaden the opportunities for experimentation while maintaining safety.



Canada's Economic Action Plan: Working for Canadians



Infrastructure Investments at Universities and Colleges *(cont'd)*

Creating Jobs for Canadians Today

- The McNally Building/North Campus Infrastructure Renewal Project at Saint Mary's University has created 61 full-time jobs to date in Halifax, including such trades as masons, demolition trades people, electricians and construction managers.
- The Open Knowledge Environment Project at Athabasca University in Alberta will support the employment of 35 information technology professionals over the course of the project.
- Construction at the Centre of Excellence for Trades and Technology at Northern College in Ontario is expected to create 90 full-time-equivalent positions.

Creating Employment Opportunities of Tomorrow

- The addition of the new Research and Innovation Centre at the University of Regina in Saskatchewan will provide modern research laboratory spaces and central support facilities with the capacity for 40 principal researchers and 136 graduate and post-doctoral students.
- Construction of the new facility at the Fredericton campus of New Brunswick Community College will accommodate up to 350 students in programs related to the information technology sector and health and personal services.
- Expansions to Grant MacEwan University in Alberta to accommodate science degree programs will provide additional capacity and enhanced research facilities, improving the learning environment for up to 11,000 students annually.
- The new Life Sciences Building at York University in Ontario will include classroom capacity for 1,215 full-time students and 24 undergraduate teaching labs. The facility will also house research labs and office space for 45 full-time research faculty and 135 graduate assistants and post-doctoral researchers.



Through Budget 2009, the Government committed to provide the Canada Foundation for Innovation (CFI) with additional funding of \$750 million to accelerate investment in state-of-the-art research facilities and equipment. This funding represents an investment in the economy of tomorrow, as the research infrastructure supported by the CFI will underpin the creation of new knowledge and provide invaluable learning experiences for our best and brightest students.

The CFI has already committed \$150 million of this funding to 28 exceptional projects through its 2009 competition, while \$600 million will support the CFI's future activities. Of this amount, the CFI has announced that over \$200 million will be used to support current and new infrastructure that promotes leading-edge research, over \$180 million will be directed to attracting and retaining the world's best researchers, and more than \$30 million will be earmarked for a new fund dedicated to supporting research equipment and facilities at colleges and polytechnics. These investments will promote research excellence while strengthening Canada's long-term economic competitiveness.

Additional details on the allocation of the balance of the \$600 million will be made available in the coming months.

Investing in Science and Technology

The Government has increased its direct support for science and technology through investments to modernize federal laboratories, improve broadband access, and spur research in clean energy and space technology.

Renewing Federal Laboratories: The Government has allocated almost \$250 million to upgrade and modernize federal laboratories doing research in a wide array of fields, from health and food to natural resources, after several years in which maintenance had been delayed or deferred. Construction has begun or has been completed for nearly 100 per cent of identified projects at 14 federal departments and agencies. These projects are providing near-term stimulus in regions across Canada, and will result in improved science and technology capacity for Canada and contribute to better health and safety outcomes for Canadians.



Canada's Economic Action Plan: Working for Canadians



Examples of Modernizing Federal Laboratory Projects

- Considerable progress is being made on modernization projects at six forensic laboratories of the Royal Canadian Mounted Police in Vancouver, Edmonton, Regina, Winnipeg, Ottawa and Halifax, with all projects expected to be complete by February 2011. The more than \$6.7 million invested in 2010–11 will allow the RCMP to extend the functional lives of these high-priority facilities and support the organization in its efforts to ensure the safety and security of Canadians.
- Improvements to Transport Canada's Motor Vehicle Test Centre in Blainville, Quebec, continue to progress as planned and on budget. This \$14.2-million investment will provide Transport Canada with a state-of-the-art facility to conduct research and compliance testing that address emerging road safety risks.
- The Public Health Agency of Canada is investing over \$24 million over two years in the Canadian Science Centre for Human and Animal Health in Winnipeg in order to address current limitations and provide adequate specimen processing laboratory space. This refit will strengthen the Government's ability to anticipate and respond to threats to public health, and will support research by the Canadian Food Inspection Agency into human and animal infectious diseases. Construction is well underway on this project, creating or sustaining close to 80 jobs in the process. The Public Health Agency of Canada is working diligently to ensure that the project is completed by March 31, 2011.

Clean Energy and the Environment: Canada's Economic Action Plan established the \$1-billion Clean Energy Fund, including up to \$150 million for clean energy research and development and \$850 million for clean energy demonstration projects. The projects to be supported by the fund are expected to assist in increasing the deployment of renewable and clean energy technologies.

Canada's Economic Action Plan: Working for Canadians



Examples of Projects Funded Through the Clean Energy Fund

To date, the Government has announced support for three large-scale carbon capture and storage (CCS) demonstrations under the Clean Energy Fund:

- \$120 million for a Shell Quest CCS demonstration project;
- \$315.8 million for the TransAlta Keephills Project to attach CCS to a coal-fired power plant near Edmonton; and
- \$30 million for the Alberta Carbon Trunk Line project.

This funding builds on substantial federal support provided for carbon capture and storage in previous years, including the ecoENERGY Technology Initiative and funding for other research, development and deployment projects. In total, the Government has announced over \$800 million in support for carbon capture and storage.

The Government has also announced up to \$146 million under the Clean Energy Fund in support of 19 projects to demonstrate renewable and clean energy across Canada, including integrated community energy solutions, smart grid technology, and renewable applications with solar, wind, tidal and geothermal energy.

To date, federal funding totalling over \$610 million has been announced for specific projects under the Clean Energy Fund. In addition, in response to unprecedented demand under the ecoENERGY Retrofit – Homes program, \$205 million under the Clean Energy Fund has been allocated to finance up to 120,000 additional retrofits for Canadian homeowners.

Broadband: As part of Canada's Economic Action Plan, \$225 million was provided to Industry Canada over three years to develop and implement a strategy to extend broadband coverage to as many unserved and underserved households as possible. The biggest component of this strategy is the *Broadband Canada: Connecting Rural Canadians* program. To date, 77 projects have been conditionally approved under this program totalling \$110 million, expected to extend broadband coverage to an estimated 222,000 households. Additional projects will be announced in the coming weeks. In addition, through the Community Access Program, the Government will provide \$28 million to extend affordable access to the Internet to thousands of Canadians in places like schools, community centres and libraries.



Canadian Space Agency: The Economic Action Plan provided \$110 million over three years to the Canadian Space Agency to support Canada's continued leadership in the design and construction of space robotics. Of this amount, approximately \$53 million will be spent in 2010–11 on the development of the Next Generation Canadarm and Exploration Surface Mobility projects. This funding supports new opportunities for innovative Canadian companies and provides jobs for highly skilled employees. This new support will also help prepare Canadian astronauts to participate in future international space missions, such as astronaut Chris Hadfield taking command of the International Space Station in 2012.

Canada Health Infoway: The Economic Action Plan provided \$500 million to Canada Health Infoway to support the goal of having 50 per cent of Canadians with an electronic health record by 2010 and to speed up the implementation of electronic medical record systems for physicians. Canada Health Infoway works with the provinces and territories to determine when and how best to invest funding. The Government has moved forward with the transfer of the \$500 million that was announced in Budget 2009. This \$500-million investment will both enhance the safety, quality and efficiency of the health care system, and create thousands of sustainable, knowledge-based jobs throughout Canada. To date, Infoway has spent \$7 million and has committed \$340 million to support electronic medical record systems for physicians' offices and to integrate points of service for hospitals, pharmacies, community care facilities and patients. Unspent funds from 2009–10 have been reallocated to 2010–11.



Table 2.4.2

Creating the Economy of Tomorrow

	2009–10	2010–11	
	Dollars Spent	Stimulus Value	Stimulus Committed
(millions of dollars)			
Action to Invest in Post-Secondary Education and Research			
Improving infrastructure at universities and colleges	991	996	996
Canada Foundation for Innovation	–	50	50
Institute for Quantum Computing	17	17	17
Arctic research infrastructure	32	52	52
Canadian Graduate Scholarships program	35	35	35
Industrial Research and Development Internship program	3	1	1
Investing in Science and Technology			
Modernizing federal laboratories	85	157	157
Clean Energy Fund ¹	65	282	275
Canadian Environmental Sustainability Indicators	8	–	–
Strengthening Canada’s nuclear advantage	285	–	–
Canada’s space industry	10	53	39
Canada Health Infoway	–	500	500
Extending access to broadband in rural communities	20	180	123
Total – Creating the Economy of Tomorrow	1,550	2,323	2,245

¹ \$205 million in 2009–10 and 2010–11 funding (referred to in Budget 2009 under “Transformation to a Green Energy Economy”) was allocated to the ecoENERGY Retrofit – Homes program to support an additional 120,000 home energy retrofits.

Supporting Industries
and Communities





Supporting Industries and Communities

Canada's Economic Action Plan provides over \$13 billion to create and protect jobs in regions, communities and industries of the Canadian economy that have been most affected by the severe downturn. This includes targeted support for traditional industries such as forestry and agriculture, and manufacturing, which play important roles in the economies of many communities. This support will help these industries invest in their long-term success and create new opportunities and jobs for Canadians in all areas of the country.



Table 2.5.1

Supporting Industries and Communities

	2009–10	2010–11	Total
	(millions of dollars—cash basis)		
Support for Industries			
Forestry	59	108	167
Agriculture	14	104	118
Mineral exploration	70	-15	55
Small businesses	166	195	361
Tourism	136	151	287
Shipbuilding	82	93	175
Culture	150	183	333
Tax and tariff relief			
Accelerated capital cost allowance for computers	340	355	695
Tariff relief on machinery and equipment	76	81	169
Subtotal—Support for Industries	1,093	1,255	2,348
Support for Communities			
Helping all regions prosper	596	830	1,426
Strengthening partnerships with Aboriginal Canadians	135	186	321
Subtotal—Support for Communities	731	1,015	1,747
Total—Supporting Industries and Communities	1,824	2,271	4,095
Federal support to auto sector	9,155		9,155
Total—Supporting Industries and Communities	10,979	2,271	13,250
Ontario component of auto sector support	4,578		4,578
Total—With provincial contributions	15,557	2,271	17,827

Note: Totals may not add due to rounding. The stimulus value reflects projected cash expenditures. The budgetary impact may be somewhat smaller because some of these expenditures relate to construction and renovation costs of federal assets (for which only depreciation is recorded on a budgetary basis) and loans to third parties (where there is a budgetary impact only in the event that there is a risk of loss).

Support for Communities: The Government is continuing to deliver support to vulnerable communities through initiatives such as the \$1-billion Community Adjustment Fund. There are now approximately 1,600 projects either underway or completed across Canada under the Fund, representing over 90 per cent of total funding over two years.



Canada's Economic Action Plan: Working for Canadians



Examples of Community Adjustment Fund Projects

- The Government provided over \$925,000 to the Scotian Gold Cooperative Ltd. in Coldbrook, Nova Scotia, to expand their controlled atmosphere storage. This expansion will accommodate higher crop volumes by creating 4,500 bins of additional storage for fresh fruit, which will allow the cooperative to enhance product quality. One new permanent position was created to handle the increased volume, and approximately 35 people were employed during the construction phase. The project also ensured the viability of 725 direct full-time and seasonal jobs for the 30 farms that are members of the cooperative.
- The Coopérative forestière Girardville in Quebec received \$200,000 to redesign an existing building, which will allow the firm to begin processing and marketing natural spices from various plants in the boreal forest. It is estimated that this project will create 15 seasonal jobs and maintain 15 existing seasonal jobs.
- The City of North Bay in Ontario received \$200,000 to excavate municipal land adjacent to a 30-acre park on the city's waterfront. It is expected the property will become a home for a new hotel and convention centre. This project created 20 short-term jobs in construction, project management and engineering. The hotel and convention centre are expected to create up to 100 full-time positions and will also benefit local tourism-related businesses such as retail stores, service stations and financial institutions.
- The Government allocated \$3.0 million to the Niagara Interactive Media Cluster in St. Catharines, Ontario, to expand its training facility and business incubator. This expansion will help create new businesses and link partners in industry, economic development organizations and post-secondary institutions. In particular, Brock University and Niagara College will integrate the technology provided by the new facility into their school curriculum and training, providing a valuable opportunity for students to pursue their goals and to spin off their work into employment, business projects and other collaborations. The project created the equivalent of 18 full-time jobs.
- The Northern Manitoba Sector Council received \$297,000 to develop a Mineral Science Industrial Vocational Facility in Thompson, Manitoba, in collaboration with key private sector partners. More than 5 person-years of employment have been generated for unemployed workers from the area. The project was designed to promote careers in mineral processing for youth and young adults in the region. In total, 30 students are currently being trained. These students will soon be eligible to pursue opportunities in the mining industry or continue on in an academic stream, having received university credits for the instruction received.



The Federal Economic Development Agency for Southern Ontario (FedDev Ontario) has committed \$247 million over two years to strategic investments to support job creation and economic growth in the region. For example, \$44 million has been committed to the National Research Council's Industrial Research Assistance Program over two years to support research and development-intensive small and medium-sized enterprises in the region. Also, the Government has invested \$50 million through the Business Development Bank of Canada so businesses in southern Ontario will have greater access to venture capital. Further, through the Southern Ontario Development Program, FedDev Ontario is supporting projects such as the Canadian Manufacturers & Exporters' SMART Program and MITACS Inc., a national research network that connects Canadian businesses and organizations with the next generation of skilled workers.

Canada's Economic Action Plan: Working for Canadians



Economic Development Initiatives in Southern Ontario

FedDev Ontario has recently committed funds to a number of initiatives. For example:

- Italian Home Bakery Ltd., a processor of artisan European-style breads and rolls for the Greater Toronto Area, received a repayable contribution of nearly \$1.4 million to expand its current facility and increase productivity by purchasing new equipment. The company expects the investment to create 45 new jobs, as well as expand market distribution and increase market awareness of its products.
- Southern Ontario will strengthen its position as a leading centre for medical research and see new jobs created with the development of the KidsArm robotic surgical system, the first pediatric technology of its kind in the world. A \$10-million contribution from the Southern Ontario Development Program to the SickKids' Centre for Image-Guided Innovation and Therapeutic Intervention will go towards purchasing the core equipment that will be adapted for KidsArm. This project is expected to create more than 80 research, engineering and manufacturing jobs at the centre and the partnering companies that will provide the imaging, robotic and simulation equipment. Once completed, SickKids will commercialize the technology to generate revenues that will be reinvested in further research at the hospital, helping to sustain innovation over the long term.



Automotive Sector: The automotive sector has faced significant challenges over the past two years. The governments of Canada and Ontario, working closely with the government of the United States, have taken significant steps to help the automotive sector overcome these challenges, including jointly supporting the restructuring processes of Chrysler and General Motors through loans and debtor-in-possession financing.

Of the \$3.7 billion committed to Chrysler by Canada and Ontario, \$2.9 billion has been drawn upon to date. Chrysler emerged from bankruptcy protection on June 10, 2009. As additional consideration for providing loans to Chrysler, Canada and Ontario received a 2-per-cent equity stake in the restructured firm.

All of the \$10.8 billion committed to General Motors by Canada and Ontario has been disbursed. General Motors emerged from bankruptcy protection on July 10, 2009. Canada and Ontario received a combined 11.7-per-cent ownership stake in the restructured General Motors, as well as US\$403 million in preferred shares. By April 20, 2010, General Motors completed the repayment of its entire \$1.5-billion interim loan from Canada and Ontario ahead of schedule. On August 18, the company filed a draft prospectus with securities regulators in Canada and the United States for an initial public offering. This filing is the latest sign that the company is on the road to recovery.

The support provided by the governments of Canada and Ontario to the automotive sector has helped to save jobs in hard-hit communities.

Forestry: The global economic downturn and the collapse in the U.S. housing market have created challenges for the forestry sector. Under the Economic Action Plan, Natural Resources Canada was allocated \$170 million over two years to support market diversification and innovation initiatives in the forestry sector, including research and demonstration projects on new forest products and initiatives to help forestry companies market innovative products internationally to protect and create jobs.

Since the release of the Economic Action Plan, the Government has announced the creation of a \$1-billion program to support environmental improvements for the pulp and paper industry. The Pulp and Paper Green Transformation Program will allow pulp and paper mills in all regions, particularly British Columbia, Quebec and Ontario, to reduce greenhouse gas emissions while helping them become leaders in the production of renewable energy from biomass.



This is helping many mills across Canada to improve their competitiveness and create and sustain jobs. These actions are in addition to the substantial financial support provided to the forestry sector by Export Development Canada.

Canada's Economic Action Plan: Working for Canadians



Support for Forestry

The forestry sector is an important contributor to the Canadian economy, forming the economic base in many regions.

Canada's forest product companies have encountered intense competitive pressures, including greater competition from low-cost producers, higher input and energy costs, a variable Canadian dollar and low productivity. The Government has put in place significant support, including through the Economic Action Plan, to help the forestry sector address these challenges, become more competitive and create jobs. For example:

- Since 2008, Export Development Canada has provided nearly \$39 billion in financial services to Canada-based forestry companies. Over the same period, the Business Development Bank of Canada has provided over \$380 million in loans to Canadian forestry firms.
- The \$1-billion Pulp and Paper Green Transformation Program, announced in June 2009, will allow pulp and paper mills in all regions to invest in new technologies that improve energy efficiency and environmental performance, helping them become leaders in the production of renewable energy from biomass, while creating and sustaining jobs in their communities. For example, the Celgar pulp mill, located in Castlegar, British Columbia, will receive \$40 million for its Green Energy Project, which will allow the mill to take advantage of waste heat, increase the production of steam from wood waste and increase capacity to generate bioenergy through the installation of a new 48 megawatt turbine. This project is expected to create 145 full-time jobs in the region over the seven-month construction period.

Canada's Economic Action Plan: Working for Canadians



Support for Forestry *(cont'd)*

- The Canada-Quebec Forestry Task Team was established in April 2009 to address challenges facing the Quebec forestry industry. The task team's work has led to six agreements worth \$200 million, announced in May 2009, to support silviculture in the province. A further \$30 million in agreements was announced in July 2009 for the restoration of bridges and culverts on Quebec public lands, which will enable greater natural resource and land development to take place. The Government of Canada will contribute \$115 million toward these two initiatives, sourced from the Community Adjustment Fund. These agreements have created and maintained over 4,800 jobs in communities that were impacted by both the economic downturn and the particular challenges faced by the forestry sector.
- On June 17, 2010, the Government of Canada launched the \$100-million Temporary Initiative for the Strengthening of Quebec's Forest Economies. This initiative, which will continue until March 2013, is intended to expand and diversify the economic activities of communities affected by the challenges faced by the forestry sector, with a special focus on small and medium-sized enterprises. Targeted projects will include those involving new market development, productivity enhancements, innovation and commercialization, biomass conversion, recovery plans and related activities.

Tourism: In 2010–11, the Marquee Tourism Events Program will provide approximately \$39 million in federal funding to festivals and events to stimulate the economy and help promote Canada as a global destination of choice. These funds will provide support to 47 marquee festivals and events across Canada, such as the Royal Nova Scotia International Tattoo in Halifax, Québec City's Summer Festival, Luminato in Toronto, the Royal Manitoba Winter Fair in Brandon, and the World Ski and Snowboard Festival in Whistler.

The Government of Canada will also provide up to \$8 million through the Canadian Tourism Commission (CTC) for additional promotional activities in priority international markets for the Canadian tourism industry. Using Economic Action Plan funding, the CTC has also developed award-winning domestic and international marketing campaigns aimed at attracting more travel to and within Canada, capitalizing on the tremendous success of the Vancouver 2010 Winter Olympics.



Our vast National Parks and numerous National Historic Sites help attract a large number of visitors from abroad each year, generating significant economic activity and bringing our natural heritage closer to Canadians. Canada's Economic Action Plan provides Parks Canada with \$150 million over two years to build and upgrade facilities, including visitor centres and campgrounds, as well as roads at National Parks and National Historic Sites throughout the country. This funding is now fully committed to more than 215 projects such as a new interpretive trail and visitor facilities at Pingo Canadian Landmark, a National Historic Site on the shores of the Arctic Ocean. This \$1.1-million project, developed in collaboration with the Inuvialuit, will enable the residents of Tuktoyaktuk, as well as visitors from around the world, to experience geological features that are a symbol of Canada's North.

Agriculture: Since the launch of the Economic Action Plan, the Government has worked closely with farmers, the agri-food industry and the provinces and territories to deliver on the agricultural measures in the Plan.

- To date, \$172 million has been allocated to multi-year initiatives under the Agricultural Flexibility Fund. New initiatives will be announced as the Government works with industry, provincial and territorial partners over the remaining three years of the program to help the sector adapt to pressures and improve its competitiveness.
- Investments in cattle processing plants to help improve their operations under the Slaughter Improvement Program will ramp up over the remaining two years of the program. Budget 2010 provided an additional \$10 million in funding. To date, total funding of \$54 million has been committed over three years and 18 projects have been approved. The full \$31 million available this fiscal year is already committed.
- Since the *Canadian Agricultural Loans Act* took effect in the summer of 2009, 2,828 loans totalling \$152.4 million have been granted. Of these loans, 201 have been issued to beginning farmers for a total of \$17.7 million and 45 loans have been issued for amounts greater than \$250,000.
- On January 1, 2010, the Government transferred the delivery of the AgriStability program to British Columbia and Saskatchewan to help streamline the administrative process for farmers.



In addition to these Economic Action Plan measures, the Government continues to support the long-term competitiveness of the sector through:

- Efforts to open markets and expand market opportunities for Canadian farmers and exporters through numerous missions abroad. These missions have succeeded in: opening beef and cattle markets in Colombia; signing an agreement to expand Canadian pulse crop exports to India; securing an agreement with China to reopen its markets to Canadian beef and pork; and expanding key export opportunities and regaining full access for Canadian beef to the key export market of Hong Kong.
- Quick action in partnership with the governments of Saskatchewan, Alberta and Manitoba to support grain producers affected by excessive moisture and flooding this spring and summer. Up to \$450 million will be provided under the AgriRecovery program to protect, rehabilitate and manage affected cropland.

In addition to this targeted assistance, existing federal-provincial Business Risk Management programs, such as AgriInsurance (crop insurance), AgriStability and AgriInvest, will significantly help farmers manage the impact of this natural disaster as the first lines of defence to address income shortfalls.



Canada's Economic Action Plan: Working for Canadians



Examples of Support for Agriculture

- Projects funded under the five-year Agricultural Flexibility Fund include: \$3.5 million to determine the prevalence of scrapie, a fatal neurological disease, in Canadian sheep; \$7.8 million for a targeted market access strategy that will ensure Canadian canola producers have full and fair access to international markets; and targeted Canada Brand initiatives in Mexico, Japan and South Korea to increase demand for Canadian products. In addition, \$33 million has been committed over five years to projects in partnership with the governments of British Columbia, Alberta, Saskatchewan, Quebec, New Brunswick, Nova Scotia and Prince Edward Island.
- Through the Slaughter Improvement Program, the Government is providing \$2.09 million for Ryding Regency Meat Packers Limited, in Toronto, to install more efficient systems on its production lines and an upgraded computer tracking system. This funding will help the plant reduce costs, increase efficiency and be better positioned to capture new niche markets for farmers locally and around the world.

Small Business: Canada's many innovative small and medium-sized companies are an important economic engine, introducing new goods and services, developing new technologies and creating jobs for highly skilled young graduates. The Economic Action Plan committed \$200 million over two years to the Industrial Research Assistance Program to enable it to temporarily expand its initiatives for small and medium-sized enterprises. The National Research Council has committed the entire \$200 million allocated in 2009–10 and 2010–11 to help firms innovate and hire new post-secondary graduates. Program results in 2009–10 exceeded the National Research Council's targets: contributions to small and medium-sized enterprises reached 1,355 firms and supported 5,262 jobs, and Youth Employment Program funding supported 488 graduates in 386 firms across Canada.

Canada's Economic Action Plan: Working for Canadians



Examples of Support for Small Business

Through the Industrial Research Assistance Program (IRAP), the Government is helping small and medium-sized companies to invest in research and innovation and create high-value jobs. For example:

- HootSuite Media Inc., a new firm based in Vancouver, was recently awarded a \$250,000 contribution from IRAP to enhance its technology platform and continue its impressive growth. The firm now has over 20 full-time-equivalent employees, and has secured investment funding.
- Accurate Glass Ltd., a Winnipeg fibreglass window and door manufacturer, received over \$160,000 for two projects for the development of an integrated product design, sales, marketing, and manufacturing information system to increase productivity, as well as the implementation of lean manufacturing techniques and processes to increase efficiency and profitability. Two new technical staff members were hired directly to undertake these projects.
- Memory Experts International in Montréal received \$350,000 from IRAP to develop a device that transforms any shared system, home computer or other untrusted computer into a fully secure information technology (IT) managed work environment. The funding helped the company hire new experts and retain its IT team of 19 people through the economic downturn. The project is on the verge of completion and beta versions have already been distributed to key clients.
- Avalon Microelectronics Inc., located in Mount Pearl, Newfoundland and Labrador, is working on the development of custom microchips used in telecom transport systems. Through \$660,000 in advisory and funding support over the past two years, IRAP has assisted the firm with the development of product innovations, and supported the hiring of two youth graduates.



Canada's Economic Action Plan: Working for Canadians



Examples of Support for Small Business *(cont'd)*

The tax system provides considerable support to small business through lower corporate income tax rates, incentives for investors, enriched financial support for research and development, and simplified compliance.

Since 2006, the Government has introduced a large number of tax measures to support investment, innovation and growth by small businesses, including:

- To help small businesses retain more of their earnings for investment, expansion and job creation, the lower small business tax rate was reduced to 11 per cent from 12 per cent in 2008. The amount of income eligible for this lower rate was increased from \$300,000 to \$400,000 in 2007, and then to \$500,000 in 2009.
- To spur investment in small businesses, Budget 2007 increased the Lifetime Capital Gains Exemption on qualified small business shares to \$750,000 from \$500,000, the first increase in the exemption since 1988.
- Support for research and development through the Scientific Research and Experimental Development Tax Incentive Program was enhanced in Budget 2008. The amount of expenditures eligible for the higher refundable tax credit was increased to \$3 million and eligibility was extended to medium-sized companies by increasing the taxable capital and income limits.
- To allow small business owners to devote more time to growing their firms, the Government fulfilled its Budget 2007 commitment to reduce the paperwork burden on Canadian businesses by 20 per cent.

Budget 2010 included several measures that help Canadian small and medium-sized companies grow their businesses, including:

- Elimination of tax reporting under section 116 of the *Income Tax Act* for investments such as those by non-resident venture capital funds in a typical Canadian high technology firm.
- A new Red Tape Reduction Commission to review federal regulations and reduce the cost of compliance for small businesses.
- A new private sector Advisory Committee on Small Business and Entrepreneurship to provide advice on how to further improve business access to federal programs and information.
- A new Small and Medium-sized Enterprise Innovation Commercialization Program, which will provide \$40 million to help federal departments demonstrate new products developed by small and medium-sized companies.

Shipbuilding: The Economic Action Plan provided \$175 million to the Canadian Coast Guard to purchase 98 new boats and to repair and refit 40 existing large vessels. All Economic Action Plan funding has been committed. As of March 31, 2010, \$82 million has been spent on various projects, including the procurement of 45 small craft and over \$61 million in repair and refit of large Coast Guard vessels. In fiscal year 2010–11, a further \$93 million has been committed.

Canada's Economic Action Plan: Working for Canadians



Support for Shipbuilding

- Contracts for 59 of 60 new small craft, totalling \$11.3 million, are in place. To date, 45 boats have been delivered to the Canadian Coast Guard in Victoria, British Columbia, Halifax, Nova Scotia, and St. John's, Newfoundland and Labrador.
- Work has begun on 30 new environmental response barges, totalling \$11.5 million in contracts. The barges will be delivered to the Canadian Coast Guard in Vancouver, British Columbia, Prescott, Ontario, Québec City, Quebec, Halifax, Nova Scotia, and St. John's, Newfoundland and Labrador.
- A competitive tendering process to build five 47-foot Motorized Life Boats resulted in an \$18.7-million contract award to Victoria Shipyard Ltd. on August 4, 2009. The first of the five vessels has been completed and has undergone successful dock and sea trials. The second and third vessels will be completed and delivered to the Canadian Coast Guard in the late fall of 2010 with the final two vessels being delivered by March 2011.
- The CCGS Bartlett and the CCGS Limnos have returned to service following their successful vessel life extensions. In 2010–11 a contract worth \$5.6 million has been awarded to Allied Shipbuilders in North Vancouver, British Columbia, for the major component of the vessel life extension of the CCGS Tanu, and work has begun at the yard. The CCGS Cape Roger vessel life extension was awarded to Seaway Marine in early September and work is scheduled to begin in October 2010.



Culture: The Government has delivered unprecedented levels of investment in Canada’s cultural industries, creating jobs and supporting the creative economy. In the last year, the Government has charted a course that will allow our creative industries to navigate the changing technological and economic landscapes. The Economic Action Plan includes investments that go directly to our country’s artists and cultural organizations. The Government has modernized several programs, such as the Canada Media Fund, to bring them into the digital age. Recent efforts have included stabilizing funding for programs that support Canadian music and books, as well as significantly increasing funding for solidifying the Canada Council for the Arts. Funding for the Council is at its highest level in history.

Canada’s Economic Action Plan included over \$335 million in support for culture and the arts—recognizing the importance of Canada’s artistic institutions, the role they play in Canadians’ lives, and their contribution to the economy. The Government has made the following progress in implementing stimulus programs related to culture.

- The Canada Cultural Spaces Fund spent \$30 million of a total of \$30 million in cultural infrastructure funding in 2009–10 and committed \$25 million of the 2010–11 allocation of \$30 million, supporting 119 cultural infrastructure projects across Canada.
- As of March 2010, the Canada Arts Training Fund funded 27 organizations for a total of \$6 million, and in 2010–11 it funded 34 organizations for a total of \$11 million, to support the highest-calibre institutions in Canada to train the most talented emerging artists for professional careers.
- \$13.9 million was transferred to Canada Post as of March 31, 2010, which helped more than 1,000 magazines and community newspaper companies mail 169 million copies of their publications to Canadian readers in all regions of the country. In 2010–11, the revamped program disbursed \$15 million to 928 Canadian magazine and community newspaper titles in June 2010 to help them distribute publications to Canadians.
- In 2009–10, a \$100-million investment in the Canada Media Fund supported projects, in partnership with the broadcasting industry, to produce high-quality, distinctively Canadian television programs, including the Canadian drama series *Flashpoint*. \$100 million in funding for 2010–11 will support similar investments.

Canada's Economic Action Plan: Working for Canadians



Support for Culture

- \$250,000 towards the renovation of Pier 21 in Halifax. Taken together with other financial contributions, the \$527,891 project created 20 short-term jobs and 3.5 permanent positions
- \$717,443 for the construction of a new Centre international de recherche et de création en danse et en arts connexes in Montréal for the creation of working, living and administration space for dance artists. Taken together with other financial contributions, the \$3.3-million project is creating 20 short-term and 20 long-term jobs.

Mining: Canada's rich mineral resources represent significant economic opportunities. Promoting the exploration and development of these resources offers important benefits in terms of employment, investment and infrastructure, especially for rural and remote communities. Canada's Economic Action Plan supports mineral exploration activity and jobs across Canada by extending the temporary 15-per-cent Mineral Exploration Tax Credit to flow-through share agreements entered into during the period from April 1, 2009 to March 31, 2010.

Tax Relief: In addition to supporting key industries, the Economic Action Plan includes permanent and temporary measures which build on broad-based tax reductions that are lowering the federal general corporate income tax rate from 22.12 per cent (including the corporate surtax) in 2007 to 15 per cent in 2012. As a result of these reductions, in addition to other tax changes introduced since 2006, Canada has an overall tax rate on new business investment that is substantially lower than that in any other G-7 country.

Tariff Relief: The Economic Action Plan is helping Canadian firms create jobs, modernize their operations and better compete globally through the elimination of all remaining tariffs on imports for industrial manufacturing. A first phase of tariff relief, focusing on machinery and equipment, was implemented in Budget 2009, providing \$88 million per year in average duty savings. Budget 2010 implemented a second phase of tariff relief, eliminating all remaining tariffs on industrial inputs, which will provide \$300 million in additional annual savings to Canadian businesses.



With these measures, we are making Canada a tariff-free zone for industrial manufacturers, a first in the G-20. These initiatives will increase investment, create jobs, foster innovation and productivity, and increase overall prosperity.

The Economic Action Plan eliminates all tariffs on industrial inputs and machinery and equipment



Chart 2.5.1

Tariff Relief on Machinery and Equipment and Industrial Inputs

number of tariff items

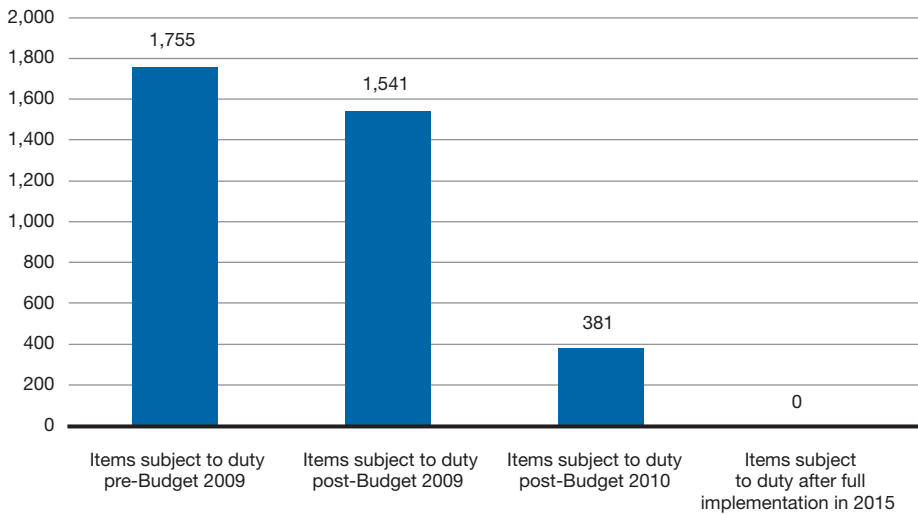


Table 2.5.2

Supporting Industries and Communities

	2009–10	2010–11	
	Dollars Spent ¹	Stimulus Value	Stimulus Committed
	(millions of dollars)		
Support for Industries			
Support for the automotive sector²	9,155	–	–
Forestry			
Forestry (marketing and innovation)	59	108	61
Agriculture			
Agriculture flexibility program	6	73	48
Investments in cattle processing plants	8	31	31
Mineral Exploration			
Extending the Mineral Exploration Tax Credit	70	-15	-15
Small Businesses			
Reducing taxes for small businesses	45	80	80
Industrial Research Assistance Program	98	100	100
Canadian Youth Business Foundation	10	–	–
Canada Business Networks	14	15	15
Tourism			
Canadian Tourism Commission	20	20	20
Marquee tourism events	48	50	50
Parks Canada ³	67	81	81
Shipbuilding			
Shipbuilding	82	93	93
Culture			
Cultural infrastructure	30	30	25
Canada Prizes for the Arts and Creativity	–	25	–
Canada Arts Training Fund	6	13	11
Community newspapers and magazines	14	15	15
Canada Media Fund	100	100	100
Tax and Tariff Relief			
Temporary 100-per-cent capital cost allowance rate for computers	340	355	355
Tariff relief on machinery and equipment	76	81	81



Table 2.5.2 (cont'd)

Supporting Industries and Communities

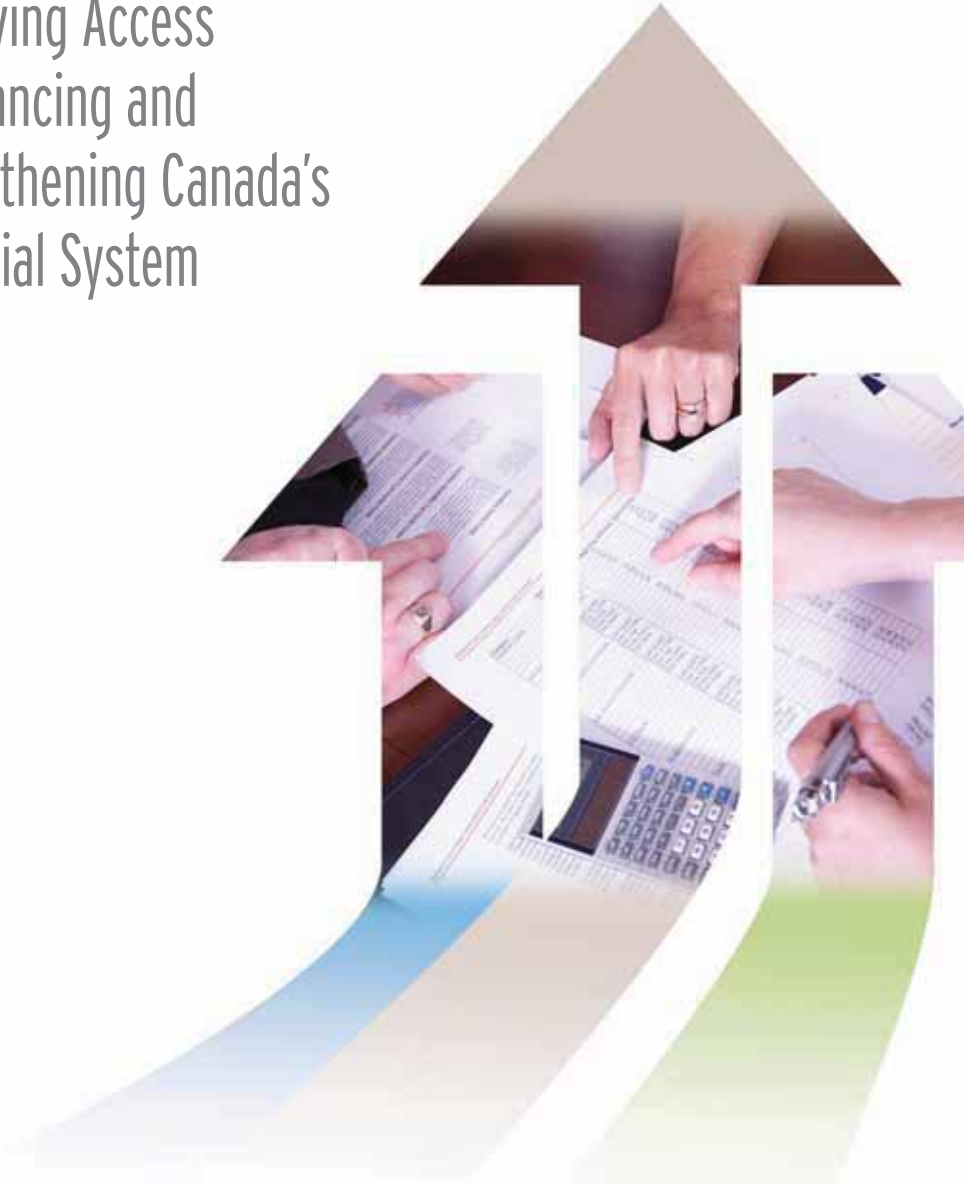
	2009–10	2010–11	
	Dollars Spent ¹	Stimulus Value	Stimulus Committed
(millions of dollars)			
Support for Communities			
<i>Helping All Regions Prosper</i>			
Community Adjustment Fund	417	578	553
Federal Economic Development Agency for Southern Ontario	128	208	119
Eastern Ontario Development Program	10	10	9
Strengthening economic development in the North	3	14	10
Strategic Investments in Northern Economic Development	10	20	4
Promoting energy development in Canada's North	28	–	–
<i>Strengthening Partnerships With Aboriginal Canadians</i>			
First Nations and Inuit health programs	131	170	170
First Nations child and family services	4	16	16
Total—Support for Industries and Communities	10,979	2,271	2,032

¹ For tax and tariff measures, value of tax and tariff stimulus provided is estimated.

² \$250 million was disbursed to Chrysler on March 30, 2009.

³ In addition, \$66.8 million was reallocated from the Infrastructure Stimulus Fund to Parks Canada for additional projects. These funds are also fully committed.

Improving Access
to Financing and
Strengthening Canada's
Financial System





Improving Access to Financing and Strengthening Canada's Financial System

Canadians need access to affordable financing for their homes, cars and businesses. The level of interest rates and access to loans influence how Canadians invest and spend their money, which drives our economy and promotes job creation. Strong financial conditions are vital for a sustained recovery in Canada and elsewhere in the world.

The Canadian financial system withstood the global financial crisis better than most. The global crisis, however, made it difficult for Canadian banks and other lenders to obtain funds from international markets at reasonable costs. To soften the impact of the crisis, Canada's Economic Action Plan included measures to provide up to \$200 billion to support lending to Canadian households and businesses through the Extraordinary Financing Framework.

The Extraordinary Financing Framework measures, most of which are ending as credit conditions improve, included: the Insured Mortgage Purchase Program; a new 10-year maturity in the ongoing Canada Mortgage Bond program; the Canadian Secured Credit Facility; support for the Bank of Canada's emergency liquidity measures; increased flexibilities and capacities for financial Crown corporations, including the introduction of the Business Credit Availability Program; and assurance facilities for banks and insurance companies. All of this support has been offered on a commercial basis to protect taxpayers.

The Government's actions under the Extraordinary Financing Framework have contributed significantly to improved credit conditions. In Canada, total credit growth remains healthy, reflecting solid growth in household credit together with continued improvements in business credit. As a result, total credit growth in Canada continued to outpace that of the United States through the first half of 2010 (Chart 2.6.1). Improved financial market conditions have also led to a rebound in net corporate bond and equity issuances, following a retrenchment in these activities in late 2008 (Chart 2.6.2). Meanwhile, the difference between corporate and government bond rates has narrowed considerably.



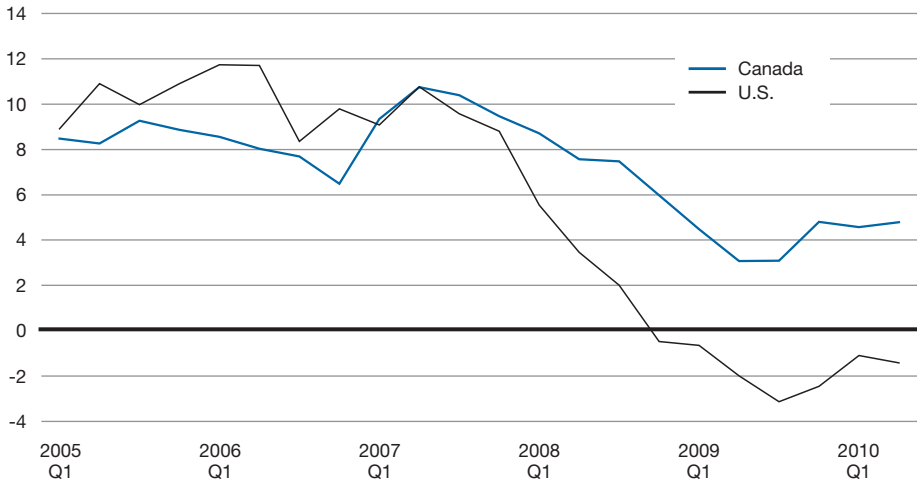
Credit growth in Canada remains stronger than in the U.S.



Chart 2.6.1

Total Credit Growth

per cent, period to period at annual rates



Sources: Bank of Canada; U.S. Federal Reserve Board.
Based on latest comparative data available.

In Canada, credit growth has been supported by significantly lower interest rates for borrowers. In response to the global financial crisis, the Bank of Canada reduced its policy rate by 425 basis points between July 2007 and April 2009. Since then, economic conditions have improved, leading the Bank of Canada to adjust its policy rate upward by 75 basis points since June 2010; however, its policy rate remains “exceptionally stimulative”(Chart 2.6.3). The Government’s measures to support access to financing have helped to alleviate market uncertainty and supported a dramatic reduction in market interest rates. As a result, average effective interest rates for households and businesses, as estimated by the Bank of Canada, are now about 200 basis points and 235 basis points, respectively, lower from their level in the fall of 2008.

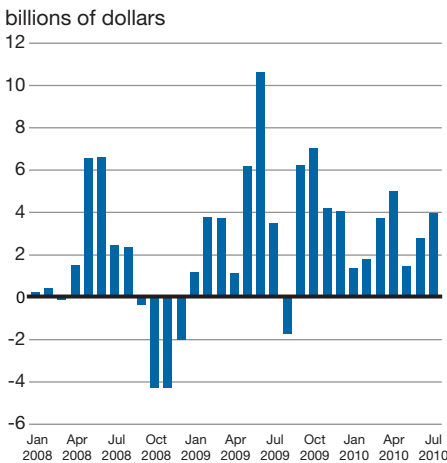


Improvement in business lending conditions and financial market activity



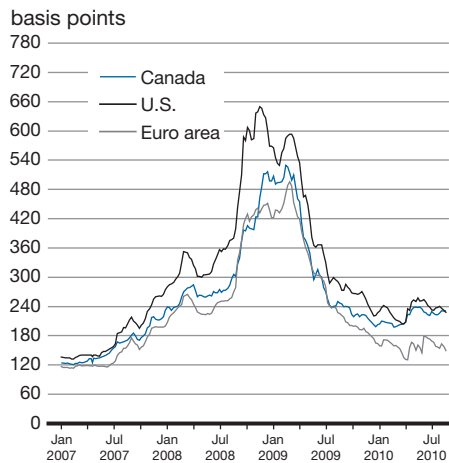
Chart 2.6.2

Net Funds Raised by Canadian Non-Financial Businesses Through Equities, Bonds and Short-Term Paper



Source: Bank of Canada.

Long-Term Corporate Spreads



Notes: The spreads are the difference between corporate and government yield of bonds with a maturity between 7 and 10 years. Weekly data up to and including September 17, 2010.

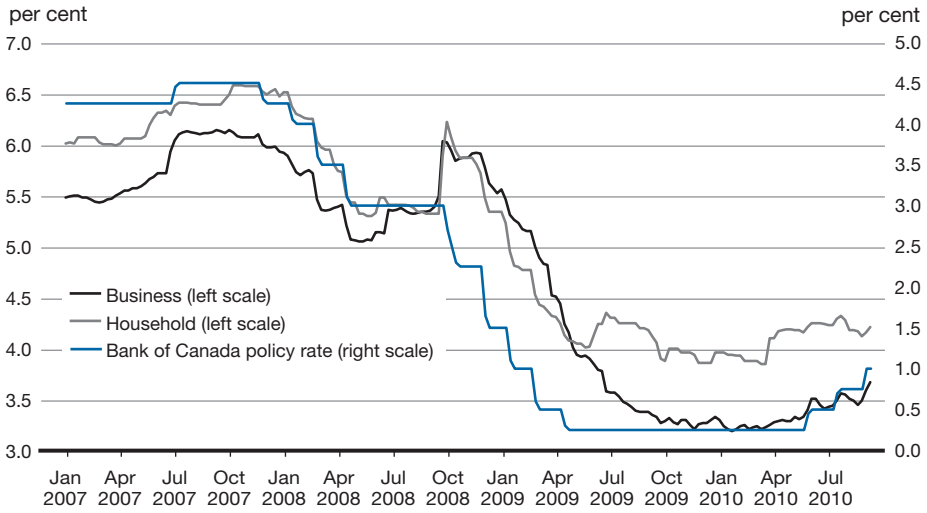
Source: Merrill Lynch.



Effective interest rates are lower



Chart 2.6.3
Effective Interest Rates and Policy Rate



Source: Bank of Canada.



Direct Support for Small and Medium-Sized Business

Canada's Economic Action Plan enhanced the resources and scope of action available to Export Development Canada (EDC) and the Business Development Bank of Canada (BDC) so that they could extend additional financing to Canadian businesses. The Government increased the authorized capital limits of EDC and BDC by \$1.5 billion each, and increased their associated borrowing limits. The Government also increased EDC's contingent liability limit to \$45 billion to enable EDC to grow and enhance its guarantee and insurance programs, increased the Canada Account limit from \$13 billion to \$20 billion, and enabled EDC to support financing in the domestic market, including in the area of accounts receivable insurance, for a temporary period.

As part of Canada's Economic Action Plan, the Government initiated the Business Credit Availability Program, improving access to financing for Canadian businesses through enhanced cooperation between private sector financial institutions and the financial Crown corporations. The Business Credit Availability Program is continuing to help businesses find financing solutions to preserve jobs and fund growth. As of the end of July, EDC and BDC reported total activity under the Business Credit Availability Program of about \$8 billion, exceeding the target of at least \$5 billion that was set out in Budget 2009. The financial Crown corporations have provided assistance in regions all across the country and in all sectors of the economy, with a particular focus on small businesses.

Ensuring that businesses of all sizes have adequate access to financing to acquire vehicles and equipment will become increasingly important as the economic recovery matures. Access to financing has normalized for larger finance and leasing companies that can access capital markets directly. However, some smaller finance and leasing companies, although creditworthy, cannot obtain enough financing to meet the growing needs of their customers. These independent lenders provide specialized financing, often to smaller businesses, supplementing the credit available from banks and other large financing providers.

The Government therefore announced the creation of the Vehicle and Equipment Financing Partnership as part of the Business Credit Availability Program in Budget 2010. This program is funded and managed by BDC, with an initial allocation of \$500 million in funding, in partnership with experienced lenders and investors in the private market for asset-based financing.



The partnership expands financing options for small and medium-sized finance and leasing companies, increasing the availability of credit at market rates for dealers and users of vehicles and equipment.

BDC announced the formation of two public-private partnerships with TAO Asset Management Inc. and Sun Life Financial to facilitate funding under the Vehicle and Equipment Financing Partnership. These partnerships provide a more economical and efficient way to access the securitization markets for small and medium-sized companies, which may not have the structuring and administration expertise or transaction volume to cost-effectively establish their own program.

The Business Credit Availability Program has successfully increased the collaboration of the financial Crown corporations and private sector lenders, which has benefited small and medium-sized businesses across Canada. This program will continue to assist the needs of creditworthy businesses over the remainder of the fiscal year.

A breakdown of activity by sector, region and size of borrower, as well as recent success stories, can be found at www.fin.gc.ca/bcap.

Declining Need for Extraordinary Measures

Reflecting improved credit conditions in funding markets, the Canadian Lenders Assurance Facility and the Canadian Life Insurers Assurance Facility expired at the end of December 2009. The Insured Mortgage Purchase Program and the Canadian Secured Credit Facility ran to the end of March 2010. In addition, the Bank of Canada has taken steps to exit from its extraordinary liquidity facilities.¹ During the global financial crisis, the extraordinary liquidity provided by the Bank of Canada peaked at over \$40 billion in December 2008.

¹ Further details on the changes to the extraordinary liquidity support provided by the Bank of Canada can be found on its website at www.bankofcanada.ca.



Canadian Securities Regulator

Considerable progress has been made in recent months in moving forward on the Government's commitment to establish a Canadian securities regulator with willing provinces and territories.

On May 26, 2010, the proposed Canadian *Securities Act* was tabled for information in Parliament, marking a key step toward the establishment of a Canadian securities regulator. The proposed Canadian *Securities Act* reflects the input of 10 participating provinces and territories. It harmonizes existing legislation in the form of a single statute and proposes significant improvements to governance, adjudication, financial stability, and regulatory and criminal enforcement. Concurrent with releasing the proposed Canadian *Securities Act*, the Government has referred the proposed Act to the Supreme Court of Canada for its opinion on whether it is within the legislative authority of Parliament.

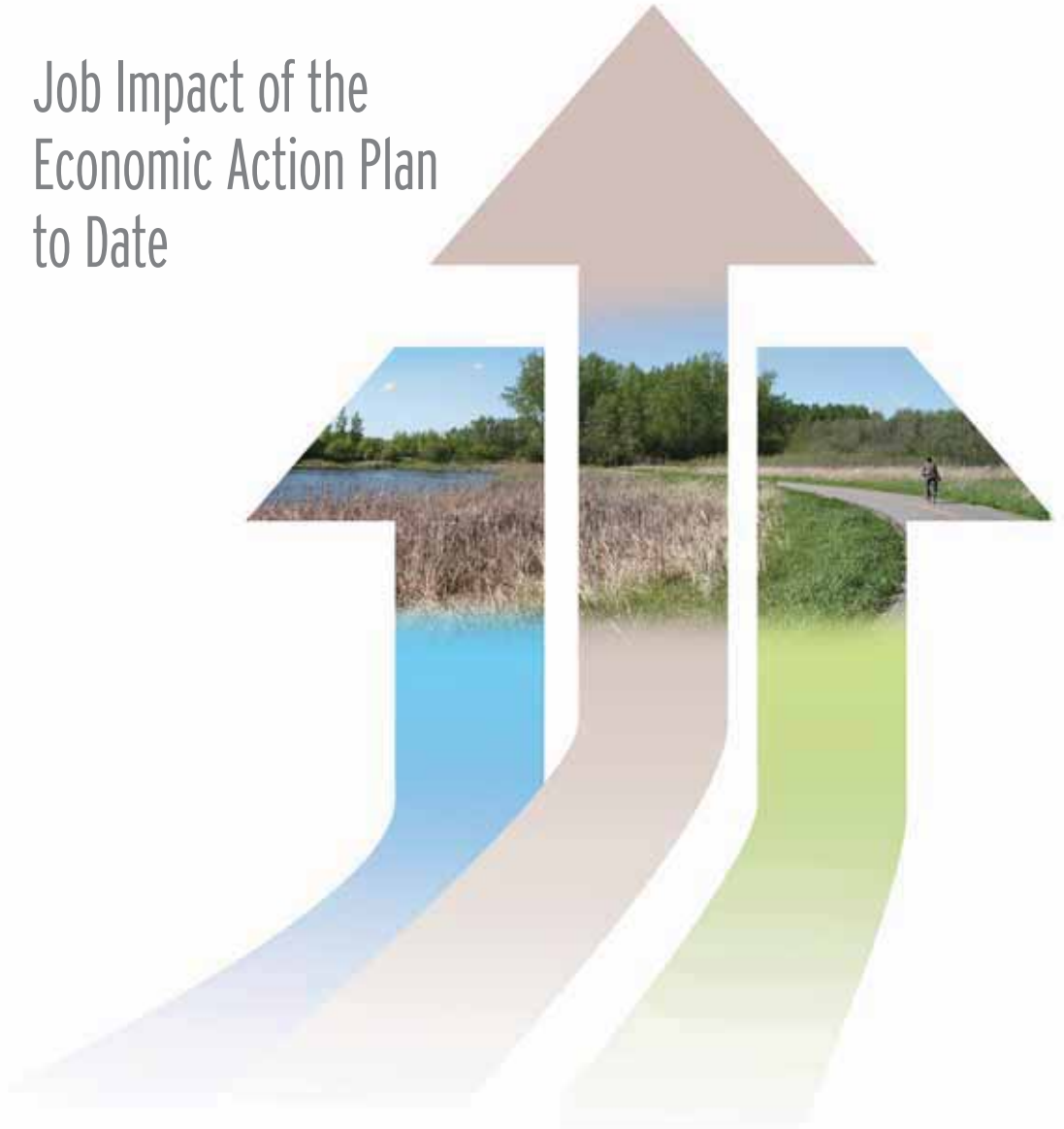
On July 13, 2010, the Canadian Securities Transition Office released to the public a detailed Transition Plan for the Canadian securities regulator. The Transition Plan sets out a comprehensive roadmap for the establishment of a Canadian securities regulator, and addresses administrative and organizational matters. The Government remains committed to working with participating provinces and territories to help ensure a smooth and orderly transition to a Canadian securities regulator.

Code of Conduct for the Credit and Debit Card Industry

On August 16, 2010, most of the provisions of the Code of Conduct for the Credit and Debit Card Industry in Canada took effect. This Code will make fees and rates more transparent for business owners and for consumers who use credit and debit cards, and it will promote fairness, competition and choice. In addition, with the passage of the *Jobs and Economic Growth Act* on July 13, 2010, the Financial Consumer Agency of Canada has been empowered to monitor compliance with the Code.

Annex

Job Impact of the
Economic Action Plan
to Date





Job Impact of the Economic Action Plan to Date

Canada's Economic Action Plan, including provincial and territorial actions, is expected to create or maintain 220,000 jobs by the end of 2010. An assessment of the Economic Action Plan provided in Budget 2010 indicated that the Plan was on track, with an estimated 130,000 jobs created or maintained as of January 2010.

This annex provides an update of the economic impact of the Economic Action Plan to date. The Action Plan remains on track, with close to 200,000 jobs estimated to have been created or maintained as of the end of August 2010.

The approach taken to estimate the job impact of the Economic Action Plan follows the approach taken in Budget 2010. This approach was reviewed and validated by well-respected economic experts from the private sector and academia.

Measuring the Job Impact of the Economic Action Plan

To estimate the total number of jobs maintained or created by the Economic Action Plan, all stimulus actions—infrastructure spending, tax reductions, EI measures and other actions—need to be taken into account. Job impacts cannot be observed directly for all elements of the Action Plan (i.e. tax reductions and EI measures) since they are not related to specific projects or activities but rather support income and overall economic activity.

For elements of the Economic Action Plan that are project-based, project managers can normally estimate the number of jobs related to each project. However, project-level data cannot readily be aggregated to determine an overall job impact because:

- Where data is available, it is often not presented in a consistent manner—for example, on a full-time-equivalent basis.
- Even if complete project-level data were available on a consistent basis, the data would only account for the direct impact in the construction industry. Indirect jobs created or maintained in industries providing inputs to the construction industry and induced jobs created or maintained in all industries by the additional economic activity in the construction industry would not be accounted for.



These comments have been raised by the Congressional Budget Office in its evaluation of the U.S. economic stimulus package.¹ For these reasons, estimates of the job impact of the Economic Action Plan are conducted using the Department of Finance’s Canadian Economic and Fiscal Model (CEFM). To carry out this estimate, measures in the Action Plan were allocated to seven categories that correspond to those used in the CEFM (infrastructure investment measures, housing investment measures, other spending measures, measures for low-income households and the unemployed, EI premiums, personal income tax measures and corporate income tax measures).

Each of these categories has a different economic activity multiplier. These multipliers are summary measures that take into account first-round, indirect and induced impacts, and leakages to saving and imports (Table A.1). For example, infrastructure investment measures and measures for low-income households and the unemployed have high multipliers because of small leakages to imports and saving respectively. Consistent with historical relationships, a 1-per-cent increase in economic activity was assumed to translate into an immediate 0.2-per-cent increase in employment, rising to about 0.6 per cent after eight quarters. The job impact of the International Partnership to Support the Automotive Industry was estimated separately (see box below).

Table A.1

Expenditure and Tax Multipliers

	2009	2010	2010Q4
	(dollar impact on the level of real GDP of a one-dollar increase in fiscal measures)		
Infrastructure investment measures	1.0	1.5	1.6
Housing investment measures	1.0	1.4	1.5
Other spending measures	0.8	1.3	1.4
Measures for low-income households and the unemployed	0.8	1.5	1.7
EI premiums	0.2	0.5	0.6
Personal income tax measures	0.4	0.9	1.0
Corporate income tax measures ¹	0.1	0.2	0.3

¹ Corporate income tax measures have a limited impact on aggregate demand over the periods displayed in the table but have among the highest multiplier effects in the long run. This is because they increase the incentive to invest and accumulate capital, which leads to a higher capacity to produce goods and services.

¹ Congressional Budget Office, *Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output From April 2010 Through June 2010* (August 2010).



Given the considerable uncertainty surrounding the size of fiscal multipliers, prudent estimates have been used. The multipliers used in assessing the economic impact of the Economic Action Plan are similar to or lower than those used by the U.S. Council of Economic Advisers in assessing the impact of the *American Recovery and Reinvestment Act* and those found in models of leading Canadian private sector forecasters.² In addition, recent economic research suggests that fiscal multipliers are larger than those used in this analysis when the policy interest rate has reached its effective lower bound, as it was in Canada from April 2009 to June 2010.³ This is because in such a context, fiscal actions help anchor inflation expectations and boost confidence, leading to higher private sector economic activity than otherwise would be the case.

Overall, because of the inherent uncertainty in estimating the impact of fiscal stimulus, the approach taken to estimate the job impact of the Action Plan has been prudent. In addition to the prudent multipliers, the estimated impacts on employment do not fully include the impact of the work-sharing program on preserving jobs. At its peak in October 2009, the work-sharing program benefited over 165,000 Canadians. Furthermore, the estimated impacts on employment do not take into account actions that have been taken by the Government to improve access to financing for consumers and businesses through the Extraordinary Financing Framework.

² Executive Office of the President, Council of Economic Advisers. Christina Romer and Jared Bernstein. "The Job Impact of the American Recovery and Reinvestment Plan" (January 2009) and Government of Canada, Budget 2009, Annex 1.

³ Lawrence Christiano, Martin Eichenbaum and Sergio Rebelo. "When is the Government Spending Multiplier Large?" National Bureau of Economic Research Working Paper No. 15394 (2009).



The Job Impact of the International Partnership to Support the Automotive Industry



In 2008, the motor-vehicle industry, including both assembly and parts, was Canada's largest manufacturing industry, accounting for 10 per cent of manufacturing real GDP and about 20 per cent of real merchandise exports. About 100,000 Canadians were directly employed in the motor-vehicle and parts manufacturing industries at the end of 2008. Of these workers, about 40,000 were employed in automotive assembly.

The automotive industry provides employment in a number of supporting industries. For every 10 direct jobs in auto assembly, there are:

- 5 jobs in the motor-vehicle parts industry.
- 7 jobs in other manufacturing industries, such as primary and fabricated metal products, plastics and rubber products, and machinery.
- 24 jobs in non-manufacturing sectors, such as engineering, accounting and legal services, financial services, wholesale trade, and transportation and warehousing.

In 2008, General Motors and Chrysler accounted for close to 45 per cent of vehicles produced in Canada. Moreover, given the extreme interdependency of the auto supply chain, a shock to the supplier base caused by production disruptions at one of Canada's automakers would pose a systemic risk to continued operations of other automakers and suppliers in Canada.

As a result, the governments of Canada and Ontario worked together, in partnership with the government of the United States, to support the auto sector. Combined support by Canadian governments, provided through loans and other instruments to General Motors and Chrysler, totalled about \$13.7 billion.

In early 2009, General Motors and Chrysler assembly plants directly employed an estimated 14,000 workers. In addition, over 50,000 jobs in other industries were estimated to be tied to production at General Motors and Chrysler. Based on Statistics Canada's input-output model of the Canadian economy, the Department of Finance estimates that 52,000 jobs (all the assembly jobs and about three-quarters of the indirect jobs) are being protected by government action to support the automotive industry. This estimate does not take into account the induced effects arising from the maintenance of economic activity in the automotive and related industries.



The Job Impact of the Economic Action Plan to Date

To assess the impact of the Economic Action Plan on jobs maintained or created to date, the economic activity multipliers from Table A.1 are combined with information on the proportion of Economic Action Plan measures actually flowing in the economy.

Determining the amount of stimulus flowing in the economy from tax reductions and measures to support the unemployed, industries and communities is fairly straightforward as flows correspond to amounts paid.

However, for infrastructure-related investment projects, amounts paid to provinces, territories, municipalities and third parties do not accurately reflect the full stimulus provided. Amounts paid tend to lag the economic impact of fiscal stimulus as payments are typically made when claims are received. Federal payments are made to recipients (such as provinces, territories and municipalities) only once defined portions of project work are completed and claims are submitted. In many cases, entire projects may even be finished before a claim is submitted. Indeed, there are more than 1,730 projects that are underway or completed for which recipients have not submitted any claims. This results in dollars spent by the federal government significantly lagging actual work done and stimulus provided.

To account for this lag, infrastructure project start and end dates have been used to arrive at an estimate of funds flowing. Economic stimulus was assumed to flow in a linear fashion from project start to end. This approach has been used for approximately three-quarters of project-based infrastructure spending.

Table A.2 shows the resulting estimated stimulus flowing in the economy as of August 31, 2010, the latest date for which amounts paid are available, to each area of the Economic Action Plan.



Table A.2

Economic Action Plan Funds Flowing in the Economy

	Dollars Flowing as of August 2010
	(millions of dollars)
Reducing the Tax Burden for Canadians	4,653
Helping the Unemployed	6,661
Building Infrastructure to Create Jobs ¹	15,750
Creating the Economy of Tomorrow ¹	4,018
Supporting Industries and Communities ¹	16,975
Total	48,057

Note: Totals may not add due to rounding

¹ Includes provincial, territorial and municipal leverage.

It is estimated that over \$11 billion has been devoted to reducing the tax burden and helping the unemployed. More than \$15 billion has been invested in new public and housing infrastructure. \$4 billion has been invested in knowledge infrastructure and science and technology to help create the economy of tomorrow. Finally, close to \$17 billion has been disbursed to support industries and communities.

The implementation of the Economic Action Plan has had a substantial beneficial impact on production and employment (Table A.3). The funds disbursed are estimated to have reduced the decline in real GDP in the second quarter of 2009, avoided another contraction in the third quarter of 2009 and to have boosted growth in the last three quarters.

Improved economic growth translates into a higher level of employment. Indeed, the Economic Action Plan reduced the size of the contraction in employment in both the second and third quarters of 2009, and led to a larger increase in employment in the last quarter of 2009 and in the first half of 2010. As of August 2010, it is estimated that the Economic Action Plan has created or maintained close to 200,000 jobs.



Table A.3

Impact of Economic Action Plan Measures Implemented to Date on Real GDP and Employment

	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	August 2010
(per cent, period to period at annual rates, unless otherwise indicated)						
Real GDP Growth						
Actual	-2.8	0.9	4.9	5.8	2.0	-
Without Economic Action Plan (EAP) measures	-4.3	-0.6	2.8	3.9	1.4	-
Impact of the EAP (percentage points)	1.5	1.5	2.1	1.9	0.6	-
Employment Growth						
Actual	-1.1	-0.1	1.3	1.6	4.2	-
Without EAP measures	-1.7	-0.7	0.3	0.7	3.5	-
Impact of the EAP (percentage points)	0.6	0.6	1.0	0.9	0.7	-
Employment level (thousands)	29	56	98	137	167	199

The Canadian economy has now recovered all of the jobs lost during the recession, with nearly 430,000 jobs created since July 2009. The Economic Action Plan has strongly supported this jobs recovery.

Table A.4 breaks down the jobs estimated to have been created or maintained according to the five elements of the Economic Action Plan. To date, most of the jobs created or maintained have been the result of infrastructure investment and support to industries and communities.

Table A.4

Jobs Estimated to Have Been Created or Maintained According to Each Element of the Economic Action Plan

	August 2010	End of 2010 ¹
Reducing the Tax Burden for Canadians	17,000	19,000
Helping the Unemployed	23,000	24,000
Building Infrastructure to Create Jobs	74,000	84,000
Creating the Economy of Tomorrow	24,000	27,000
Supporting Industries and Communities	62,000	66,000
Total	199,000	220,000

Note: Totals may not add due to rounding.

¹ The end of 2010 estimates correspond to jobs expected to be created or maintained at the time the Economic Action Plan was announced.

Sectoral Impact of the Economic Action Plan on Jobs

The manufacturing and construction sectors were particularly hard hit by the economic slowdown. The Economic Action Plan responded with several measures to support these sectors directly, particularly through infrastructure investment and funding to support housing as well as industries and communities.

Employment in construction has increased strongly since the implementation of the Action Plan while employment in manufacturing has stabilized. Weak U.S. demand and the appreciation of the Canadian dollar have limited employment growth in the manufacturing sector. Employment in the service sector has increased significantly and is now above pre-recession levels.

Table A.5 provides a sectoral breakdown of the jobs estimated to have been created or maintained by the Economic Action Plan.⁴

⁴ The results are based on estimates from the CEFM and simulations from an input-output model of the Canadian economy.



Table A.5

Sectoral Breakdown of the Number of Jobs Estimated to Have Been Created or Maintained by the Economic Action Plan

	August 2010	End of 2010 ¹
Primary and utilities	4,000	5,000
Construction	50,000	50,000
Manufacturing	36,000	37,000
Services	109,000	129,000
Total	199,000	220,000

Note: Totals may not add due to rounding.

¹ The end of 2010 estimates correspond to jobs expected to be created or maintained at the time the Economic Action Plan was announced.