

# Budget Summary 2010

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## Overview

The budget was pretty much as advertised. It continues the stimulus spending in the current budget year with heavy spending restraint on both programs and operations starting this fiscal year and accelerating in the out years. As the government looks to eliminate the deficit it has taken the following actions:

1. Frozen departmental spending which, in effect, means an annual reduction in program spending coupled with a hard 5% annual program review (meaning that there will be no reallocation of funds)
2. Flat-lined grow in the ODA envelope till 2015 (which had been in the fiscal framework with an 8% growth track)
3. An Administrative review which is expected to yield \$2B per year in savings by 2015

There is also an interesting line in the budget that future grants and contributions will be tied to an organization's ability to deliver on the government's priorities.

In terms of program spending there is significant new support for the sport and forestry sectors (no doubt signs of effective advocacy).

In terms of investments in innovation there are small investments in the funding councils and in the NRC, along with additional money for post-graduate fellowships.

I have broken out what I think are the interesting points/funding commitments on the following pages. Enjoy.

## Fiscal

- The three point plan remains in place
  1. End the Economic Action Plan
  2. Restrain spending
    - The budget proposes \$17.6B in savings over 5 years or ~3.5B a year including:
      - Slowing the rate of growth of the military starting in 2012/13
      - Flat-lining ODA growth after this year
      - Spending freezes for all departments meaning a minimum 1.5% effective cut as wages and rents continue to rise, over and above cost increases through inflation.
      - This freeze will be in effect until 2013
        - **The expectation that other federal organizations will follow suit**
      - There is also a statement that implies that the government is going to look at reducing public servant pensions
  3. Program review
    - 5% reductions in spending each year and this reductions will no longer be reallocated
    - There will be a review of government administrative functions which is listed as saving \$2B per year by 2014/2015
    - **The Government will ensure that, as part of its ongoing assessment processes of grants and contributions, including renewal of program terms and conditions, the funding provided to organizations is tied to furthering government priorities and achieving results for Canadians.**
    - Possible divestment of government assets
- Reiterates the commitment not to raise taxes or cut major transfers to persons and other levels of government
- The key statement is as follows:

*Program spending as a share of GDP is expected to decline from 15.6 per cent in 2009–10 to 13.2 per cent in 2014–15.*

- This represents a significant actual reduction in program spending over the next 5 years. The last line on the following chart is key total program expenditures in 2014/2015 are expected to be the same as they were in 2010/2011 while transfer payments are expected to decrease by \$7B over the same time period.

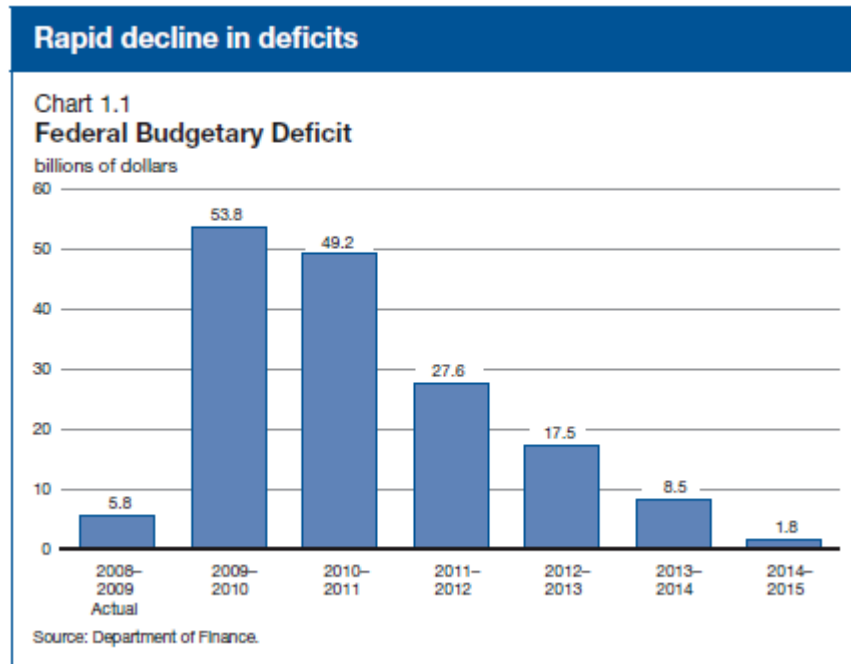
## Outlook for Program Expenses

Table 4.2.5

### Program Expense Outlook (Including Budget 2010 Measures)

	Projection						
	2008– 2009	2009– 2010	2010– 2011	2011– 2012	2012– 2013	2013– 2014	2014– 2015
	(billions of dollars)						
Major transfers to persons							
Elderly benefits	33.4	35.0	36.7	38.6	40.7	42.9	45.2
Employment Insurance benefits <sup>1</sup>	16.3	22.4	22.6	19.6	18.8	18.4	18.4
Children's benefits	11.9	12.3	12.7	13.2	13.4	13.4	13.5
<b>Total</b>	<b>61.6</b>	<b>69.7</b>	<b>72.0</b>	<b>71.4</b>	<b>72.9</b>	<b>74.8</b>	<b>77.1</b>
Major transfers to other levels of government							
Federal transfers in support of health and social programs	33.3	35.7	37.1	38.7	40.7	42.7	44.7
Fiscal arrangements <sup>2</sup>	15.2	16.1	16.4	16.8	17.7	18.6	19.5
Alternative Payments for Standing Programs	-3.0	-2.7	-2.9	-3.1	-3.3	-3.5	-3.7
Canada's cities and communities	1.0	2.0	2.0	2.0	2.0	2.0	2.0
Other <sup>3</sup>	0.0	0.3	4.3	1.9	0.0	0.0	0.0
<b>Total</b>	<b>46.5</b>	<b>51.4</b>	<b>56.8</b>	<b>56.3</b>	<b>57.1</b>	<b>59.8</b>	<b>62.4</b>
Direct program expenses							
Transfer payments	30.2	39.8	39.4	33.7	33.6	32.8	32.1
Capital amortization	4.1	4.4	4.6	4.9	5.1	5.3	5.4
Other operating expenses	20.6	20.8	21.5	22.9	24.2	25.2	25.8
Operating expenses subject to freeze	44.9	51.8	54.9	52.2	52.4	53.5	54.8
<b>Total</b>	<b>99.8</b>	<b>116.8</b>	<b>120.4</b>	<b>113.7</b>	<b>115.2</b>	<b>116.7</b>	<b>118.2</b>
<b>Total program expenses</b>	<b>207.9</b>	<b>237.8</b>	<b>249.2</b>	<b>241.4</b>	<b>245.2</b>	<b>251.4</b>	<b>257.7</b>

- Current deficit projections stand at:



- The gap between the high and low forecasts of nominal GDP in 2013 is \$54B

## Finance

- The Business Credit Availability Program will remain in place

## Science and Technology

Overall, the Federal Government will conduct a comprehensive review of all federal support for R&D to improve its contribution to innovation and to economic opportunities for business.

- Providing \$45 million over five years to establish a post-doctoral fellowship program to help attract the research leaders of tomorrow to Canada.
  - Budget 2010 provides \$45 million over five years to the granting councils to establish a new and prestigious post-doctoral fellowships program to attract top-level talent to Canada. The proposed new post-doctoral fellowship program will be designed to be internationally competitive. These fellowships will be valued at \$70,000 each per year for two years. The first fellowships will be awarded in 2010–11.
- Delivering \$222 million in funding over five years to strengthen the world-leading research taking place at TRIUMF, Canada’s premier national laboratory for nuclear and particle physics research.
- Increasing the combined annual budgets of Canada’s research granting councils by an additional \$32 million per year, plus an additional \$8 million per year to the Indirect Costs of Research Program.

- 16 million per year to CIHR to support outstanding health-related research and development
- \$13 million per year to NSERC, including \$8 million per year to strengthen its support for advanced research, and \$5m per year to foster closer research collaborations between academic institutions and the private sector through NSERC's Strategy for Partnerships and Innovation
- \$3 million per year to SSHRC to support world-leading research in the social sciences and humanities.
- Providing Genome Canada with an additional \$75 million for genomics research.
  - to launch a new targeted research competition focused on forestry and the environment and sustain funding for the regional genomics innovation centres.
- Doubling the budget of the College and Community Innovation Program with an additional \$15 million per year.
- Providing \$135 million over two years to the National Research Council Canada's regional innovation clusters program.
- Providing \$48 million over two years for research, development and application of medical isotopes.
- Providing a total of \$497 million over five years to develop the RADARSAT Constellation Mission.
- Launching a new Small and Medium-sized Enterprise Innovation Commercialization Program with \$40 million over two years.
- Renewing and making ongoing \$49 million in annual funding for the regional development agencies to support innovation across Canada.
- Budget 2010 will provide \$8 million over two years to extend the International Science and Technology Partnerships Program (ISTPP).
  - The ISTPP was launched to promote collaborative research and development activities with international partners such as India, China and Brazil. As a "seed fund," the ISTPP helps to foster strategic international partnerships that accelerate the commercialization of research and development, leading to new market opportunities for Canadian businesses, particularly small and medium-sized enterprises.

### **Business Investment**

- Making Canada a tariff-free zone for industrial manufacturers by eliminating all remaining tariffs on machinery and equipment and goods imported for further manufacturing. When fully implemented, this will provide \$300 million in annual duty savings for Canadian business to support investment and growth and create jobs.
  - Eliminating all remaining tariffs on manufacturing inputs and machinery and equipment
- The Government is therefore creating the Vehicle and Equipment Financing Partnership as part of BCAP. This program will be 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 will expand 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.
- CCA Class 43.2 includes a variety of stationary equipment that generates or conserves energy by using renewable sources or fuels from waste, or by using fossil fuel efficiently.

It allows the cost of eligible assets to be deducted for tax purposes at a rate of 50 per cent per year on a declining balance basis— which is faster than would be implied by the useful life of the assets. Budget 2010 proposes to expand the eligibility for accelerated CCA under Class 43.2 to include:

- Heat recovery equipment used in a broader range of applications
- Distribution equipment used in district energy systems that rely primarily on ground source heat pumps, active solar systems or heat recovery equipment.

### **Bioproducts**

- Establishing the Next Generation Renewable Power Initiative, with \$100 million over the next four years to support the development, commercialization and implementation of advanced clean energy technologies in the forestry sector.
  - *(already announced)* Pulp and Paper Green Transformation Program, with \$1 billion available over three years to support investments by Canadian pulp and paper companies to improve the energy efficiency and environmental performance of their facilities.

### **Green Energy**

- Responsibility for conducting environmental assessments for energy projects will be delegated from the Canadian Environmental Assessment Agency to the National Energy Board and the Canadian Nuclear Safety Commission for projects falling under their respective areas of expertise.

### **Sport and Physical Activity**

- \$31 million on an annual basis to support Canada's elite athletes and encourage participation in amateur sport.
  - \$22 million annually for Canada's high performance athletes.
    - This includes \$5 million to renew funding for the identification and development of elite athletes (La Releve)
    - \$17 million over two years to renew and enhance programs that support training and preparation for competition for both winter and summer elite athletes (\$11m VANOC replacement and \$6m Team Sport)
  - \$5m annually to the Canadian Paralympic Committee
  - \$1 million annually to Special Olympics Canada
  - \$3 million annually for ParticipACTION

### **Charities**

- Significant reforms are proposed to the disbursement quota to reduce administrative complexity and better enable charities to focus their time and resources on charitable activities.

## **International Development**

- Increasing ODA envelope by \$364m to a total of \$5B
  - This is now capped and will be re-assessed on a yearly basis. This is change from the planning track which had ODA rising by 8% annually through till 2014-2015. In effect, this will pull \$1.8B out of what would have been ODA by 2015.
- Maternal and Child Health
  - Only statement is that the government will use its G8 leadership to focus the world attention on maternal and child health