



2009 Federal Budget Review and Analysis -January 29, 2009

Building and Construction Trades Department, AFL-CIO, Canadian Office

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Highlights

- \$4 billion infrastructure stimulus fund wherein provinces and municipalities must match federal monies for projects
- Bridges in Quebec, St. Lawrence Seaway and Rail infrastructure in Manitoba and Ontario
- Small craft harbour improvements Canada wide
- Sweeping financial stability measures - to enable the government to address “credit crunch issues”
- Extending *Wage Earner Protection Program* to cover severance and termination pay to eligible employees (to a maximum of \$3,254.00 per eligible employee)
- Home renovation tax credit up to \$1,350 for renovations exceeding \$1,000 but not greater than \$10,000
- Acceleration of Build Canada Fund (previously announced \$33billion)
- \$323 Million for repair and restoration of Federally owned buildings across Canada

Construction Specific Measures

- \$7 billion for direct infrastructure measures
- Permit process facilitation for major projects (such as Mackenzie pipeline)
- AECL to receive \$351million for CANDU technology and Chalk River facility
- Canadian Skills and Transition Strategy* -\$8billion – a three pronged approach which facilitates \$1.9 billion in benefits, \$1.9 billion to enhance the availability of training and \$4.5 billion to fund an EI rate freeze for 2009 and 2010
- “reaffirmation of Apprenticeship Incentive Grant graduation bonus 2K” which equates to \$40million. This was a Conservative campaign promise.
- Extending the Capital Cost Allowance deduction for an additional period
- Shipbuilding initiative for the Coast Guard to reequip their fleet

Social Policy Measures important to us

- Employment Insurance benefits extension by 5 weeks(this essentially reimburses workers for the waiting period before benefits begin)
- \$500million over two years for workers engaged in longer term training)
- Freezing the EI rate at current levels (no increase in payroll deductions this calendar year)
- \$1 billion in EI Part II monies to the provinces for training purposes

Regulation of Capital

→a Pan-Canadian Securities Regulator with all willing partners
→Federally Regulated Pension measures to be implemented by the end of 2009 – a review process within the next 90 days

Analysis and Comment

Although broad and almost all parts of the Canadian economy are touched by this budget, there certainly is a lack of national strategy in terms of delivery of a “stimulus” package. The infrastructure plan is welcome to the construction industry yet implementation effectiveness remains to be seen. The trickle down effect into the economy may be good however; some of the tax measures (Home Renovation Tax Credit) will increase underground economy issues in residential construction.

During the next 12-16 months Canada’s economic strength will be tested and we support the bolstering of the Employment Insurance program through the Canadian Skills and Transition strategy. Workers who lose their jobs will be better served by 50 weeks of EI versus the 45 weeks previously provided. The \$500 million the Federal Government has allocated to the EI program will assist Canadians in longer term training programs, aimed specifically at construction trades. The program has been tweaked so that as unemployment rises in a region so does benefit payment. There was an opportunity here to revisit some of the EI programming challenges on a macro level but at this time the government chose not to proceed. There could be potential issues with flexible benefit payments based on geographic residency – certain sectors could be adversely affected in a high employment area and not be eligible for extended benefits.

The Government has reaffirmed support in this budget and enabled monies directed at Canadians currently enrolled in Red Seal apprenticeships through the Apprenticeship Incentive Grant (AIG) completion bonus. This is an important step to ensure our training system is strong and continues to deliver top quality talent to jobsites nationwide. This was as promised by the Conservatives in the recent election campaign and will cost the government a mere \$40 million. This was one focus of our Building Trades and affiliate lobbying efforts over the last 16 months.

A national securities regulator with willing provincial partners is a solid initiative. It will give Canadians one point of regulation for investment jurisdiction – this could also assist with treatment of multi-employer pension plans in construction and the difficulty of multiple-jurisdiction involvement in our plans. Alberta and Quebec are “out” and have dug their heels in to resist this at all costs. It remains to be seen what the state of securities regulation will do to pension plans across the country.

For our industrial owner partners we were pleased to see an extension of the Capital Cost Allowance (CCA) for acquisition of major equipment. This will assist with job costing in construction and maintenance facilities. The Building Trades lobbied for this extension in the lead-up to the Budget.

Extension of Wage Earner protection plan to cover severance and termination pay ought to assist those affected the most by the downturn. An eligible employee will be able to seek \$3,254 from a bankrupt or insolvent employer.

We would like to see more details regarding “macro” strategic planning over the next number of months for the Economy in Canada - the approach taken in the Budget is largely a piecemeal approach and not part of a larger strategy for our economy and industry. Specifically, in construction, a *National Workforce Strategy* is required to address skilled labour shortages across Canada. Policies that are a mile wide but an inch deep haven’t worked in the past – we have to focus on policies that are nimble but comprehensive, broad but effective.

This is the summary provided by the Conference Board of Canada to our office on the 2009 Federal Budget. It can be retrieved at www.conferenceboard.ca

The Fiscal Plan

The deterioration of the economic outlook over the last several months has led to a collapse in projected revenues, particularly in fiscal years 2009–10 and 2010–11. In the November 2008 Economic and Fiscal Statement, the government predicted a small cumulative surplus of \$1.3 billion over fiscal years 2009–10 to 2011–12. Now—just three months later and before any new measures are introduced—the federal government is expecting a sizable deficit of \$27.6 billion cumulative over the next three fiscal years, and over \$15 billion in 2009–10. In addition, the federal government has allocated funds for economic prudence of \$4.5 billion in each of the next two fiscal years and \$3 billion in fiscal year 2011–12.

In an effort to stimulate the economy, the federal government has introduced a package of tax cuts and spending that will cost an expected \$38.2 billion over fiscal years 2009–10 to 2011–12.

Consequently, the federal government now expects to run a cumulative deficit of \$76.5 billion over the next three fiscal years. (See table). This will drive up the federal debt to \$542.4 billion, erase 10 years of debt payback, and push up interest payments required to service that debt by \$9.7 billion per year within three years. Taking into account the new spending initiatives, direct program spending is expected to grow by a whopping 13.1 per cent in fiscal year 2009–10—the fastest rate of increase since comparable data was first published in fiscal year 1983–84. In fiscal year 2010–11, direct program spending is then expected to grow by a further 3.2 per cent before falling by 2.9 per cent the following year.

For more information on the Federal budget or a copy of the government plan visit:

<http://www.budget.gc.ca/2009/home-accueil-eng.asp>