

Budget 2010: Overview and summary

The Harper government's 2010 Budget demonstrates a government that is devoid of new ideas and full of ideological cuts to the size of government masquerading as fiscal restraint. It is difficult to believe that they prorogued Parliament and then introduced a new budget with so little new and positive to show.



This budget includes two major measures: another tax cut for business and ongoing cuts to federal public services. Tariffs will be eliminated on all manufacturing inputs at a cost estimated at \$1.3 billion over five years. This is on top of further corporate tax cuts, previously announced, that will cost more than \$20 billion over the next five years.

At the same time, the federal government will force the Canadian public and public servants to pay for the costs of an economic crisis that was caused by the financial industry by putting a stranglehold on federal departmental spending. This will lead to ongoing cuts to the public services that people depend on and further job losses.

After recovering from the recession, Canada will continue to face considerable economic and social challenges moving into the future. We have an aging population, rising inequality, families struggling under record levels of household debt, high youth unemployment, major environmental problems and stagnant economic productivity.

Unfortunately, this budget provides very little to face these new challenges, or to help the 1.5 million Canadians now out of work and many millions more who are suffering as a result of the recession.

Our federal government is in the best fiscal situation of all major industrialized nations and, with low interest rates, could and should have invested more to create a stronger economy and better future for all. Instead the government should have chosen to:

- create an Economic Recovery Fund with funding for public and non-profit agencies to assist those hurt by this recession, and invest in social infrastructure spending;
- ensure that all Canadians have a decent retirement income by increasing seniors benefits and supporting a phased-in doubling of the maximum benefits available through the Canada Pension Plan;
- reform Employment Insurance so it is available to many more than the less than half of jobless who receive benefits under the current system;
- put in place a plan to eliminate the infrastructure deficit by repairing and improve Canada's public infrastructure, with an emphasis on building more sustainable communities, instead of short term spending on signs and snow mobile trails;

- rebuild our industries and other sectors, with a major emphasis on sustainable production, green manufacturing, energy efficiency and green jobs;
- increase federal support for education and training, including a national labour force and skills development program.
- restore and increase national funding for public early learning and child care programs; and
- strengthen health care with restored funding for extended care, a public essential drug program (cost-shared with provinces and employers) and stronger controls over drug prices.

These measures could have been funded by closing expensive and economically damaging tax loopholes, not proceeding with further corporate tax cuts, increasing income taxes on those making over \$250,000, and introducing a financial transactions tax as an initial step towards responsible financial reform.

Instead of moving ahead with positive measures, this budget demonstrates that the Harper government has nothing more to offer but their failed laissez-faire approach of shrinking the public sector, cutting taxes, crossing their fingers and hoping that the private sector will make things better.

Summary

This section provides a short summary of the few measures that were included in the budget by different issue areas. More in-depth analysis and an explanation of missed opportunities is included in the individual issue sheets.

(Where included, page numbers refer to the [2010 federal budget document](#).)

Federal government spending and services

- The operating costs of running the federal government in relation to the size of Canada's economy are close to the lowest they've been for the past fifty years.
- However, this budget is forcing the Canadian public, federal public servants and the world's poor to pay for the costs of the economic and financial crisis through a long freeze and squeeze on federal spending.
- The most significant measure is a government-wide freeze on operating budgets, including crown corporations such as Canada Post. With other costs rising, this will result in ongoing cuts to public services and job losses, amounting to \$6.8 billion over five years (p. 164).
- These types of across-the board departmental cuts were called the "[Coward's approach](#)" by Don Drummond, chief economist for TD Bank and former senior official at Finance Canada.
- The federal government is also planning strategic reviews of all departments, which will cut another 5% from departmental budgets.

- Freezing support for international development assistance at 2010 levels will result in a cut of \$4.5 billion from Canada's international aid.
- The only department to avoid a departmental freeze on spending is national defence which will continue to receive annual budget increases, although at a slightly lower rate than what was expected for 2012-13 and 2013/14.

Major Transfers to Provinces

- One relief is that this budget did not cut major transfers to the provinces for health care, social programs and funding through the Equalization program.

Aboriginal

- This budget includes only a few very limited measures for Aboriginal Canadians. This includes funding for missing Aboriginal women and for some northern programs, such as the food mail program, health care in the north, and support to streamline regulatory approval of resource projects. However, it also signals that the federal government will be pushing Aboriginal communities into P3s to finance their water infrastructure.

Employment and Jobs

- The 2010 Budget is entitled *Leading the Way on Jobs and Growth*. However, outside of a few youth programs, the only new funding specifically for jobs is a temporary extension of the worksharing program by 26 weeks. That's it.
- There is nothing else to directly create new jobs for the 1.5 million plus unemployed Canadians or to improve the broken Employment Insurance system.

Youth

- The budget only includes a very limited amount to help or provide hope for the more than 400,000 young people who are unemployed and nothing to reduce the high cost of university.
- The only new funding programs are \$20 million for the Pathways to Education program, \$30 million to support education for First Nations students (although a review of PSE funding for aboriginal students is planned), \$30 million for Career focus of Youth Employment Strategy, \$10 million for Canadian Youth Business Foundation and \$30 million for Skills Link program.

Infrastructure and Stimulus

- There is no new infrastructure spending to deal with the over \$120 billion municipal infrastructure deficit. The only new infrastructure funding is money for ferry services in Atlantic Canada and funding for the Detroit-Windsor P3 bridge, for bridges in Montreal and for increased security at borders.

- The budget suggests that they may cut funding for the First Nations water and waste water infrastructure (p. 111) by looking at ways to access alternative sources of financing (e.g. P3s).
- Considerable amounts of stimulus funding from last year still haven't flowed and may never be delivered.

Health

- There is virtually nothing here to improve health care. The only measures are more funding for the northern food mail program and additional funding for northern health care.

Education and training and innovation

- To strengthen our economy for the future, Canada needs a major new focus and support for education, training and innovation. Unfortunately, there is very little here, just a smattering of new funding. The major funding is \$222 million for TRIUMF, the nuclear and particle physics laboratory. Other areas include:
 - \$45 million for a post-doctoral fellowship program to attract "research leaders".
 - Increase in the budgets for the research granting councils (CIHR, NSERC and SSHRC) by an extra \$32 million per year in total and \$8 million to universities for the indirect costs of research.
 - \$75 million for Genome Canada
 - \$15 million for college and community program to make links with local businesses.
 - \$135 million for the NRC's regional innovation cluster program
 - Other funding for medical isotopes, and almost \$500 million for RADARSAT satellite program

Environment

- The Budget has a major section on "Green Jobs and Growth" but once again there is virtually nothing here that is positive or of any substance.
- Over 70% of the new money in this area is simply another \$250 million plus to Atomic Energy of Canada Ltd, which the government is planning to sell off, possibly to foreign interests.
- There are very small amounts for a great lakes action plan, more funding for tax depreciation for waste energy investments and some other announcements of ongoing programs.
- The government's emphasis continues to be funding for nuclear energy, carbon capture, ethanol and facilitating faster exploitation of oil and gas.
- The budget announces various funding programs to streamline regulation review and environmental assessments for resource projects in the north, which presumably involve a pipeline.

- And, unfortunately, the budget includes ultimately nothing to deal with the major environmental crisis of our time: climate change.

Pensions

- The CLC and its affiliates have set out a [clear and realistic plan](#) to ensure a decent retirement income for all. This budget missed a major opportunity to reform the pension system in this direction. There was no increase in OAS or GIS support for seniors in poverty, no increase in the CPP or any measures to deal with defined benefit pensions, nor anything else of real substance.
- However, in this Budget, the federal government announced that they will launch public consultations on the public pension system starting in March, leading up to the May meeting of federal and provincial finance ministers.
- There was no direct mention of public sector pensions in the budget. The government announced that it “engage with public sector bargaining agents and will assess measures taken by other jurisdictions in Canada to ensure that total costs of compensation are reasonable, the organization of work is effective, technology is used appropriately to drive productivity, and the federal public service maintains its reputation for excellence. The Government will also continue to examine ways in which all compensation costs, including benefits, could be better managed.” clearly suggesting that federal pensions could still be threatened.

Privatization and P3s

- The federal government is continuing with its misguided and wasteful public-private partnership (P3) program. This budget doesn't include any major changes with it, but there are signs that the federal government will further push P3s and privatization at all levels of government.
- As part of its review of government operations, there is likely to be increased contracting-out and privatization of public assets (p. 162-63).
- The federal government also signaled that it will be pushing First Nations into P3s for their water infrastructure (p. 111).
- The growing cost of going the P3 route for the Windsor Detroit Bridge has meant that the federal government had to put \$10 million more in to cover legal and financial costs (p. 109).

International Development Assistance

- In his speech, the finance minister boasted that Canada was moving forward to "a high point, not only in our nation's history of increasing prosperity, but also a high point to which the world will look for inspiration."
- Unfortunately, this budget takes a major step back in terms of Canada's reputation and role on the world stage. Former Canadian prime minister Lester Pearson first set out a target in 1969 for wealthy nations to provide 0.7% of their GDP in international development assistance.

- The budget provides an increase of development assistance this year, but then freezes it for five years at \$5 billion a year. This will mean \$4.5 billion less than what was planned for international development assistance over the next five years (p. 164).
- Canada's contributions to international development will amount to only 0.26% of our GDP, almost a third of the 0.7% we had committed to reach.
- In contrast, the only federal department that escapes a budget freeze is defence where spending will continue to grow, reaching over \$22 billion within a decade. (p. 159)

Women

- There is nothing explicitly for women in this budget except for \$10 million to address the disturbingly high number of missing and murdered Aboriginal women (132).
- The budget mentions the importance of maternal and child health in the developing world, but takes \$4.5 billion from the budget for international assistance.
- It proposes to change, but not eliminate, the taxation of the child care benefit payment for single parents. (p. 340)

Tax measures

- The finance minister promised many times that this budget would not include any significant tax cuts, but he just couldn't help himself. No Harper budget is complete without a major tax cut for business, even after business leaders say we now need tax increases.
- The major new business tax cut this year is a complete elimination of tariffs on manufacturing inputs and machinery and equipment. This move aims to make Canada's manufacturing sector into a free trade zone, consistent with their aggressive new free trade plans and will cost the federal government an estimated \$1.3 billion over five years.
- Further planned cuts to corporate income taxes will drive the federal corporate tax rate down to 15% down by almost half from the 29.12% rate in 2000. These cuts so far have cost more than \$100 billion and further cuts will cost the government an additional \$20 billion in lower revenues during the next five years.
- The Harper government is continuing with these further cuts even though the steep cuts so far have had little positive impact in increasing investment or productivity.
- There is little in terms of other tax measures of relevant to most people.
- The budget includes a few changes relating to RDSPs and RESPs and tax credits for cosmetic procedures.
- Also announced were some measures to tighten up on tax cheats, including from international tax areas.

- The major item here is a measure to tighten the damaging and expensive stock option deduction. This restricts some exploitation of this tax loophole, but still keeps it alive when it should be closed entirely. The savings are supposed to amount to \$300 million a year, but given the weakness of this measure, this amount of savings is probably exaggerated.
- While businesses get another tax break, working Canadians will have to pay more as employment insurance premiums are set to rise after 2010, increasing by \$10 billion in the next five years.
- After the last recession, the Liberal government took a total of \$50 billion out of the EI premiums to reduce the deficit while cutting benefits. We need to ensure the same thing doesn't happen again.

Regulation and De-regulation

- Previous moves towards deregulation have resulted in major disasters, from the lives lost through the tainted meat scandal or the financial crisis caused by inadequate financial regulation.
- Despite these major disasters, in this budget the Harper government continues with its push towards further deregulation, including establishing a red tape reduction commission, streamlining environment regulations for resource exploitation.
- In addition, the Harper government's aggressive expansion of free trade will force further deregulation as they establish rules where the "rights" of international investors trump the democratic right of local communities to pass laws to protect themselves in many areas.
- The budget includes some limited steps towards stronger financial regulation. For consumers, this includes prohibition of negative option billing in the financial sector, and reducing the maximum cheque holding period to 4 days. The federal government is also planning to release a draft of a national securities bill this spring. However, there is nothing close to what international trade unions have [called for](#) to rein in the world's out-of control and destabilizing financial industry

This fact sheet was produced by the
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