

Budget 2009

# CANADA'S ECONOMIC ACTION PLAN

## Initiatives of Relevance to the Minerals and Metals Sector



Government  
of Canada

Gouvernement  
du Canada

Canada

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## Legend



**Economic Action Plan**



**Relevance to the Minerals and Metals Sector**



**Lead Department - Contact Information**

# Budget 2009 – Canada’s Economic Action Plan – Initiatives of Relevance to the Minerals and Metals Sector

- ✦ After years of strong growth, the world is struggling with the worst economic crisis in generations. The economies of our main trading partners have experienced steep declines, with an impact on Canadian exports and economic activity.
- ✦ In this regard, the Government of Canada, in its 2009 Budget, has put in place significant measures to help meet the current challenges and strengthen long-term growth and prosperity.
- ✦ Canada’s Economic Action Plan will provide about \$40 billion over the next two years to address the current difficulties, stimulate the economy, and provide relief to Canadians.
- ✦ The minerals and metals sector in Canada can take advantage of the many initiatives in the Action Plan to weather the current economic downturn while positioning for the global recovery and enhanced demand for mineral commodities. This document provides a brief description of specific initiatives that could provide support to the minerals and metals sector to address current short-term challenges.



## **ACTION TO SUPPORT BUSINESSES AND COMMUNITIES**

*The global economic crisis has created particular challenges for several important sectors and the communities that rely on them.*

*The Government is working to support the most affected sectors, regions, and communities in Canada as they make difficult adjustments in a changing global economy.*



### **Extending the Mineral Exploration Tax Credit**

In light of global financial conditions and the important role of the mining sector in Canada, Budget 2009 extends the Mineral Exploration Tax Credit for an additional year until March 31, 2010. In addition, through the one-year “look-back” rule, funds raised with the benefit of the credit in 2010, for example, can be spent on eligible exploration activity until the end of 2011.



### **Eligibility**

Anyone in Canada can invest in flow-through shares issued to finance exploration.



The temporary 15 percent mineral exploration tax credit helps companies raise capital for mining exploration by providing an incentive to individuals who invest in flow-through shares issued to finance exploration.

Extending the credit will also facilitate adjustment to new commodity price conditions.



The Canada Revenue Agency will administer the extension of the credit.

Canada Revenue Agency  
Web site: [www.cra.gc.ca](http://www.cra.gc.ca)



## **Community Adjustment Fund**

Budget 2009 provides \$1 billion over two years for a Community Adjustment Fund (CAF) that will help mitigate the short-term impacts of restructuring in communities. A base amount of \$10 million will be provided to each province, with the balance of the funding allocated on a per-capita basis. The fund will support activities such as community transition plans that foster economic development, science and technology initiatives, and other measures to promote economic diversification.

The fund is aimed at helping communities that have been negatively affected by the economic downturn, including resource-dependent communities struggling in the face of reduced demand for natural resources and declining prices.

Preference will be given to projects that can start quickly, generate immediate employment, build on partnership arrangements already in place, and provide a legacy of longer-term ecological and/or economic benefits.

### **Eligibility**

Details regarding the application process and timelines to access funding will be provided by the federal departments and regional development agencies administering the CAF.

Applications for the CAF program are now being accepted.

Entities eligible to apply for funding under CAF include: not-for-profit organizations; for-profit organizations (incorporated, sole proprietorships, partnerships, or other legally established businesses); post-secondary educational institutions; co-operatives; Indian bands; provincial government departments, agencies, and crown corporations; and municipal governments and organizations created by them.



Many mining communities could take advantage of the funds available to enhance their economic development and science and technology initiatives.

Projects to be funded could include reforestation activities, investments in machinery or equipment, demonstration of new mining technologies, and initiatives to improve market access for products.



The fund will be delivered nationally through the regional development agencies with transitional measures for the newly created Southern Ontario development agency.

Western Economic Diversification

Web site: [www.wd.gc.ca](http://www.wd.gc.ca)

Western Canada: 1-888-338-9378

Atlantic Canada Opportunities Agency

Web site: [www.acoa-apeca.gc.ca](http://www.acoa-apeca.gc.ca)

Atlantic Canada: 1-800-561-7862

Canada Economic Development for Quebec Regions

Web site: [www.dec-ced.gc.ca](http://www.dec-ced.gc.ca)

Quebec: 1-866-385-6412

Industry Canada

[www.ic.gc.ca/caf](http://www.ic.gc.ca/caf)

Ontario: 1-888-670-6643

Indian and Northern Affairs Canada

[www.ainc-inac.gc.ca](http://www.ainc-inac.gc.ca)

Yukon: 1-800-661-0451

N.W.T.: 1-866-669-2620

Nunavut: 1-867-975-4537

## IMPROVING ACCESS TO FINANCING

*The Government is taking a number of significant and effective measures to mitigate the impact of the global credit crunch on Canadian financial institutions so that they can continue to provide Canadian consumers and businesses with access to financing.*



### **New Flexibilities and Resources for Financial Crown Corporations**

The Government has enhanced the resources and scope of action available to Export Development Canada (EDC) and the Business Development Bank of Canada (BDC) so that they can extend additional financing to Canadian businesses.

The Budget increases the authorized capital limits of EDC and BDC by \$1.5 billion each. It also increased EDC's borrowing limits.

The Budget also increases EDC's contingent liability limit to \$45 billion to enable it to grow and enhance its guarantee and insurance programs, and increases the Canada Account limit from \$13 billion to \$20 billion.

The Government has enabled EDC to support financing in the domestic market, including in the area of accounts receivable insurance, for a temporary period. This measure will allow EDC to fill gaps and complement the activities of other Crown corporations, financial institutions, and insurance providers in the domestic market.


### **Eligibility**

Eligible recipients include creditworthy Canadian businesses that are experiencing difficulty in obtaining adequate access to financing either because their credit limit has been reduced or their traditional sources of financing are no longer available.



**Better Positioned to Support Businesses** - EDC and BDC are in a better position to help address financing difficulties that many businesses are facing across Canada, including exploration and mining companies.

**Helping Address the Credit Crunch** - Exploration and mining companies who have seen their access to credit impaired could benefit from the new availability of financing resources and loan guarantees supported by EDC and BDC to address short-term challenges.

 EDC and BDC are financial Crown corporations whose mandates are to assist Canadian businesses through all phases of the economic cycle.

EDC provides trade finance and risk-management services to Canadian exporters and investors.

BDC provides highly tailored and flexible financing to Canadian businesses, with a particular focus on small- and medium-sized businesses.

Export Development Canada  
Web site: [www.edc.ca](http://www.edc.ca)

Business Development Bank of Canada  
Web site: [www.bdc.ca](http://www.bdc.ca)



## **Business Credit Availability Program**

Together with private sector financial institutions, EDC and BDC will provide at least \$5 billion in additional loans and other forms of credit support and enhancement at market rates to businesses with viable business models whose access to financing is restricted.

### **Eligibility**

Eligible recipients include creditworthy Canadian businesses that are experiencing difficulty in obtaining adequate access to financing either because their credit limit has been reduced or their traditional sources of financing are no longer available.

This program will improve access to financing through enhanced cooperation between private sector financial institutions and EDC and BDC.





By working in close cooperation with private sector financial institutions, this program intends to fill gaps in market access and lever additional lending by private sector institutions where joint participation facilitates private action.



Export Development Canada  
Web site: [www.edc.ca](http://www.edc.ca)

Business Development Bank of Canada  
Web site: [www.bdc.ca](http://www.bdc.ca)



## **Canada Small Business Financing Program**

The Budget increases the maximum eligible loan amount a small business can access under the Canada Small Business Financing Program for loans made after March 31, 2009. The current limit will be raised from \$250 000 to \$350 000 and to \$500 000 for loans made for acquiring real property. Under the program, the Government guarantees 85 percent of the claim for loss in the event of default of a registered loan made by eligible institutions to qualifying businesses.

### **Eligibility**

Eligible recipients include small businesses operating for profit in Canada with gross annual revenues of \$5 million or less.


Under the Program, a small business must apply for a loan at a financial institution (bank, credit union, etc.) of its choice. If the loan is granted by the financial institution, the financial institution can register the loan with the Program and the federal government will reimburse 85 percent of the lender's losses in the event of default.



The Canada Small Business Financing Program seeks to increase the availability of loans for establishing, expanding, modernizing, and improving small businesses. It does this by encouraging financial institutions to make their financing available to small businesses.

The Program is available to all businesses that meet eligibility criteria, including exploration and mining companies.

The objectives of the programs are to: i) help new businesses get started and established firms make improvements and expand; ii) improve access to loans that would otherwise not be available to small businesses; and iii) stimulate economic growth and create jobs for Canadians.

 Industry Canada is responsible for the administration of the Program. However, financial institutions are responsible for all credit decisions and for making the loans.

Industry Canada  
Web site: [www.ic.gc.ca/csbfa](http://www.ic.gc.ca/csbfa)

## **ACTION TO SUPPORT BUSINESSES**

*Small businesses are dynamic and drive economic growth and job creation. Budget 2009 supports businesses by implementing a competitive business tax system that encourages new investment, growth, and job creation in Canada.*



### **Reduction of Corporate Income Tax**

The general corporate income tax rate was reduced to 19 percent as of January 1, 2009, and stays the path to 15 percent by 2012.

### **Eligibility**

All businesses that pay corporate income tax will benefit from lower rates.



**Lower Taxes to Businesses** - Canadian businesses will be able to take advantage of lower taxes and allocate more resources to address current challenges.



### **Capital Cost Allowance (CCA)**

The CCA system determines how much of the cost of a capital asset a business may deduct each year for tax purposes. Budget 2009 proposes

temporary increases in CCA rates for computers, machinery and equipment used in manufacturing or processing in order to provide economic stimulus and assist businesses during this challenging economic period.

**Assistance for Businesses to Invest in Computers** - Budget 2009 proposes a temporary 100 percent CCA rate for computer hardware and systems software acquired after January 27, 2009, and before February 1, 2011. In addition, the rule that restricts CCA deductions to one-half of the CCA write-off otherwise available in the first year will not apply to these computers.



**Extending Assistance for Canada's Manufacturing and Processing Sector** - Budget 2009 proposes to extend the temporary 50 percent straight-line accelerated CCA rate to investment in eligible manufacturing or processing machinery and equipment undertaken in 2010 and 2011.

### **Eligibility**

Businesses in all sectors can take advantage of these initiatives.



Exploration and mining companies will be able to benefit from temporary increases in CCA rates for computers, machinery and equipment to modernize business operations.

The measures will also provide a more favourable climate for manufacturing and processing businesses to accelerate or increase their investment in machinery and equipment.



## **Tariff Relief on Machinery and Equipment**

Budget 2009 proposes to permanently eliminate tariffs on a range of machinery and equipment to lower costs to producers in Canada.



### **Eligibility**

Eligible recipients include businesses and producers across sectors.



This measure will lower costs for Canadian producers in a variety of sectors, such as forestry, energy, and minerals processing, who must purchase specialized equipment from overseas to modernize their operations and enhance competitiveness.



## **Reducing Taxes for Small Businesses**

Budget 2009 proposes to increase the amount of small business income eligible for the reduced federal tax rate of 11 percent to \$500 000 from the current limit of \$400 000.

### **Eligibility**

Eligible recipients include all Canadian-controlled small businesses.



The lower tax rate will help small businesses retain more of their earnings for reinvestment and expansion, thereby helping to create jobs and promote economic growth in Canada.



## **Helping Small- and Medium-Sized Companies Innovate**

Budget 2009 provides \$200 million over two years to the National Research Council's Industrial Research Assistance Program to enable it to temporarily expand its initiatives for small- and medium-sized

enterprises. This includes \$170 million to double the Program's contributions to companies and \$30 million to help companies hire over 1000 new post-secondary graduates, including graduates from business schools, to implement more effective business processes and strategies, and to develop new innovative products and services that companies can bring to the marketplace.

## Eligibility

Eligible recipients include small- and medium-sized enterprises.



Through the National Research Council's Industrial Research Assistance Program, Canadian businesses, including mining and exploration companies, could benefit from technical and business advice and networking services. This program also provides companies with support to hire recent graduates from colleges and universities for up to one year to work on innovative business strategies and technology-related projects.



National Research Council  
Web site: [www.nrc-cnrc.gc.ca](http://www.nrc-cnrc.gc.ca)

Industrial Research Assistance Program  
Web site: [http://irap-pari.nrc-cnrc.gc.ca/main\\_e.html](http://irap-pari.nrc-cnrc.gc.ca/main_e.html)

## ACTION TO HELP CANADIANS AND STIMULATE SPENDING

*A deepening global economic recession has begun to take its toll on workers and their families, particularly those in some of the more vulnerable sectors.*

*Budget 2009 addresses these labour challenges with decisive action to support workers in developing the skills and expertise needed to take advantage of new opportunities once the economy recovers.*

The **Canada Skills And Transition Strategy** provides \$8.3 billion in funding for initiatives designed to support Canadians now as they weather the economic storm and to provide the necessary training for Canadians to prosper in tomorrow's economy.



## **Aboriginal People**

**Aboriginal Skills and Employment Partnership** - Budget 2009 invests an additional \$100 million over three years in the Aboriginal Skills Employment Partnership (ASEP) initiative. ASEP fosters partnerships with Aboriginal organizations, the private sector, and provincial and territorial governments to help Aboriginal people receive valuable skills and training leading to sustainable employment.

**Aboriginal Skills and Training Strategic Investment Fund (ASTSIF)** - Budget 2009 invests \$75 million (over two years) to support short-term, focused initiatives designed to help Aboriginal people get the specific training they require to benefit from employment opportunities.

### **Eligibility**

Eligible recipients include incorporated not-for-profit organizations (partnerships) consisting of, at a minimum, Aboriginal organizations and major employer(s). Partnerships are responsible for developing, implementing, and managing the training-to-employment plans and for administering training-to-employment activities for Aboriginal individuals.

ASTSIF projects will be selected using an application process. These projects will identify and implement distinct, short-term, focused

initiatives designed to help Aboriginal people get the specific skills they require to benefit from economic opportunities.



These programs facilitate the participation of Aboriginal individuals in economic opportunities, including in the mining and exploration sector.

ASEP has supported in the past, and will continue to be able to support, major mining project operations by facilitating the employment of Aboriginal people. This program requires a partnership between an employer, an Aboriginal organization, and the participation of the province or territory, and a training plan that results in at least 50 sustainable jobs.

The ASTSIF supports exploration and junior mining companies and others in employing Aboriginal people. It requires a partnership between a mining or exploration company and an Aboriginal Human Resource Development Agreement holder. The funds flow to the Aboriginal organization to do specific training that leads directly to a job with the company.



Human Resources and Skills Development Canada  
Web site: [www.hrsdc.gc.ca](http://www.hrsdc.gc.ca)



## Strengthening Benefits for Canadian Workers

**Employment Insurance and Extended Benefits** - Temporarily providing nationally the advantages of an extra five weeks of Employment Insurance (EI) benefits previously offered as part of a pilot project in specific regions with high unemployment. In addition, the maximum duration of benefits available under the EI program in areas of high unemployment has been increased from 45 to 50 weeks.





**Long-Tenured Workers** - The federal government will implement two new measures to help long-tenured workers update and acquire new skills. One measure will extend EI regular income benefits to eligible workers who participate in longer-term training. The other will allow earlier access to EI regular income benefits for eligible workers investing in their own training using all or part of their severance package.

**Work-Sharing** – Extending, over the next two years, work-sharing agreements by 14 weeks to a maximum of 52 weeks, and increasing access to work-sharing through greater flexibility in the qualifying criteria, and streamlining processes for employers to avoid layoffs by offering EI income benefits to qualifying workers willing to work a reduced work week while their employer recovers.

**Extension of the Wage-Earner Protection Program (WEPP)** – Extending on an ongoing basis to also cover severance and termination pay, subject to the current maximum of four weeks of insurable earnings. The WEPP currently provides guaranteed and timely payment of wages and vacation pay owed to eligible workers by a non-paying employer following bankruptcy, up to an amount equaling four weeks of maximum insurable earnings under the *Employment Insurance Act* (currently \$3254).

## Eligibility

Eligible recipients include Canadian workers who have been affected by the economic downturn. The EI program and other federal and provincial-territorial programs provide a broad range of financial support to help individuals and their families in difficult times.



This would provide additional income support to unemployed Canadians who would otherwise have exhausted their benefits to weather the economic downturn.

Work-sharing agreements could help minimize layoffs in the mining sector and retain a productive work force for the recovery.

The Long-Tenured Workers funding will enable up to 40 000 individuals to benefit from this measure.





## Enhancing the Availability of Training

**Labour Market Development Agreements** - The federal government is investing an additional \$1 billion over two years under existing Labour Market Development Agreements with provinces and territories. This measure will help respond to the higher demand for labour market programs and training due to increased unemployment by providing training to individuals who are eligible for EI benefits.

**Strategic Training and Transition Fund** - The federal government is investing \$500 million in a two-year Strategic Training and Transition Fund (STTF). The fund will support provincial and territorial initiatives that help workers retrain to retain employment or transition to new jobs in communities and sectors affected by the economic downturn. It will also ensure that individuals affected by the downturn are eligible to participate in the training or other employment initiatives that they need during difficult times.

**Targeted Initiative for Older Workers (TIOU)** – Older workers in vulnerable communities face their own challenges in finding employment, which is why Budget 2008 provided an additional \$90 million over three years to extend the TIOU until March 2012. To better support these workers and their families, Budget 2009 is providing an additional \$60 million over three years, raising TIOU funding to \$50 million per year. The TIOU initiative will help unemployed older workers in communities experiencing ongoing high unemployment and/or with a high reliance on a single industry affected by downsizing.

### Eligibility

**Labour Market Development Agreements** - This two-year funding will allow 100 000 more EI-eligible Canadians to receive training and support measures over the next two years.

**Strategic Training and Transition Fund** – Support will be available to individuals regardless of whether they are eligible for Employment

Insurance. Up to 50 000 individuals are expected to benefit from the fund.

**TIOW** – The program is cost-shared between the Government of Canada and provinces and territories. Participating provinces and territories will be responsible for targeting programming and the funding of projects. All Census Metropolitan Areas with a population of less than 250 000 are eligible for TIOW programming. The program will apply to older workers aged 55 to 64 who have lost their jobs, are legally entitled to work in Canada, lack the skills needed for successful integration into new employment, and live in an eligible community.



The measures, which enhance the availability of training, will help workers in the mining and exploration sector weather the economic circumstances, providing opportunities for upgrading skills and ensuring long-term advantage.



Human Resources and Skills Development Canada  
Web site: [www.hrsdc.gc.ca](http://www.hrsdc.gc.ca)





