

## ***Budget 2017 targets investment in Canada's long-term prosperity; stays the course amid global uncertainty***

March 22, 2017 – Budget 2017 details the fiscal framework set out in Budget 2016 by reshaping federal government programs to make them more accessible to the middle class – and those working to join it – led by key reforms in education and training as well as caregiver and parental leave.

It also spells out the government's Innovation Agenda to sustain prosperity and boost long-term economic growth, with an approach focused on three main sectors: clean technology, digital technology and agri-food.

At the core of Budget 2017 are details regarding the government's massive \$186 billion infrastructure spending plan, focused on affordable housing, green infrastructure and transit, as well as their commitment to create the Canada Infrastructure Bank on an accelerated basis this fiscal year.

### **Budget Winners**

- **Women and families:** greater flexibility for EI caregiver benefits and parental leave, with nearly \$900 million over five years, and a simplified caregiver tax credit.
- **Housing:** \$11.2 billion over 11 years, including \$3.2 billion to support provincial housing priorities and create a new, \$5 billion National Housing Fund through the Canada Mortgage and Housing Corporation (CMHC).
- **Workers in need of skills upgrades:** a combined \$2.7 billion over six years to support training through Labour Market Transfer Agreements to provinces, and a new agency to support skills innovation.
- **Youth:** \$400 million over three years in new support for the Youth Employment Strategy.
- **Clean economy:** \$1.4 billion in financing to help clean technology firms grow and expand, as well as \$21.9 billion over 11 years in green infrastructure flowed through the provinces, Canada Infrastructure Bank and new national programs.
- **Mature post-secondary students:** new support for students with children, studying part-time or returning to school, through grant and loan supports worth \$454.4 million over four years.
- **Temporary foreign workers:** elimination of the "4-years and out" rule and new pathways to permanent residency.

### **Budget Critics**

- **Tax cutters and deficit hawks:** no new tax cuts and no current plan to return to balance.
- **Tax planners:** although no measures to reduce the capital gains deduction were announced, the budget signals future measures to close tax loopholes and end tax reduction strategies using private corporations.
- **Brewers, vintners and distillers:** An immediate 2% increase to the federal excise tax on alcohol products, indexed to CPI
- **Public transit riders:** in exchange for investments in new transit infrastructure, transit users will no longer be able to claim the public transit tax credit.
- **Foreign tourists:** despite new support for Destination Canada and funding for Statistics Canada for tourism data collection, the budget is eliminating the GST/HST rebate for non-residents for the accommodation portion of tour packages.
- **Ride-sharing:** Budget 2017 proposes to amend the definition of a taxi business to include persons engaged in a business of transporting passengers for fares by motor vehicle within a municipality and its environs where the transportation is arranged for or coordinated through an electronic

platform or system, such as a mobile application or website. In this way, the federal government will require providers of ride-sharing services to register for the GST/HST and charge tax on their fares in the same manner as taxi operators.

## **Fiscal and Economic Overview**

Budget 2017's spending initiatives mirrors the fiscal framework established in Budget 2016. The budget stays the course on the Fall Economic Statement's deficit projections, with a moderate improvement to the deficit outlook over the coming year (\$2.4 billion better than forecast) and the reintroduction of a \$3 billion "adjustment for risk" shock absorber. Total debt is projected to hover just over 30% of GDP for each of the coming five years.

The budget projects a deficit of \$28.5 billion in 2017-18, declining to \$18.8 billion by 2021-22. During the 2015 election, the Liberals committed to running deficits of less than \$10 billion for the first three years of its mandate and a balanced budget by 2019-2020. Rather than sticking to this commitment, the government opted to increase spending to stimulate the economy.

The budget forecasts nearly \$5 billion in savings over five years from a tax system review, including new measures to combat tax evasion and avoidance.

## **Sector Specific Highlights**

### **National Housing Strategy**

As part of the federal government's multi-pronged push to invest in affordable housing in support of a National Housing Strategy, cities and affordable housing providers will find themselves with \$11.2 billion more to spend on new and existing units over the coming decade, including:

- Part of the new \$5 billion National Housing Fund, the Canada Mortgage and Housing Corporation will help housing providers to pool their resources with private partners, provide more direct loans to cities and support innovations in affordable housing.
- \$225-million over 11 years will be set aside to provide affordable housing for Indigenous people who do not live on reserve.

Additionally, the budget calls for Statistics Canada to create a national database of every property in Canada. This database will include up-to-date information on sales, the degree of foreign ownership and homeowner demographics and finances to answer lingering questions about the skyrocketing cost of housing that may squeeze middle-class buyers out of the market.

## **Innovation & Research**

Minister Morneau's budget speech spoke to the potential of innovations like "self-driving cars, artificial intelligence, genomics, quantum computing, mobile payments and the sharing economy" to transform our lives.

Accordingly, the budget establishes Innovation Canada, a new platform designed to co-ordinate and simplify support available to Canadian entrepreneurs.

The budget also sets out an ambitious goal to grow exports by 30% by 2025 for goods and services from natural resources, advanced manufacturing and other sectors. It also aims to double the number of high-growth companies in Canada, with a focus on digital, clean tech and health technology, over the same timeframe.

To achieve this goal, Budget 2017 proposes to invest in “Superclusters” with \$950 million over five years (up from \$800 million over four years in Budget 2016). The budget describes the government’s plan to hold a competition for specialized support to enhance competitiveness in sectors including advanced manufacturing, agri-food, clean tech, digital technology, clean energy and resources, infrastructure and green transportation. This support would assist with:

- Risk sharing to develop platform technologies and disruptive technologies
- Connections between large and small firms and post-secondary institutions
- Connections to global supply chains
- Skills development and business mentoring

The budget also includes support for 25 new “Canada 150 Research Chairs” at post-secondary institutions and \$125 million to launch a Pan-Canadian Artificial Intelligence Strategy.

### **Clean Economy**

With the successful negotiation of the Pan-Canadian Agreement on Clean Growth and Climate Change last year, the federal government is switching its focus to implementing policies and programs to achieve its ambitious climate targets. Budget 2017 includes:

- \$9.2 billion over 11 years in green infrastructure funding flowed to the provinces to support projects that reduce greenhouse gas emissions, improve clean water and waste water systems, and to build cleaner, better connected electricity systems.
- Canada Infrastructure Bank support of at least \$5 billion over 11 years for green infrastructure including the promotion of renewable power.
- \$2.8 billion over 11 years for new national programs, including \$100 million to support next generation smart grid, storage and clean electricity technology demonstration projects, and \$182 million to develop and implement new building codes to retrofit existing buildings and build new net-zero energy consumption buildings.
- Additional policy support to phase out coal-generated electricity across Canada by 2030, including a new natural gas generation standard.
- New support for businesses to deduct the cost of installing geothermal energy projects.
- \$200 million to support the expanded adoption of clean technology by Canadian agricultural producers.

### **Healthcare**

In the wake of the successful achievement of new Health Accord Agreements with the provinces and territories, including \$11 billion in new support for home care and mental health, Budget 2017 outlines several key health care initiatives:

- Improved access to prescription medications, lower drug prices and support for appropriate prescribing with \$140 million over five years for key agencies.
- Expanded e-health initiatives including e-prescribing and the adoption of electronic medical records with \$300 million over five years for Canada Health Infoway.
- Preparing for marijuana legalization by redirecting \$10 million over five years to public education and surveillance programming.
- Addition of naloxone to the list of GST/HST-free non-prescription drugs that are used to treat life-threatening conditions.
- \$828.2-million over the next five years to improve medical outcomes of the First Nations and the Inuit.

- Clarifying the application of the Medical Expense Tax Credit so that individuals who require medical intervention in order to conceive a child are eligible to claim the same expenses that would generally be eligible for individuals on account of medical infertility.

### **About Counsel Public Affairs**

Counsel is a leading Canadian firm specializing in providing integrated government relations, public relations, communications and strategy services. With office in Ottawa and Toronto, the firm includes senior and highly sought after consultants with decades of experience as government ministers, CEOs in business and the non-profit world, political advisors at the highest levels, master communicators and lawyers – all of whom bring sophisticated strategic counsel to clients. The team delivers solutions-driven results to broad range of organizations in virtually every sector of the economy, including healthcare, energy, infrastructure, Indigenous affairs, agriculture and much more.

### **For more information, contact:**

Sheamus Murphy  
Vice President, Federal Advocacy  
Counsel Public Affairs  
613-323-7607  
[smurphy@counselpa.com](mailto:smurphy@counselpa.com)