

Chapter 3.1: Supporting Entrepreneurs, Innovators and World-Class Research

Highlights

Creating Value-Added **Jobs** Through Innovation

The Government is committed to a new approach to supporting innovation that focuses resources on private sector needs. Economic Action Plan 2012 proposes:

- \$400 million to help increase **private sector** investments in early-stage risk capital, and to support the creation of large-scale venture capital funds led by the private sector.
- \$100 million to the **Business Development Bank** of Canada to support its venture capital activities.
- \$110 million per year to the National Research Council to double **support to companies** through the Industrial Research Assistance Program.
- \$14 million over two years to double the **Industrial Research** and Development **Internship program**.
- \$12 million per year to make the **Business-Led Networks** of Centres of Excellence program permanent.
- \$105 million over two years to support **forestry** innovation and **market development**.
- \$95 million over three years, starting in 2013-14, and \$40 million per year thereafter to make the Canadian Innovation **Commercialization Program** permanent and to add a **military procurement component**.
- \$67 million in 2012-13 as the National Research Council refocuses on **business-led, industry-relevant research**.
- Streamlining and improving the Scientific Research and Experimental Development tax incentive program.

Support for Research, Education and Training

The Government is committed to providing additional resources to support advanced research at universities and other leading research institutions. Economic Action Plan 2012 proposes:

- \$37 million annually starting in 2012-13 to the granting councils to enhance their support for **industry-academic research partnerships**.
- \$60 million for Genome Canada to launch a **new applied research competition** in the area of human health, and to sustain the Science and Technology Centres until 2014-15.
- \$6.5 million over three years for a research project at McMaster University to **evaluate team-based approaches to health care delivery**.
- \$17 million over two years to further advance the development of alternatives to existing isotope production technologies.
- \$10 million over two years to the Canadian Institute for Advanced Research to link Canadians to global research networks.
- \$500 million over five years, starting in 2014-15, to the Canada Foundation for **Innovation to support advanced research infrastructure**.
- \$40 million over two years to support CANARIE's operation of Canada's **ultra-high speed research network**.
- \$23 million over two years to Natural Resources Canada to enhance satellite data reception capacity.

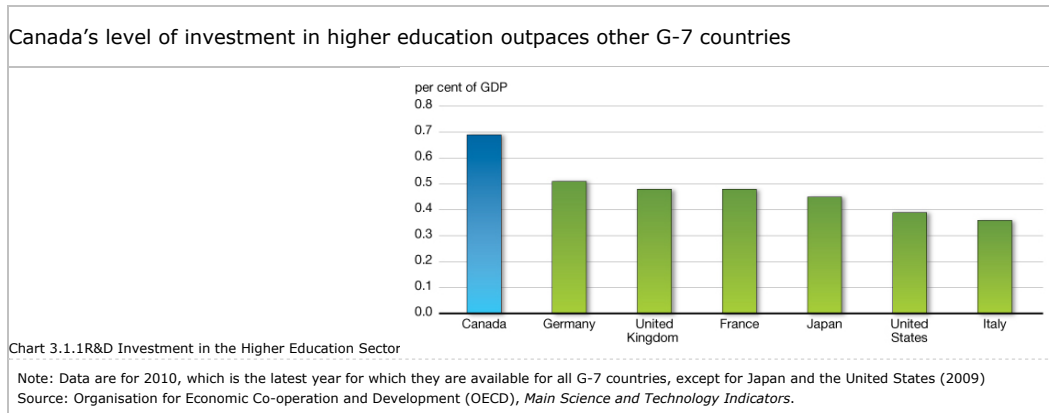
Creating Value-Added Jobs Through Innovation

The Government is committed to a new approach to supporting innovation in Canada. Economic Action Plan 2012 announces **\$1.1 billion over five years to directly support research and development** and **\$500 million for venture capital**.

The global economy is changing. **Competition for the brightest minds is intensifying**. The pace of technological change is creating new opportunities while making older business practices obsolete. Canada's long-term economic competitiveness in this emerging knowledge economy demands globally competitive businesses that innovate and create high-quality jobs.

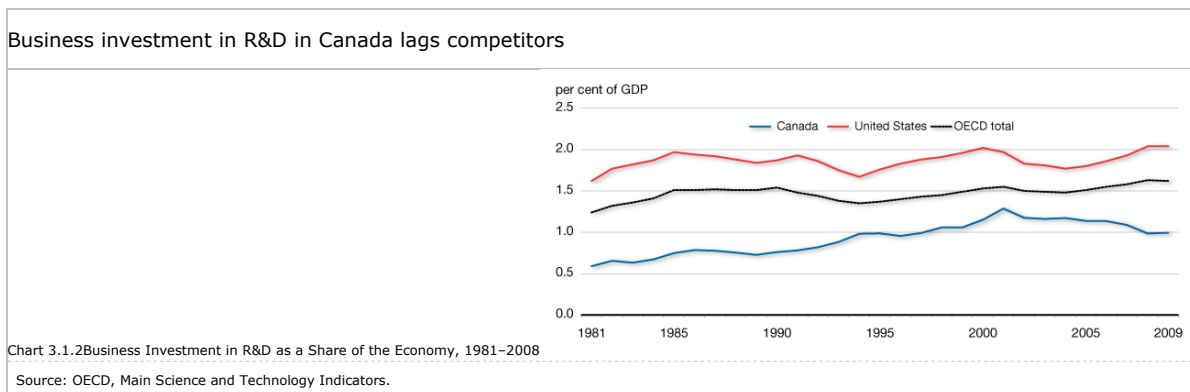
The Government supports an innovative economy and the creation of high-quality jobs through investments in education and training, basic and applied research, and the translation of public research knowledge to the private sector. Since 2006, the Government has provided nearly \$8 billion in new funding for initiatives to support science, technology and the growth of innovative firms. The Government is also sustaining a business environment that encourages innovation by supporting financing opportunities for businesses with the potential to become globally competitive, and creating a regulatory environment that promotes competition, business investment and economic growth.

As demonstrated by Chart 3.1.1, supported by federal investments, Canada is a world leader in post-secondary research, outpacing other Group of Seven (G-7) countries on higher education investment.



Despite strong policy fundamentals to support innovation in Canada, Canadian businesses do not take full advantage. Canada continues to **lag behind peer countries in terms of overall innovation performance**, including **private sector investment in research and development (R&D)**, and the **commercialization of research into products and processes that create high-value jobs and economic growth**.

As demonstrated by Chart 3.1.2, Canada's private sector has historically lagged in terms of business investments in research relative to the size of our economy. This trend has persisted despite Canada's strong post-secondary research performance in recent years. While the business sectors in the United States and across OECD countries are increasing their relative investments in research and development in order to improve their competitive positions, Canada's business sector has seen a declining trend over the past decade. It is important that Canadian businesses begin to address this gap in order to drive the innovation that leads to success in a competitive global marketplace.



The Government's science and technology strategy, *Mobilizing Science and Technology to Canada's Advantage*, **emphasizes the importance of ensuring that federally supported research contributes to the commercialization**

of new products, processes and services that create high-value jobs and economic growth. Guided by this strategy, the Government provides significant resources to support research, development and technology.

Consistent with this strategy, and to fully realize the value from our investments in advanced research, Budget 2010 announced that the Government would conduct a comprehensive review of federal support for research and development. The objective was to ensure that federal support is cost-effective and makes the maximum contribution to innovation and economic opportunities for business and Canadian workers.

This extensive review was conducted by an Expert Panel, led by Mr. Thomas Jenkins, Executive Chairman and Chief Strategy Officer of OpenText Corporation of Waterloo, Ontario. The Panel's far-reaching consultations resulted in nearly 230 written submissions, supplemented by in-person group sessions held across the country and a detailed survey of more than 1,000 innovative businesses of all sizes representing a wide array of sectors and regions. The Panel also consulted innovation leaders in other countries to learn from their experiences.

In October 2011, the Expert Panel submitted a report to the Government, *Innovation Canada: A Call to Action*, with findings and recommendations on how to improve support for innovative businesses and help them grow into larger, globally competitive companies.

Jenkins Summary

Broadly, the Expert Panel found that:

- Canadian businesses find the Scientific Research and Experimental Development tax incentive program to be complex, with an approval process that can be unpredictable and costly.
- Relative to peer countries, Canada has an over-reliance on tax incentives in the mix of federal support for business research and development compared to direct expenditures that support innovative firms and public-private research collaborations.
- The numerous federal programs that promote business innovation can be difficult for companies to navigate, and may create inefficiencies.
- Canada lags behind peer countries in leveraging government procurement to promote private sector innovation.
- Unlike peer countries, Canada lacks an organization with the capacity to act as a central hub for business-driven research.
- Canada's risk capital sector needs further development to effectively support the growth of innovative companies.
- Canada needs a stronger "whole-of-government" approach to innovation.

Key Recommendations of *Innovation Canada: A Call to Action*

- Shift resources from indirect support through the Scientific Research and Experimental Development (SR&ED) tax incentive program to direct forms of support, including the Industrial Research Assistance Program.
- Streamline the Government's support for business innovation.
- Simplify the SR&ED tax incentive program and improve cost-effectiveness, predictability and accountability.
- Make business innovation one of the core objectives of procurement.
- Refocus the institutes of the National Research Council on demand-driven applied research.
- Help high-growth innovative firms access risk capital.
- Establish a clear federal voice for innovation.

Informed by this advice, the Government is committed to a new approach to supporting innovation in Canada, by pursuing active business-led initiatives that focus resources on better meeting private sector needs. Economic Action Plan 2012 begins to deliver on this commitment, announcing \$1.1 billion over five years for direct research and development support and making available \$500 million for venture capital.

This new approach will promote business innovation through improved support for high-growth companies, research collaborations, procurement opportunities, applied research and risk financing. This will provide a solid foundation on which Canada's globally competitive businesses can build by making the investments in innovation required to create high-value jobs and long-term economic growth. In particular, the Government will:

- Double the contribution budget of the Industrial Research Assistance Program to better support research and development by small and medium-sized companies.
- Support private and public research collaboration through internships for graduate students and funding for business-led research and development.
- Support innovation through procurement by connecting small and medium-sized companies with federal departments and agencies to build their capacity to compete in the marketplace.
- Refocus the National Research Council on demand-driven business-oriented research that will help Canadian businesses develop innovative products and services.
- Help high-growth firms access risk capital by committing significant funds to lever increased private sector investments in early-stage risk capital and to support the creation of large-scale venture capital funds led by the private sector.
- Streamline and improve the SR&ED tax incentive program by removing capital from the expenditure base, making it more cost-effective through design improvements and a measured rate reduction, and providing greater predictability through administrative improvements.

The Panel's recommendations are wide-ranging and the Government will continue to study them carefully. In particular, the Government will explore options to consolidate the suite of programs that supports business innovation to make it easier for businesses to access government support and improve efficiency. In addition, the Government will help innovative companies have greater access to private sector risk capital. The Government will announce further actions in response to the Panel's recommendations in the coming months and in Budget 2013.

Helping High-Growth Firms Access Risk Capital

Economic Action Plan 2012 will make available \$400 million to help increase private sector investments in early-stage risk capital and to support the creation of large-scale venture capital funds led by the private sector. Also, it confirms the previous commitment to make available an additional \$100 million to the Business Development Bank of Canada.

Young knowledge-based firms often have difficulty in accessing capital from traditional financial institutions because they have few tangible assets beyond their ideas. Yet some of these firms have the potential to become future global market leaders. Facebook, Google and Research In Motion were all start-up companies financed by venture capital. Angel investors and venture capital funds play an important role in supporting the growth of these high-potential firms by providing much-needed capital as well as hands-on business advice.

The Canadian venture capital market has had mixed results in the last decade. Further, the venture capital market faces a broad range of challenges including a decline in fundraising, which is partially attributable to the market's inability to consistently attract private investors, including large, well-funded institutional investors such as pension funds.

The Government recognizes the crucial role played by private sector risk capital in driving business growth and innovation, and has taken important steps to strengthen its availability, including through the Business Development Bank of Canada and by removing impediments to foreign venture capital investments.

To help increase private sector investments in early-stage risk capital, and to support the creation of large-scale venture capital funds led by the private sector, Economic Action Plan 2012 proposes to make available \$400 million for venture capital activities. This will increase the amount of funding available for growth-oriented innovative firms while focusing resources on those that are likeliest to become global leaders. In the coming months, the Government will consider how to structure its support in order to incent private sector investments and management of seed and large-scale venture capital funds.

In addition, Economic Action Plan 2012 confirms the previous commitment to make available an additional \$100 million to support the venture capital activities of the Business Development Bank of Canada.

Increasing Direct Support for Business Innovation

Doubling the Industrial Research Assistance Program

Economic Action Plan 2012 proposes an additional \$110 million per year starting in 2012-13 to double support for companies through the Industrial Research Assistance Program.

The National Research Council's Industrial Research Assistance Program, which supports research and development projects by innovative small and medium-sized businesses, is a cornerstone of Canada's innovation system and is regarded worldwide as one of the best programs of its kind. Economic Action Plan 2012 proposes an additional \$110 million per year starting in 2012-13 to the National Research Council to double the Industrial Research Assistance Program. This will allow the National Research Council to support additional small and medium-sized businesses that create high-value jobs, and to expand the services provided to businesses through the program's Industrial Technology Advisors. The National Research Council will also create a concierge service that will provide information and assistance to small and medium-sized businesses to help them make effective use of federal innovation programs.

Industrial Research Assistance Program Success Stories

The National Research Council's Industrial Research Assistance Program (NRC-IRAP) has a strong track record of providing innovative small and medium-sized companies with financial resources, customized services and access to highly skilled people. Recent success stories include:

Wolf Steel Inc. (Barrie, Ontario)—The firm has been able to design, manufacture and market a new high-efficiency furnace—the only gas furnace manufactured in Canada—with assistance and advisory services from NRC-IRAP.

Quark Engineering and Development Inc. (Halifax, Nova Scotia)—The firm has transformed their TetherBerry networking technology into a multi-platform and Bluetooth-enabled device, leading to better market penetration, new business opportunities and increased revenues, with the assistance of NRC-IRAP.

Motion Composites Inc. (Saint-Roch-de-l'Achigan, Quebec)—The company designed and produced a wheelchair that is lighter, more durable and more affordable than a traditional wheelchair, with financial support from NRC-IRAP.

Supporting Innovative Businesses in **Western Canada**

Economic Action Plan 2012 announces the upcoming launch of the Western Innovation Program.

Western Economic Diversification Canada works to improve the long-term economic competitiveness of the West and the quality of life of its citizens by supporting a wide range of initiatives targeting inter-related project activities—innovations, business development and community economic development. The agency will soon be launching the **Western Innovation Program**. The new program will provide financial support to innovative small and medium-sized enterprises in Western Canada, and is consistent with those offered in other regions such as the Business and Regional Growth program administered by Canada Economic Development for Quebec Regions; the Business Development Program administered by the Atlantic Canada Opportunities Agency; and the Southern Ontario Development Program administered by the Federal Economic Development Agency for Southern Ontario.

New Approaches to Canadian Business Innovation

The Government's new approach to supporting business innovation provides **opportunities for businesses to commercialize breakthrough ideas and develop global markets**. For example, the Government is supporting the new Canadian Technology Accelerator initiative in New York, N.Y., which will help Canadian entrepreneurs access venture capital, customers and partners in key markets in the United States to catalyze their growth. Programs like the **Canadian Technology Accelerator** initiative are helping innovative small and medium-sized companies to succeed in the international market and create more jobs for Canadians.

Supporting Private and Public Sector Research Collaboration

Through linkages between firms and post-secondary institutions, knowledge generated by federal support for post-secondary research is harnessed to address market needs. Collaborative research between post-secondary researchers and private sector partners **promotes awareness by companies of the capabilities of post-secondary institutions and researchers**, facilitates the transfer of expertise and technology, and encourages the development of long-term research capacity within the private sector. Economic Action Plan 2012 proposes several measures to enhance support for high-potential research collaborations between businesses and researchers.

Integrating High-Quality Researchers Into the Labour Market

Economic Action Plan 2012 proposes \$14 million over two years to double the Industrial Research and Development Internship program.

The Industrial Research and Development Internship program currently helps 1,000 graduate students undertake hands-on research in innovative Canadian firms each year. This initiative provides host firms with access to cutting-edge research and skills, while providing students with valuable applied research experience in a private sector setting. To double the resources of the Industrial Research and Development Internship program, Economic Action Plan 2012 proposes **\$14 million over two years**. This new funding will be **administered by Mitacs**, an advanced research organization with a proven track record of helping businesses solve problems through access to graduate students.

Mitacs and the Industrial Research and Development Internship Program Success Stories

Through the Industrial Research and Development Internship program, which is largely delivered by Mitacs, graduate students and postdoctoral fellows from over 50 Canadian universities apply their specialized expertise to business-related challenges. Open to all disciplines and all industry sectors, projects can span a wide range of areas, including manufacturing, technical innovation, business processes, information technology and social sciences. Research internship projects include:

- **Wastewater treatment plants in northern Saskatchewan (NexLev Solutions and the University of Saskatchewan)**—NexLev Solutions, a management services and technology company, recently partnered with Dr. Mahshid Atapour, a postdoctoral fellow at the University of Saskatchewan's computer science department, to complete a project aimed at automating the operation of wastewater treatment plants for communities in northern Saskatchewan. As part of the project, NexLev required a mathematician with expertise in several areas, including modeling, probability theory and Monte Carlo simulation. NexLev teamed up with Dr. Atapour through the Mitacs internship program to complete these objectives, resulting in considerable cost savings for the firm.
- **Development of lipid nanoparticles (Alcana and the University of British Columbia)**—Through the Mitacs internship program, Alcana, a biotechnology company, partnered with Dr. Josh Zaifman, a postdoctoral fellow at the University of British Columbia's chemistry department, to develop its lipid nanoparticles project. Alcana believes that this project exhibits the potential to become a new means for the targeted delivery of therapeutics. Alcana has indicated that through this program, it was able to significantly reduce the project's operating costs, as Dr. Zaifman conducted a large part of his research using the university's resources, which were not otherwise available to the firm.
- **Complex lightshows in Montréal, Quebec (Realisations.net and the École des Hautes Études Commerciales)**—Realisations.net produces commercial lightshows and soundscapes for major events, such as Montreal Canadiens' games. For the new Quartier des spectacles at the centre of Montreal, the company needed expertise to solve problems related to projecting light shows on buildings and putting on a production in a public space in a way that recognizes that people live and work in the area. Mitacs interns from the Écoles des Hautes Études Commerciales were tasked with determining how the projected contents of the show could be managed, as well as with drafting a business plan to ensure that the project, while remaining respectful of its surroundings, could be produced at a profit.

Strengthening Knowledge Transfer and Commercialization

Economic Action Plan 2012 proposes \$12 million per year to make the Business-Led Networks of Centres of Excellence program permanent.

The Business-Led Networks of Centres of Excellence program supports research on business priorities by teams of private sector researchers and academics. The program has proven to be an effective way to link innovative businesses to Canada's world-class researchers, helping to create and sustain knowledge-based jobs. To build on the success of these collaborations, Economic Action Plan 2012 proposes \$24 million over two years and \$12 million per year thereafter to make the Business-Led Networks of Centres of Excellence program permanent.

Business-Led Networks of Centres of Excellence Existing Networks

The inaugural Business-Led Networks of Centres of Excellence competition in 2009 selected four networks:

- **The Canadian Forest NanoProducts Network—ArboraNano (Pointe-Claire, Quebec)** is helping to develop innovative, nanotechnology-based carbon-neutral products created from Canada's vast forest resource.
- **Green Aviation Research & Development Network—GARDN (Ottawa, Ontario)** is promoting aerospace technologies for the protection of the environment.
- **The Quebec Consortium for Drug Discovery—CQDM (Nuns' Island, Quebec)** is working to accelerate the drug discovery process and to develop safer and more effective drugs.
- **Sustainable Technologies for Energy Production Systems—STEPS (Regina, Saskatchewan)** is addressing hydrocarbon energy production sustainability challenges, helping to ensure a secure and affordable supply of clean energy for Canadians.

Forestry Innovation and Market Development Support

Economic Action Plan 2012 proposes \$105 million over two years to support the continued transformation of the forestry sector.

Forest Resources

In 2011, the forestry sector directly supported 233,000 jobs in over 200 communities across the country and accounted for 1.9 per cent of Canadian gross domestic product. The forestry sector has faced a number of economic challenges over the past decade. In response to these challenges, the forestry industry has taken important steps to become more productive and transition to higher-value activities.

The Government has provided significant support to the forestry sector to facilitate its transformation through a suite of innovation and market development programs. To maximize the effectiveness of federal support, the Government will be refocusing its current programming from five to two initiatives:

- **The Expanding Market Opportunities Program** will combine the Canada Wood Export and the North American Wood First programs and incorporate the activities previously delivered by the Leadership for Environmental Advantage in Forestry (the LEAF Program).
- **The Forest Innovation Program** will combine support for the emergence of transformative technologies, including those developed by FPInnovations and the Canadian Wood Fibre Centre, through the previous Promoting Forest Innovation and Investment program, and the technology transfer activities to small and medium-sized enterprises that were previously delivered through the Value to Wood program.

To support the continued transformation of the forestry sector, Economic Action Plan 2012 proposes \$105 million over two years. The Government will continue to engage with the forestry industry to identify opportunities for the private sector to increase its investment in innovation and develop new markets for Canadian forestry products.

Supporting Innovation Through Procurement

Economic Action Plan 2012 proposes an additional \$95 million over three years, starting in 2013-14, and \$40 million per year thereafter to make the Canadian Innovation Commercialization Program permanent and to add a military procurement component.

The **Canadian Innovation Commercialization Program**, which was launched in 2010 and has already shown encouraging results, connects small and medium-sized enterprises with federal departments and agencies that have a need for innovative products and services. By selling to the federal government, businesses can demonstrate the value of their products and services, increase the scale of their operations, and generate future sales to non-federal customers. To build on the early success of this program, Economic Action Plan 2012 proposes an additional \$95 million over three years, starting in 2013-14, and \$40 million per year thereafter to make the Canadian Innovation Commercialization Program permanent. The program will include an added military procurement component.

Accelerating Commercialization by Small Businesses

Following the evaluation of proposals submitted under the Canadian Innovation Commercialization Program's first two Calls for Proposals, over 60 innovations have been pre-qualified. Public Works and Government Services Canada has been working with the selected companies to match their innovations with federal government departments.

Project Examples

CVT Corp (Sainte-Julie, Quebec)

CVT Corp is an internationally recognized technology company specializing in the development and manufacture of continuously variable transmissions for power generation, oil and gas, mining, farming and off-road equipment. Funding will help the company in commercializing its variable speed diesel gensets (models of 50kW and 125kW) which, when incorporated into equipment, offer significant fuel savings, lower emissions and reduced noise levels.

GestureTek Inc. (Toronto, Ontario)

GestureTek Inc. is a world leader in video gesture control technology for multi-touch surfaces, signs, displays, and devices and games for advertising, entertainment and information delivery. Funding will allow the company to commercialize its GestPoint Maestro 3D Digital Whiteboard Display Application—a 3D-camera system for point-control-from-a-distance, integrated with networked whiteboard systems for collaborative dual-location user experiences.

Virtual Marine Technology (St. John's, Newfoundland and Labrador)

Virtual Marine Technology is a global provider of small craft training simulators. Funding will allow the company to commercialize its MissionQuest multi-task simulators, which help crews to train and prepare for situations such as search and rescue exercises that are often too expensive, rare and dangerous to replicate in the context of on-water training.

Synodon Inc. (Edmonton, Alberta)

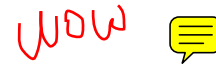
Synodon has developed and demonstrated an advanced airborne remote gas sensing system, enabling the monitoring and measurement of natural releases of methane gas in the Arctic. Funding will enable the deployment of this technology to allow Natural Resources Canada to survey the vast Canadian Arctic.

Refocusing the National Research Council

Economic Action Plan 2012 proposes \$67 million in 2012–13 to support the National Research Council in refocusing on business-led, industry-relevant research.

The National Research Council was created in 1916 to support basic research and the development of commercial innovations. The organization has made an important contribution to the Canadian economy, supporting the development of innovations, such as the pacemaker and computer animation technology, that have created high-value jobs. To continue to play this important role in Canada's innovation system, the National Research Council must adapt to business research needs, and **concentrate on active business-driven, industry-relevant applied research**. To support this new direction, Economic Action Plan 2012 proposes \$67 million to the National Research Council in 2012–13.

In consultation with businesses and university and college stakeholders, the Government will consider ways to better focus the National Research Council on **demand-driven research**, consistent with the recommendations of the Expert Panel.



Scientific Research and Experimental Development Tax Incentive Program

The Scientific Research and Experimental Development (SR&ED) tax incentive program is one of the most generous systems in the industrialized world for research and development (R&D). It is the single largest federal program supporting business R&D in Canada, providing more than \$3.6 billion in tax assistance in 2011.

Consistent with the recommendations of the Expert Panel, Economic Action Plan 2012 is proposing a number of measures to streamline and improve the SR&ED tax incentive program. The **savings generated** by these actions will be **invested in direct support programs** that will reinforce business innovation in Canada.

How Does the Scientific Research and Experimental Development (SR&ED) Tax Incentive Program Work?

Currently, eligible expenditures include most of the costs that are directly related to SR&ED, including salary and wages, materials, overhead, contracts and capital expenditures (other than most buildings).

The SR&ED tax incentive program has two components:

- An income tax deduction, which allows immediate expensing of all eligible expenditures.
- An investment tax credit:
 - The general rate is 20 per cent.
 - An enhanced rate of 35 per cent is provided to small and medium-sized Canadian-controlled private corporations (CCPCs) on their first \$3 million of eligible expenditures.
 - Unused credits earned in a year are generally fully refundable for small and medium-sized CCPCs on their first \$3 million of current expenditures.

Simplifying the Tax Credit Base

Economic Action Plan 2012 proposes to simplify the SR&ED program by removing capital from the expenditure base.

The rules regarding the eligibility of capital expenditures are the most complex for businesses to comply with. In order to simplify the program, Economic Action Plan 2012 proposes to narrow the base of eligible expenditures by removing capital. The other expenditure elements will remain eligible, including salary and wages, materials, overhead expenses and contract payments. This proposed change will affect capital expenditures incurred in 2014 and subsequent years.

Increasing Cost-Effectiveness

Economic Action Plan 2012 proposes to increase the cost-effectiveness of the SR&ED program through two design improvements and a measured reduction in the general tax credit rate.

In order to increase cost-effectiveness, Economic Action Plan 2012 proposes two design improvements that will better align the tax credits received with actual business expenditures on SR&ED projects, as well as a measured reduction in the general tax credit rate.

The two design improvements will affect the calculation of overhead expenditures and of arm's length contract payments:

- To limit instances where the rules result in tax credits being provided for overhead costs that exceed the actual costs incurred, Economic Action Plan 2012 proposes to gradually reduce the "prescribed proxy amount" that is used to compute overhead expenditures under the so-called "proxy method," from 65 per cent to 55 per cent of direct labour costs. The 55-per-cent rate will be fully phased in as of January 1, 2014.
- To remove the profit element from arm's length contract payments, Economic Action Plan 2012 proposes to allow only 80 per cent of these contract payments to be used for the purposes of calculating the SR&ED tax credits. This change is consistent with the current tax treatment of non-arm's length contracts, and will target the tax credits to SR&ED expenditures incurred, and not on profit margins. It will be effective as of January 1, 2013.

Economic Action Plan 2012 also proposes a reduction in the general SR&ED investment tax credit rate. The recent corporate income tax rate reductions (from 22.12 per cent in 2007 to 15 per cent in 2012) have effectively increased the relative generosity of the SR&ED tax incentive program and resulted in growing pools of unused investment tax credits. Effective January 1, 2014, the general SR&ED investment tax credit rate will be reduced from 20 per cent to 15 per cent.

Enhancing Predictability

Economic Action Plan 2012 announces actions by the Canada Revenue Agency to improve the predictability of the SR&ED tax incentive program. The Government will invest \$4 million in 2012–13 and \$2 million in 2013–14 to implement changes to the administration of the program.

Economic Action Plan 2012 announces that the Canada Revenue Agency (CRA) will conduct a pilot project to determine the feasibility of a formal pre-approval process. The CRA will also:

- Enhance the existing online self-assessment eligibility tool.
- Work collaboratively with industry representatives to address emerging issues.
- Make more frequent and effective use of "tax alerts."

- Improve the Notice of Objection process to allow for a second review of scientific eligibility determinations.

Administrative Improvements to the Scientific Research and Experimental Development (SR&ED) Tax Incentive Program

The Canada Revenue Agency (CRA) has recently implemented a number of administrative improvements to address challenges that have been identified by stakeholders in the areas of accessibility, predictability and consistency. These improvements include:

- Increasing the number of technical reviewers.
- Providing additional training and establishing coordinated technical support for the technical reviewers.
- Devoting more time to program services.
- Enhancing the quality assurance methodology.
- Reviewing dispute resolution procedures to ensure their effectiveness.

In addition, the CRA is in the process of consolidating and clarifying the administrative policies that are currently contained in about 70 documents pertaining to the SR&ED tax incentive program. The revised information will ultimately be presented in a user-friendly format on the CRA website in December 2012, with the objective of reducing complexity and improving accessibility.

Contingency Fees

The Government announces a study of contingency fees charged by tax preparers.

Small and medium-sized businesses sometimes rely on tax preparers charging on a contingency-fee basis to prepare their SR&ED claims. These fees may be as high as 30 per cent of SR&ED benefits, or even more. The Government is concerned that high contingency fees charged by tax preparers are diminishing the benefits of the SR&ED tax incentive program to Canadian businesses and the economy. In the coming year, the Government will conduct a study, including consultations with taxpayers, to better understand why firms choose to hire consultants on a contingency-fee basis and determine whether action is required.

Support for Research, Education and Training

Supporting Advanced Research

Since 2006, the Government has provided nearly \$8 billion in new funding for initiatives to support science, technology and the growth of innovative firms. This includes \$5 billion in support for science and technology activities performed by non-business enterprises. This funding has helped to make Canada a world leader in post-secondary education research and to create the knowledge and highly skilled workforce that is required for a more prosperous economy. This support has contributed to a strong foundation for Canada's innovation system, ensuring that Canadian researchers can continue to generate groundbreaking ideas and businesses have access to the knowledge, ideas, people and resources needed to bring this knowledge to market and create high-quality jobs.

Economic Action Plan 2012 proposes additional resources to support advanced research at universities and other leading research institutions.

Canada Invests in Science, Technology and Innovation Leadership

Since 2006, the Government has provided nearly \$8 billion in new funding for initiatives to support science, technology and the growth of innovative firms in Canada, including \$5 billion for advanced research, education and training, \$2 billion for post-secondary infrastructure, and \$1 billion for applied research and financing. Key examples include:

Education and Training

- \$45 million over five years to establish the Banting Postdoctoral Fellowships to attract top-level research talent to Canada.
- \$100 million over five years to create the Vanier Canada Graduate Scholarships to draw top doctoral students to Canada.
- \$71 million over four years to establish the Canada Excellence Research Chairs to attract the world's best researchers to Canada.

Basic Research

- Nearly \$1.5 billion in new resources since 2006 to support advanced research through the federal granting councils.
- Over \$600 million to support cutting-edge research infrastructure through the Canada Foundation for Innovation.
- \$2 billion for university and college infrastructure projects, including repair, maintenance and construction, through the Knowledge Infrastructure Program.

Knowledge Translation

- \$440 million over six years to establish the Centres of Excellence for Commercialization and Research, to help translate knowledge into significant commercial advantage for Canadian businesses.
- \$78 million over four years to support linkages between businesses and colleges through the College and Community Innovation Program.

Applied Research

- \$200 million over two years under Canada's Economic Action Plan to temporarily expand contributions to small and medium-sized enterprises through the Industrial Research Assistance Program.
- More than \$470 million over four years to support strategic innovation projects in key sectors of the Canadian economy, including the automotive, aerospace, forestry and clean technology sectors.

Financing for Commercialization

- \$40 million over two years to launch the Canadian Innovation Commercialization pilot program to help small and medium-sized enterprises market innovative products and services to federal departments.
- \$475 million to finance high-potential, innovative firms through the Business Development Bank of Canada, of which \$75 million was provided through Budget 2008 and \$400 million was committed in June 2009.

Promoting Post-Secondary and Private Sector Research Collaborations

Economic Action Plan 2012 proposes \$37 million annually to enhance the granting councils' support for industry-academic research partnership initiatives.

The federal granting councils support outstanding research and advanced training at post-secondary institutes and research hospitals. The granting councils have been increasing their focus on partnerships between post-secondary researchers and companies to target research to business needs and transfer knowledge into economic advantage.

The granting councils will be pursuing operational efficiencies and reallocation of funding from lower-priority programs to generate savings. The Government will fully reinvest 2012-13 savings in priority areas of the granting councils, particularly in industry-academic partnerships.

Specifically, Economic Action Plan 2012 proposes \$37 million annually starting in 2012-13 to the granting councils to enhance their support for industry-academic research partnership initiatives. The new resources for the councils will be allocated as follows:

- \$15 million per year to the Canadian Institutes of Health Research for its Strategy for Patient-Oriented Research.
- \$15 million per year to the Natural Sciences and Engineering Research Council for its Strategy for Partnerships and Innovation.
- \$7 million per year to the Social Sciences and Humanities Research Council for its industry-academic partnership initiatives.

tri-council: more partnership \$

Investing in Genomics Research

Economic Action Plan 2012 proposes an additional \$60 million for genomics research.

Genome Canada is a not-for-profit corporation dedicated to supporting Canada's research leadership in genomics, a fast-growing field that has significant potential social and economic benefits. Genomics research helps unlock new possibilities in important areas such as health, fisheries, forestry, agriculture and the environment.

To date, the Government has provided \$980 million to Genome Canada, which along with funding from other partners will result in close to \$2 billion in genomics research in Canada. To help achieve important future genomics research breakthroughs, Economic Action Plan 2012 proposes an additional \$60 million for Genome Canada to launch a new applied research competition in the area of human health, and to sustain the Science and Technology Centres until 2014-15.

Genome Canada Success Stories

- **Facilitating early screening and diagnosis to improve outcomes for colon cancer.** Researchers from Ontario and Quebec have discovered markers that identify individuals who are at greater risk of developing colon cancer. This knowledge led to the development of a genetic risk assessment test for the disease. Early diagnosis reduces the cost of treatment and improves the likelihood that treatment will be successful.

- **Increasing the competitiveness of the forest industry.** Spruce trees are the most widely used species in Canada's forest plantations. Researchers at Université Laval are working to develop tools and protocols that make it possible to select high-performance spruce trees with better quality wood and high potential to adapt to climate change. Government and industry have partnered to transfer molecular breeding technology to commercial application across a broader range of tree species, to increase the competitiveness of the Canadian forest industry.
- **Maximizing the value of canola.** Researchers in Western Canada have identified several important genes that have potential for enhancing the crop performance of canola. These genes have now been employed to produce canola plants exhibiting larger seeds, increased seed yield and increased efficiency in nutrient use.

Investing in Mental Health Research

Economic Action Plan 2012 proposes \$5.2 million in 2012-13 to establish and integrate a network of mental health-related professionals. Research will be centered on treating depression, with a focus on suicide prevention and post-traumatic stress disorder.

Mental health-related illnesses impact the lives of many Canadians, at a great social and economic cost. The advancement of research in this area, particularly research aimed at developing more effective diagnostic and treatment tools, is critical to improving the lives of these individuals. Economic Action Plan 2012 proposes \$5.2 million in 2012-13 to support the Canadian Depression Research and Intervention Network. The Mood Disorders Society of Canada, in conjunction with the Mental Health Commission of Canada, will lead the development of the Network, connecting over 80 of Canada's brightest depression researchers from across the country. Particular focus will be on suicide prevention and identifying and treating post-traumatic stress disorder. Funding provided in the budget will serve as a catalyst for private and public sector investment.

Promoting Cost-Effective Health Care

Economic Action Plan 2012 proposes \$6.5 million over three years for a health research project at McMaster University.

Canadians rely on an effective, efficient and accessible public health care system. The Government is working with partners to further improve the delivery of health care services. Economic Action Plan 2012 proposes \$6.5 million over three years for a research project at McMaster University. The project will evaluate ways to achieve better health outcomes for patients while also making the health care system more cost-effective, through greater implementation of medical teams. Federal support will be augmented by contributions from other partners.

Advancing Knowledge and Treatment of Spinal Cord Injury

Economic Action Plan 2012 announces the Government's commitment to support spinal cord injury research at the Rick Hansen Institute.

May 2012 marks the 25th anniversary of the conclusion of the Rick Hansen Man in Motion World Tour, which saw him visit more than 30 countries and raise over \$26 million for spinal cord research. To help improve the lives of people living with spinal cord injuries, the Government will continue to partner with the Rick Hansen Institute to support its work to achieve breakthroughs in spinal cord injury research and care.

Diversifying Canada's Medical Isotope Supply

Economic Action Plan 2012 proposes \$17 million over two years to further develop alternatives to existing isotope production technologies.

Medical isotopes are used in a variety of treatments and diagnostic procedures that help save lives. In Budget 2010, the Government provided \$35 million over two years to Natural Resources Canada to support research and development towards new technologies for the production of medical isotopes to help replace reactor-based isotope supplies. Very promising results have been demonstrated to date, but more work is required to bring these new technologies to commercial scale. To further advance the development of alternatives to existing isotope production technologies and help secure the supply of medical isotopes for Canadians, Economic Action Plan 2012 proposes an additional \$17 million over two years to Natural Resources Canada.

Supporting Leading-Edge Researchers

Economic Action Plan 2012 proposes \$10 million over two years to support linkages between Canadian researchers and leading international minds.

The Canadian Institute for Advanced Research (CIFAR) is a private, non-profit organization linking Canadian researchers with the top minds from around the world. Its main priority is to establish and maintain **global networks of top researchers** and students, enabling Canadians to participate in and lead groundbreaking work on the international stage. To enhance the organization's activities and allow it to continue to link Canadian researchers to the world, Economic Action Plan 2012 proposes \$10 million over two years to CIFAR.

CIFAR Programs

Through its research programs, CIFAR identifies areas where significant new knowledge can be created by bringing together leading Canadian and international researchers to focus on **"big questions."** For example:

Nanoelectronics aims to understand the power of materials at the nanometre (one billionth of a metre) scale, which holds the potential to create computer circuits orders of magnitude smaller than those found on today's microchips.

Quantum information processing unites computer scientists and physicists in an effort to harness the unique properties of the quantum world, with the aim of building quantum computers.

Investing in Leading-Edge Research Infrastructure

Canada Foundation for Innovation

Economic Action Plan 2012 proposes \$500 million over five years to support advanced research infrastructure.

The Canada Foundation for Innovation is a not-for-profit corporation that supports the **modernization of research infrastructure at Canadian universities, colleges, research hospitals and other not-for-profit research institutions** across Canada. Through the Foundation, the federal government invests with other partners in state-of-the-art facilities and equipment that play a crucial role in attracting and retaining the world's top minds, training the next generation of researchers and driving cutting-edge discoveries.

The federal government has allocated \$5 billion to the Canada Foundation for Innovation to date, most recently providing \$750 million through Budget 2009. The Government will sustain its investments in advanced research infrastructure. To support the Foundation's core activities, Economic Action Plan 2012 proposes \$500 million over five years, starting in 2014-15, to the Canada Foundation for Innovation. The funding will support new competitions, including for the College-Industry Innovation Fund, with funding awarded in 2014-15.

Canada Foundation for Innovation Success Stories

Since its creation, the Canada Foundation for Innovation has supported over 7,300 leading-edge research infrastructure projects at 130 research institutions in 65 municipalities across Canada. Examples include:

- In Montréal, Quebec, the Canada Foundation for Innovation contributed \$8.4 million to the Université de Montréal for communications and medical imaging equipment to conduct research on how to better treat patients with heart and vascular diseases.
- In Oshawa, Ontario, the Canada Foundation for Innovation contributed over **\$98,000** to the University of Ontario Institute of Technology to support a cutting-edge research laboratory for integrated high-speed broadband wireless communication systems.
- In Waterloo, Ontario, the Canada Foundation for Innovation has contributed over \$3.7 million to the University of Waterloo for infrastructure to perform advanced research on materials and manufacturing for **lightweight automotive structures** and advanced occupant protection.
- In Halifax, Nova Scotia, the Canada Foundation for Innovation has provided over \$720,000 to Dalhousie University for equipment to advance groundbreaking research that will enable new materials for energy production, energy storage and sustainability.
- In Vancouver, British Columbia, the Canada Foundation for Innovation has contributed \$139,000 to the British Columbia Institute of Technology for infrastructure at the **Centre for Rehabilitation Engineering and Technology that Enables (CREATE)**, which promotes research and development in rehabilitation technologies.

Supporting Canada's Ultra-High Speed Research Network

Economic Action Plan 2012 proposes \$40 million over two years to support the operations of Canada's ultra-high speed research network.

CANARIE is a not-for-profit organization that operates **Canada's only ultra-high speed national research and education network**, providing vital infrastructure for world-leading research and innovation in Canada. To sustain the evolution of the network and ensure that it continues to encourage world-class research collaborations across the country, Economic Action Plan 2012 proposes \$40 million over two years to CANARIE to support the operations of Canada's ultra-high speed research network.

The Canadian High Arctic Research Station

Economic Action Plan 2012 announces the Government's ongoing commitment to establishing the Canadian High Arctic Research Station.

Canada's Economic Action Plan laid the groundwork to establish a world-class research station in the North. As announced by the Prime Minister in August 2010, the station will be located in Cambridge Bay. Once established, the station will provide a year-round presence in the region and anchor the network of research infrastructure across Canada's North, making a significant contribution towards the Government's Northern Strategy. The Government will be announcing next steps in the establishment of the Canadian High Arctic Research Station in the coming months.

Extending Canada's Participation in the International Space Station Mission



Economic Action Plan 2012 confirms that Canada will continue its participation in the International Space Station mission to 2020.

Canada's participation in international space projects demonstrates its position as a sophisticated research and innovation leader, with a global advantage in several niche technology areas, including robotics. Beginning with the first Canadarm, Canada has played a unique and privileged role with respect to the operation of the International Space Station, alongside the United States, the European Union, Russia and Japan. Using advanced technology, Canadian astronauts such as Julie Payette and Chris Hadfield have helped conduct world-class research on the International Space Station in fields such as human space flight, physiology, physical science and technology development. To sustain Canada's leadership in space research, the Government confirms that Canada will continue its participation in the International Space Station mission to 2020. The Canadian Space Agency will engage with NASA to define the terms of this continued participation.

To explore how best to address key issues facing the aerospace and space sectors, such as innovation, market access and development, skills development, procurement, and support development, the Government is proceeding with a review of federal aerospace and space programs and policies. The Honourable David L. Emerson will head the review and will report his findings to the Minister of Industry in late 2012.



Revitalizing Natural Resources Canada's Satellite Station Facilities

Economic Action Plan 2012 proposes \$23million over two years for new satellite data reception facilities and the development of a data management system.

With the second largest landmass on earth and the longest coastline in the world, Canada relies on satellite technology to monitor its land and borders and deliver critical activities, including emergency services (e.g. flood mapping) and active monitoring of Canadian waters for the detection of oil spills. Canada requires up-to-date reception capacity to reap the full benefits from its observation satellites, including RADARSAT, in support of sovereignty, public safety and economic competitiveness objectives. To support the observation of Canada's vast geography, Economic Action Plan 2012 proposes \$23 million over two years to Natural Resources Canada for new satellite data reception facilities and the **development of a data management system**.

Supporting Atomic Energy of Canada Limited

Economic Action Plan 2012 proposes \$107 million over two years to ensure a secure supply of medical isotopes and maintain safe and reliable operations at Atomic Energy of Canada Limited's Chalk River Laboratories.

Atomic Energy of Canada Limited (AECL) is a federal Crown corporation that specializes in a range of nuclear products and services. The Government has taken an important step in positioning Canada's nuclear industry for future success with the sale of AECL's CANDU Reactor Division last October. The second phase of the restructuring of AECL—the restructuring of its nuclear laboratories—is now underway. To ensure a secure supply of medical isotopes and maintain safe and reliable operations at the Chalk River Laboratories, Economic Action Plan 2012 proposes \$107 million over two years for AECL's laboratory operations.

International Education Strategy



Education, innovation and knowledge are key drivers in a world economy. **Attracting more international students and researchers to Canada** will create jobs and economic growth, expand our people-to-people ties in priority markets, showcase Canadian research excellence abroad, help produce a more skilled workforce and foster closer ties between Canadian and international educational institutions.

Recognizing the need for a comprehensive plan, Budget 2011 announced Canada's International Education Strategy. An expert Advisory Panel was named in October 2011 and is chaired by Dr. Amit Chakma, President and Vice-Chancellor, University of Western Ontario. The Panel has completed its engagement with Canadian stakeholders and partners and will soon submit a report with recommendations that will aim to deepen educational links between Canada and international institutions and contribute to Canada's long-term prosperity.

Table 3.1
Supporting Entrepreneurs, Innovators and World-Class Research
millions of dollars

	2012-13	2013-14	Total
Creating Value-Added Jobs Through Innovation			
Increasing Direct Support for Business Innovation			
Doubling the Industrial Research Assistance Program	110	110	220
Supporting Private and Public Sector Research Collaboration			
Integrating High-Quality Researchers Into the Labour Market	7	7	14
Strengthening Knowledge Transfer and Commercialization	12	12	24
Forestry Innovation and Market Development Support	55	50	105
Supporting Innovation Through Procurement		25	25
Refocusing the National Research Council	67		67
Scientific Research and Experimental Development Tax Incentive Program			
Increasing Cost-Effectiveness			
Reduce Overhead Proxy Rate From 65 per cent to 55 per cent		-10	-10
Remove the Profit Element From Arm's Length Contract Payments		-25	-25
Enhancing Predictability	4	2	7
Subtotal—Creating Value-Added Jobs Through Innovation	255	171	426
Support for Research, Education and Training			
Supporting Advanced Research			
Promoting Post-Secondary and Private Sector Research Collaborations	37	37	74
Investing in Genomics Research	10	50	60
Investing in Mental Health Research	5		5
Promoting Cost-Effective Health Care	3	2	5
Diversifying Canada's Medical Isotope Supply	7	10	17
Supporting Leading-Edge Researchers	5	5	10
Investing in Leading-Edge Research Infrastructure			
Supporting Canada's Ultra-High Speed Research Network	20	20	40
Revitalizing Natural Resources Canada's Satellite Station Facilities	8	16	23
Supporting Atomic Energy of Canada Limited	105	1	107

Subtotal—Support for Research, Education and Training	200	141	341
Total—Supporting Entrepreneurs, Innovators and World-Class Research	454	312	767
Less funds existing in the fiscal framework	149	97	246
Net fiscal cost	306	215	521
Note: Totals may not add due to rounding.			

Chapter 3.2: Improving Conditions for Business Investment

Highlights

Responsible Resource Development

The Government is committed to improving the review process for major economic projects to accelerate investment and job creation. Economic Action Plan 2012 proposes:

- System-wide legislative improvements to the review process for major economic projects to achieve the goal of "one project, one review" in a clearly defined time period for major economic projects.
- \$165 million over two years for responsible resource development that creates jobs while protecting the environment.

Investing in Our Natural Resources

The Government is supporting the development of Canada's natural resource industries. Economic Action Plan 2012 proposes:

- Support for junior mineral exploration by extending the temporary 15-per-cent Mineral Exploration Tax Credit for flow-through share investors for an additional year.
- Actions to improve access to modern, reliable seismic data for offshore resource development.
- \$12.3 million over two years to continue to assess diamonds in the North.

Expanding Trade and Opening New Markets for Canadian Businesses

The Government is taking action to improve Canadians' standard of living by growing international trade and creating export opportunities for Canadian businesses. Economic Action Plan 2012 proposes:

- Intensifying Canada's pursuit of new and deeper international trade and investment relationships, including updating the Government's Global Commerce Strategy.
- Implementing the Action Plan on Perimeter Security and Economic Competitiveness and the Action Plan on Regulatory Cooperation, which will facilitate trade and investment flows with the United States.
- Providing support to Canadian businesses through tariff and tax measures, along with the extended provision of domestic financing by Export Development Canada.
- Increasing travellers' exemptions to modernize existing rules and facilitate border processes for Canadians bringing goods home from abroad.

Keeping Taxes Low for Job-Creating Businesses

The Government has reduced business taxes and is committed to keeping taxes low. The Government has also taken action to enhance the neutrality of the tax system to support growth and encourage investment to flow to its most productive uses. Economic Action Plan 2012 proposes:

- Enhancing the neutrality of the tax system and further rationalizing inefficient fossil fuel subsidies by phasing out tax preferences for resource industries.

Improving Economic Conditions for Farmers and Fishermen

The Government is improving economic conditions for farmers and fishermen. Economic Action Plan 2012 proposes:

- \$44 million over two years to transition the Canadian Grain Commission to a sustainable funding model.
- \$10.5 million in 2012-13 to support key fisheries science activities.

Strengthening Business Competitiveness

The Government is taking action to improve the competitive position of job-creating Canadian businesses. Economic Action Plan 2012 proposes:

- Reducing red tape through the "One-for-One" Rule and implementing the Canada-United States Action Plan on Regulatory Cooperation.
- Reducing the tax compliance burden for businesses.
- Eliminating foreign investment restrictions for certain telecommunications companies.

Further Developing Canada's Financial Sector Advantage

The Government is proposing new initiatives that will further ensure that our financial system remains strong and that it benefits all Canadians. Economic Action Plan 2012 proposes:

- Introducing legislative amendments to support central clearing of standardized over-the-counter derivative transactions, and to reinforce Canada's financial stability framework.
- The Government will introduce enhancements to the governance and oversight framework for Canada Mortgage and Housing Corporation, and is moving forward with a legislative framework for covered bonds.

Improving Conditions for Business Investment

In a competitive global economy, Canadian entrepreneurs and businesses need a competitive and efficient tax system, a modern regulatory system, a well-functioning financial system and access to international markets. This solid foundation allows Canadian firms to create jobs and growth by exploiting opportunities at home and abroad.

The Government has a proven record of support for entrepreneurship, investment and growth. Since 2006, the Government has worked to promote investment and reduce regulatory impediments to business growth. As well, the stimulus phase of Canada's Economic Action Plan provided unprecedented levels of funding to support the renewal of economically vital public infrastructure across the country. It is no surprise that *Forbes* magazine ranked Canada as the number one country in the world for doing business in 2011, citing our strong economic recovery and competitive tax system, among other factors.

Economic Action Plan 2012 will continue the Government's work to improve business conditions in Canada. To this end, the Government will:

- Support responsible resource development.
- Invest in our natural resources.
- Expand trade and open new markets for Canadian businesses.
- Keep taxes low for job-creating businesses.
- Improve economic conditions for farmers and fishermen.
- Strengthen business competitiveness.
- Further develop Canada's financial sector advantage.

Responsible Resource Development

Major economic projects create jobs and spur development across Canada. In 2010, natural resource sectors employed over 760,000 workers in communities throughout the country. In the next 10 years, more than 500 major economic projects representing \$500 billion in new investments are planned across Canada. A significant element of this economic boost is represented by Canada's unique oil sands industry, which employs over 130,000 people while generating wealth that benefits all Canadians. This contribution is increasing: a recent study by the Canadian Energy Research Institute estimates that in the next 25 years, oil sands growth will support, on average, 480,000 jobs per year in Canada and will add \$2.3 trillion to our gross domestic product. Increasing global demand for resources, particularly from emerging economies, will create new economic and job opportunities from which all Canadians will benefit.

Canadians will only reap the benefits that come from our natural resources if investments are made by the private sector to bring the resources to market. Yet those who wish to invest in our resources have been facing an increasingly complicated web of rules and bureaucratic reviews that have grown over time, adding costs and delays that can deter investors and undermine the economic viability of major projects.

To maximize the value that Canada draws from our natural resources, we need a regulatory system that reviews projects in a timely and transparent manner, while effectively protecting the environment. The Government recognizes that the existing system needs comprehensive reform. The Government will bring forward legislation to implement system-wide improvements to achieve the goal of "one project, one review" in a clearly defined time period. Economic Action Plan 2012 proposes to streamline the review process for major economic projects, support consultation with Aboriginal peoples, and strengthen pipeline and marine safety.

Modernizing the Regulatory System for Project Reviews

The Government will propose legislation to streamline the review process for major economic projects.

Since 2006, the Government has been working to streamline the review process for major economic projects so that projects proceed in a timely fashion while protecting the environment. For example, in 2010 the Government amended the Canadian Environmental Assessment Act to allow assessments to start sooner and reduce duplication, and created participant funding programs to ensure meaningful public engagement in the review process.

These steps have made a difference, but more needs to be done. Currently, companies undertaking major economic projects must navigate a complex maze of regulatory requirements and processes. Approval processes can be long and unpredictable. Delays and red tape often plague projects with few environmental risks. Under the current system, thousands of smaller projects with little or no risk to the environment are caught up in the federal environmental review process. The types of small projects that can be needlessly subjected to lengthy reviews include construction of a new pumping house for the expansion of a maple syrup plant, and the replacement of an existing culvert under a causeway. By forcing these thousands of low-risk projects to go through the review process, the current system draws resources away from projects that have the greatest impact on the environment. This approach is not economically sound or environmentally beneficial.

In the federal government alone, accountability for assessments rests with dozens of departments and agencies, each with its own mandate, processes, information needs and timelines. This leads to duplication and a needless waste of time and resources. For example:

- Enbridge proposed a new \$2-billion pipeline connecting Hardisty, Alberta to Gretna, Manitoba. Due to multiple approval processes, federal departments made their decisions on the project two years after the National Energy Board's approval of the project.
- Areva Resources Canada has proposed the construction and operation of a uranium mine and mining facilities in northern Saskatchewan, with capital investment of up to \$400 million and up to 200 construction jobs. There was a 19-month delay in starting the environmental assessment. The federal lead department changed midway through the environmental review, which added unnecessary complexity.
- The NaiKun Wind Energy Group is proposing to develop a 396-megawatt offshore wind energy project in Hecate Strait off the northeast shores of Haida Gwaii in British Columbia. The company estimates that the project would have a capital investment of \$1.6 billion and would create up to 200 construction jobs. The federal decision to approve the process came 16 months after the provincial decision.

The starting point of federal environmental assessments can also be unpredictable, which can cause lengthy delays. The Rabaska Partnership, for instance, is proposing to construct and operate a liquefied natural gas terminal near Beaumont and Lévis, Quebec, including a marine jetty to receive tankers, on-shore facilities, and a new 50-kilometre pipeline to connect to existing natural gas transmission networks. It took almost two years before the federal panel began its review. Similarly, the federal environmental assessment for the project began 10 months after Canpotex Terminals Limited and Prince Rupert Port Authority submitted a project description proposing to construct a 13-million-tonnes-per-year potash export terminal with a deepwater marine wharf in Prince Rupert, British Columbia. The proponents estimate that the project would have a capital investment of \$750 million and would create up to 800 jobs during construction.

A further complication is overlapping federal and provincial regulatory requirements and processes that require a high degree of coordination. For example, an application for the Joslyn North Mine Project, an oil sands mine located in northern Alberta, was submitted to the Province of Alberta in 2006. A federal environmental assessment did not begin until 2008 and a decision to approve the project was issued by the responsible federal department in December 2011. The Lower Churchill Generation Project includes two hydroelectric power generating facilities on the lower section of the Churchill River in Labrador. A description of the project was submitted to the federal and provincial governments in 2006, an environmental assessment began in 2007 and the responsible federal departments approved the project in March 2012. Under a modernized regulatory review system, defined timelines will apply to environmental assessments, including for panel reviews of projects such as the Lower Churchill Generation Project.

Both levels of government have recognized an urgent need to reduce duplication.

[Federal, provincial and territorial ministers] reaffirmed their commitment to working toward the shared objective of one-project/one-review for our environmental assessments and associated regulatory processes to position Canada for long-term growth and job creation while maintaining the highest standard of environmental protection.

— Annual Energy and Mines Conference Communiqué, July 2011

Currently, over \$3 billion in provincially approved projects are stranded in the mire of federal process and delay. This is unacceptable. Time is money. Duplication is waste. Tax dollars are limited. We cannot afford to hold investment and jobs hostage. Byzantine bureaucratic practices have no place in the 21st Century.

— British Columbia Speech from the Throne, February 2010

A positive area of cooperation between the federal government and provinces was the conclusion in 2011 of the Canada-Quebec Accord for the shared management of offshore petroleum resources. By clarifying the roles and responsibilities of each level of government, this Accord will allow for the development of oil and gas resources in the Gulf of St. Lawrence, creating jobs and economic development while protecting fisheries and the environment.

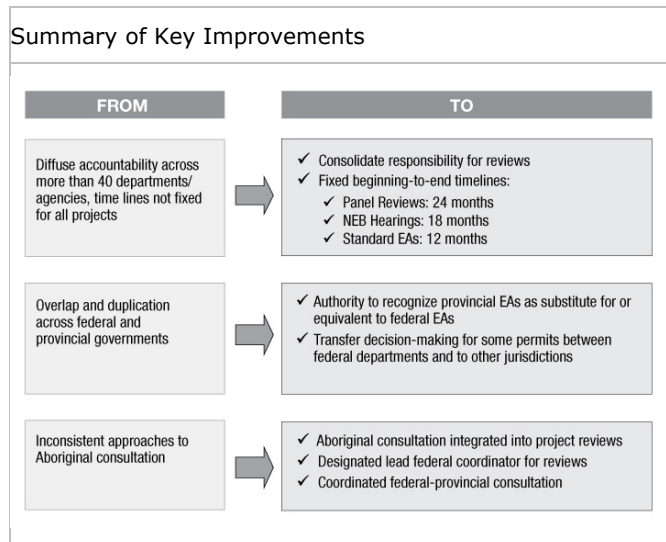
A modern regulatory system should support progress on economically viable major economic projects and sustain Canada's reputation as an attractive place to invest, while contributing to better environmental outcomes.

Increased resource development activities can also offer new opportunities for Aboriginal businesses and can generate well-paying jobs for Aboriginal peoples near their communities. There are steps the Government can take to improve consultations with Aboriginal peoples when it contemplates conduct that might affect potential or established Aboriginal or Treaty rights.

The Government will focus on four major areas to streamline the review process for major economic projects:

- Making the review process for major projects more predictable and timely.
- Reducing duplication and regulatory burden.
- Strengthening environmental protection.
- Enhancing consultations with Aboriginal peoples.

The Government will propose legislation to modernize the federal regulatory system that will establish clear timelines, reduce duplication and regulatory burdens, and focus resources on large projects where the potential environmental impacts are the greatest.



These measures will accelerate project development and directly lead to the creation of high-paying, high-quality jobs including for engineers, tradespeople and other skilled workers. The resulting economic activity will stimulate additional job creation across the country.

Major Projects Management Office Initiative

Economic Action Plan 2012 proposes \$54 million over two years to renew the Major Projects Management Office initiative.

The Major Projects Management Office initiative has helped to transform the approvals process for major natural resource projects by shortening the average review times from 4 years to just 22 months, and improving accountability by monitoring the performance of federal regulatory departments. More than 70 major projects are currently benefitting from the system-wide improvements made possible by the initiative (see map). To continue to support effective project approvals through the Major Projects Management Office initiative, Economic Action Plan 2012 proposes \$54 million over two years.

Major Projects Management Office Initiative: Current Projects



Major Economic Projects Benefitting From the Major Projects Management Office Initiative

Horn River Natural Gas Pipeline (British Columbia)

The Horn River Natural Gas Pipeline project connects natural gas supply from northeastern British Columbia to an existing pipeline infrastructure. The Major Projects Management Office initiative coordinated the federal review of the project and approval was granted in February 2011, 17 months after receiving the description of the project.

Groundbirch Natural Gas Pipeline (Alberta and British Columbia)

The federal review of the Groundbirch Natural Gas Pipeline project was coordinated by the Major Projects Management Office initiative. A description of the pipeline, which would cross from Alberta into British Columbia, was submitted to the Office in November 2008 and the project was approved within 17 months in April 2010.

Bakken Oil Pipeline (Manitoba and Saskatchewan)

The Bakken Oil Pipeline, which will transport oil from Saskatchewan to Manitoba, was approved by the federal government within 17 months in March 2012. The review of the project, which was expected to trigger statutory and regulatory obligations for several departments, was coordinated by the Major Projects Management Office after receiving a project description in October 2010.

Detour Lake Gold Mine (Ontario)

Approval for the Detour Lake Gold Mine project was granted by the Minister of the Environment in December 2011. A description of the open-pit mine project, which would be located in northeastern Ontario, was submitted in October 2009. The Major Projects Management Office coordinated the review of the project, which was expected to trigger statutory and regulatory obligations for Fisheries and Oceans Canada, Natural Resources Canada and Transport Canada, and the review of the project was completed in 14 months.

Hebron Offshore Oil Development (Newfoundland and Labrador)

ExxonMobil Canada Properties' Hebron Offshore Oil Development project is a 19,000 to 28,000 cubic metres per day offshore oil production proposal located in the Jeanne d'Arc basin, approximately 340 kilometres offshore of St. John's. The proposal consists of an offshore oil production system and associated facilities. A project description was submitted in March 2009 and the review was completed in January 2012.

Matoush Uranium Exploration (Quebec)

The Matoush Uranium Exploration Ramp Access project involves the excavation of an exploration ramp to determine the possibility of a uranium mine within the James Bay and Northern Quebec Agreement territory located approximately 260 kilometres north of Chibougamau in Quebec. The project consists of a 2,405-metre ramp, at a maximum depth of 300 metres. Temporary structures will be built at the surface to support the underground exploration. The project description was submitted in September 2008 and the review was completed February 2012.

Consultation Under the Canadian Environmental Assessment Act

Economic Action Plan 2012 proposes \$13.6 million over two years to support consultations with Aboriginal peoples.

The Government is committed to consulting with Aboriginal peoples in the review of projects to ensure that their rights and interests are respected. Consultations can also facilitate discussions on how Aboriginal peoples can benefit from the economic development opportunities associated with these projects. To support consultations with Aboriginal peoples related to projects assessed under the Canadian Environmental Assessment Act, Economic Action Plan 2012 proposes \$13.6 million over two years to the Canadian Environmental Assessment Agency.

Supporting Responsible Energy Development

Economic Action Plan 2012 proposes \$35.7 million over two years to support responsible energy development.

Safe navigation of oil tankers is very important to our Government. Oil tankers have been moving safely and regularly along Canada's West Coast since the 1930s. For example, 82 oil tankers arrived at Port Metro Vancouver in 2011. Nearly 200 oil or chemical tankers visited the Ports of Prince Rupert and Kitimat over the past five years. They all did so safely.

Oil tankers in Canada must comply with the safety and environmental protection requirements of international conventions and, while in Canadian waters, with Canada's marine safety regulatory regime. These requirements include double hulling of ships, mandatory pilotage, regular inspections and aerial surveillance.

Any tanker built after July 6, 1993, must be double hulled to operate in Canadian waters. A double hull is a type of hull where the bottom and sides of a vessel have two complete layers of watertight hull surface. Tankers that are not double hulled are being gradually phased out. And, for large crude oil tankers, the phase-out date for single hulled vessels—like the Exxon Valdez—was 2010, which means that all large crude tankers operating in our waters today are double hulled.

In compulsory pilotage areas, the Pacific Pilotage Authority requires tanker operators to take a marine pilot with local knowledge onboard before entering a harbour or busy waterway. In special circumstances, more stringent measures may be taken, including: requiring two pilots onboard oil tankers; escort tugs; additional training standards; and navigational procedures, restrictions and routing measures.

Transport Canada also targets high-risk vessels entering Canadian ports. The department's ship inspectors board and inspect foreign vessels, including oil tankers, entering Canadian ports to ensure they comply with all of our rules. In 2011, almost 1,100 inspections were carried out across Canada, 147 of them on oil tankers.

Economic Action Plan 2012 proposes further measures to support responsible energy development, including:

- New regulations which will enhance the existing tanker inspection regime by strengthening vessel inspection requirements.
- Appropriate legislative and regulatory frameworks related to oil spills, and emergency preparedness and response.

- A review of handling processes for oil products by an independent international panel of tanker safety experts.
- Improved navigational products, such as updated charts for shipping routes.
- Research to improve our scientific knowledge and understanding of marine pollution risks, and to manage the impacts on marine resources, habitats and users in the event of a marine pollution incident.

These measures will ensure that pipelines in Canada are carefully monitored, environmental consequences are understood and emergency response is improved. Economic Action Plan 2012 proposes \$35.7 million over two years to further strengthen Canada's tanker safety regime and support responsible development.

Strengthening Pipeline Safety

Economic Action Plan 2012 proposes \$13.5 million over two years to strengthen pipeline safety.

The National Energy Board is an independent federal agency established to regulate international and interprovincial aspects of the oil, gas and electric utility industries, including international and interprovincial pipelines. To increase the number of inspections of oil & gas pipelines from about 100 to 150 inspections per year, and double from 3 to 6 the number of annual comprehensive audits to identify issues before incidents occur, Economic Action Plan 2012 proposes \$13.5 million over two years to the National Energy Board. Funding for these activities will be fully cost-recovered from industry.

The Northern Pipeline Agency

Economic Action Plan 2012 proposes \$47 million over two years to the Northern Pipeline Agency.

The Northern Pipeline Agency was created as a single window regulatory body to oversee the planning and construction of a major pipeline—the Alaska Pipeline—to transport natural gas from Alaska through Canada to the lower 48 U.S. states. To carry out federal regulatory responsibilities related to the Alaska Pipeline Project, Economic Action Plan 2012 proposes \$47 million over two years to the Northern Pipeline Agency. This funding will be fully cost-recovered from industry.

Amending Mining Regulations

Economic Action Plan 2012 proposes \$1 million over two years to amend metal mining regulations.

Environment Canada is responsible for administering the key pollution prevention provisions under the Fisheries Act, including the associated Metal Mining Effluent Regulations. These regulations prescribe controls on the effluents and waste rock that can be deposited into certain bodies of water.

To address an existing regulatory gap and provide greater certainty for the mining industry in Canada, Economic Action Plan 2012 proposes \$1 million over two years to Environment Canada to expand Metal Mining Effluent Regulations to non-metal diamond and coal mines.

Investing in Our Natural Resources

Canada's rich natural resources contribute to jobs and growth in communities across the country. The energy and mining sectors accounted for nearly 10 per cent of Canada's gross domestic product (GDP) in 2010, and employed nearly 580,000 workers. Economic Action Plan 2012 announces new and renewed measures in support of energy and mineral exploration.

Supporting Junior Mineral Exploration

Economic Action Plan 2012 proposes to extend the temporary 15-per-cent Mineral Exploration Tax Credit for flow-through share investors for an additional year.

The temporary 15-per-cent Mineral Exploration Tax Credit for flow-through share investors helps junior exploration companies raise capital by providing an incentive to individuals who invest in flow-through shares issued to finance mineral exploration. This credit is in addition to the regular deduction provided for the exploration expenses "flowed through" from the issuing company.

The credit is scheduled to expire on March 31, 2012. However, given ongoing global uncertainty and in support of the exploration efforts of junior exploration companies, Economic Action Plan 2012 proposes to extend the credit for an additional year, until March 31, 2013.

It is estimated that the extension of this measure will result in a net reduction of federal revenues of \$100 million over the 2012–13 to 2013–14 period.

Supporting Offshore Oil & Gas Exploration

Economic Action Plan 2012 proposes to amend the Coasting Trade Act to improve access to modern, reliable seismic data for offshore resource development.

Offshore oil & gas developments create jobs and support economic growth in Canada's communities. Continued exploration activity is required to bring new projects to communities and sustain these economic benefits over the long term and depends on modern, reliable seismic technology and data. To advance exploration for new developments, Economic Action Plan 2012 proposes to amend the Coasting Trade Act to improve access to modern, reliable seismic data for offshore resource development. This will ensure private sector companies have the information they require to identify potential resource development opportunities.

Assessing Diamonds in the North

Economic Action Plan 2012 proposes \$12.3 million over two years to continue to assess diamonds in the North.

The natural resource sector in Canada's North provides significant employment and business opportunities for Aboriginal peoples and communities. The Diamond Valuation and Royalty Assessment Program, operated by Aboriginal Affairs and Northern Development Canada, ensures that Canadians and Northerners benefit from the royalties associated with diamond production in the region. To renew the Diamond Valuation and Royalty Assessment Program, Economic Action Plan 2012 proposes \$12.3 million over two years to Aboriginal Affairs and Northern Development Canada.

Expanding Trade and Opening New Markets for Canadian Businesses



Our country's prosperity is linked to reaching beyond our borders for economic opportunities that serve to grow Canada's trade and investment. Open trade has long been a powerful engine for Canada's economy. It is even more so in these globally challenging economic times.

Our Government understands the importance of market openness to the global economy and has shown continued leadership on the world stage by opposing protectionism and trade-restrictive measures. Canada believes open markets create jobs and economic growth for people around the world.

Canada's Leadership on Trade

Deepening Canada's trade and investment relationships in large and fast-growing export markets around the world is key to jobs and growth. In less than six years, Canada has concluded new free trade agreements with nine countries: Colombia, Jordan, Panama, Peru, the European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland), and most recently with Honduras. Canadian businesses and workers now have preferred export access and a real competitive edge in key markets around the world.

Since 2007, Canada has concluded or brought into force foreign investment promotion and protection agreements with 10 countries (China, Peru, Latvia, the Czech and Slovak Republics, Romania, Madagascar, Jordan, Bahrain and Kuwait) and is in active negotiations with 10 others, including India.

Our Government recognizes that restrictions on imports and investment stifle our exporters and undermine competitiveness. Over the past three years, the Government has removed many of Canada's self-imposed trade costs to help businesses be more competitive. For example, since 2009, the Government has eliminated all tariffs on imported machinery and equipment, and manufacturing inputs to make Canada a tariff-free zone for industrial manufacturers, the first in the G-20. These actions are providing more than \$410 million in annual tariff relief to Canadian businesses. Such made-in-Canada measures have helped—and will continue to help—create jobs for Canadians, increase investment and innovation, and improve productivity.

Canada's Trade Plan for Jobs and Growth

Economic Action Plan 2012 proposes to intensify Canada's pursuit of new and deeper trading relationships. Our Government understands that Canadians' standard of living and future prosperity depend on growing trade and investment.

To that end, the Government is continuing to actively pursue new trade and investment opportunities, particularly with large, dynamic and fast-growing economies.

Canada-U. S. Border and Regulatory Action Plans

In December 2011, Canada and the United States took the biggest step forward in bilateral cooperation since the signing of the North American Free Trade Agreement with the launch of the Action Plan on Perimeter Security and Economic Competitiveness and the Action Plan on Regulatory Cooperation. These agreements create a new, modern border for a new century.

The Action Plan on Perimeter Security and Economic Competitiveness provides a practical road map for speeding up legitimate trade and travel across the Canada-U.S. border, while enhancing security. In a typical year, more than \$500 billion worth of two-way trade takes place between Canada and the U. S. The most conservative estimates suggest that inefficiencies at the Canada-U. S. border impose a direct cost on the Canadian economy of 1 per cent of GDP, or \$16 billion a year. Even a modest improvement in border efficiency will result in significant and lasting economic gains.

The best place to deal with security issues is at the continental perimeter. Smarter systems can reduce the needless inconvenience posed to manufacturers and travellers by multiple inspections of freight and baggage, i.e. goods should be once screened, twice accepted. Pilot projects at Prince Rupert and Montréal will begin soon. In addition to these pilot projects, the Government will take other measures to implement action plan commitments and other border improvements over the next two years.

Deeper Canada-China Ties

In order to benefit Canadian workers and businesses, our Government continues to strengthen its ties with China, now Canada's second largest trading partner.

In February 2012, Canada announced that after 18 years of negotiation Canada and China had concluded a Foreign Investment Promotion and Protection Agreement. This landmark agreement will facilitate investment flows between Canada and China by providing a more stable and secure environment for investors on both sides of the Pacific. The potential for increased Canadian investment in China is significant given that China is expected to become the world's largest economy by 2020.

Our Government will continue to actively engage with China to explore how to best enhance our growing bilateral trade and economic relations.

Canada-EU Trade Agreement

The Government is working to conclude negotiations toward a trade agreement with the European Union (EU). This agreement will improve access for Canadian businesses to the EU's \$18-trillion economy and 500 million consumers. The potential to Canadian workers and their families from a Canada-EU free trade agreement include:

- A 20-per-cent boost in bilateral trade.
- A \$12-billion annual boost to Canada's economy.

Canada-India Trade Agreement

Our Government is committed to building on our strong ties with India to create new opportunities and strengthen the economies of both countries.

In November 2010, the Prime Minister announced the start of trade negotiations. This initiative underscores the dedication of both countries to meeting a mutual goal of tripling bilateral trade to \$15 billion annually by 2015.

A Joint Study Report concluded that a new Canada-India trade agreement could boost Canada's economy by at least \$6 billion, and directly benefit Canadian businesses and workers in sectors ranging from primary agricultural, resource-related and chemical products to transportation, machinery and equipment, and services.

Trans-Pacific Partnership

In November 2011, the Prime Minister formally indicated Canada's interest in joining the Trans-Pacific Partnership (TPP) negotiations. The current TPP members represent an export market of 505 million people and a GDP of almost \$17 trillion (2010).

Active and Ongoing Engagement in the Asia-Pacific Region

In the past few years, our Government has been aggressively expanding commercial relations with the Asia-Pacific region to create jobs and economic benefits. The opportunities in this dynamic region are impressive. Asia-Pacific markets have an economic growth rate that is two to three times the global average.

Canada is maximizing opportunities for entrepreneurs through innovative trade, investment, air transport, and science and technology agreements.

Other initiatives in the region include:

- Advancing the just-launched free trade agreement negotiations with Japan.
- Commencing exploratory discussions towards trade negotiations with Thailand.
- Adopting the Joint Declaration on Trade and Investment with the Association of Southeast Asian Nations to increase Canada's trade and investment ties in the region.
- Signing air transport agreements with six Asia-Pacific countries.

Canada recently approved the issuance of a 20-year licence to export liquefied natural gas from Kitimat, British Columbia to the Asia-Pacific region. This initiative will allow Canada to diversify its energy exports to growing markets in the Asia-Pacific region, further strengthening its trading partnerships with Asian economies.

Canada in the Americas

In the Americas region, Canada has concluded trade agreements with the United States, Mexico, Honduras, Panama, Costa Rica, Chile, Colombia and Peru. Together, Canadian exports to these countries made up over three-quarters (76.6 per cent) of Canada's worldwide exports in 2010.

In June 2011, the Government announced that Canada is moving ahead with exploratory discussions to enhance its trade relationship with South America's largest common market, Mercosur, whose members are Argentina, Brazil, Paraguay and Uruguay. Mercosur countries represent an export market of nearly 250 million consumers and account for almost three-quarters of all economic activity in South America.

Deeper Canada-Africa Ties

Canada wants to deepen its commercial presence in Africa to create opportunities for Canadian businesses and workers arising from Africa's present and future economic growth.

Opportunities in Africa for Canadian companies exist in sectors such as telecommunications, agriculture, energy, transportation, infrastructure, natural resources and education.

In October 2011, Canada began negotiations towards a free trade agreement with Morocco, Canada's first with an African country.

Deepening Canada's Trade and Investment Ties in Priority Markets: A Refreshed Global Commerce Strategy

Economic Action Plan 2012 proposes to refresh the Global Commerce Strategy through extensive consultations with Canada's business community.

In 2007, the Government launched the Global Commerce Strategy to respond to changes in the global economy and position Canada for long-term prosperity. The Global Commerce Strategy identified 13 priority markets around the world where Canadian opportunities and interests had the greatest potential for growth. This led to five years of Canadian leadership on the world stage in support of open trade, job creation, economic growth and prosperity for Canadians.

Economic Action Plan 2012 proposes to refresh the Global Commerce Strategy through extensive consultations with Canada's business community, including the very critical small and medium-sized businesses. An updated Global Commerce Strategy will align Canada's trade and investment objectives with specific high-growth priority markets with an eye to ensuring that Canada is branded to its greatest advantage within each of those markets. In what remains a fragile global economic climate, the new Global Commerce Strategy will be announced in 2013, and guide Canada's trade plan in priority markets going forward.

New Market Opportunities

Trading Partner	Population (millions, 2010)	Gross Domestic Product (billions of US dollars, 2011)	Economic Growth (per cent)	
			2010	2011
European Union	494	17,960	1.8	1.7
India	1,191	1,843	10.1	7.8
Japan	128	5,855	4.0	-0.5
TPP	505	17,804	3.5	1.9
Mercosur	244	3,025	8.0	4.8

Notes: Values for 2011 are estimates. Economic growth for the TPP and Mercosur is weighted by share of world output at purchasing power parity, as per convention. TPP = Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, United States and Vietnam.

Mercosur = Argentina, Brazil, Paraguay and Uruguay.

Sources: International Monetary Fund; Organisation for Economic Co-operation and Development (OECD).

Trade Measures to Support the Energy Industry

Economic Action Plan 2012 proposes to restore the duty-free status of certain imported fuels used as manufacturing inputs in energy and electricity production.

Canada's energy sector is a vital component of the Canadian economy. Recently, certain imported fuels used as manufacturing inputs in energy and electricity production became subject to a 5-per-cent tariff as a result of a Canada Border Services Agency ruling. Economic Action Plan 2012 proposes to restore the duty-free status of these inputs. Eliminating this tariff will lower business costs by \$30 million annually, improve the competitiveness of the energy industry, including electricity generation in Newfoundland and Labrador, and maintain the Government's commitment to make Canada a tariff-free zone for industrial manufacturers.

Export Development Canada

Economic Action Plan 2012 extends the temporary domestic powers provided to Export Development Canada for an additional year.

Since 2009, Export Development Canada (EDC) has provided additional financing support to Canadian exporters who were facing difficulties in meeting their financing needs due to the financial crisis. While credit conditions have continued to improve, credit availability remains limited in some areas, in part due to the impact of developments outside Canada on foreign banks. Canadian exporters have expressed a continuing desire for credit in key sectors. Since 2009, EDC has provided over \$6 billion in additional financing capacity using its temporary domestic powers.

On March 8, 2012, the Government extended the temporary domestic powers provided to EDC under Canada's Economic Action Plan for an additional year (until March 12, 2013) to help meet the financing needs of Canadian exporters. The extension of EDC's temporary domestic powers until March 2013 will support further assessment and consultation with stakeholders on EDC's role in the domestic market. EDC will continue to focus its domestic lending activities on filling gaps in a manner that is coordinated with the Business Development Bank of Canada and complements the activity of private sector financial institutions.

Streamlining Canada's Trade Remedy System

Economic Action Plan 2012 proposes to consolidate Canada's trade remedy investigation functions into one organization, under the Canadian International Trade Tribunal.

Canada's continued support for trade liberalization is complemented by a strong and effective trade remedy system, which acts as an important safety valve for Canadian manufacturers harmed by unfairly traded imports. Canada's trade remedy system is currently jointly administered by the Canada Border Services Agency and the Canadian International Trade Tribunal (CITT).

In Budget 2011, the Government committed to proposing initiatives to ensure Canada operates an efficient trade remedy system. To deliver on this commitment, the Government will introduce legislation to consolidate Canada's trade remedy investigation functions into one organization, under the CITT. This restructuring will create efficiencies that will help the Government maintain and sustain an effective trade remedy system. This initiative will also cut red tape, making it less cumbersome for Canadian businesses to take action against unfair trade, and will result in cost savings.

Foreign Trade Zone Programming

In Budget 2011, the Government committed to review Canada's foreign trade zone (FTZ)-like policies and programs to ensure that they are competitive, well marketed and efficiently administered. Consultations concluded in February 2012.

The Government is carefully reviewing submissions to identify opportunities to reduce red tape and costs, facilitate access to existing programs, and improve efforts to promote our FTZ-like policies and programs as an integral part of Canada's tax and tariff advantages. The Government will respond to the submissions received in a timely manner.

Increasing Travellers' Exemptions

Economic Action Plan 2012 proposes to increase the value of goods that may be imported duty- and tax-free by Canadian residents returning from abroad after a 24-hour and 48-hour absence to \$200 and \$800, respectively.

Every year, Canadians take some 30 million overnight trips outside of Canada, often returning with goods purchased abroad. Modernization of the rules applied to these purchases is long overdue. Economic Action Plan 2012 proposes the most significant increase in the duty- and tax-free travellers' exemptions in decades. The travellers' exemption allows Canadians to bring back goods up to a specified dollar limit without having to pay duties or taxes, including customs duty, Goods and Services Tax/Harmonized Sales Tax, federal excise levies and provincial sales and product taxes.

The Government proposes to increase the value of goods that may be imported duty- and tax-free by Canadian residents returning from abroad after a 24-hour and 48-hour absence to \$200 and \$800, harmonizing them with U.S. levels. This measure will facilitate cross-border travel by streamlining the processing of returning Canadian travellers who have made purchases while outside Canada. This change will be effective beginning on June 1, 2012. It is estimated that this measure will reduce federal revenues by \$13 million in 2012-13 and by \$17 million in 2013-14.

New Travellers' Exemption Limits

Length of Absence	Current Limits	Limits as of June 1, 2012
More than 24 hours	\$50	\$200
More than 48 hours	\$400	\$800
More than 7 days	\$750	\$800

Tax Relief for Foreign-Based Rental Vehicles

Economic Action Plan 2012 proposes tax relief for Canadian residents temporarily importing foreign-based rental vehicles to facilitate access to Canadian tourism destinations.

To facilitate access to Canadian tourism destinations, Economic Action Plan 2012 proposes to eliminate or reduce taxes on foreign-based rental vehicles temporarily imported by Canadian residents, consistent with the Government's commitment under the Federal Tourism Strategy. These changes will make it easier for Canadians who have been travelling abroad to return to Canada to continue their touring and travelling activities with a foreign-based rental vehicle. For example, a Canadian who takes a cruise from British Columbia to Alaska and has been outside Canada for at least 48 hours would be able to rent a vehicle in Alaska and then enter the Yukon for touring purposes without having to pay taxes on that vehicle at the border. These changes will be effective starting June 1, 2012.

International Taxation

Economic Action Plan 2012 proposes improvements to Canada's system of international taxation.

Canada's system of international taxation plays a key role in providing the right environment for cross-border trade and investment. In 2007, the Government established the Advisory Panel on Canada's System of International Taxation, chaired by Mr. Peter Godsoe, with a mandate to provide recommendations to improve the fairness and competitiveness of Canada's international tax rules.

The Panel's December 2008 report concluded that Canada's system of international taxation is a good one that has served Canada well.

At the same time, given that the competitiveness landscape is continually shifting, Canada's international tax rules must constantly adapt to maintain an appropriate balance of competitiveness, simplicity, fairness, efficiency and protection of the tax base.

The Government has acted on a number of the Panel's recommendations and made other incremental improvements to the system of international taxation. These past actions include:

- Repealing section 18.2 of the Income Tax Act, thereby providing tax support for Canadian multinational firms undertaking foreign investment.
- Narrowing the definition of taxable Canadian property, thereby improving the ability of Canadian businesses, including innovative high-growth companies that contribute to job creation and economic growth, to attract foreign venture capital.
- Ensuring that taxpayers have an opportunity to apply for refunds of tax withheld under section 105 of the Income Tax Regulations and section 116 of the Income Tax Act after a reassessment by the Canada Revenue Agency.
- Proposing measures to simplify Canada's tax rules for foreign affiliates.
- Proposing simplified and more targeted rules for foreign investment entities and non-resident trusts.
- Proposing measures to counter schemes, often referred to as "foreign tax credit generators," that were designed to shelter tax otherwise payable by artificially increasing foreign tax credits.

Economic Action Plan 2012 introduces several additional improvements to respond to the report of the Panel. Details of these measures can be found in Annex 4. Going forward, the Government will continue to evaluate the report of the Panel and consider additional improvements to Canada's international taxation rules.

Tax Treaties and Tax Information Exchange Agreements

The Government is actively negotiating and concluding tax treaties to reduce tax barriers to international trade and investment, strengthen Canada's bilateral economic relationships, and create enhanced opportunities for Canadian businesses abroad. Since 2007:

- New tax treaties with Gabon, Greece and Turkey have come into force.
- Updated tax treaties and protocols with Finland, Italy, Korea, Mexico, Switzerland and the United States have come into force.
- New tax treaties with Colombia and Namibia have been signed.
- New protocols to update tax treaties with Austria, Barbados, France, and Singapore have been signed.
- Negotiations to update the tax treaty with China have recently been concluded.
- Negotiations for a new tax treaty with Hong Kong have begun.
- Negotiations to update tax treaties with Israel, the Netherlands, New Zealand, Poland, Spain and the United Kingdom have begun.

Canada now has 89 tax treaties in force, 7 tax treaties and protocols signed but not yet in force, and 11 tax treaties under negotiation.

The Government is committed to combating international tax evasion and to ensuring tax fairness by implementing the standard developed by the Organisation for Economic Co-operation and Development for the effective exchange of tax information. The Government, in its 2007 budget, extended the exemption for dividends received out of active business income earned by foreign affiliates resident in tax treaty countries to also include active business income earned by foreign affiliates established in a jurisdiction that has agreed to a tax information exchange agreement (TIEA) with Canada. This provided non-tax treaty jurisdictions an incentive to enter into TIEAs with Canada. Since 2007, the Government has brought into force 13 TIEAs, signed 3 other TIEAs, and is actively negotiating TIEAs with 14 other jurisdictions, including negotiations recently launched with Panama.

Fostering Sustainable Global Growth

Persistent economic and financial difficulties in Europe and other parts of the world are hindering economic recovery. Canada is playing a leadership role in formulating global policy responses through institutions such as the G-20 and the International Monetary Fund (IMF), and through its leadership of the Financial Stability Board, which is chaired by Bank of Canada Governor Mark Carney. Canada is also helping address development challenges through focused programs and initiatives that meet the needs of the developing world.

Providing Stewardship in the G-20

In September 2009, as part of its response to the global economic crisis, the G-20 created the Framework for Strong, Sustainable and Balanced Growth. The G-20 Framework is a forum where members identify and assess global economic risks and vulnerabilities, and coordinate policies designed to foster stronger, more sustainable and balanced economic growth. Canada and India have co-chaired the Framework Working Group since its launch at the 2009 Pittsburgh Summit. In its capacity as co-chair, Canada has led the development of action plans that deal with pressing global economic concerns, and promote growth and prosperity across the globe.

The considerable progress achieved through this process culminated in the Action Plan for Growth and Jobs agreed by Leaders in Cannes, France in November 2011, which set out a broad range of reforms covering the key policy areas across G-20 members. Looking ahead in 2012, Canada will continue to provide leadership in developing an action plan for Leaders at the upcoming G-20 Summit in Los Cabos, Mexico. The plan will monitor progress in meeting past commitments and develop new commitments as appropriate to address current global economic risks and vulnerabilities.

Strengthening the Legitimacy and Effectiveness of the International Monetary Fund

The IMF is a key global institution in assisting the international community through economic crises. In order to support its continuing role, the Government of Canada is delivering on its commitment to ratify a historic quota and governance reform agreement reached in 2010, which enhances the IMF's capacity to provide support to the global economy. These actions should continue to strengthen the legitimacy and effectiveness of the IMF.

To support accountability to Canadians, the Government is enhancing the timeliness of its reporting on Canadian priorities and activities of the IMF and World Bank by aligning the timing of its annual report to Parliament and the public with the annual report on development assistance tabled annually in the Fall.

Increasing the Impact of Canadian Development Assistance

Canadians want to help the world's poor, but they want assurances that their tax dollars are making a real difference in the lives of the people they are intended to help. In Budget 2007, the Government committed to an ambitious agenda to maximize the effectiveness of Canada's international assistance efforts. Considerable progress has been made in delivering on our promise to make Canada's aid more effective, particularly in the areas of accountability for resources and results, transparency, and the use of innovation to maximize the impact of aid.

Last year, Canada was the first to meet its G-8 commitment to double investments in sustainable agricultural development. Currently, we are leading global efforts on maternal, newborn and child health, as agreed at the G-8 meeting in Muskoka in 2010. The Canadian International Development Agency now delivers over 80 per cent of its bilateral assistance in a more focused set of countries, which allows Canada to play a more influential role in achieving enduring impacts in these countries. The Government has also taken significant steps to improve the transparency of our spending to Canadians and other countries, for example by joining the Open Government Partnership and the International Aid Transparency Initiative.

In addition, Canada has supported development innovation, pioneering new approaches to maximize impact and leverage private sector capital to address global development challenges. Canada's strategic investments over the past several years are showing promising results including the accelerated introduction of pneumococcal vaccines to protect the lives of the world's poorest children through the Advanced Market Commitment; progress by Grand Challenges Canada in tackling critical barriers to solving some of the most pressing global health challenges; and enhanced support for applied research that demonstrates sustained and measurable impacts on food security in developing countries through the Canadian International Food Security Research Fund.

Refocusing Canada's Tariff Regime for Developing Countries

Economic Action Plan 2012 proposes to review Canada's preferential tariff regime for developing countries.

Since 1974, Canada has granted preferential market access to imports from developing countries as a means to promote their economic growth and export diversification. The global economic landscape has changed considerably since then, including significant shifts in the income levels and trade competitiveness of certain developing countries. To respond to these developments and ensure that this form of development assistance is appropriately aligned with our development policy objectives, the Government will undertake a comprehensive review of Canada's General Preferential Tariff regime.

Keeping Taxes Low for Job-Creating Businesses

A Competitive Business Tax System

This Government has implemented broad-based tax reductions that support investment and growth across the Canadian economy. The Government is delivering more than \$60 billion of tax relief to job-creating businesses over 2008-09 and the following five fiscal years. Key actions include the following:

- To spur business investment and improve productivity, the Government reduced the federal general corporate income tax rate to 15 per cent on January 1, 2012, from 22.12 per cent in 2007. These tax reductions include the elimination of the corporate surtax in 2008 for all corporations.
- To help small businesses retain more of their earnings for investment, expansion and job creation, the Government cut the small business tax rate to 11 per cent in 2008 and increased the amount of income eligible for this lower rate to \$500,000 in 2009.
- To further spur investment in small businesses, the Government increased the Lifetime Capital Gains Exemption on qualified small business shares to \$750,000 from \$500,000 in Budget 2007, the first increase in the exemption since 1988.
- To remove a disincentive for business investment, the Government eliminated the federal capital tax in 2006. The Government also provided the provinces with a temporary financial incentive to encourage them to eliminate their general capital taxes and to eliminate or replace their capital taxes on financial institutions with a minimum tax. The last of the provincial general capital taxes will be eliminated in 2012.
- To better support cross-border trade and investment and Canada's participation in the global economy, the Government has improved Canada's system of international taxation.
- To encourage investment to flow to its most productive uses and reduce the tax burden on capital investment, the Government improved the neutrality of the tax system by better aligning capital cost allowance rates with the useful life of assets. For example, in 2007, the capital cost allowance rate for manufacturing and processing buildings was increased to 10 per cent from 4 per cent, and the rate for computers was increased to 55 per cent from 45 per cent.

Lower general corporate income tax rates and other tax changes have increased the expected rate of return on investment and reduced the cost of capital (Chart 3.2.1), giving businesses strong incentives to invest and hire in Canada.

Canada leads the G-7 with the lowest overall tax rate on new business investment

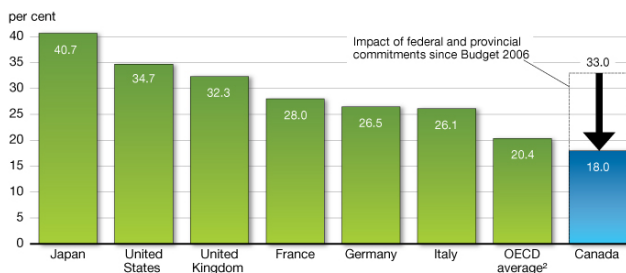


Chart 3.2.1 Marginal Effective Tax Rate on New Business Investment, 2014

¹ The marginal effective tax rate (METR) on new business investment takes into account federal, provincial and territorial statutory corporate income tax rates, deductions and credits available in the corporate tax system and other taxes paid by corporations, including provincial capital taxes and retail sales taxes on business inputs. The methodology for calculating METRs is described in the 2005 edition of *Tax Expenditures and Evaluations* (Department of Finance). The METR includes measures announced as of January 1, 2012. It excludes the resource and financial sectors and tax provisions related to research and development.

² OECD average excludes Canada.
Source: Department of Finance.

The competitiveness of Canada's business tax system is supported by third-party analysis.

- KPMG's publication *Competitive Alternatives 2010* rigorously analyzed the impact of federal, state, provincial and municipal taxes on business operations, concluding that business tax costs in the United States are more than 55 per cent higher than in Canada.
- According to the 2011 *Forbes* magazine feature, "The Best Countries for Business," Canada is the number one jurisdiction for doing business among 134 countries studied.
- Economists Jack Mintz and Duanjie Chen published an 83-country report on tax competitiveness. Their most recent report shows that Canada went from being the least tax competitive G-7 country in 2005 to the most tax competitive country in the G-7 in 2011.

As shown in Chart 3.2.2, overall business investment in non-residential construction and machinery and equipment in 2011 exceeded the pre-downturn peak of 2008, and investment intentions for 2012 are even stronger. This business investment increases the amount of machinery, equipment, information technology and other physical capital in the economy. A larger stock of capital, in turn, increases Canada's productive capacity, creates jobs and raises living standards.

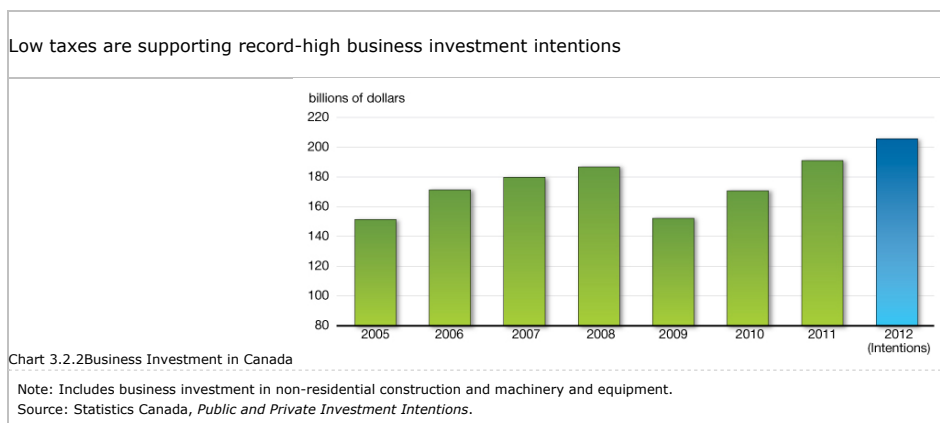


Chart 3.2.2 Business Investment in Canada

Note: Includes business investment in non-residential construction and machinery and equipment.
Source: Statistics Canada, *Public and Private Investment Intentions*.

Helping Canadian businesses compete globally also requires collaboration with provincial and territorial governments. A number of provinces have taken important actions to enhance Canada's tax competitiveness and contribute to a strong foundation for future growth. In addition, the Government of Canada has a number of tax agreements with its provincial and territorial partners that result in greater efficiency and simplicity of the tax system, and work is ongoing to improve and enhance the application and administration of these agreements.

Keeping taxes low for Canadian businesses is a cornerstone of this Government's long-term plan for jobs, growth and prosperity.

Enhancing the Neutrality of the Tax System

In 2009, along with other members of the G-20, the Government committed to "rationalize and phase out over the medium term inefficient fossil fuel subsidies." This builds on the Government's 2006 commitment to examine opportunities to make the tax system more neutral across sectors, in order to help ensure that investment is directed towards its most productive uses. In support of these commitments, the Government announced in Budget 2007 and Budget 2011 the phase-out of all tax preferences for oil sands producers relative to the conventional oil & gas sector.

Economic Action Plan 2012 proposes to further Canada's efforts toward rationalizing fossil fuel subsidies, reducing tax distortions and improving the allocation of investment and capital within the Canadian economy by phasing out tax preferences for resource industries.

Phasing Out the Atlantic Investment Tax Credit—Oil & Gas and Mining

Economic Action Plan 2012 proposes to phase out the Atlantic Investment Tax Credit for investments in the oil & gas and mining sectors.

The Atlantic Investment Tax Credit is a 10-per-cent credit available for certain investments in new buildings, machinery and equipment used in the Atlantic region and the Gaspé Peninsula. Currently, the credit supports investments in farming, fishing, logging, manufacturing and processing, oil & gas, and mining.

The Canadian oil & gas and mining sectors have generally been performing well, and investment by these industries in the Atlantic region is robust and growing. Recognizing this, Economic Action Plan 2012 proposes to phase out the Atlantic Investment Tax Credit for investments in the oil & gas, and mining sectors.

The change will help improve the neutrality of the tax system for the oil & gas, and mining sectors across Canada and constitutes further action by Canada in support of the commitment by G-20 Leaders to rationalize and phase out inefficient fossil fuel subsidies over the medium term.

Phasing Out the Corporate Mineral Exploration and Development Tax Credit

Economic Action Plan 2012 proposes to phase out the Corporate Mineral Exploration and Development Tax Credit.

The mining sector has historically benefited from a number of targeted income tax preferences. As a first step in meeting the objective of making the tax system more neutral across mining and other industries, Economic Action Plan 2012 proposes to phase out the 10-per-cent Corporate Mineral Exploration and Development Tax Credit.

Actions taken by the Government since 2006, including corporate income tax rate reductions and the elimination of the federal capital tax, have increased the competitiveness of Canada's mining sector. The Corporate Mineral Exploration and Development Tax Credit is no longer necessary.

This change is expected to increase federal revenues by approximately \$10 million over the 2012-13 to 2013-14 period.

Improving Economic Conditions for Farmers and Fishermen

Strengthening Agricultural Institutions

Economic Action Plan 2012 proposes \$44 million over two years to transition the Canadian Grain Commission to a sustainable funding model.

The agriculture sector was one of the most resilient through the economic downturn. The near- and medium-term outlook for agricultural commodity prices and farm income is strong. In 2009, the agriculture and agri-food sector accounted for approximately 2 million jobs and 8 per cent of total GDP. With nearly \$35.5 billion in exports, Canada is the world's fifth-largest exporter of agriculture and food products.

The coming year will see a focus on setting the right conditions for farmers and businesses in the agriculture and agri-food sector to compete and adapt. The Government will work with its provincial and territorial partners, and with industry, to develop a new federal-provincial-territorial agricultural policy framework to replace the current Growing Forward agreement in 2013. The new five-year framework agreement will set out policies and programs to support a modern, innovative and market-oriented sector. This will include a refocused suite of Business Risk Management programs.

The Government is delivering on its long-standing promise to give Western Canadian farmers the freedom to market their own wheat and barley on the open market. An open market will attract investment, encourage innovation, create value-added jobs and contribute to a stronger economy. The monopoly on the sale of Western Canadian wheat and barley for export and domestic human consumption will end as of August 1, 2012. The Government is committed to a smooth transition for farmers, which includes a viable, voluntary Canadian Wheat Board as part of an open and competitive Canadian grain market.

Efforts continue to modernize key institutions within the grain sector. To support its transition to a sustainable funding model, Economic Action Plan 2012 proposes \$44 million over two years to the Canadian Grain Commission as it updates its fee structure.

Supporting Canada's Fisheries

Economic Action Plan 2012 proposes \$10.5 million in 2012-13 to support key fisheries science activities.

Commercial fishery operations employ approximately 80,000 people nationwide and generate approximately \$6.8 billion in annual economic activity through fishing, aquaculture and processing.

Scientific monitoring activities of key commercial stocks support conservation and sustainability objectives while increasing economic opportunity for fishermen by allowing higher catch levels to be set with greater confidence. To support scientific activities of importance to industry, Economic Action Plan 2012 proposes \$10.5 million in 2012-13 for the Department of Fisheries and Oceans. The Government will also take steps to allow the use of fishery resources to help generate revenues to pay for scientific activities.

Strengthening Business Competitiveness

Fostering Foreign Investment

The Government will introduce targeted improvements to the foreign ownership review process and be introducing legislative amendments to lift foreign investment restrictions in the telecommunications sector for companies that hold less than a 10 per cent share of the total Canadian telecommunications market.

Foreign investment provides significant benefits to Canada through knowledge, capital, access to new markets and the creation of high-value jobs across the country. The Government is committed to an open investment framework that encourages foreign investment in Canada as well as Canadian business investment abroad, while safeguarding Canada's interests. The Investment Canada Act requires the review of significant foreign investments in Canada in order to ensure that the investments bring a net benefit to our country. To help strengthen investor confidence, the Government will introduce targeted improvements to the administration of the Act in the interests of greater transparency while preserving investor confidentiality.

With respect to the telecommunications sector in particular, the Government consulted with industry and consumer stakeholders on how to increase foreign investment in a way that would maximize economic and social benefits for Canadians.

The Government heard that liberalization of foreign investment in the telecommunications sector can encourage greater competition by strengthening the position of new entrants, improving access to capital and enabling closer strategic partnerships. Liberalization could also increase choice and lower costs for consumers, encourage innovation and improve productivity.

The Government will be introducing amendments to the Telecommunications Act to lift the foreign investment restrictions in that Act for telecommunications companies that hold less than a 10 per cent share of the total Canadian telecommunications market.

This targeted action will remove a barrier to investment for the companies that need it most, a key consideration as the upcoming wireless auction planned for 2013 is expected to be highly competitive and capital-intensive.

Reducing Red Tape

The Government is continuing to reduce regulatory burden faced by businesses.

Red tape hampers economic growth and erodes trust between government and citizens. The Government is committed to removing bureaucratic obstacles to businesses' efforts to create jobs and growth.

In January 2011, the Government created the Red Tape Reduction Commission, fulfilling a Budget 2010 commitment. After a year of extensive Canada-wide consultations, the Commission brought forward recommendations to reduce irritants to business that impede growth, competitiveness and innovation.

The Government responded earlier this year by implementing the "One-for-One" Rule. Under this rule, every time the Government adopts a new regulation, it must eliminate an existing one. When a new or amended regulation increases administrative burden on business, the Government will offset—from existing regulations—an equal amount of administrative burden costs on business.

The President of the Treasury Board will develop an Action Plan to address the Commission's Recommendations Report in the coming months to deliver better regulations that reduce frustration and lower costs for Canadian business.

Red Tape Reduction Commission Membership

The Red Tape Reduction Commission was composed of Parliamentarians and members of the private sector:

- The Honourable Tony Clement, President of the Treasury Board, Lead Minister
- The Honourable Maxime Bernier, Minister of State (Small Business and Tourism), Chair of the Commission
- William Aho, Central Mechanical Systems, Ltd.
- Dean Allison, Member of Parliament (Niagara West-Glanbrook)
- Bernard Bélanger, Premier Tech
- Lois Brown, Member of Parliament (Newmarket-Aurora)
- Stirling MacLean, WearWell Garments, Ltd.
- Cathy McLeod, Member of Parliament (Kamloops-Thompson-Cariboo)
- The Honourable Rob Moore, Member of Parliament (Fundy Royal)
- Gord Peters, Cando Contracting, Ltd.
- Denis Prud'homme, former owner of Prud'homme Trucking
- Catherine Swift, Canadian Federation of Independent Business
- Chris Warkentin, Member of Parliament (Peace River)

The Government is also committed to implementing the Canada-United States Action Plan on Regulatory Cooperation, announced on December 7, 2011, by Prime Minister Harper and President Obama. The Action Plan contains 29 initiatives to align the regulatory approaches between Canada and the United States in areas of agriculture and food, transportation, health and personal care products, chemical management, the environment, and other cross-sectoral areas, without compromising health, safety or environmental protection standards. The Action Plan will help reduce barriers to trade, lower costs for consumers and business, and create economic opportunities on both sides of the border.

Reducing the Tax Compliance Burden for Businesses

Economic Action Plan 2012 proposes measures to reduce the tax compliance burden for small businesses and announces a number of administrative improvements by the Canada Revenue Agency.

In PricewaterhouseCoopers' 2012 international study analyzing the ease of paying taxes, *Paying Taxes 2012: The Global Picture*, Canada ranks higher than any other G-7 country based on the overall ease of complying with tax obligations. PricewaterhouseCoopers also identified Canada as a potential model for other countries' tax systems from the perspective of a company filing and paying taxes.

Reducing the Tax Compliance Burden Has Positive Results

- The Canada-Ontario Tax Collection Agreement was amended to provide for federal administration of Ontario's corporate taxes for taxation years that end after 2008. PricewaterhouseCoopers estimated that this change reduces compliance costs by more than \$135 million annually for Ontario businesses, by allowing for a single annual tax form, a single tax collector and one set of income tax rules.
- The frequency of tax remittance and filing requirements for small businesses in the areas of income taxes, source deductions and sales taxes was reduced by measures introduced in Budget 2007. More than 600,000 small businesses are able to benefit from these changes, with the total number of filings and remittances for small businesses reduced by more than one-third.
- The definition of taxable Canadian property was narrowed in Budget 2010, thereby eliminating the need for tax reporting under section 116 of the Income Tax Act for many investments. This improves the ability of Canadian businesses, including innovative high-growth companies that contribute to job creation and economic growth, to attract foreign venture capital.

Through ongoing review and revision of the tax system and its administration, the Government is continuing to reduce the tax compliance burden, including the following actions proposed or announced in Economic Action Plan 2012.

A Doubling of the Goods and Services Tax/Harmonized Sales Tax (GST/HST) Streamlined Accounting Thresholds

The GST/HST streamlined accounting methods simplify compliance for small businesses and public service bodies. Economic Action Plan 2012 proposes to double the thresholds for eligibility to use these methods so that more small businesses and public service bodies have access to these simplified approaches.

Simplified Administration for Partnerships

In order to reduce the workload for partnerships that want to file waivers, Economic Action Plan 2012 proposes to amend the Income Tax Act to provide the authority for a single designated partner to sign a waiver on behalf of all partners.

Improvements to the Rules for Paying Eligible Dividends

Under existing rules, if a corporation wishes to pay dividends, and only a portion of those dividends would be eligible for an enhanced dividend tax credit, that portion must be paid as a separate dividend in order for investors to be eligible to claim the enhanced dividend tax credit. Economic Action Plan 2012 proposes amendments, for dividends paid on or after Budget Day, to allow a corporation to pay a single dividend and designate a portion of it as an eligible dividend.

Administrative Improvements That Enhance the Predictability of the Scientific Research and Experimental Development (SR&ED) Tax Incentive Program

Economic Action Plan 2012 announces administrative changes to the SR&ED tax incentive program that will improve its predictability and reduce the tax compliance burden. These initiatives will complement the SR&ED Policy Review Project currently underway, which will consolidate and clarify the administrative policies that are contained in about 70 documents pertaining to the SR&ED tax incentive program.

Written Responses to Business Enquiries

As of April 16, 2012, businesses will be able to submit questions and receive answers to their specific business enquiries electronically using the Canada Revenue Agency's (CRA's) secure My Business Account portal. These written responses will provide businesses with increased confidence in the information provided by the CRA and thus greater certainty in their tax affairs.

Expansion of Web Forms for Information Returns

The CRA's Web Forms electronic filing application for information returns is an online service enabling the creation and secure filing of encrypted returns over the Internet, including the filing of original, additional, amended and cancelled slips. The CRA's Web Forms service also validates data in real time, prompts the user to correct errors before filing slips, automatically calculates totals for the summary, and prints slips for recipients. Web Forms now accepts 11 additional types of returns, and the limit on the number of each type of form (e.g. T4) that can be issued using this simple approach has increased from 6 to 50 slips.

Enhancements to the CRA's Secure My Business Account Portal

The CRA's My Business Account portal is a secure and convenient way to access business accounts online and perform certain transactions. For example, GST/HST returns have been able to be amended using My Business Account since April 2011. As of April 16, 2012, business owners will have the option to input an address change online, and balances such as Non-Capital Losses and Refundable Dividend Tax on Hand from the last five tax year-ends will be automatically displayed.

An Improved Business Section on the CRA's Website

Modifications to the CRA's website provide a "one-stop shop" for businesses and a clear path to available electronic services with a new task-based web page. By improving the ability of businesses to find and use information and services on the CRA's website, this initiative responds to concerns raised during consultations held by the Red Tape Reduction Commission.

Graduated Penalties for Late Filing

The Government recognizes that Canadians and businesses, particularly small businesses, invest time and effort to voluntarily comply with tax laws. Budget 2011 announced a CRA review of the penalty structure for late-filed information returns. After working with the Canadian Federation of Independent Business and other organizations representing small businesses, the CRA has instituted a new administrative policy to ensure that these penalties are charged in a manner that is both fair and reasonable. Where a business is unable to comply in a timely manner with a reporting obligation related to certain information returns, such as T4s, reduced penalties will be applied when the number of late-filed returns is small.

Continued CRA Progress on Tax Fairness

Information on complaints and disputes is now easier to access on the CRA website through revised web pages that are simpler to use and were put in place in December 2011. Visibility will be further improved by adding information on recourse mechanisms to notices of assessment and reassessment. The CRA is also updating publications related to tax fairness and developing new content and new types of content, such as webinars on redress mechanisms.

Taxation of Corporate Groups

Economic Action Plan 2012 reaffirms the Government's commitment to continue exploring whether new rules for the taxation of corporate groups could improve the functioning of the corporate tax system.

Budget 2010 announced that the Government would explore whether new rules for the taxation of corporate groups—such as the introduction of a formal system of loss transfers or consolidated reporting—could improve the functioning of the corporate tax system. Public consultations held between November 2010 and April 2011 provided important feedback from stakeholders that will be helpful going forward. Discussions with stakeholders, including the provinces and territories, are ongoing.

As a new system for the taxation of corporate groups would constitute a fundamental change to the Canadian corporate tax system, the Government will be taking into account the potential effects on taxpayers and the complexity of the tax system, any potential revenue impacts for federal, provincial and territorial governments, and the impact that a new system of group taxation could have on federal-provincial and federal-territorial tax arrangements.

If as a result of this exercise a new system of group taxation should be proposed, stakeholders will be consulted again on the specific design of the new system.

Further Developing Canada's Financial Sector Advantage

Canada's financial system is widely considered to be one of the soundest, most resilient and best regulated financial systems in the world. For the fourth year in a row, the World Economic Forum has recognized our banking system as the soundest in the world. Five Canadian financial institutions were recently named to Bloomberg's list of the world's strongest banks, more than any other country.

The Government has implemented a number of measures to maintain Canada's financial sector advantage and reinforce the stability of the sector. Economic Action Plan 2012 proposes new initiatives that will build on the significant steps taken since 2008 to further ensure that our financial system remains strong and that it benefits all Canadians.

Fostering Stable, Competitive, Fair and Efficient Capital Markets

In light of the Supreme Court's securities reference, the Government is consulting with provinces and territories, a number of which have reaffirmed their interest in working on a cooperative basis towards a common securities regulator.

As part of the initiative to establish a Canadian securities regulator, in May 2010 the Government referred the proposed Canadian Securities Act to the Supreme Court of Canada for an opinion as to whether Parliament has the constitutional authority to enact the proposed legislation. On December 22, 2011, the Supreme Court determined that the proposed Act as drafted was not constitutionally valid under the general branch of the federal power to regulate trade and commerce. The Government of Canada respects this decision and will act in accordance with it.

The Supreme Court also found that Parliament has a role with matters of genuine national importance and scope, including management of systemic risk and in ensuring fair and efficient capital markets nationally. The Supreme Court indicated that "[t]he common ground that emerges is that each level of government has jurisdiction over some aspects of the regulation of securities and each can work in collaboration with the other to carry out its responsibilities". Accordingly, the Government is consulting with provinces and territories, a number of which have reaffirmed their interest in working on a cooperative basis towards a common securities regulator.

A common securities regulator would give Canada a competitive advantage by reducing unnecessary compliance costs for issuers, strengthening our ability to respond to financial instability, enhancing enforcement and better serving the needs of all Canadians.

Preserving the Stability and Strength of Canada's Financial Sector

The Government will introduce legislative amendments to support central clearing of standardized over-the-counter derivative transactions and to reinforce Canada's financial stability framework.

A well-capitalized financial sector and sound regulatory and supervisory system meant that financial institutions in Canada were better able to weather the 2008 global financial crisis than those in many other countries.

The Government remains committed to maintaining this advantage. Canada has made significant progress in implementing the G-20 financial sector reform agenda and will continue to play a leadership role in promoting sound financial sector regulation internationally. Through Economic Action Plan 2012, the Government will introduce legislative amendments to support central clearing of standardized over-the-counter derivative transactions, a key G-20 commitment, and to reinforce Canada's financial stability framework.

Enhancing the Governance and Oversight Framework for Canada Mortgage and Housing Corporation

The Government will introduce enhancements to the governance and oversight framework for Canada Mortgage and Housing Corporation. The Government is also moving forward with a legislative framework for covered bonds.

The Government continuously monitors housing finance risks and takes action when necessary. Adjustments to the rules for government-backed insured mortgages were announced in July 2008, February 2010 and January 2011. In addition, in June 2011 Parliament approved legislation to formalize arrangements with private mortgage insurers and Canada Mortgage and Housing Corporation (CMHC), enhancing the Government's ability to manage risks arising from the mortgage insurance sector.

As part of the Government's continuous efforts to strengthen the housing finance system, the Government will introduce enhancements to the governance and oversight framework for CMHC, contributing to the stability of the housing market and benefitting all Canadians. The Government will propose legislative amendments to strengthen oversight of CMHC and to ensure its commercial activities are managed in a manner that promotes the stability of the financial system.

The Government is moving forward with a legislative framework for covered bonds. A legislative framework will support financial stability by helping lenders find new sources of funding and by making the market for Canadian covered bonds more robust. CMHC will be the administrator of this covered bond program, which will be available to federally and provincially regulated mortgage lenders in Canada.

Improving Access to Capital for Canadian Financial Institutions

The Government will introduce legislative amendments to allow public sector investment pools that satisfy certain criteria, including pursuing commercial objectives, to directly invest in a Canadian financial institution, subject to approval by the Minister of Finance.

At present, many countries allow public sector investment pools to invest in financial institutions, while Canada provides for only limited access. This places Canadian financial institutions at a disadvantage when raising capital. However, public sector investment pools are currently allowed to invest in other sectors of the Canadian economy. Permitting these pools of capital to invest in Canadian financial institutions provides these institutions access to new sources of stable long-term investment, which promotes financial stability.

The Government will propose legislative amendments to allow public pools of capital that satisfy certain criteria, including pursuing commercial objectives, to make limited direct investments in a financial institution, subject to approval by the Minister of Finance. The Minister of Finance's approval would be guided by factors such as the best interest of the financial sector and national security considerations.

Clarifying Federal Jurisdiction Over Banking

The Government will introduce a preamble into the Bank Act to clarify the intent that all banking activities throughout Canada be governed exclusively by the same high-quality federal standards that have served Canadians so well.

Canadians benefit from one of the best-regulated banking sectors in the world. Canada's banking regulatory framework rests on stringent prudential rules that ensure that our banking sector remains safe and sound and on consumer protection rules that stress consumer choice and transparent disclosure. These rules are enforced consistently by federal regulatory agencies including the Office of the Superintendent of Financial Institutions and the Financial Consumer Agency of Canada. The Government will introduce a preamble into the Bank Act to clarify the intent that all banking activities throughout Canada be governed exclusively by the same high-quality federal standards that have served Canadians so well, and to avoid the creation of local and potentially inconsistent rules that threaten the uniform application of the federal banking regulatory framework.

Clarifying the Separation of Insurance and Banking

As previously announced in December 2011, the Government will propose a legislative amendment to clarify the prohibition against banks offering life annuities or products of a similar nature.

The Government has a long-standing policy of separating the business of insurance from the business of banking. This ensures that financial institutions are subject to the regulatory regime that properly addresses the risk that they undertake. In line with this policy, and as announced by the Minister of Finance in December 2011, the Government will propose a legislative amendment to clarify the prohibition against banks offering life annuities or products of a similar nature.

Continuing to Fight Counterfeit Bank Notes

Economic Action Plan 2012 provides \$9.6 million over three years to the Royal Canadian Mounted Police to continue the National Counterfeit Enforcement Strategy.

In 2011, the Bank of Canada began to issue more-secure polymer bank notes. In transitioning to these new notes, the Government must guard against the risk that counterfeiters will attempt to liquidate their inventory of older notes or seek to take advantage of the unfamiliarity of Canadians with the new notes. Economic Action Plan 2012 provides \$9.6 million over three years to ensure that the Royal Canadian Mounted Police has the funding necessary to continue the National Counterfeit Enforcement Strategy, first announced in Budget 2006. The National Counterfeit Enforcement Strategy provides dedicated resources for the enforcement, prosecution and prevention of currency counterfeiting. Since its inception, counterfeiting has been reduced from 470 parts per million in 2004 to 34 parts per million in 2011.

Table 3.2

Improving Conditions for Business Investment millions of dollars

	2012-13	2013-14	Total
Responsible Resource Development			
Major Projects Management Office Initiative	27	27	54
Consultation Under the Canadian Environmental Assessment Act	7	7	14
Supporting Responsible Energy Development	12	24	36
Strengthening Pipeline Safety	7	6	14
The Northern Pipeline Agency	24	23	47
Amending Mining Regulations	1	1	1
Subtotal—Responsible Resource Development	78	87	165
Investing in Our Natural Resources			
Supporting Junior Mineral Exploration	130	-30	100
Assessing Diamonds in the North	6	6	12
Subtotal—Investing in Our Natural Resources	136	-24	112
Expanding Trade and Opening New Markets for Canadian Businesses			
Trade Measures to Support the Energy Industry	30	30	60
Increasing Travellers' Exemptions	13	17	30
Tax Relief for Foreign-Based Rental Vehicles	-	-	-

Subtotal—Strengthening Canada's Trading Relationships and Supporting Sustainable Global Growth	43	47	90
Keeping Taxes Low for Job-Creating Businesses			
Enhancing the Neutrality of the Tax System			
Phasing Out the Corporate Mineral Exploration and Development Tax Credit		-10	-10
Improving Economic Conditions for Farmers and Fishermen			
Strengthening Agricultural Institutions	27	17	44
Supporting Canada's Fisheries	11		11
Subtotal—Improving Economic Conditions for Farmers and Fishermen	38	17	55
Further Developing Canada's Financial Sector Advantage			
Continuing to Fight Counterfeit Bank Notes	3	3	6
Total—Improving Conditions for Business Investment	298	120	418
Less funds existing in the fiscal framework	85	71	156
Net fiscal cost	212	50	262
Note: Totals may not add due to rounding.			

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Chapter 3.3: Investing in Training, Infrastructure and Opportunity

Highlights

Supporting Job Creation, Small Business and Skills Training

The Government is committed to supporting job creation by small businesses and opportunities for under-represented groups in the workforce. Economic Action Plan 2012 proposes:

- Investing \$205 million to extend the temporary Hiring Credit for Small Business for one year.
- Providing an additional \$50 million over two years to the Youth Employment Strategy to assist more young people in gaining tangible skills and experience.
- Providing \$6 million over three years to extend and expand the ThirdQuarter project to key centres across the country.
- Improving labour market opportunities for Canadians with disabilities by investing \$30 million over three years in the Opportunities Fund and by creating a panel on labour market opportunities for persons with disabilities.
- Promoting the involvement of small and medium-sized enterprises in shipbuilding projects.

Improving the Employment Insurance Program

The Government is committed to making targeted, common-sense changes to make Employment Insurance (EI) a more efficient program that is focused on job creation and opportunities. Economic Action Plan 2012 proposes:

- Limiting EI premium rate increases to 5 cents each year until the EI Operating Account is balanced.
- Providing \$21 million over two years to enhance the content and timeliness of the job and labour market information that is provided to Canadians who are searching for employment.
- Investing \$74 million over two years to ensure that EI claimants benefit from accepting work.
- Investing \$387 million over two years to align the calculation of EI benefit amounts with local labour market conditions.

Expanding Opportunities for Aboriginal Peoples to Fully Participate in the Economy

The Government is committed to expanding opportunities for Aboriginal peoples to fully participate in the labour market. Economic Action Plan 2012 proposes:

- Providing \$275 million over three years to support First Nations education and build and renovate schools on reserve.
- Committing to work with willing partners toward passage of legislation that will establish the structures and standards to support strong and accountable education systems on reserve.
- Announcing the Government's commitment to improve the incentives in the on-reserve Income Assistance Program while encouraging those who can work to access training so they are better prepared for employment.
- Providing \$33.5 million in 2012-13 to extend the Atlantic Integrated Commercial Fisheries Initiative and the Pacific Integrated Commercial Fisheries Initiative.
- Providing \$27 million over two years to renew the Urban Aboriginal Strategy.

Building a Fast and Flexible Economic Immigration System

The Government is committed to transitioning to a faster and more flexible economic immigration system. Economic Action Plan 2012 proposes:

- Announcing the Government's intention to better align the Temporary Foreign Worker Program with labour market demands and to ensure that businesses look to the domestic labour force before accessing the Temporary Foreign Worker Program.
- Signalling the Government's intention to support further improvements to foreign credential recognition and to work with provinces and territories to identify the next set of target occupations for inclusion, beyond 2012, under the Pan-Canadian Framework for the Assessment and Recognition of Foreign Qualifications.
- Proposing to return applications and refund up to \$130 million in fees paid by certain federal skilled worker applicants who applied under previous criteria established prior to February 27, 2008.

Strengthening Canada's Public Infrastructure

The Government is building on recent actions to modernize Canada's public infrastructure. Economic Action Plan 2012 proposes:

- \$150 million over two years for a new Community Infrastructure Improvement Fund to support repairs and improvements to existing community facilities.
- Amendments to the Yukon Act, the Northwest Territories Act and the Nunavut Act to create new regulations that will ensure consistent treatment of borrowing across the three territories and with their Public Accounts.
- \$105 million in 2012-13 on a cash basis to support VIA Rail Canada's operations and capital projects.
- \$27.3 million over two years to support the divestiture of regional ports and the continued operation and maintenance of federally owned ports.
- \$5.2 billion over the next 11 years on a cash basis to renew the Canadian Coast Guard fleet.
- \$101 million over the next five years on a cash basis to restore and modernize the Esquimalt Graving Dock.

Supporting Job Creation

Canada's well-trained and highly educated workforce is one of our key advantages in competing and succeeding in the global economy. However, too often barriers or disincentives discourage workforce participation. Better utilizing Canada's workforce and making Canada's labour market more adaptable will help ensure our long-term economic growth.

That is why, since 2006, the Government has placed a strong emphasis on access to skills training, support for post-secondary education, building a fast and flexible economic immigration system, and developing untapped potential in the labour market.

The Government makes considerable investments in support of families and individuals, labour market development, labour force attachment and job readiness. This includes \$16.7 billion in Employment Insurance benefits, \$10.1 billion annually in support of post-secondary education and \$2.5 billion annually for labour market agreements with the provinces and territories.

Canada's immigration system supports a vibrant workforce by attracting skilled workers who will contribute to the growth of our economy. The Government also encourages under-represented groups to participate in the labour market through initiatives such as the Youth Employment Strategy, the Targeted Initiative for Older Workers, the Opportunities Fund for Persons with Disabilities, and the Aboriginal Skills and Employment Training Strategy.

Economic Action Plan 2012 builds on these initiatives with an enhanced labour market focus and a number of targeted investments that will help respond to current labour market challenges and meet longer-term labour market needs. The Government will introduce measures to streamline processes and increase funding to better integrate certain under-represented groups in the labour force, including immigrants, persons with disabilities, youth, Aboriginal peoples and older Canadians.

Supporting Job Creation, Small Business and Skills Training

Economic Action Plan 2012 announces a number of measures to address short-term labour market challenges and meet long-term market needs.

Extending the Hiring Credit for Small Business

Economic Action Plan 2012 proposes \$205 million to extend the Hiring Credit for Small Business for one year.

Small businesses are the engine of job creation in Canada, and are indispensable in their role as job creators. In recognition of the challenges faced by small businesses across the country, Budget 2011 announced a temporary Hiring Credit for Small Business of up to \$1,000 per employer. This credit provided needed relief to small businesses by helping defray the costs of hiring new workers and allowing them to take advantage of emerging economic opportunities.

As the economy continues to recover amid continuing global economic uncertainty, Economic Action Plan 2012 proposes to extend the temporary Hiring Credit for Small Business for one year. A credit of up to \$1,000 against a small employer's increase in its 2012 EI premiums over those paid in 2011 would be provided. This temporary credit would be available to approximately 536,000 employers, whose total EI premiums were at or below \$10,000 in 2011, reducing small business 2012 payroll costs by about \$205 million.

It [the Hiring Credit for Small Business] is a popular measure among all SMEs [small and medium-sized enterprises] but is particularly important among growing firms as it helps them strengthen business performance.

— Canadian Federation of Independent Business,


How the Hiring Credit for Small Business Works

Drew and Ali own a small pizza parlour. They employed five people in 2011 and had a total payroll of \$125,000. Their total EI premiums in 2011 were \$3,108. Since business is improving in 2012, they have hired a new employee, which will bring their total payroll to \$150,000. The Hiring Credit for Small Business will provide them with a credit of \$732, equal to what would otherwise have been the increase in their 2012 EI premiums over those paid in 2011.

The Canada Revenue Agency will automatically calculate the Hiring Credit when Drew and Ali file their 2012 tax return. They do not need to apply, avoiding red tape and needless delays.

Enhancing the Youth Employment Strategy

Economic Action Plan 2012 proposes \$50 million over two years to enhance the Youth Employment Strategy.

Young workers entering the workforce are facing an uncertain job market. At the same time, some sectors are facing growth-limiting labour shortages, which young Canadians should be equipped to  Government currently invests more than \$330 million annually to support young Canadians through the Youth Employment Strategy, including youth at risk and recent post-secondary graduates. Last year alone, this investment helped to connect nearly 70,000 Canadian youth with the work experience and skills training they need to build a foundation for success in the job market.

Economic Action Plan 2012 builds on this investment by providing an additional \$50 million over two years to assist more young people in gaining tangible skills and experience. This funding will focus on connecting young Canadians with jobs in fields that are in high demand.

Helping Canadian Youth Gain Skills and Experience Through the Youth Employment Strategy

The Centre for Skills Development & Training in Burlington, Ontario provided employability skills interventions to 62 youth with barriers to employment under a Skills Link project. The participants benefited from hands-on workshops in the skilled trades of construction, manufacturing and electrical. At the end of the project, 70 per cent of the participants were either employed or had returned to school.

In 2010–11, the reachAbility Association provided employability skills interventions to 10 youth with barriers to employment in Halifax, Nova Scotia under a Skills Link project. The participants benefited from various hands-on workshops that focused on subjects such as computer use, research and networking. At the end of the project, 80 per cent of the participants were employed or had returned to school.

From September 7, 2010 to June 10, 2011, the YMCA of Greater Vancouver provided career-related work experiences to 73 unemployed or underemployed post-secondary graduates across British Columbia. The participants gained 4 to 6 months of work experience in green sectors of the economy. At the end of the project, 74 per cent of the participants were employed and 3 per cent had returned to school.

From October 25, 2010 to May 31, 2011, the Canadian Media Production Association provided career-related work experience to 40 unemployed or underemployed post-secondary graduates in eight provinces across Canada. The participants gained 24 weeks of hands-on work experience in the field of film, television, and the interactive media production industry. At the end of the project, 82 per cent of the participants were employed and 2 per cent had returned to school.

ThirdQuarter Project

Economic Action Plan 2012 proposes \$6 million over three years to extend and expand the ThirdQuarter project to key centres across the country.

Older workers face particular challenges in finding employment, despite their skills and experience being valuable assets to employers and the labour market. The Targeted Initiative for Older Workers is a federal-provincial-territorial employment program that provides a range of employment activities for unemployed older workers in vulnerable communities with populations of less than 250,000 to help them stay in the workforce. Budget 2011 provided \$50 million over two years to extend this program until 2013–14, helping to ensure that displaced older workers have access to the training and employment programs they need to secure new employment.

The ThirdQuarter project is an innovative initiative, led by the Manitoba Chamber of Commerce, to help employers find experienced workers who are over 50. It provides an online forum that makes it easier for individuals to find jobs that match their skills, while helping businesses and organizations narrow the field of potential employees to those who have the skills they are seeking. ThirdQuarter was initially launched in 14 communities in British Columbia, Saskatchewan, Manitoba and the Atlantic provinces, where it has successfully connected employers with the experienced workers they had been seeking, leading to 900 older workers being hired.


In addition to the measures the Government has in place to support the employment of older Canadians who wish to remain in the workforce, Economic Action Plan 2012 is providing flexibility in the Old Age Security (OAS) program for those who wish to defer retirement. Starting on July 1, 2013, the Government will allow for the voluntary deferral of the OAS pension, for up to five years, allowing Canadians the option of deferring take-up of their OAS pension to a later time and receiving a higher, annual pension. In addition, Economic Action Plan 2012 provides the option to work longer and receive higher annual benefits.

Improving Labour Market Opportunities for Canadians With Disabilities

Economic Action Plan 2012 proposes \$30 million over three years to the Opportunities Fund and announces the creation of a panel on labour market opportunities of persons with disabilities to improve their labour market participation.

Canadians with disabilities are disproportionately impacted by economic turbulence and encounter unique challenges in finding jobs during a period of economic recovery. Many employers have experienced first-hand the invaluable contribution Canadians with disabilities make to their businesses. This Government recognizes that economic growth and prosperity requires greater participation of Canadians with disabilities in the job market.

The Government supports the participation of persons with disabilities in the economy through transfers to the provinces and territories such as the Labour Market Agreements for Persons with Disabilities (\$218 million annually) and the Labour Market Agreements (\$500 million annually). The Government also invests \$30 million annually through the Opportunities Fund for Persons with Disabilities to connect individuals with the skills and work experience needed to participate fully in the economy.

Economic Action Plan 2012 will invest an additional \$30 million over three years in the Opportunities Fund to enable more Canadians with disabilities to  work experience with small and medium-sized businesses, and to ensure employers are aware of the invaluable contribution persons with disabilities can make to their business and the Canadian economy.

The Government will also establish a panel on the labour market opportunities of persons with disabilities. The panel will identify private sector successes and best practices with regard to the labour market participation of persons with disabilities. The Minister of Finance and the Minister of Human Resources and Skills Development will review the panel's report by the end of 2012.

Helping Canadians With Disabilities Gain Employment and Work Experience Through the Opportunities Fund

From April 1, 2008 to March 31, 2011, the Canadian Council on Rehabilitation and Work provided employment services to 1,607 people with disabilities in British Columbia, Saskatchewan, Manitoba, New Brunswick, and Newfoundland and Labrador under a \$2.6-million Opportunities Fund project. At the end of the project, 572 participants were employed and 45 had returned to school.

From April 1, 2008 to March 31, 2011, the Neil Squire Society provided employment services to 571 people with disabilities in British Columbia, Saskatchewan, Ontario and New Brunswick under a \$3.5-million Opportunities Fund project. At the end of the project, 201 participants were employed and 77 had returned to school.

The participants in both these initiatives benefited from interventions that focused on skills development and work experience—often using wage subsidies to help employers hire people with disabilities.

In 2010, SPHERE-Québec received \$8.6 million over three years from the Opportunities Fund for the coordination of projects aimed at helping persons with disabilities in Quebec acquire a wide range of skills and work experiences. In 2010, the Government also contributed \$157,094 to the organization for its project *Imagine...ton avenir!*, which aims to give youth with disabilities a better chance at finding jobs.

Women on Corporate Boards

Economic Action Plan 2012 announces the creation of an advisory council of leaders from the private and public sectors to promote the participation of women on corporate boards.

Canadian women have high levels of education and business experience. Many lead successful businesses and are active members of corporate boards. Yet they remain under-represented on boards of directors and in top leadership positions. Increasing opportunities for women to serve on corporate boards makes good business sense for Canadian women and for Canada's economy. The Minister for Status of Women will work with the private sector to promote the participation of women on corporate boards and champion their leadership. Through the creation of an advisory council of leaders from the private and public sectors, the Government will work with the private sector to link corporations to a network of women with professional skills and experience.

Promoting Widespread Opportunities from Federal Shipbuilding

Economic Action Plan 2012 confirms measures to promote the involvement of small and medium-sized enterprises in shipbuilding projects.

In 2010, the Government announced the \$35-billion National Shipbuilding Procurement Strategy. A major milestone was reached in February 2012 with the signing of umbrella agreements with Irving Shipyard of Halifax and Vancouver Shipyards for the large combat and non-combat ship construction work valued at \$33 billion. These shipyards were selected through an open, fair and transparent competition. Contracts for small vessel construction, valued at \$2 billion, will be awarded to other Canadian shipyards, and ongoing refit and repair work valued at \$500 million annually will be open to all shipyards through a competitive process. Together, these investments will revitalize the marine industry in Canada and deliver the vital equipment required by Canada's naval and Coast Guard personnel to defend our sovereignty and national security, as well as advance Canadian interests abroad.

The National Shipbuilding Procurement Strategy is expected to provide thousands of high-value jobs over the next 20 to 30 years, providing stability for shipbuilders across the country. The Canadian Association of Defence and Security Industries has estimated that 15,000 direct and indirect jobs may be created over the coming decades. Economic benefits from the shipbuilding will flow to the broader marine industry, generating employment for skilled workers in a variety of sectors, such as steel manufacturing, information technology and defence systems.

The Government wants small and medium-sized enterprises to have all the information they need to be ready to take advantage of opportunities arising from the building of federal ships. The result is the Atlantic Shipbuilding Action Plan and the Western Canada Shipbuilding Action Plan. These Action Plans are designed to promote the active participation of small and medium-sized businesses in the supply chains that will result from the building of the ships and thus create growth and jobs throughout the regions.

Improving the Employment Insurance Program

Employment Insurance (EI) is Canada's single largest labour market program, providing income replacement to help individuals and their families, as well as training and other labour market supports to help Canadians return to employment. As Canada's economy and labour market context change over time, the Government must ensure EI remains effective and efficient in support of job creation and economic growth. Economic Action Plan 2012 proposes a number of targeted, common-sense changes to make EI a more efficient program that promotes job creation, removes disincentives to work, supports unemployed Canadians and quickly connects people to jobs.

Stable and Predictable EI Premium Rates

Economic Action Plan 2012 ensures stable, predictable EI premium rates by limiting premium rate increases to 5 cents each year until the EI Operating Account is in balance, and then moving to a seven-year break-even rate.

In response to the economic downturn in 2009 and 2010, the Government froze the EI premium rate in 2010 at the lowest rate since 1982, leaving more than \$3.5 billion in the pockets of workers and employers. In 2011 and 2012, the Government limited the maximum annual premium rate change to 5 cents—a full 10 cents lower than the allowable annual increase limit—to help protect Canadian jobs during a period of fragile recovery. In 2011, Shelly Glover, Parliamentary Secretary to the Minister of Finance, and Kellie Leitch, Parliamentary Secretary to the Minister of Human Resources and Skills Development, also undertook cross-country consultations with Canadians on how the EI rate-setting mechanism could be further improved. The consultations indicated that Canadians want stable and predictable EI premium rates, and a transparent rate-setting process.

In response to the consultations, the Government will introduce legislation to ensure predictability and stability in the EI premium rate. Over the next few years, the Canada Employment Insurance Financing Board (CEIFB) will continue to set the rate, but the Government will limit rate increases to no more than 5 cents each year until the EI Operating Account is balanced. Once the Account has achieved balance, the EI premium rate will be set annually at a seven-year break-even rate to ensure that EI premiums are no higher than needed to pay for the EI program. After the seven-year rate is set, annual adjustment to the rate will also be limited to 5 cents. These improvements will ensure affordability for premium payers while offering ongoing predictability and stability.

The Government will also introduce legislation to allow the premium rate to be set earlier in the Fall to provide longer notice to employers and workers. In light of this new approach to rate setting, the Government will review the size and structure of the CEIFB to ensure that independent rate setting is done in the most cost-effective manner possible.

Connecting Canadians With Available Jobs

Economic Action Plan 2012 proposes \$21 million over two years to connect unemployed Canadians with jobs.

Matching workers with available jobs is critical to supporting economic growth and productivity, as well as quality of life for Canadians. Economic Action Plan 2012 makes targeted new investments of \$21 million over two years to help unemployed Canadians find jobs more quickly. These investments will enhance the content and timeliness of the job and labour market information that is provided to Canadians who are searching for employment. This Government recognizes that providing EI claimants with relevant and timely job information is essential for a quick return to work.

Along with providing relevant and timely job information, the Government will introduce legislation to strengthen and clarify what is required of claimants who are receiving regular EI benefits and are looking for work. In the coming months, the Minister of Human Resources and Skills Development will announce fair and transparent guidelines for compliance, which take into account local labour market conditions and an individual's past history with the EI program.

The Government will also coordinate the Temporary Foreign Worker Program with efforts to connect unemployed Canadians with available jobs. In addition to the improvements to the Temporary Foreign Worker Program described later in this chapter, the Government is developing approaches to notify EI claimants when employers are looking for workers, and to inform employers if there are EI claimants in the same region who match the open positions. Creating a link between the EI program and the Temporary Foreign Worker Program will help make local and qualified Canadian workers aware of vacancies and available to fill them, while ensuring temporary foreign workers are employed where they are most needed.

Each year, the federal government transfers \$1.95 billion from the EI program to the provinces and territories to support skills training activities and job search supports for EI claimants. Over the next 12 months, the Government will work with provincial and territorial governments to make skills training and job search supports available to EI claimants earlier in their claim period.

Removing Disincentives to Work

Economic Action Plan 2012 proposes \$74 million over two years to introduce a new national Working While on Claim EI pilot project and proposes \$387 million over two years to align the calculation of EI benefit amounts with local labour market conditions.

EI claimants who stay active in and remain connected to the labour market find permanent employment faster than those who do not. The existing Working While on Claim pilot project reduces claimants' EI benefits dollar-for-dollar once they have earned a certain amount, discouraging them from accepting additional work. Economic Action Plan 2012 proposes to invest \$74 million over two years in a new, national EI pilot project that will ensure claimants are not discouraged from accepting work while receiving EI benefits. This new pilot project will cut the current clawback rate in half and apply it to all earnings made while on claim. This new pilot will ensure that EI claimants always benefit from accepting work by allowing them to keep more of what they earn while on EI and supporting their search for permanent employment.

How the New Working While on Claim Pilot Project Benefits Claimants

Jennifer is a dental hygienist who has been laid off and is receiving EI benefits of \$450 per week. She has found part-time work in a dental clinic that pays a total of \$600 per week.

Under the current Working While on Claim pilot project, Jennifer can earn up to 40 per cent of her weekly benefits, \$180, with no reduction in her EI benefit payment. Earnings above this level reduce her benefit payment dollar-for-dollar. Jennifer's combined earnings and EI benefit would be \$630.

Under the new pilot project, Jennifer's EI benefit will only be reduced by 50 per cent of her earnings from working while she is on claim. Her combined weekly income would be \$750, an increase of \$120 per week.

Economic Action Plan 2012 also proposes to invest \$387 million over two years to align the calculation of the value of EI benefits with local labour market conditions. This new approach will reduce disincentives to accepting all available work prior to applying to the EI program by permanently revising the way benefits are calculated. Beginning in April 2013, all claimants will have their EI benefit amount calculated based on the highest weeks of earnings over the preceding year. The number of weeks that will be used will range from 14 to 22, depending on the unemployment rate in the particular EI region. This approach to calculating the value of EI benefits will make the program more responsive to changes in the local labour market and ensure that those living in regions with similar labour market conditions receive similar benefits. While this new approach is being put in place, the current Best 14 Weeks pilot project will be extended, until April 2013.

Expanding Opportunities for Aboriginal Peoples to Fully Participate in the Economy

Since 2001, the Aboriginal population has increased by 25 per cent, compared with 6 per cent for the Canadian population as a whole. About 25,000 Aboriginal youth turn 15 each year and the number is expected to increase after 2016, markedly so in some provinces. Over the coming decades, Aboriginal peoples will become an increasingly important source of Canada's labour force growth.

The Government recognizes the contribution that Aboriginal peoples can make to the labour market as the youngest and fastest-growing segment of the nation's population. The investments in this budget will help Aboriginal peoples participate more fully in Canada's economy and benefit from its growth.

Investments to Improve First Nations Education

Economic Action Plan 2012 commits the Government to introduce legislation, and explore new funding mechanisms, for First Nations elementary and secondary education, and proposes \$275 million over three years to support First Nations education.

In Budget 2010 the Government committed to work with First Nations to develop options, including new legislation, to improve the governance framework and clarify accountability for First Nations elementary and secondary education. In 2011, the Government and the Assembly of First Nations launched a National Panel, which made a number of recommendations for reforming First Nations education in its February 2012 report.

In response to the Panel's report, the **Government will work with willing partners to introduce a First Nation Education Act** and have it in place for September 2014. The purpose of this legislation is to establish the structures and standards to support strong and accountable education systems on reserve. This will set the stage for more positive education outcomes for First Nations children and youth. The Government will also work to explore mechanisms to ensure stable, predictable and sustainable funding for First Nations elementary and secondary education.

To help ensure readiness for the new First Nations education system to be outlined in legislation, this budget will invest \$100 million over three years for First Nations education to provide early literacy programming and other supports and services to First Nations schools and students, and to strengthen their relationships with provincial school systems.

To complement these investments in First Nations education programming, this budget will invest \$175 million over three years to build and renovate schools on reserve, providing First Nations youth with better learning environments. This will build on investments in on-reserve school infrastructure made as part of Canada's Economic Action Plan between 2009 and 2011.

Helping First Nations on Reserve Access the Labour Force

Economic Action Plan 2012 announces the Government's commitment to improve the incentives in the on-reserve Income Assistance Program while encouraging those who can work to access training so they are better equipped for employment.

Since 2006, the Government has made substantial investments to **improve Aboriginal labour market outcomes**. Over **\$400 million annually is invested in Aboriginal skills and training through the Aboriginal Skills and Employment Training Strategy** and the **Skills and Partnership Fund**, and over **\$300 million per year supports First Nations and Inuit** in their post-secondary studies through the **Post-Secondary Student Support Program** and the **University and College Entrance Preparation Program**.

Equipping First Nations people with the skills and opportunities they need to fully participate in the economy is a priority for this Government and First Nations. In many areas of the country, First Nations communities are ideally placed to contribute to and benefit from large economic projects.

Through Economic Action Plan 2012, the Government is committing to make progress by better aligning its on-reserve Income Assistance Program with provincial systems through improved compliance with program requirements. The Government will also work with First Nations to encourage those who can work to access training and, more broadly, to improve the incentives for labour market participation in this program. Canada's young Aboriginal population has tremendous potential for long-term success and economic prosperity, and our Government is committed to helping them achieve their full potential.

Supporting First Nations Fishing Enterprises

Economic Action Plan 2012 proposes \$33.5 million in 2012-13 to extend the Atlantic Integrated Commercial Fisheries Initiative and the Pacific Integrated Commercial Fisheries Initiative.

The Atlantic and Pacific Integrated Commercial Fisheries Initiatives are designed to integrate First Nations fishing enterprises into existing commercial fisheries. Through these and related programs, the Government has invested approximately \$700 million to provide access to commercial fisheries and business development and co-management activities for First Nations fishing enterprises. To continue promoting integrated commercial fisheries, Economic Action Plan 2012 proposes \$33.5 million in 2012-13 to the Department of Fisheries and Oceans to extend these initiatives.

Urban Aboriginal Strategy

Economic Action Plan 2012 proposes \$27 million over two years to renew the Urban Aboriginal Strategy.

The Government is committed to working with other levels of government, Aboriginal organizations and the private sector to improve economic opportunities for Aboriginal peoples living in urban centres.

Through the **Urban Aboriginal Strategy**, the Government partners with Aboriginal communities and local organizations, municipal and provincial governments, and the private sector to support projects that respond to local priorities and activities such as job training, skills and entrepreneurship initiatives. For instance, the Strategy provided \$200,000 to Winnipeg's Urban Circle Training Centre, where for over 20 years around 350 urban Aboriginal people annually have received employment counselling and accredited training.

Building a Fast and Flexible Economic Immigration System

Since 2006, the Government has pursued much-needed reforms to focus Canada's immigration system on fuelling economic prosperity for Canada. For example, the Government has placed a high priority on finding people who have the skills and experience required to meet Canada's economic needs. Temporary foreign workers have been given greater opportunities to contribute to the success of our economy, and provinces and territories now have the capacity to address their labour shortages through an expanded role in selecting immigrants.

Strengthening Canada's Immigration System

Economic Action Plan 2012 announces the Government's intention build a fast and flexible economic immigration system whose primary focus is on meeting Canada's labour market needs.

By complementing recent reforms, Economic Action Plan 2012 will enable Canada to transition to an increasingly fast and flexible economic immigration system. In the future, the Government will explore with provinces, territories and employers approaches to developing a pool of skilled workers who are ready to begin employment in Canada. To ensure that immigrants are ready to work, the assessment of educational credentials will be strengthened and the federal skilled worker point system will be reformed to reflect the importance of younger immigrants with Canadian work experience and better language skills.

The Government will provide further incentives to retain educated and experienced talent through the Canadian Experience Class and introduce a new stream to facilitate the entry of skilled tradespersons. The Business Immigration Program will target more active investment in Canadian growth companies and more innovative entrepreneurs. The Provincial Nominee Program will be improved by focusing on economic immigration streams in order to respond quickly to regional labour market demand. In short, the Government is committed to strengthening the immigration system to make it truly proactive, targeted, fast and efficient in a way that will sustain Canada's economic growth and deliver prosperity for the future.

Temporary Foreign Worker Program

Economic Action Plan 2012 announces the Government's intention to better align the Temporary Foreign Worker Program with labour market demands and to ensure that businesses look to the domestic labour force before accessing the Temporary Foreign Worker Program.

Canada's labour market faces high unemployment rates in some regions and labour shortages in other regions as well as in certain sectors. Where there are acute needs in the labour market that are not easily filled by the domestic labour force, temporary foreign workers are an important resource for Canadian businesses. To meet employer demand and improve the responsiveness of the Temporary Foreign Worker Program, the Government of Canada reduced the paper burden on employers and shortened processing times. The Government has also taken steps to enhance protection for temporary foreign workers.

Going forward, the Government will continue to consider additional measures to ensure that the Temporary Foreign Worker Program supports our economic recovery and growth by better aligning the program with labour market demands. At the same time, the Government will look at ways to ensure that businesses have made all reasonable efforts to recruit from the domestic labour force before accessing the Temporary Foreign Worker Program.

Pan-Canadian Framework for the Assessment and Recognition of Foreign Qualifications

Economic Action Plan 2012 signals the Government's intention to support further improvements to foreign credential recognition and to work with provinces and territories to identify the next set of target occupations for inclusion, beyond 2012, under the Pan-Canadian Framework for the Assessment and Recognition of Foreign Qualifications.

Ensuring that foreign credentials are quickly and fairly assessed in Canada helps highly skilled newcomers find work related to their training, allowing them to quickly contribute to Canada's economy. Budget 2009 provided funding to support work on developing the Pan-Canadian Framework for the Assessment and Recognition of Foreign Qualifications, whereby foreign-trained professionals in priority occupations will have their qualifications assessed within one year, anywhere in the country. While the Framework is intended over time to apply to all regulated occupations, eight groups were identified in the Framework for inclusion by December 31, 2010. An additional six target occupations were identified in the Framework for inclusion by December 31, 2012.

2010 Target Occupations

Architects
Engineers
Medical Laboratory Technologists
Occupational Therapists
Pharmacists
Physiotherapists
Registered Nurses
Financial Auditors and Accountants

2012 Target Occupations

Dentists
Engineering Technicians



The commitment in the Framework with respect to the 2010 target occupations has been met, and work is ongoing with respect to meeting the December 2012 timeline for the additional six priority groups. The Government will continue working with provinces, territories and other stakeholders to support further improvements to foreign credential recognition, including identifying a third set of target occupations for inclusion under the Framework after 2012.

The Government is taking further steps to help internationally trained professionals enter the workforce quickly through the Foreign Credential Recognition Loans Pilot, which was launched in February 2012. The Pilot will provide funding to community-based partners—such as non-government and non-profit organizations—to increase their capacity to deliver financial assistance to eligible professionals seeking to have their credentials recognized in Canada. The loans will make it easier for internationally trained professionals to complete the credential recognition process and find jobs that best suit their skills and experience.

Federal Skilled Worker Fee Refund

Economic Action Plan 2012 proposes to return applications and refund up to \$130 million in fees to certain federal skilled worker applicants who applied prior to February 27, 2008 and have been waiting for processing to be completed.

Canada needs to select immigrants who are ready, willing and able to fully integrate into Canada's labour market and fill gaps in our economy, particularly where we have existing skills shortages. Canada has a number of economic immigration programs, the largest one being the Federal Skilled Worker Program, which is the main avenue to permanent immigration to Canada.

The large backlog of applications that has accumulated under the Federal Skilled Worker Program is impeding the responsiveness of Canada's immigration system. The Government recognized the backlog problem several years ago and has taken actions to eliminate it through our 2008 Action Plan for Faster Immigration. Before the Action Plan was introduced, the backlog had swelled to over 640,000 applicants, many of whom faced wait times of up to seven years. Through the judicious use of measures introduced by the Action Plan, the backlog has been cut to less than 300,000 applicants since 2008—a reduction of more than 50 per cent. Wait times for new applicants are now closer to 18 months on average, with some applicants waiting as little as 6 to 12 months.

Faster action is still required, however, in order to more immediately direct our efforts toward better addressing modern labour market realities. Canada risks losing the global talent competition for the world's best and brightest as potential immigrants choose to take their skills to other countries with more responsive immigration systems rather than remain in the queue to have their application processed in Canada.

Economic Action Plan 2012 therefore proposes to return applications and refund up to \$130 million in fees, on a cash basis, paid by certain federal skilled worker applicants who applied under previous criteria established prior to February 27, 2008.

Strengthening Canada's Public Infrastructure

The Government recognizes the importance of investments in public infrastructure. Efficient and modern public infrastructure helps move people, goods and services to markets and supports business competitiveness, job creation and economic growth.

The federal government plays an important role in the provision of public infrastructure in Canada. It is the custodian of an infrastructure portfolio with strategic national importance, including a wide range of transportation-related assets such as airports, ports and bridges. The Government also provides funding to support provincial, territorial and municipal infrastructure.

Since 2007, the Government has made significant investments in public infrastructure. Under the \$33-billion, seven-year Building Canada plan, the Government provides major support for provincial, territorial and municipal infrastructure for investments in priority areas such as highways, roads, bridges, public transit, water infrastructure and broadband. This includes:

- Federal funding of \$8.8 billion under the Building Canada Fund, of which an estimated \$5 billion will continue to flow beyond 2011–12 to municipalities, provinces and territories to reflect project timelines.
- Predictable and long-term funding for municipalities under the Gas Tax Fund and the Goods and Services Tax rebate for municipalities. The Government has made the \$2-billion annual allocation under the Gas Tax Fund a permanent legislated measure.
- Investments to strengthen trade-related infrastructure through the Gateways and Border Crossings Fund and the Asia-Pacific Gateway and Corridor Initiative.

The Government also made \$11 billion available for infrastructure stimulus initiatives under the stimulus phase of Canada's Economic Action Plan.

Supporting Provincial, Territorial and Municipal Infrastructure

Economic Action Plan 2012 proposes \$150 million over two years to support repairs and improvements to existing small public infrastructure facilities through the Community Infrastructure Improvement Fund.

The Government is taking concrete steps to deliver on its commitment to work with provinces, territories, the Federation of Canadian Municipalities and other stakeholders on the development of a long-term plan for public infrastructure that extends beyond the expiry of the Building Canada plan in 2014.

Consultations are underway with our partners and stakeholders. Together, we will explore broad directions and priorities for a new plan that will focus on investments in infrastructure that support long-term economic growth and prosperity, while encouraging greater private sector involvement and increasing the use of public-private partnerships where they can generate better value for taxpayers. A new plan will be designed to leverage funding from all governments and the private sector and ensure affordability and sustainability over the long term.

Over the next two years, the Government will spend nearly \$12 billion to support provincial, territorial and municipal infrastructure through existing initiatives.

Community-based facilities contribute to the quality of life in small communities and large urban centres across Canada. To support repairs and improvements to existing facilities, such as community centres, Economic Action Plan 2012 proposes \$150 million over two years for the establishment of a Community Infrastructure Improvement Fund. This new Fund will improve the quality of facilities enjoyed by Canadians while supporting job creation in communities across the country.

The Fund will be delivered by the regional development agencies and will support projects on a cost-shared basis in partnership with municipalities, community organizations and not-for-profit entities. Projects will be selected on the basis of their readiness to proceed and the anticipated economic benefits, including job creation.

Territorial Borrowing Limit

Economic Action Plan 2012 is confirming the introduction of amendments to the Yukon Act, the Northwest Territories Act and the Nunavut Act to create new regulations that will ensure consistent treatment of borrowing across the three territories and with their Public Accounts.

The Government of Canada is committed to supporting the three territorial governments in developing their economic potential. An important aspect of this support is providing clear rules by which territorial governments may borrow to undertake investments in their future. The Government of Canada will introduce amendments to the Yukon Act, the Northwest Territories Act and the Nunavut Act to create new regulations that will ensure consistent treatment of borrowing across the three territories and with their Public Accounts. This will provide certainty to territorial governments as they plan for their future.

In addition, the three territorial borrowing limits have been increased to \$800 million, \$400 million and \$400 million respectively for the Government of the Northwest Territories, the Government of Yukon and the Government of Nunavut. This provides additional capacity for the three governments to borrow in support of their priorities, such as major infrastructure projects.

Making Important Investments in Strategic Public Infrastructure

Maintaining Safe and Reliable Passenger Rail Services

Economic Action Plan 2012 proposes \$105 million in 2012–13 on a cash basis to support VIA's operations and capital projects.

VIA Rail Canada operates the country's national passenger rail service. In 2010, VIA served over 4 million passengers and connected 450 communities across Canada. To support VIA's operations and investments in track signalling systems, track components, station repairs and information technology projects, Economic Action Plan 2012 proposes \$105 million in 2012–13 on a cash basis for VIA Rail Inc. These investments will enhance the safety and efficiency of VIA Rail Canada's operations.

Strengthening Canada's Port System

Economic Action Plan 2012 proposes \$27.3 million over two years to support the divestiture of regional port facilities and the continued operation and maintenance of federally owned ports.

Canada's ports are an integral part of the national transportation system and play an important role in Canada's international trade. The Government has recently announced up to \$85.6 million in funding for capital projects and other modernization initiatives at the Ports of Montreal, Saguenay, and Sept-Îles. These investments will support the role of these ports as gateways to global markets and promote jobs and growth in the region.

Under the National Marine Policy, the Government has taken steps to strengthen the public port system by establishing dedicated and independent port authorities for Canada's largest ports and divesting smaller regional ports to local interests. Port divestiture improves the efficiency of Canadian marine transportation by rationalizing the port system and placing decision making and operations in the hands of users and local interests. This will allow communities to own and control the use of their facilities and determine service and maintenance levels appropriate to their circumstances. To support the divestiture of regional port facilities and the continued operation and maintenance of federally owned ports, Economic Action Plan 2012 proposes \$27.3 million over two years for Transport Canada.

Renewing the Canadian Coast Guard Fleet

Economic Action Plan 2012 proposes \$5.2 billion over the next 11 years on a cash basis to renew the Fleet of the Canadian Coast Guard.

This year, the Canadian Coast Guard celebrates 50 years of dedicated service. The Coast Guard plays a key role in supporting the safety of Canadians, promoting uninterrupted shipping to Canadian port gateways, and facilitating trade flows. It delivers search and rescue programs, provides marine pollution responses, and supports science and other government maritime activities. The Canadian Coast Guard is Canada's main maritime presence, especially in the high Arctic.

To renew the Canadian Coast Guard Fleet to make it more adaptable, capable and cost-efficient, Economic Action Plan 2012 proposes \$5.2 billion over the next 11 years on a cash basis. The procurement of new vessels and helicopters for the Canadian Coast Guard, as well as work related to repairing and refitting existing vessels, will support jobs and generate significant economic benefits.

Maintaining and Improving Federal Infrastructure

Economic Action Plan 2012 provides \$101 million on a cash basis to restore and modernize the Esquimalt Graving Dock.

The Esquimalt Graving Dock, which was originally constructed in 1927, is the largest deep-sea shipbuilding and repair facility on Canada's West Coast. It generates economic benefits totaling \$183 million annually for British Columbia and it supports an estimated 1,300 jobs in the Greater Victoria Area.

Budget 2011 provided \$148 million, on a cash basis, over five years to carry out capital expenditures to maintain and improve a number of engineering assets, such as bridges, dams and other specialized assets, across Canada. Building on this commitment, Economic Action Plan 2012 proposes an additional \$101 million, on a cash basis, over the next five years for Public Works and Government Services Canada to restore and modernize the Esquimalt Graving Dock. This investment will help maintain jobs and support economic activity in southern British Columbia.

Investing in Border Infrastructure

Under the Beyond the Border Action Plan, announced in Fall 2011, the Government will modernize and expand capacity at priority border facilities in Western and Central Canada. Investment in modern infrastructure at key land ports of entry will ensure that our border crossings have the capacity to support the volume of commercial and passenger traffic resulting from economic growth and job creation.

The Windsor-Detroit trade corridor is North America's most important land crossing. The Government will continue to work with the State of Michigan, the U.S. Government and the Province of Ontario to make timely progress toward the construction of a new crossing.

Building a New Bridge over the St. Lawrence

The Government is building a new bridge to replace the existing Champlain Bridge in Montréal. It will span the St. Lawrence River to connect the Island of Montréal to the South Shore. This is the busiest crossing in Canada for cars, trucks and buses, and is vital to the regional and national economies with an estimated \$20 billion in international trade crossing the bridge annually.

There are many components to the project, including environmental assessment, design work and financial analysis. In January, the Government formally launched the federal environmental assessment phase of the project. The Government will continue close collaboration with key stakeholders, including the Government of Quebec and municipalities in the region, as the project moves forward. The new bridge is expected to open in 2021-2022.

The Government has invested in the safety and security of the Champlain Bridge. Investments totalling \$380 million since 2009 will keep the bridge safe until the new crossing is complete.

Table 3.3
Investing in Training, Infrastructure and Opportunity
millions of dollars

	2011-12	2012-13	2013-14	Total
Supporting Job Creation, Small Business and Skills Training				
Extending the Hiring Credit for Small Business	51	154		205
Enhancing the Youth Employment Strategy		25	25	50
ThirdQuarter Project		2	2	4
Improving Labour Market Opportunities for Canadians with Disabilities		5	13	18
Subtotal—Supporting Job Creation, Small Business and Skills Training	51	186	40	277
Improving the Employment Insurance Program				
Connecting Canadians With Available Jobs		11	10	21
Removing Disincentives to Work				
New National Working While on Claim EI Pilot Project		28	46	74
Aligning Benefits With Local Labour Market Conditions		138	249	387
Subtotal—Improving the Employment Insurance Program		177	305	482
Expanding Opportunities for Aboriginal Peoples to Fully Participate in the Economy				
Investments to Improve First Nations Education		45	115	160
Supporting First Nations Fishing Enterprises		34		34
Urban Aboriginal Strategy		14	14	27
Subtotal—Expanding Opportunities for Aboriginal Peoples to Fully Participate in the Economy		92	129	221
Building a Fast and Flexible Economic Immigration System				
Federal Skilled Worker Fee Refund		5	4	9
Strengthening Canada's Public Infrastructure				
Supporting Provincial, Territorial and Municipal Infrastructure		75	75	150
Making Important Investments in Strategic Public Infrastructure				
Maintaining Safe and Reliable Passenger Rail Services		49	9	58
Strengthening Canada's Port System		16	11	27
Renewing the Canadian Coast Guard Fleet		9	29	38
Maintaining and Improving Federal Infrastructure		-	1	1
Subtotal—Strengthening Canada's Public Infrastructure		150	124	274

Total—Investing in Training, Infrastructure and Opportunity	51	609	601	1,262
Less funds existing in the fiscal framework		72	53	125
Net fiscal cost	51	537	549	1,137
Note: Totals may not add due to rounding.				

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