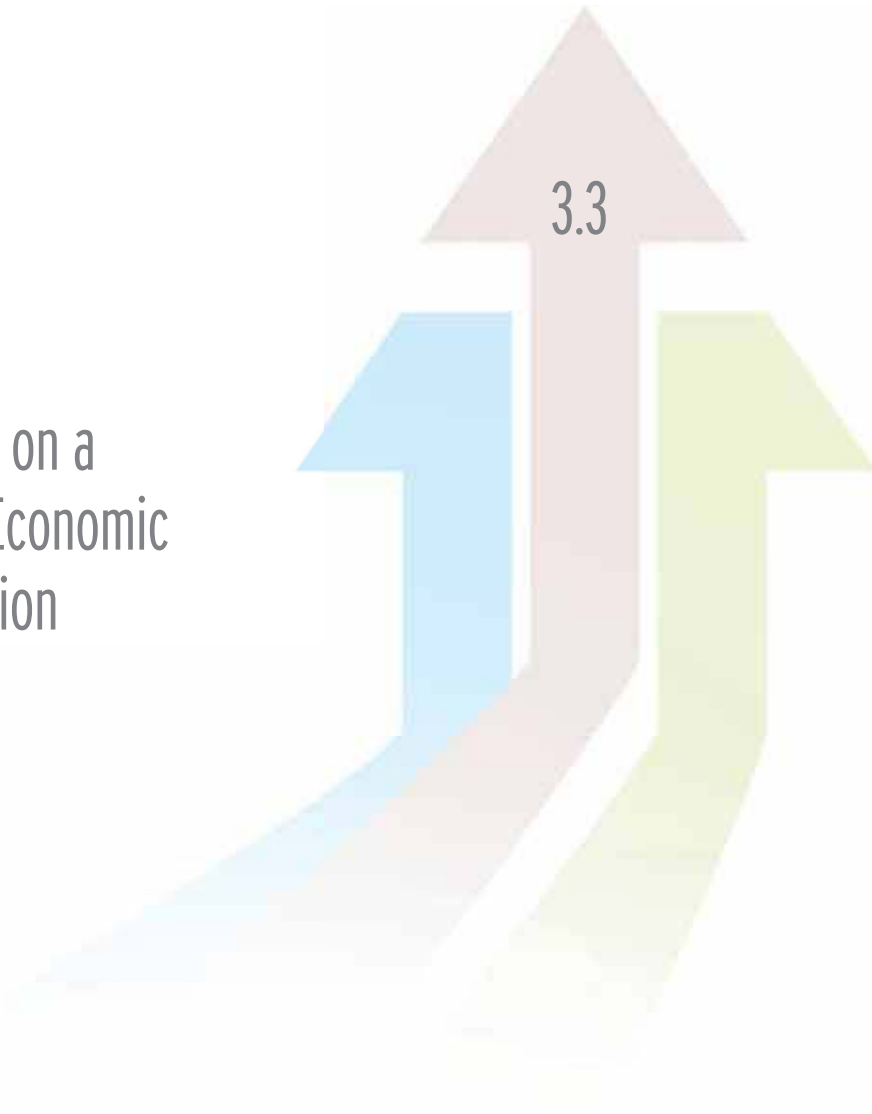


Building on a
Strong Economic
Foundation





Highlights

Jobs Protection and Youth Employment Measures

Budget 2010 builds on the Economic Action Plan with targeted actions to protect Canadian workers from the effects of the global economic recession by:

- ✓ Temporarily extending the maximum length of work-sharing agreements to protect jobs.
- ✓ Supporting the next generation of business leaders with \$10 million in new funding for the Canadian Youth Business Foundation.
- ✓ Providing \$60 million in 2010–11 to assist more young Canadians while the labour market recovers.
- ✓ Investing \$20 million in support of Pathways to Education Canada's work to support disadvantaged youth.
- ✓ Committing \$30 million to support better elementary and secondary education outcomes for First Nations students.

Creating Economic Growth and Jobs Through Innovation

Budget 2010 makes targeted changes to improve Canada's productivity growth through innovation by:

- ✓ Providing \$45 million over five years to establish a post-doctoral fellowship program to help attract the research leaders of tomorrow to Canada.
- ✓ Delivering \$222 million in funding over five years to strengthen the world-leading research taking place at TRIUMF, Canada's premier national laboratory for nuclear and particle physics research.
- ✓ Increasing the combined annual budgets of Canada's research granting councils by an additional \$32 million per year, plus an additional \$8 million per year to the Indirect Costs of Research Program.
- ✓ Providing Genome Canada with an additional \$75 million for genomics research.
- ✓ Doubling the budget of the College and Community Innovation Program with an additional \$15 million per year.



- ✓ Providing \$135 million over two years to the National Research Council Canada's regional innovation clusters program.
- ✓ Providing \$48 million over two years for research, development and application of medical isotopes.
- ✓ Providing a total of \$497 million over five years to develop the RADARSAT Constellation Mission.
- ✓ Launching a new Small and Medium-sized Enterprise Innovation Commercialization Program with \$40 million over two years.
- ✓ Renewing and making ongoing \$49 million in annual funding for the regional development agencies to support innovation across Canada.

Encouraging Investment and Trade to Create Jobs and Growth

Budget 2010 takes further action to improve conditions for investment, enhance competition, and reduce barriers for businesses by:

- ✓ Making Canada a tariff-free zone for industrial manufacturers by eliminating all remaining tariffs on machinery and equipment and goods imported for further manufacturing. When fully implemented, this will provide \$300 million in annual duty savings for Canadian business to support investment and growth and create jobs.
- ✓ Improving Canada's system of international taxation to facilitate investment, cut red tape, and streamline the compliance process associated with the taxation of cross-border activity.
- ✓ Establishing a new Red Tape Reduction Commission.
- ✓ Providing \$7.2 million over two years to improve Canadian fish and seafood industry access to the international marketplace.
- ✓ Delivering \$75 million over three years to support investments by Canadian cattle processing plants to help improve their operations to ensure cattle producers have access to competitive cattle processing operations in Canada.



Green Jobs and Growth

Budget 2010 includes measures to promote energy investments, help develop and deploy clean energy technologies, and protect and enrich Canada's unique environmental heritage by:

- ✓ Establishing the Next Generation Renewable Power Initiative, with \$100 million over the next four years to support the development, commercialization and implementation of advanced clean energy technologies in the forestry sector.
- ✓ Modernizing the regulatory system for project reviews, and supporting consultation with Aboriginal peoples on major resource projects.
- ✓ Expanding eligibility for accelerated capital cost allowance for investment in clean energy generation assets.

Modernizing Canada's Infrastructure

Budget 2010 strengthens the Government's already significant investments in Canada's infrastructure by:

- ✓ Providing \$175 million over two years to renew Marine Atlantic's fleet and shore facilities and improve its services.
- ✓ Providing \$28 million to ensure Atlantic ferry services continue to operate in a safe and reliable condition.
- ✓ Providing \$51 million over two years to The Jacques Cartier and Champlain Bridges Incorporated to maintain the safety of Montréal's bridges.



Strengthening the Financial Sector

Budget 2010 introduces measures that will support Canada's strong and competitive financial sector by:

- ✓ Moving forward with the majority of provinces and territories to establish a Canadian securities regulator within the next three years.
- ✓ Extending access to financing through continuation of the Business Credit Availability Program (BCAP) and the creation of the Vehicle and Equipment Financing Partnership under BCAP.
- ✓ Moving ahead with a Code of Conduct for the Credit and Debit Card Industry in Canada and proposing legislation to provide the Minister of Finance with the authority to regulate the market conduct of the credit and debit card networks, if required.
- ✓ Introducing a legislative framework to enable credit unions to incorporate and continue federally, which will promote the continued growth and competitiveness of the sector and enhance financial stability.
- ✓ Enhancing the financial consumer protection framework through new measures to improve the business practices and disclosure regime for federally regulated financial institutions.



The Government is taking targeted actions to create and maintain jobs and encourage economic growth. Budget 2010 builds on Canada's Economic Action Plan with initiatives to protect jobs, harness innovation to further improve Canada's economic advantage, support increased business investment and access to the international marketplace, create a more sustainable environment, modernize transportation infrastructure, and strengthen the financial system.

Jobs Protection and Youth Employment Measures

Canada's Economic Action Plan takes decisive action to support the economy and Canadians during the deepest global economic recession since the Second World War. In the first year of the Plan (2009–10), significant stimulus has been provided to protect and create jobs. Year 2 of the Action Plan delivers \$19 billion in new federal stimulus spending, including \$4 billion to create and protect jobs through additional Employment Insurance (EI) benefits by maintaining low EI premium rates and improving access to training and skills development. The Economic Action Plan has contributed to the stabilization of labour market conditions. Nevertheless, many Canadians are struggling to find jobs. In recognition of this, Budget 2010 includes additional measures to support those workers.

Work-Sharing

Work-sharing avoids layoffs by offering Employment Insurance income benefits to qualifying workers willing to work a reduced work week while their employer recovers. The Economic Action Plan extended work-sharing agreements by 14 weeks, to a maximum of 52 weeks, and increased access to work-sharing agreements by providing greater flexibility in the qualifying criteria and streamlining processes for employers. More than 160,000 workers are currently participating in nearly 6,000 work-sharing agreements.

Budget 2010 extends this measure. Existing or recently terminated work-sharing agreements will be extended by an additional 26 weeks, to a maximum of 78 weeks. Greater flexibility in the qualifying criteria for new work-sharing agreements will also continue to be provided. Both of these enhancements will be in place until March 31, 2011.

This measure, estimated to cost \$106 million over two years, means even more workers will keep their jobs, while employers will also be able to retain skilled employees with years of experience. This extended enhancement to work-sharing will continue to reduce the financial impact of the downturn on workers and their communities.



Building Skills for Youth

Young workers have been significantly affected by the recession. Budget 2010 invests \$108 million over three years to assist young people looking to gain skills and experience. This includes additional support for the education of First Nations children and youth.

Youth Internships

Recent post-secondary graduates are facing an uncertain job market. The Youth Employment Strategy is the Government's key labour market program to help young people. To help more new graduates obtain valuable work experience in their field, Budget 2010 provides a one-year \$30-million increase in funding for the Career Focus component of the Youth Employment Strategy. This measure will provide additional support to Canadian employers and organizations willing to offer valuable career-related work experience to college and university graduates, including more internships in green sectors of the economy. This will allow more young Canadians to get that vital first job in their field of study.

Supporting Young Entrepreneurs

The Canadian Youth Business Foundation is a national organization that helps young Canadians become successful entrepreneurs by providing mentorship, learning resources and start-up financing where commercial lending is unavailable. Through its presence in communities across Canada, the Foundation supports the next generation of business leaders in developing the skills and experience necessary to thrive in today's competitive economy. Budget 2010 provides \$10 million in 2009–10 to the Canadian Youth Business Foundation to support its work with Canada's young entrepreneurs.

Youth at Risk

The Skills Link component of the Youth Employment Strategy was developed to assist youth in a range of circumstances, including persons with disabilities, single parents, Aboriginal Canadians, recent immigrants, those living in rural and remote areas, and those who have not completed high school. Skills Link provides funding to organizations to help these young Canadians develop the broad range of skills, knowledge and work experience they need to participate and succeed in the job market.

Budget 2010 provides a one-year \$30-million increase in funding for Skills Link to assist more young Canadians while the labour market recovers. This initiative will provide more opportunities for young Canadians to successfully join the labour market.



Pathways to Education Canada

A gap continues to exist between the post-secondary participation rates of youth from lower-income backgrounds and youth from higher-income backgrounds. Research shows that many of the barriers are not financial, and that some youth need other supports to reach their goals. Pathways to Education Canada is a unique program of early interventions and support for high school students. It has an established record of reducing high school drop-out rates and increasing post-secondary enrolment of students from inner city high schools. This community-based, volunteer-supported program provides tutoring, mentoring, counselling and financial support to disadvantaged youth and their families.

Budget 2010 provides \$20 million for Pathways to Education Canada to partner with the private sector, other governments and non-governmental organizations and work with communities in support of disadvantaged youth. This funding will enable Pathways to extend its reach to more young Canadians who are facing barriers to their pursuit of post-secondary education.

Supporting Better Education Outcomes for First Nations

The Government is committed to working with First Nations and provinces to ensure that First Nations children receive the education they require for success.

Budget 2010 provides \$30 million over two years to support an implementation-ready tripartite K-12 education agreement. This agreement will ensure First Nations students benefit from comparable education and achieve comparable results whether the classroom is located on or off reserve.

The Government will work with First Nations groups and other willing partners to develop options, including new legislation, to improve the governance framework and clarify accountability for First Nations elementary and secondary education.

In addition, the Government will engage in a new approach to providing support to First Nations and Inuit post-secondary students to ensure that students receive the support they need to attend post-secondary education. The new approach will be effective and accountable, and will be coordinated with other federal student support programs.



Helping youth acquire skills and participate in the labour market

Strong Record of Support for Youth

The Government recognizes the importance of high quality education and skills training for young Canadians. A number of programs are already in place to help youth get an education, acquire skills and get a job:

- \$342 million per year for the Youth Employment Strategy to give young Canadians needed support as they pursue an education and careers.
- \$2.2 billion per year to help students deal with the costs of education through grants, scholarships and loan programs.
- \$100 million per year for the Apprenticeship Incentive Grant and \$40 million per year for the Apprenticeship Completion Grant to encourage more young Canadians to pursue apprenticeships.
- \$80 million per year for a tax credit to a maximum of \$2,000 per apprentice per year through the Apprenticeship Job Creation Tax Credit to encourage employers to hire apprentices.
- \$20 million per year for two years under the Economic Action Plan to enhance student employment opportunities under the Canada Summer Jobs Program and the Federal Student Work Experience Program.

Budget 2010 provides a further \$108 million over three years to support young people looking to gain skills and experience.

Creating Economic Growth and Jobs Through Innovation

As the global economy emerges from the recent downturn, nations that prosper will be those that can most effectively utilize their resources and create a unique competitive advantage. Securing sustained economic growth and a rising standard of living for Canadians will require that businesses and individuals have the tools, the drive and the creativity to lead this global race.

For Canada, the key challenge will be to improve the rate at which our productivity is growing. Faster productivity growth will allow us to produce more with fewer resources, increasing our wealth and helping us deal with challenges such as an aging population and a stronger currency. Being more productive does not mean working more for less pay. It means becoming better at what we do, so that we can attract more investment, create more jobs, and have the resources to support the public services we want.



There is no single factor that drives productivity growth. For this reason, the Government has pursued a broad approach, as set out in its long-term economic plan, *Advantage Canada*, to put in place strategic advantages that will allow our country to prosper. Significant progress has been achieved to date in implementing *Advantage Canada*. This progress includes historic tax reductions that are helping to provide Canada with the lowest overall tax rate on new business investment in the G7 this year. It also includes the strengthening of Canada's investment and competition policies, and significant investments in critical infrastructure across the country.

Budget 2010 builds on earlier investments by providing new resources to help develop and attract talented people, strengthen our capacity for world-leading research, improve commercialization, accelerate private sector investment, enhance the ability of Canadian firms to participate in global markets, and create a more competitive business environment. This budget will also make Canada a tariff-free manufacturing zone by positioning Canada as the first of the G20 countries to allow industrial manufacturers to operate without the burden of tariffs and diversify their linkages to new markets.

Strengthening Canada's Tax Advantage

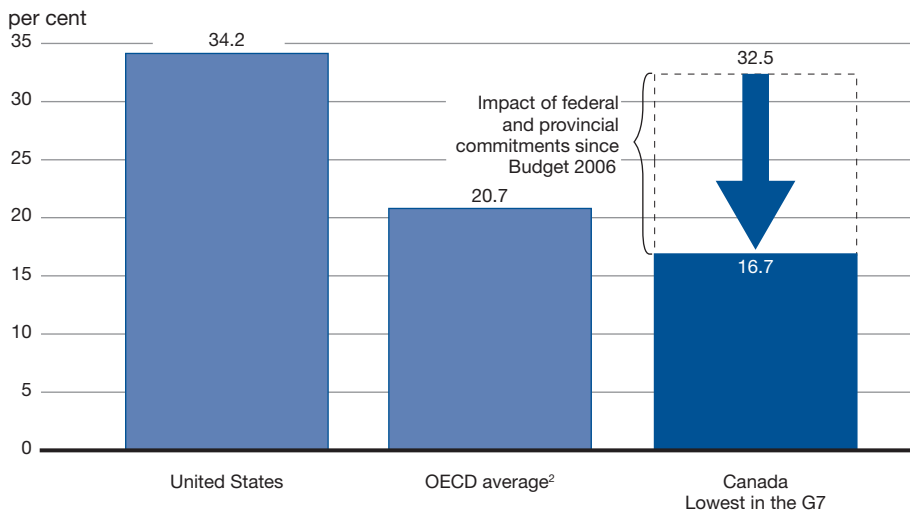
The tax reductions in the Economic Action Plan reinforce the Government's ambitious agenda of tax relief aimed at creating a tax system that improves standards of living, and fuels job creation and investment in Canada. Over the medium term, the Government will continue to strengthen Canada's Tax Advantage.

Canada's business tax advantage is being strengthened as the Government of Canada, provinces and territories progress toward the goal of a 25-per-cent combined federal-provincial corporate income tax rate.



Canada is emerging from the recession with a highly competitive tax environment for business investment

Chart 3.3.1
Attracting New Investment
Tax Rate¹ on New Business Investment, 2012



¹ The Marginal Effective Tax Rate (METR) includes measures announced as of February 1, 2010. It excludes resource and financial sectors and tax provisions related to research and development.

² Excludes Canada.

Source: Department of Finance.

The federal general corporate income tax rate was reduced to 18 per cent on January 1, 2010. It will be further reduced to 16.5 per cent on January 1, 2011 and to 15 per cent on January 1, 2012. With Ontario, British Columbia, New Brunswick and Manitoba having announced their own rate reductions, and Alberta already at 10 per cent, the provinces and territories are converging towards a 10-per-cent corporate income tax rate. The benefits of continued provincial and territorial corporate income tax rate convergence include:

- A strengthening of Canada's business tax advantage, resulting in the business investment necessary to create new and better jobs and increase living standards for Canadians.
- A better allocation of investment in Canada, thereby promoting higher rates of productivity and economic growth.
- A reduced incentive for unproductive interprovincial tax planning, thereby protecting the tax bases of the provinces and territories and simplifying tax compliance for corporations.



Provinces and territories are a vital part of Canada's Tax Advantage. They have taken important actions to improve Canada's tax competitiveness, which are helping build a solid foundation for economic growth, job creation and higher rates of productivity growth.

The Government of Canada has a number of tax agreements with provinces and territories that result in greater efficiency and simplicity of the tax system. Work is always ongoing to improve and enhance the application and administration of these agreements. We will continue to respect provincial decisions in their areas of jurisdiction and remain open to negotiating in good faith with them.

Creating a More Highly Skilled Workforce

Highly skilled, knowledgeable and creative workers are the foundation of an innovative economy. Since 2006, the Government has created 500 new prestigious Vanier Canada Graduate Scholarships and created 1,000 permanent Canada Graduate Scholarships. Through the Economic Action Plan, the Government has funded an additional 2,500 scholarships in response to the global economic downturn, introduced the Canada Excellence Research Chairs initiative, and created additional Industrial Research and Development internships. These initiatives help attract leading researchers to Canada, enhance the incentives for young Canadians to pursue advanced education, and encourage businesses to create high quality jobs for recent graduates.

Post-doctoral research is a valuable way for recent doctoral graduates to gain additional experience prior to embarking on a faculty or applied research career. Building on the significant investments made since 2006, Budget 2010 provides \$45 million over five years to the granting councils to establish a new and prestigious post-doctoral fellowships program to attract top-level talent to Canada.

The proposed new post-doctoral fellowship program will be designed to be internationally competitive. These fellowships will be valued at \$70,000 each per year for two years. The first fellowships will be awarded in 2010–11. At maturity, the new program will fund 140 fellowships annually.



World-Leading Research Infrastructure

In recent budgets, the Government has made significant new investments to modernize and upgrade infrastructure at Canadian post-secondary institutions. The Economic Action Plan introduced the \$2-billion Knowledge Infrastructure Program to accelerate repairs, maintenance and construction at universities, colleges and research hospitals.

Building on these investments, Budget 2010 provides significant new funding for cutting-edge research facilities to help create the jobs of the future.

Canadian High Arctic Research Station

Science and technology play an important role in reinforcing Canada's sovereignty in the Arctic by helping to achieve economic, environmental and strategic objectives in the North. Canada's Economic Action Plan laid the groundwork for delivering on the Government's commitment to build a world-class Canadian High Arctic Research Station by providing \$2 million over two years for a feasibility study for the proposed facility. Budget 2010 is taking a further step by providing \$18 million over five years to Indian and Northern Affairs Canada to commence the pre-construction design phase for the station.

TRIUMF

The TRIUMF facility in British Columbia is Canada's premier national laboratory for nuclear and particle physics research and is home to the world's largest cyclotron. In addition to fundamental research in subatomic physics, TRIUMF has gained an international reputation as a leader in advanced medical imaging, nuclear medicine, and research in the environmental and material sciences. TRIUMF collaborates with industry partners to commercialize its scientific breakthroughs, including its successful relationship with MDS Nordion in the production of radioisotopes and radiation-related technologies used to diagnose, prevent and treat disease.



Budget 2010 provides \$126 million over five years to strengthen the world-leading research taking place at TRIUMF. In combination with \$96 million to be provided from existing resources of the National Research Council Canada, federal support for TRIUMF's core operations will total \$222 million over the next five years.

Supporting Advanced Research

The Government has made significant investments to strengthen our post-secondary research environment in recent budgets, including the additional \$4.9 billion provided through Canada's Economic Action Plan to support post-secondary infrastructure and advanced research, and create new scholarships and internships for promising students. Budget 2010 builds on these important investments by providing additional resources for advanced research at Canada's post-secondary institutions.

The Research Granting Councils

The three federal granting councils—the Natural Sciences and Engineering Research Council of Canada (NSERC), the Canadian Institutes of Health Research (CIHR), and the Social Sciences and Humanities Research Council of Canada (SSHRC)—are the primary institutions through which the federal government supports research at Canada's universities, colleges and research hospitals. They fund breakthrough research projects, support the training of graduate students and help accelerate the translation of knowledge into practical applications. These investments contribute to the creation of high-paid jobs in Canada.

Budget 2010 increases the annual budgets of the three granting councils by an additional \$32 million per year, starting in 2010–11. This new funding will enable the councils to sustain their overall support for research and lead to increased commercialization in Canada. The new resources for the councils will be allocated as follows:

- \$16 million per year to the CIHR to support outstanding health-related research and development.
- \$13 million per year to NSERC, including \$8 million per year to strengthen its support for advanced research, and \$5 million per year to foster closer research collaborations between academic institutions and the private sector through NSERC's Strategy for Partnerships and Innovation.
- \$3 million per year to SSHRC to support world-leading research in the social sciences and humanities.



Budget 2010 also provides an additional \$8 million per year to the Indirect Costs of Research Program. This enhanced funding will help institutions support the additional research activities enabled by the new resources provided to the federal granting councils through Budget 2010.

Genome Canada

Genome Canada is a not-for-profit corporation dedicated to establishing Canada as a research leader in genomics, an area of science that has seen some of the most dramatic advances in the past two decades. Genomics research has the potential to improve lives through better health, a cleaner environment and more sustainable use of natural resources. Genome Canada has been successful in establishing world-calibre genomics science capacity in Canada by funding first-class research, establishing cutting-edge innovation centres and helping train the next generation of researchers. To date, the Government has provided \$840 million to Genome Canada, which along with funding from other partners will result in over \$1.7 billion in genomics research in Canada.

Budget 2010 provides Genome Canada with an additional \$75 million in 2009–10 to launch a new targeted research competition focused on forestry and the environment and sustain funding for the regional genomics innovation centres.

Rick Hansen Foundation

The Rick Hansen Foundation is a not-for-profit organization dedicated to accelerating the discovery of a cure for spinal cord injury and improving the quality of life of people with spinal cord injuries. This year, the Foundation is celebrating the 25th anniversary of Rick Hansen's Man in Motion World Tour, which saw him visit more than 30 countries and raise over \$26 million for spinal cord research. To mark the occasion, the Foundation will launch the new Rick Hansen Institute, building on existing federal support to create an international centre of excellence in spinal cord care and research.

Budget 2010 provides \$9 million over two years to support the Rick Hansen Foundation, including the 25th anniversary of the Man in Motion Tour and the new Rick Hansen Institute. This funding will contribute to advancing knowledge and research that will improve the lives of people suffering from spinal cord injuries in Canada and abroad.



Knowledge Transfer and Commercialization

Canada is a world leader in post-secondary research, but to fully realize value from our investments in this area, we must improve the translation of research discoveries into new goods, services and technologies.

The Government has recognized the need to better link researchers and businesses, and has introduced a number of initiatives that promote collaborative research partnerships and knowledge transfer to businesses. Budget 2010 provides additional resources to support commercialization and enable innovative companies to benefit from federal investments in research, leading to the creation of additional high-value jobs and an increased standard of living for Canadians.

Supporting College Innovation

Colleges make important contributions to advancing Canada's innovation capacity by working with businesses and playing a key role in translating knowledge into practical applications that open new markets and create high-value jobs. The applied research and training capacity at colleges and polytechnics is a tremendous resource for building a more knowledge-driven economy. Our 150 colleges and polytechnics, with locations in over 1,000 communities, are uniquely placed to work with businesses and industries to address real-life market needs and opportunities.

The College and Community Innovation Program (CCIP) successfully enables applied research collaborations between colleges and local firms focused on specific company needs. Through Budget 2010, the Government is doubling the budget of the CCIP by providing an additional \$15 million per year starting in 2010–11. The new resources will support additional collaborative projects in colleges across the country, strengthen the competitiveness of small and medium-sized businesses through innovation, and enable additional young Canadians to prepare for the jobs of tomorrow.



National Research Council Canada Regional Innovation Clusters

The National Research Council Canada's (NRC) regional innovation clusters program aims to foster knowledge-based partnerships among business, academia and other levels of government, helping regions and communities build a competitive advantage through research and innovation in targeted areas. Program funding supports 11 technology clusters across all 10 provinces. These cluster initiatives support the development of dynamic Canadian firms, generate jobs and transform local economies.

Budget 2010 provides \$135 million over the next two years to build on the success to date of the cluster initiatives in developing networks of innovative businesses, NRC scientists and communities, promoting regional economic growth through innovation, and leveraging Canada's investment in research into economic and social benefits for all Canadians.

Diversifying the Supply of Medical Isotopes

Provinces and Canadian health researchers are exploring new avenues for the production and use of medical isotopes. The Government of Canada is taking action to help support these efforts. Budget 2010 provides \$35 million over two years to Natural Resources Canada to support research and development of new technologies for the production of isotopes.

An additional \$10 million over two years will be provided to the Canadian Institutes of Health Research for a clinical trials network to help move research on isotopes and imaging technologies into clinical practice, and \$3 million over two years will be provided to Health Canada to work with stakeholders to optimize the use of medical isotopes in the health system.

Canadian Space Agency

Canada's space industry is a sophisticated research and innovation leader, successfully turning its investment in knowledge into a global advantage in several niche areas, including robotics and satellite communications. Through the Canadian Space Agency, the Government of Canada has played a crucial role in the development of the Canadian space sector and the creation of high-paid jobs, by investing in new industry-developed space technologies and applications.

Canada's RADARSAT-1 and RADARSAT-2 satellites provide a wide range of enhanced capabilities, including more advanced maritime surveillance, support for operations of Canadian Forces at home and abroad, weather and climate change assessment, disaster management and ecosystem monitoring.



To ensure that Canada maintains its strong position in this important field, Budget 2010 provides the Canadian Space Agency with \$397 million over five years to work with the Canadian space industry to develop the RADARSAT Constellation Mission, the next generation of advanced radar remote sensing satellites. Together with \$100 million from existing resources of the Canadian Space Agency, \$497 million will be invested over five years in advanced research, technology development and construction associated with the Constellation Mission. The bulk of this spending will occur after 2011–12.

Promoting Innovation by Small and Medium-Sized Businesses

Small and medium-sized businesses are an important component of our economy, estimated to account for about 98 per cent of all businesses in Canada and employing more than 5 million people, roughly half of the private sector workforce. Becoming more innovative will allow Canadian small and medium-sized businesses to grow faster and create additional high-value jobs. Yet in many cases, smaller Canadian companies that develop new and innovative products and technologies struggle to find buyers due to the higher risk associated with untested products. The federal government can play an important role in helping smaller businesses introduce innovations into the marketplace by providing an opportunity for companies to demonstrate the successful application of new concepts on a commercial scale.

Recognizing this, the Government will support innovation in Canada's small business sector by launching a new Small and Medium-sized Enterprise Innovation Commercialization Program, a two-year pilot initiative through which federal departments and agencies will adopt and demonstrate the use of innovative prototype products and technologies developed by small and medium-sized businesses. Budget 2010 provides \$40 million over two years to support up to 20 demonstration projects. To help small and medium-sized businesses take advantage of this initiative, the Government will organize regional trade shows so that companies can showcase their innovative concepts to federal departments. Further details regarding this initiative will be announced later in the spring of 2010.



International Science and Technology Partnerships

Budget 2010 will provide \$8 million over two years to extend the International Science and Technology Partnerships Program (ISTPP). The ISTPP was launched to promote collaborative research and development activities with international partners such as India, China and Brazil. As a “seed fund,” the ISTPP helps to foster strategic international partnerships that accelerate the commercialization of research and development, leading to new market opportunities for Canadian businesses, particularly small and medium-sized enterprises.

Advancing the Digital Economy

Canadian businesses lag their international competitors in the development and adoption of innovative information and communications technologies (ICT). The ICT sector creates high-skilled, high-paying jobs in Canada, and the adoption of information and communications technologies helps to raise business productivity. A strong digital economy will contribute to a more prosperous and competitive Canada.

The Government will develop a Digital Economy Strategy that will enable the ICT sector to create new products and services, accelerate the adoption of digital technologies, and contribute to improved cyber security practices by industry and consumers.

Supporting Regional Innovation

Regional economic development agencies play an important role by promoting innovation and the commercialization of research in communities throughout Canada. The agencies work with innovative businesses, post-secondary research institutes and not-for-profit organizations to increase opportunities for knowledge-based industries and apply innovative solutions to regional needs. To strengthen the important activities of the regional development agencies in promoting growth through innovation across Canada, Budget 2010 is providing new resources to the agencies.

Atlantic Canada Opportunities Agency

The Atlantic Canada Opportunities Agency (ACOA) has made significant progress in supporting knowledge and entrepreneurial initiatives and facilitating the development of emerging technology clusters in Atlantic Canada. By enhancing the region’s innovative capacity, ACOA has strengthened the economic base of Atlantic communities and has helped to create better business opportunities.



Budget 2010 will provide ACOA with \$19 million per year, ongoing starting in 2010–11. This funding will allow the agency to extend the Atlantic Innovation Fund, a competitively allocated initiative that helps regional businesses, universities and research institutions to develop and commercialize new technologies, builds research capacity and encourages the creation of research and development partnerships. The funding will also support ACOA's Innovative Communities Fund, which will help Atlantic communities adapt to new economic realities and opportunities. Through these programs and additional funding raised from other private and public sources, ACOA will help to create jobs, strengthen community infrastructure and accelerate business growth in Atlantic Canada.

Canada Economic Development for Quebec Regions

Canada Economic Development for Quebec Regions (CEDQ) is supporting the long-term economic development of the regions of Quebec, with special attention to helping vulnerable communities to diversify their economies and become more knowledge-based.

Budget 2010 will provide CEDQ with \$14.6 million per year, ongoing starting in 2010–11, to increase the vitality of communities and help small and medium-sized businesses and communities to enhance their competitiveness. This funding will play a key role in ensuring that communities in all areas of Quebec can fully participate in the economy of tomorrow and benefit from a higher quality of life.

Western Economic Diversification Canada

Western Economic Diversification Canada (WD) is successfully promoting economic growth and diversification throughout Manitoba, Saskatchewan, Alberta and British Columbia. WD is focusing on supporting projects that strategically position western businesses to grow, innovate, compete and create jobs in the knowledge-based economy.

Budget 2010 will provide WD with \$14.7 million per year, ongoing starting in 2010–11, for activities to support commercialization, enhance global competitiveness and drive economic growth and development in communities. WD will undertake initiatives to promote research and development capabilities and help communities and businesses in Western Canada take advantage of domestic and international opportunities. WD will also work to foster federal-provincial-municipal economic development partnerships in urban, rural and northern communities.



Improving Support for Innovation

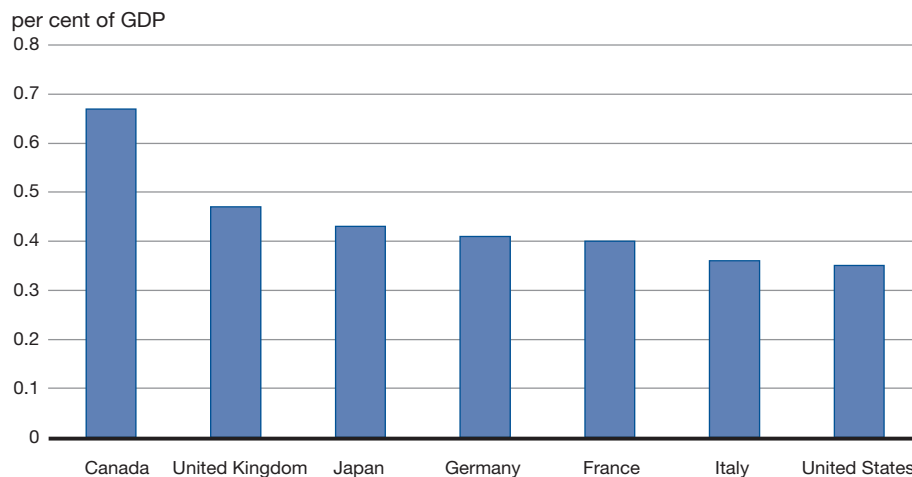
The Government is taking steps to improve its support for innovation and ensure that investments are effective and yield the best possible results for Canadians.

The Government of Canada provides substantial support for research and development (R&D) in the education, private and not-for-profit sectors, estimated at more than \$7 billion in 2009. This includes about \$4 billion in direct federal support for R&D undertaken by post-secondary researchers, the private sector, not-for-profit organizations and other research performers. Canada's investment in higher-education R&D as a proportion of the economy is the highest among G7 countries (see Chart 3.3.2).

In addition, Canada's Scientific Research and Experimental Development Tax Incentive Program is the single largest federal program supporting business R&D in Canada, providing over \$3 billion in tax assistance in 2009.

Canada invests more directly in public R&D than any other G7 country

Chart 3.3.2
Direct R&D Investment in the Higher-Education Sector



Note: Data are for 2007, which is the latest year for which they are available for all G7 countries.
Source: Organisation for Economic Co-operation and Development.



Despite the high level of federal support, we continue to lag behind other advanced economies with respect to overall innovation performance, private sector investment in R&D, and the commercialization of research.

To ensure that federal funding is yielding maximum benefits for Canadians, the Government, in close consultation with business leaders from all sectors and our provincial partners, will conduct a comprehensive review of all federal support for R&D to improve its contribution to innovation and to economic opportunities for business. This review will inform future decisions regarding federal support for R&D. The Government is currently developing the terms of reference for the review.

Encouraging Investment and Trade to Create Jobs and Growth

Investment by businesses in modern machinery and equipment improves an economy's productivity. It makes businesses more competitive in international markets, allowing them to expand and create jobs here in Canada. Governments can help create the conditions that encourage businesses to make these investments by reducing taxes and tariffs and streamlining regulation as well as burdensome and slow approval processes.

The Government has improved the business environment since 2006. Budget 2010 takes further action to improve conditions for investment, enhance competition and reduce barriers for businesses.



Making Canada a Tariff-Free Zone for Industrial Manufacturers

In recognition of the importance of open markets for global economic recovery, Canada and its G20 partners have committed to resist trade protectionism and complete the World Trade Organization Doha Round to further liberalize markets worldwide. Canada, as a nation whose prosperity is greatly dependent on trade, clearly understands the importance of open markets.

For this reason, and in view of its responsibilities as host and co-host of the G8 and G20 Leaders Summits in 2010, the Government is taking steps to demonstrate its commitment to free trade and provide new trade advantages to Canadian business. It is doing this through a strategy that includes unilateral action to eliminate tariffs and support for the completion of the Doha Round, and through an aggressive bilateral free trade strategy that currently includes efforts to complete a Comprehensive Economic and Trade Agreement with the European Union, exploratory talks with India, and the implementation of recently concluded agreements with Colombia, Panama and Jordan.

With respect to this trade strategy, Budget 2010 implements the results of comprehensive consultations with Canadian industries to eliminate tariffs to lower their cost of production and allow them to invest in needed machinery and equipment. Such investment is critical to Canada's long-term prosperity. Free trade in manufacturing inputs and machinery and equipment are an important source of competitive strength for Canadian businesses. By reducing the cost of importing key factors of production, tariff relief encourages innovation and allows businesses to enhance their stock of capital equipment. This is of particular importance to the needs of small and medium-sized manufacturers that link to global supply chains and need to diversify their export markets.

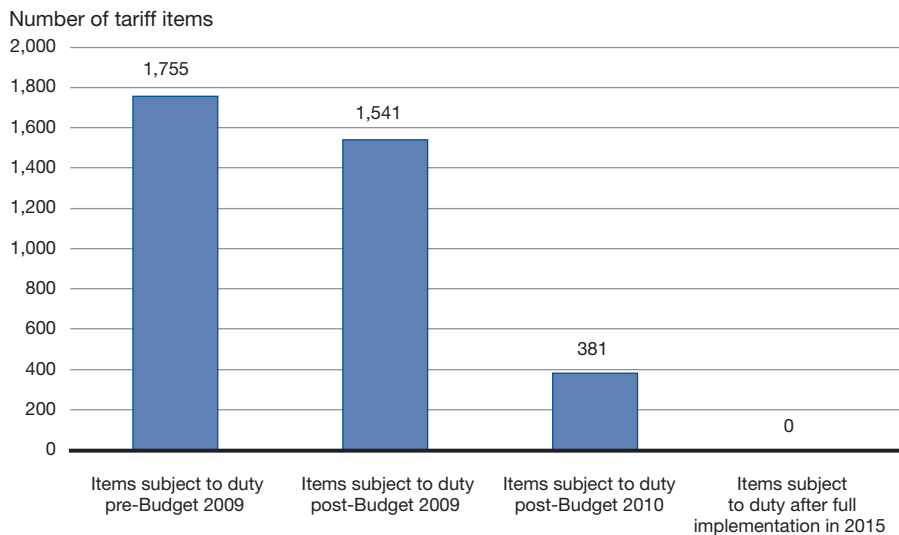


A first phase of tariff relief, implemented in Budget 2009, has permanently eliminated tariffs applied on a broad range of machinery and equipment, providing average annual savings of \$88 million.

Budget 2010 will implement a second phase of tariff relief by eliminating all remaining tariffs on manufacturing inputs and machinery and equipment (Chart 3.3.3). The majority of these 1,541 tariffs will be eliminated March 5, 2010, with the remainder being gradually eliminated by no later than January 1, 2015. When the second phase of tariff relief is fully implemented, more than \$5 billion in imports will be liberalized, providing an additional \$300 million in annual duty savings for Canadian business.

Budget 2010 eliminates 1,541 tariffs on industrial inputs and machinery and equipment

Chart 3.3.3
Tariff Relief on Machinery and Equipment and Industrial Inputs





This historic step will position Canada as the first among its G20 partners to allow manufacturers to operate without the cost of tariffs on inputs and machinery and equipment. The elimination of tariffs on 1,541 items will also reduce customs compliance costs, allow for the simplification of the tariff structure and eliminate the administrative burden of complying with rules of origin and drawback regulations. This will make all of Canada a tariff-free zone for industrial manufacturers and a more attractive place for investors. This approach is superior to efforts by other countries that focus on location-specific free trade zones.

The initiative will increase investment and create jobs, improve innovation and productivity, lower prices for consumers and increase overall prosperity for Canadians. This tariff elimination is expected to result in the creation of up to 12,000 jobs over time.

The Government will continue working with Canadians to identify areas where further trade liberalization could take place.



Making Canada the Place to Do Business

As global markets recover competition will continue to intensify. This is why immediate action is needed to help Canada's manufacturing sector emerge from the global recession on stronger footing. The Budget 2010 Tariff Advantage will complement Canada's Tax Advantage and the solid reputation of our financial sector, making Canada the place to do business. In consultation with the Government, many firms indicated support for this measure with the following comments:

Tariff relief on the goods requested will allow (the company) to maintain domestic production levels and hopefully even repatriate some production back to Canada.

– A manufacturer in British Columbia

Elimination of the tariff is important to our manufacturing sector to help level the playing field against foreign competition...

– A manufacturer in Newfoundland and Labrador

Tariff relief would allow us to stabilize our domestic base by reducing costs and closing the gap between domestic and imported production.

– A manufacturer in British Columbia

Eliminating tariffs would have a significant and favourable impact on our cost structure and our competitiveness against foreign competitors who can perform these transformation processes in lower-cost jurisdictions.

– A manufacturer in Quebec

Such relief would reduce our production costs, making us more competitive against our competition (essentially foreign sources) and preserving our presence as a key employer in Ontario.

– A manufacturer in Ontario

Tariff relief would allow manufacturers to stabilize and expand domestic production and retain exports. ...It will reduce the administrative burden and costs associated with obtaining, reviewing and maintaining certificates of origin. These costs can sometimes outweigh the benefits of preferential duty rates.

– A major Canadian manufacturing association

The Government is listening to Canadian manufacturers on how it can assist them in reducing costs and expanding production. International investors will also be paying attention to Canada's new approach to doing business.



Improving the Regulatory System and Reducing Red Tape

The Government has taken important steps to reduce the administrative and paperwork burden on Canadian businesses. In March 2009, the Government fulfilled its Budget 2007 commitment to reduce paperwork burden by 20 per cent under the Paperwork Burden Reduction Initiative. Almost 80,000 regulatory requirements and information obligations were eliminated by streamlining regulations, eliminating duplicate requirements and overlapping obligations, and reducing information requirements. As part of this initiative, the Government will introduce legislation to allow certain small excise remitters (those, other than tobacco licensees, with less than \$10,000 in excise tax or duty monthly remittances) to file and remit semi-annually rather than monthly. With this change, most licensees will be able to file semi-annually rather than monthly, allowing these small businesses to invest more of their time in managing and growing their business.

Canadian businesses also say that more needs to be done to reduce the complexity of federal rules and structures. The Government is creating a new private sector Advisory Committee on Small Business and Entrepreneurship, which will report to the Government through the Minister of State (Small Business and Tourism) and provide advice on how to further improve business access to federal programs and information.



Reducing Red Tape and the Administrative Burden

Budget 2010 proposes several new initiatives to improve the federal regulatory system:

- **Red Tape Reduction Commission:** A commission, involving both Parliamentarians and private sector representatives, will be established to review federal regulations in areas where reform is most needed to reduce the compliance burden and provide specific recommendations for improvement.
- **Streamlining the Northern Regulatory Regime:** \$11 million over two years will be provided to Indian and Northern Affairs Canada to accelerate the review process for resource projects in the North.
- **Telecommunications Sector:** The Government proposes to remove the existing restrictions on foreign ownership of Canadian satellites.
- **Advisory Committee on Small Business and Entrepreneurship:** A private sector committee will be created to provide advice on improving business access to federal programs and information.

Budget 2010 also proposes measures to reduce the administrative burden of the tax and tariff system:

- **Section 116:** Eliminating tax reporting under section 116 of the Income Tax Act for investments such as those by non-resident venture capital funds in a typical Canadian high-technology firm.
- **Disbursement Quota Reform:** Eliminating many of the disbursement quota requirements, which responds to calls from stakeholders in the charitable sector to reduce the administrative burden on charities so they may devote more of their time and resources to charitable activities.
- **Online Notices:** Issuing notices electronically, if authorized by a taxpayer, for those notices that can currently only be sent by ordinary mail. This will help reduce the volume of paper to be dealt with for both the Canada Revenue Agency and taxpayers.
- **Direct Sellers:** Simplifying Goods and Services Tax/Harmonized Sales Tax accounting for network sellers employing the commission-based model.
- **Reducing Customs Burden:** Eliminating tariffs on 1,541 tariff items, will reduce customs compliance costs, allow for the simplification of the tariff structure and eliminate the administrative burden of complying with rules of origin and drawback regulations related to imports under these tariffs.



Red Tape Reduction Commission

Reducing red tape for businesses is an ongoing challenge that requires continued attention. The Canadian Federation of Independent Business (CFIB) estimates that businesses in Canada currently spend over \$30 billion each year complying with regulations. A number of provincial governments have previously undertaken work to reduce red tape. For example, British Columbia has eliminated more than 150,000 regulations since 2001, and has committed to maintaining a zero net increase in regulations through to 2012.

The Government of Canada will establish a new federal Red Tape Reduction Commission involving both Parliamentarians and private sector representatives to review federal regulations in areas where reform is most needed to reduce the compliance burden, especially on small businesses, while safeguarding the health and safety of Canadians. The Commission will be asked to provide specific recommendations on how to reduce unnecessary regulations and make the regulatory system more effective, so that small businesses can focus on investing and creating jobs. This approach will provide the strong leadership necessary to produce comprehensive and effective results.

Reducing the Administrative Burden of the Tax System

Budget 2010 proposes the following measures which will reduce the administrative burden of the tax system:

- **Section 116:** Narrowing the definition of taxable Canadian property will eliminate the need for tax reporting under section 116 of the Income Tax Act for many investments, improving the ability of Canadian businesses, including innovative high-growth companies that contribute to job creation and economic growth, to attract foreign venture capital.
- **Disbursement Quota Reform:** Eliminating many of the disbursement quota requirements responds to calls from stakeholders in the charitable sector to reduce the administrative burden on charities so they may devote more of their time and resources to charitable activities.
- **Online Notices:** Providing legislative authority to the Canada Revenue Agency (CRA) to issue notices electronically, if authorized by a taxpayer, for those notices that can currently only be sent by ordinary mail will help reduce the volume of paper to be dealt with, for both the CRA and taxpayers.



- **Direct Sellers:** Budget 2010 confirms the Government's intention to implement the Budget 2009 proposals to simplify Goods and Services Tax/Harmonized Sales Tax accounting for network sellers employing the commission-based model, and proposes enhancements and clarifications to better meet the needs of the industry.

More information on these proposals is available in Annex 5.

Administrative Improvements to the Scientific Research and Experimental Development Tax Incentive Program

Canada's Scientific Research and Experimental Development (SR&ED) Tax Incentive Program is one of the most advantageous systems in the industrialized world for research and development.

Following public consultations on the SR&ED Tax Incentive Program that were undertaken in 2007, Budget 2008 enhanced the support that this program provides for small and medium-sized businesses and extended the tax credit to certain expenditures incurred outside Canada. It also announced new funding for improvements to the administration of the SR&ED program in order to address challenges that were identified by stakeholders in the areas of accessibility, predictability and consistency. The Canada Revenue Agency (CRA) has taken steps to implement these measures. In November 2008, a new self-assessment tool and a new claim form and guide were introduced that are helping businesses determine the eligibility of their projects and making it easier for businesses to benefit from the SR&ED program. The CRA has also increased the number of technical reviewers who determine program eligibility and provide claimant services. The CRA is providing technical reviewers with more training and support, enhancing the quality assurance methodology, and reviewing the dispute resolution procedures.

In addition, as announced in January 2010, the CRA will begin to report quarterly, through its website, on the time it takes to review an SR&ED claim from start to finish. A new manual for CRA reviewers will become effective on April 1, 2010. This manual will emphasize how the CRA will work closely with claimants so that they may better understand the SR&ED program requirements and process.

The CRA continues to work with stakeholders to identify ways to improve the administration of the SR&ED program.



Strengthening Taxpayer Fairness

This Government is committed to treating taxpayers fairly. In 2007, the Canada Revenue Agency (CRA) introduced a strengthened Taxpayer Bill of Rights and, in 2008, a Taxpayers' Ombudsman was appointed. These measures built upon existing service standards, recourse and complaint resolution processes and taxpayer relief provisions, all of which are in place at the CRA. To help ensure that these rights are accessible and easily understood by all Canadians, the CRA will consult with key stakeholders, such as the Canadian Federation of Independent Business (CFIB), in order to identify ways in which transparency and accessibility can be strengthened.

Streamlining the Northern Regulatory Regime

The Government is committed to ensuring that a strong and prosperous North helps shape the future of our nation. Canada's Economic Action Plan included a number of investments in economic development, skills training, housing, and research infrastructure in support of the Government's Northern Strategy.

The resource potential in Canada's North is world-class, yet potential investors in northern resource projects face complex and overlapping regulatory processes that are unpredictable, costly and time-consuming. Streamlining the regulatory regime and removing barriers to private investment will support economic growth and help provide opportunities for Northerners by unlocking the resource potential in Canada's North, while at the same time protecting the environment.

Budget 2010 provides \$11 million over two years to Indian and Northern Affairs Canada to support the acceleration of the review of resource projects in the North. These reforms will provide clarity and certainty for investors while ensuring that the environment is protected and that Canada's obligations under existing land claims agreements with Aboriginal groups are respected.

Increasing Competition and Foreign Investment in the Telecommunications Sector

The Government of Canada is committed to ensuring that Canadians can benefit from increased competition and investment in the telecommunications sector, which will lead to greater innovation and lower prices for consumers. Increasing foreign investment is an important way of strengthening market competition and attracting new capital and innovative ideas from abroad.



Consistent with the recommendations of the Competition Policy Review Panel, the Government is acting in Budget 2010 to remove the existing restrictions on foreign ownership of Canadian satellites. This will allow firms to access foreign capital and know-how and to invest in new and advanced technologies. The removal of restrictions will also allow Canadian firms to develop strategic global relationships that will enable them to participate fully in foreign markets.

Supporting Canadian Fisheries Access to International Markets

Access to international markets is essential to Canada's fish and seafood industry, which exports 85 per cent of its production. In 2010, the European Union introduced a new regulation which requires exporting countries to provide catch certificates attesting that marine fish and seafood products are legally harvested.

The Government is committed to ensuring that the Canadian fish and seafood industry maintains access to key markets around the world. Budget 2010 provides \$7.2 million over two years to support the new Catch Certification Office. Through this office, Fisheries and Oceans Canada will issue certificates to exporters, ensuring that the Canadian fish and seafood industry remains competitive and maintains employment in both the harvesting and fish processing sectors.

Supporting Canada's Mining Sector

Canada's rich mineral resources represent significant economic opportunities. Promoting the exploration and development of these resources offers important benefits in terms of employment, investment and infrastructure, especially for rural and remote communities. The temporary 15-per-cent Mineral Exploration Tax Credit (METC) helps companies raise capital for mining exploration by providing an incentive to individuals who invest in flow-through shares issued to finance exploration. Canada's Economic Action Plan previously extended the temporary METC to flow-through share agreements entered into during the period from April 1, 2009 to March 31, 2010. Budget 2010 proposes to extend the credit for an additional year, to March 31, 2011.

It is estimated that the net cost of this extension will be \$65 million over the next two fiscal years.



Supporting Canadian Agriculture

The Canadian agricultural sector is a key economic driver for rural communities across the country. Farmers also play a unique role by providing healthy, safe and nutritious food for families in Canada and around the world. Governments have helped the agriculture sector weather the turbulent economic conditions of the past year. Building on the investments made by federal, provincial and territorial governments under Growing Forward, the Government launched various initiatives in 2009 to help the sector adapt to pressures and improve its competitiveness. Canada's Economic Action Plan announced the \$500-million Agricultural Flexibility Fund and the \$50-million Slaughter Improvement Program. In recent months, the Government also took measures to promote access to foreign markets for Canadian agricultural products through the establishment of a Market Access Secretariat and extended support to the hog industry to assist with restructuring in response to new market realities facing the sector.

A More Competitive Cattle Sector

The cattle sector continues to face pressures. Budget 2010 announces three measures to ensure Canadian cattle producers continue to have access to competitive cattle processing operations in Canada.

Building on measures in Budget 2009, the Government will provide funding to support investments by Canadian cattle processing plants to help improve their operations. Funding available under the Slaughter Improvement Program will be increased by \$10 million in 2010–11 to support the introduction of new, cost-effective technologies, and \$25 million in 2010–11 will be targeted to cattle processing plants that handle cattle over 30 months of age.

The Government will also provide \$40 million over three years to support the development and commercialization of innovative technologies related to the removal and use of specified risk materials to reduce handling costs and create potential revenue sources from these materials. These measures will be funded from the existing Agricultural Flexibility Fund.

Canadian Grain Commission

The Canadian Grain Commission plays a crucial role in establishing and ensuring standards of quality for Canadian grain. Through its grain quality assurance services, the Commission enables Canadian grain producers to access domestic and export markets. Rapidly changing global and domestic



markets for grain require that the Commission become a more flexible institution. The Government remains committed to modernizing the Canadian Grain Act and the operations of the Canadian Grain Commission, and working with Canadian grain farmers to promote marketing freedom to address evolving needs of the sector. Budget 2010 provides \$51.7 million over the next two years to support the operations of the Canadian Grain Commission.

Improving Canada's System of International Taxation

On December 10, 2008, the Advisory Panel on Canada's System of International Taxation released its final report. The Government expresses again its appreciation for the significant contribution that the members of the Panel, its secretariat and the tax community have made to the policy discussion.

The Panel noted that Canada's international tax system has served Canada well. At the same time, it put forward a number of recommendations for change. The Government is continuing to consider the report of the Panel as part of its ongoing assessment of the fairness and competitiveness of Canada's international tax rules for individuals and corporations that trade and invest across international borders. Over the last year, the Government has:

- Repealed section 18.2 of the Income Tax Act (ITA), which would have constrained in certain situations the deductibility of interest on debt used to acquire shares of a foreign affiliate. This change provides tax support for Canadian multinational firms undertaking foreign investment, particularly in the context of the current global financial environment.
- Signed, enacted or begun negotiations to update nine international tax treaties, thus improving trade opportunities with other nations, providing a more certain environment for investors, and facilitating tax information exchange for revenue authorities.
- Announced the signing of Canada's first tax information exchange agreement (TIEA) and that Canada is in the process of negotiating an additional 15 TIEAs, thus helping combat international tax evasion while, at the same time, opening up new business opportunities for Canadian corporations.
- Released, on December 18, 2009, a package of draft foreign affiliate rules for consultation, which introduced revised, simplified proposals designed to reduce uncertainty in the application of the tax law.



Consistent with this incremental approach to improving Canada's international tax rules, Budget 2010 includes proposals to facilitate investment, cut red tape and streamline the compliance process associated with the taxation of cross-border activity, and proposes to address other concerns in a fiscally responsible way. Specifically, Budget 2010 proposes to:

- Improve the ability of Canadian businesses, including innovative high-growth companies that contribute to job creation and economic growth, to attract foreign venture capital by narrowing the definition of taxable Canadian property, thereby eliminating the need for tax reporting under section 116 of the ITA for many investments. The Canadian Venture Capital Association has indicated, in making representations for changes of this nature, that "...a broader exemption...would make Canada a more attractive destination for equity investments by non-residents and, in particular, venture capital and private equity funds."
- Ensure taxpayers have an opportunity to apply for refunds of amounts withheld under section 105 of the Income Tax Regulations and section 116 of the ITA after a reassessment by the Canada Revenue Agency.
- Follow up on the commitment in Budget 2009 which stated that the Government would, in response to submissions by the Panel and others, review its outstanding proposals with respect to tax issues associated with foreign investment entities and non-resident trusts before proceeding with measures in this area. As a result of this review, the Government is initiating a consultation process for revised proposals on which commentary is welcomed and encouraged. The revised proposals would replace the outstanding proposals relating to foreign investment entities with several limited enhancements to the current ITA and substantially modify the outstanding proposals with respect to non-resident trusts in order to better target and simplify them.

Detailed information on Budget 2010's international tax proposals are contained in Annex 5.

These measures are estimated to provide tax relief of \$30 million in 2010–11 and \$25 million in 2011–12.

In addition, the Accounting Standards Board will require Canadian public companies to adopt the International Financial Reporting Standards (IFRS) as of 2011, which could help these companies better access international capital markets and reduce their cost of capital. In preparation for the adoption of IFRS, the Government will review the impact of IFRS on certain aspects of the tax system and, where necessary, make changes to ensure appropriate outcomes.



Tax Fairness—Closing Tax Loopholes

This budget contains a number of initiatives intended to protect the integrity of the Canadian tax system. By closing loopholes in the tax system, these initiatives will help ensure that all taxpayers pay their fair share of tax on income earned in Canada and abroad. In addition, initiatives in the budget will strengthen the capacity of the Canada Revenue Agency to address aggressive tax planning and compliance risks with the potential to erode the tax base, and to fight against tax evasion. Taken together, these initiatives help protect the Government's revenue base and are consistent with its ongoing commitment to tax fairness. Specifically, Budget 2010 proposes to:

- Introduce new rules that will apply in cases where employees surrender their stock options to their employer in exchange for cash payments or other benefits. These rules will address tax-planning practices which have allowed, in certain circumstances, stock-based employment benefits to escape taxation at both the personal and corporate level.
- Extend the application of the Specified Leasing Property rules to otherwise exempt property that is the subject of a lease to a government or other tax-exempt entity, or with a non-resident, in order to constrain the ability of lessors to benefit from tax arbitrage effected by differences in taxability or in tax systems.
- Consult regarding a proposal for a new reporting regime for aggressive tax avoidance transactions that feature at least two of three hallmarks of aggressive tax planning in order to allow the Canada Revenue Agency to obtain better and earlier information on emerging tax avoidance schemes.
- Consult on replacing the outstanding proposals relating to foreign investment entities with several limited enhancements to the current Income Tax Act and on substantially modifying proposals with respect to non-resident trusts in order to better target and simplify them.
- Introduce rules to counter schemes, often referred to as “foreign tax credit generators”, that are designed to shelter tax otherwise payable by artificially increasing foreign tax credits.
- Ensure that income trust conversions into corporations are subject to the same loss utilization rules that currently apply to similar transactions involving only corporations.
- Ensure that the provisions of the Criminal Code that apply to serious crimes related to money laundering and terrorist financing can be invoked in cases of tax evasion prosecuted under Canada's tax statutes.



- Better target the Medical Expense Tax Credit to its intended purpose by excluding expenses incurred for purely cosmetic procedures. Cosmetic procedures will continue to qualify for the Medical Expense Tax Credit if they are required for medical or reconstructive purposes.

More information on these proposals is available in Annex 5.

Green Jobs and Growth

Canada has established itself as an energy superpower, being the third-largest global producer of gas, seventh in oil production, and the world's largest supplier of uranium. Our international reputation as a safe and reliable energy supplier creates unprecedented opportunities for exporting our energy products within an integrated North American energy market and to the rest of the world. Our substantial reserves of oil, natural gas and other energy sources make Canada an increasingly attractive destination for global investment. These major new investments will allow us to tap our abundant energy potential while contributing to faster economic growth, creating a significant number of high value jobs and rejuvenating communities, especially in remote and rural areas.

The Government can play an important supporting role in promoting investment in major energy projects by ensuring that its regulatory approval processes are timely, predictable, and do not unduly delay investment decisions. In this budget, the Government is taking steps to accelerate regulatory reviews of major energy projects, while continuing to protect the environment and ensuring that Aboriginal peoples and other interested stakeholders are effectively consulted. These changes will lead to increased investment and economic benefits for Canadians.

Canada is also a global leader in the generation of clean energy, including the production of hydroelectricity. Hydro, solar, wind and other clean and renewable energy technologies have the potential to significantly reduce our emissions of greenhouse gases and help us meet our ambitious climate change objectives, while creating new business opportunities as the global economy transitions towards lower emission pathways. By supporting the development of advanced clean energy solutions, such as carbon capture and storage technologies, Canada can build on its leadership in this important



area. This is why Canada's Economic Action Plan provided significant new resources to support Canada's transformation towards a green energy economy, including:

- \$1 billion over five years under the Clean Energy Fund to support research, development and demonstration of promising clean energy technologies, including carbon capture and storage technologies.
- \$1 billion over five years through the Green Infrastructure Fund for investments in green infrastructure, including sustainable energy projects.

To date the Government has announced support under the Clean Energy Fund for three large-scale carbon capture and storage projects:

- \$120 million for the Shell Quest carbon capture and storage demonstration project.
- \$315.8 million for the TransAlta Keephills project to incorporate carbon capture and storage capacity into a coal-fired power plant.
- \$30 million for the Alberta Carbon Trunk Line project.

This funding builds on substantial support provided for carbon capture and storage in previous years, including the ecoENERGY Technology Initiative and funding for other research, development and deployment projects. In total, the Government has announced over \$800 million in support for carbon capture and storage.

As announced in the Economic Action Plan, the Government conducted a consultation on the tax treatment of carbon capture and storage assets. The Government will continue to monitor the development of this important technology and assess the best policy approach. The current focus is on direct funding through initiatives like the Clean Energy Fund.

Since the release of the Economic Action Plan, the Government also created the Pulp and Paper Green Transformation Program, with \$1 billion available over three years to support investments by Canadian pulp and paper companies to improve the energy efficiency and environmental performance of their facilities.

Budget 2010 builds on these important investments through further actions to accelerate the development and deployment of clean energy technologies, including the Next Generation Renewable Power Initiative in the forestry sector, and tax changes aimed at encouraging investment in clean energy generation.



Modernizing the Regulatory System for Project Reviews

Major resource-based and energy projects are significant economic investments, creating direct and indirect jobs and providing important economic development opportunities for many communities in Canada. Companies undertaking major projects must navigate a range of regulatory requirements and processes, which can include environmental assessments, regulatory permitting and authorizations, and consultations with Aboriginal Canadians.

In 2007 the Government established the Major Projects Management Office, which provides a single window on the federal regulatory process for industry and improves overall accountability by monitoring and reporting on the performance of federal regulatory departments.

The Government is taking steps in Budget 2010 to further improve the regulatory review process for large energy projects. Responsibility for conducting environmental assessments for energy projects will be delegated from the Canadian Environmental Assessment Agency to the National Energy Board and the Canadian Nuclear Safety Commission for projects falling under their respective areas of expertise. Participant funding programs will be established by each agency to ensure the timely and meaningful engagement of the public, stakeholders and Aboriginal peoples in the review of major energy projects.

Budget 2010 also provides an additional \$2.8 million over two years to the Canadian Environmental Assessment Agency to support consultations with Aboriginal Canadians related to projects that are assessed by a review panel under the Canadian Environmental Assessment Act.

Supporting Renewable Energy in the Forestry Sector

The forestry sector is an important economic industry in many regions of Canada. It has been facing significant challenges in recent years, including greater competition from emerging economies and structural changes within the sector.



As part of the Economic Action Plan, the Government provided \$170 million over two years through Natural Resources Canada to support market diversification and innovation initiatives, including research and demonstration projects on new forest products and initiatives to help forestry companies market innovative products internationally. More recently, in June 2009, the Government introduced the Pulp and Paper Green Transformation Program, with \$1 billion available over three years to support investments by Canadian pulp and paper companies to improve the energy efficiency and environmental performance of their facilities.

Budget 2010 takes additional action to build on these promising initiatives by establishing the Next Generation Renewable Power Initiative, with \$100 million over the next four years to support the development, commercialization and implementation of advanced clean energy technologies in the forestry sector. This initiative, which will be managed by Natural Resources Canada, will help create a more sustainable forestry sector while contributing to Canada's global leadership as a clean energy producer.

Clean Energy Generation—Tax Support

The tax system encourages investment in clean energy generation equipment through the provision of accelerated capital cost allowance (CCA). CCA Class 43.2 includes a variety of stationary equipment that generates or conserves energy by using renewable sources or fuels from waste, or by using fossil fuel efficiently. It allows the cost of eligible assets to be deducted for tax purposes at a rate of 50 per cent per year on a declining balance basis—which is faster than would be implied by the useful life of the assets.

Budget 2010 proposes to expand the eligibility for accelerated CCA under Class 43.2 to include:

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

These extensions will encourage investment in technologies that contribute to a reduction in greenhouse gas emissions and air pollutants, and increase the diversification of Canada's energy supply.

It is estimated that these measures will reduce federal revenues by a small amount in each of 2010–11 and 2011–12.



Great Lakes Action Plan

Millions of Canadians depend on the Great Lakes for their drinking water, for recreation and for jobs. Protecting ecosystem health and securing the water supply in the Great Lakes is an important responsibility shared by all orders of government, including the federal government. Cleaning up the Great Lakes is a key objective of our Government's Action Plan for Clean Water.

Under the *Canada-United States Great Lakes Water Quality Agreement*, both countries are committed to restoring environmental quality in areas identified as being most degraded. In June 2009, the Governments of Canada and the United States announced a commitment to strengthen and modernize the agreement to better address concerns resulting from pollution, invasive species and climate change.

Budget 2010 provides Environment Canada with \$8 million per year ongoing to continue to implement its action plan to protect the Great Lakes. Through this new investment, the Government will continue working with its partners to address environmental restoration issues in the Areas of Concern and support Canada's commitments under international agreements.

Arctic Meteorological and Navigational Areas

Maritime traffic is expected to increase in the Arctic due to reduced ice coverage resulting in more navigable waters. Canada, as a sovereign and environmentally responsible polar nation, has committed to the International Maritime Organization to provide meteorological information and navigational data to facilitate the safe management of marine traffic in two well-defined Arctic areas that are substantially within Canadian territory. The areas include Canadian Arctic waters, such as the Northwest Passage, and adjacent waters north of Alaska and along part of the western coast of Greenland.

Budget 2010 provides \$9.2 million over two years to Environment Canada and \$2.2 million over two years to Fisheries and Oceans Canada to deliver meteorological and navigational services, respectively, in the Arctic to meet Canada's commitments to the International Maritime Organization in respect of these areas.



Community-Based Environmental Monitoring in the North

Effective environmental protection and responsible regulation require sound environmental monitoring to collect and interpret data on environmental change and the cumulative impacts of development. In the North, environmental monitoring is imperative to fulfill statutory requirements and commitments made under land claim agreements with Aboriginal groups.

Budget 2010 identifies \$8 million over two years for Indian and Northern Affairs Canada to support community-based environmental monitoring, reporting and baseline data collection through the Northwest Territories Cumulative Impact Monitoring Program and the Nunavut General Monitoring Program.

Canadian Environmental Sustainability Indicators

The Canadian Environmental Sustainability Indicators initiative produces a coherent set of indicators on water quality, air quality and greenhouse gas emissions over time. Budget 2010 provides \$18.4 million over two years to sustain the Government's annual reporting on environmental indicators. These indicators will satisfy Canada's legislative requirements to track environmental progress and serve as meaningful performance indicators for other types of regular reporting.

Positioning Canada's Nuclear Industry for Future Success

Atomic Energy of Canada Limited (AECL) is a federal Crown corporation which specializes in a range of advanced nuclear-energy products and services and works with Canada's diverse nuclear industry. Budget 2010 provides \$300 million on a cash basis for AECL's operations in 2010–11 to cover anticipated commercial losses and support the corporation's operations, including the continued development of the Advanced CANDU Reactor, ensuring a secure supply of medical isotopes and maintaining safe and reliable operations at the Chalk River Laboratories.

The Government has initiated a restructuring process with respect to AECL to attract new investment and expertise, position the corporation for success in a changing global marketplace and create new opportunities for Canada's nuclear industry. Investors were invited to submit proposals for AECL's commercial reactor division in December 2009.

The Minister of Natural Resources will be reviewing these proposals, and assess how the corporation could best be restructured to meet the Government's objectives.



Modernizing Canada's Infrastructure

Modernizing Canada's Transportation Infrastructure

Efficient and modern transportation infrastructure is vital to Canada's competitiveness and long-term prosperity as well as the quality of life of its citizens. This is especially true given our geography and the importance of trade to our economy. In recent years, the Government has committed significant funding towards maintaining and advancing our transportation networks, including the roads, railways, bridges, marine services and ports that connect communities and facilitate the movement of people and goods across Canada.

Budget 2010 builds on these actions by announcing several initiatives aimed at modernizing our transportation infrastructure, including investments in passenger rail and ferry services, new resources to enhance aviation security in Canada, and funding to ensure the continued safety and reliability of bridges.

Marine Atlantic

Marine Atlantic provides a vital link between the Island of Newfoundland and the Canadian mainland. As an extension of the Trans-Canada Highway, Marine Atlantic's ferry services support tourism and the import and export of goods. In 2009, an estimated 27 per cent of all passengers, 50 per cent of all freight, and 90 per cent of all perishable goods between the Island of Newfoundland and the Canadian mainland were carried by Marine Atlantic.

Budget 2010 provides \$175 million over the next two years to help renew Marine Atlantic's fleet and shore facilities and improve the quality and reliability of its services.

Ferry Services in Atlantic Canada

Ferry services enrich the transportation network in Atlantic Canada. The Government of Canada provides financial support to routes between Îles de la Madeleine, Quebec and Souris, Prince Edward Island; Saint John, New Brunswick and Digby, Nova Scotia; and Wood Islands, Prince Edward Island and Caribou, Nova Scotia. These ferries provide additional transportation options to passengers and for the shipment of freight.

Budget 2010 provides \$28 million to support the operations of these ferry services.



Windsor-Detroit

The Windsor-Detroit border is the busiest commercial crossing in North America, through which over one-quarter of our merchandise trade with the U.S. passes. In 2007, the Government of Canada set out a strategy to advance the construction of a new crossing in the Windsor-Detroit corridor. Canada has worked in concert with the State of Michigan and its U.S. partners, with the U.S. federal administration, with the Province of Ontario and with the City of Windsor to move this project forward. Since 2007, the project has reached key milestones, culminating earlier this year in the issuance of a Request for Proposal of Interest for the development of the Detroit River International Crossing Project under a public-private partnership arrangement.

Budget 2010 provides \$10 million over three years to Transport Canada to support the legal, financial and technical work required to advance this project.

The Jacques Cartier and Champlain Bridges Incorporated

The Jacques Cartier and Champlain Bridges Incorporated manages, operates and maintains bridges and other transportation infrastructure in the Greater Montréal Area: the Jacques Cartier and Champlain bridges, the Bonaventure Expressway, the federally owned section of the Honoré-Mercier Bridge, the Melocheville Tunnel and the Champlain Bridge Ice Control Structure. The Jacques Cartier and Champlain bridges are among the busiest in Canada, with almost 100 million vehicle crossings every year.

Budget 2010 provides \$50.5 million over the next two years to The Jacques Cartier and Champlain Bridges Incorporated so that it has the financial resources to carry out capital expenditures required to maintain the safety of its bridges and ensure they continue to serve the needs of Montréal-area commuters.



Improving Border Efficiency

Canada's borders provide a gateway for approximately 100 million people and \$400 billion in imported goods, which enter Canada by sea, air and land each year. Budget 2010 invests \$87 million over two years to ensure the Canada Border Services Agency can continue to deliver efficient and secure border services. Funds will be used to invest in state-of-the-art equipment, such as vehicle and cargo scanning equipment, as well as upgraded information systems that underpin effective border operations. In order to streamline the movement of pre-screened, low-risk cargo and travellers, the Government will continue to enhance its trusted traveller and trader programs, such as Partners in Protection and NEXUS, to ensure that these Canada-United States initiatives are better coordinated and have fees that more closely reflect costs.

Ensuring Air Cargo Security

A large number of Canadian firms depend on timely and safe two-way trade with the rest of the world. An increasing share of that trade is shipped through air cargo. Canada, along with its major trading partners, is implementing measures to ensure an effective air cargo security regime. Budget 2010 provides Transport Canada with \$37.9 million over two years to implement a comprehensive air cargo security program that will strengthen air cargo screening and the security of the supply chain. The program will monitor and respond to priority risks and evolving threats on a continuing basis.

Maintaining a Secure Air Travel Security System

The Canadian Air Transport Security Authority (CATSA) acts as Canada's front line for a secure aviation system. With 6,000 screeners at more than 80 designated airports across Canada, CATSA screened over 62 million pieces of baggage and 48 million passengers in 2009. The Government recently announced funding of \$1.5 billion over five years for CATSA and Transport Canada to maintain security for Canada's air transportation system, to better align with international security requirements, and to keep up with recent U.S. measures.

To ensure that CATSA is fulfilling its mandate effectively, the Government has also announced that it will launch a full review into the spending, efficiency and structure of this Crown corporation. Details on the review will be forthcoming.



Air travel security is financed through the Air Travellers Security Charge (ATSC). The ATSC is intended to provide revenues that are roughly equivalent to expenses for air travel security over time. To fund new air travel security expenditures announced for CATSA and Transport Canada, the Government proposes to increase ATSC rates effective April 1, 2010.

Ensuring Maritime Safety

The Canadian Coast Guard plays a vital role in ensuring maritime safety. The Coast Guard provides search and rescue services on Canada's waters, which requires an operational fleet of hovercrafts. These vessels are used to conduct searches, transport ill or injured people, tow disabled vessels and provide logistical support during incidents.

Out of its Sea Island base near Vancouver, the Coast Guard operates two hovercrafts, one of which needs to be replaced. Budget 2010 provides \$27.3 million over five years on a cash basis for a new hovercraft for the Coast Guard's Sea Island base.

Improving First Nations Infrastructure

Through the First Nations Water and Wastewater Action Plan, as well as an investment of \$179 million over two years through Canada's Economic Action Plan, the Government has made significant progress in improving water conditions on reserves across Canada.

To build on this progress, Budget 2010 extends the First Nations Water and Wastewater Action Plan for two more years.

Every year, the Government invests over \$1 billion in First Nations infrastructure, including improvements to drinking water and wastewater systems. Moving forward, the Government intends to place the financing system of on-reserve community infrastructure on a better footing. In particular, the Government will undertake a comprehensive review of its current approach to financing First Nations infrastructure. To be undertaken in partnership with First Nations representatives, the review will focus on ways to more effectively support access by First Nations to alternative sources of financing, and approaches to improve the life-cycle management of capital assets.



Strengthening the Financial Sector

Canada's financial sector has been widely acknowledged as being one of the strongest in the world. Well-capitalized financial institutions and sound regulation have meant that financial institutions in Canada were better able to weather the global financial crisis than those in many other countries. This strong foundation, along with the extraordinary support for access to financing provided as part of Canada's Economic Action Plan, helped to keep credit flowing to Canadian consumers and business throughout the crisis and helped Canada's financial sector improve its global competitive advantage.

Canada is playing a lead role in the international dialogue around strengthening the international financial system. As host of the G8 and G20 meetings this June, Canada will use its leadership role to continue to promote progress on the previously agreed international financial sector agenda.

Here at home, Budget 2010 introduces measures that will support Canada's strong and competitive financial sector, help businesses access the financing they need to support the recovery, and pursue a more forward-looking approach to protecting consumers of financial products and services.

Supporting Canada's Strong Financial Sector

Canada's financial regulatory regime is a model for other countries in many respects. However, our system can still be improved. One key gap that remains is the lack of a Canadian securities regulator. Capital markets are no longer regional but are increasingly national and international in nature. The global financial crisis has shown how important it is for all Canadians to have stable, well-functioning securities markets that earn their confidence.

All jurisdictions are invited and encouraged to join in this effort, which will build on the existing infrastructure and expertise of provincial and territorial securities regulators. In the meantime, the Government is moving forward with the majority of provinces and territories to establish a Canadian securities regulator. This new world-class national securities regulator will be implemented through the voluntary participation of provinces and territories.

The new Canadian securities regulator will provide:

- Better and more consistent protection for investors across Canada.
- Improved regulatory and criminal enforcement to better fight white collar crime.



- New information and tools to support the stability of the Canadian financial sector.
- Faster policy responses to emerging market trends.
- Simpler processes for business, resulting in lower costs for investors.
- More effective international representation and influence for Canada.

The Canadian securities regulator is targeted to be established within the next three years.

Key next steps include:

- Release of the draft Canadian securities bill this Spring;
- Referral of the draft securities bill to the Supreme Court of Canada for its opinion as to whether Parliament has the constitutional authority to enact and implement a federal securities regulatory regime;
- Delivery this Summer by the Canadian Securities Transition Office of an organizational and administrative transition plan; and
- Ongoing work on the rules and regulations that will complement the Canadian securities act.

We must also take advantage of and support the ongoing strong performance of Canada's financial services industry, which creates many high-quality and high-paying jobs. Initiatives such as the Toronto Financial Services Alliance's planned Global Integrative Risk Management Institute, which will identify and disseminate best practices in financial risk management, promise to play an important role in promoting Canada's experience and sound practices.

One of the lessons of the global financial crisis is that financial institutions need to have access to a variety of funding sources. The Government will help federally regulated financial institutions diversify their funding sources by introducing legislation setting out a framework for covered bonds. Covered bonds are debt instruments that are secured by high quality assets, such as residential mortgages. The legislation will increase legal certainty for investors in these debt instruments, thereby making it easier for Canadian financial institutions to access this low-cost source of funding.

Canada's housing market has been a source of strength for our country and a source of growing wealth for hard-working Canadians. The Government has recently taken a number of measured steps to support the long-term stability of Canada's mortgage and housing markets.



The adjustments made to the rules for government-backed mortgages in July 2008 and February 2010 will support healthy and stable growth in this important sector.

The Government will also propose measures to enhance the effectiveness of Canada Deposit Insurance Corporation's (CDIC) resolution tools by clarifying certain aspects of CDIC's bridge institution regime. In addition, the Government proposes to provide CDIC with the authority to establish new information and capabilities requirements for member institutions to improve CDIC's ability to quickly respond to the needs of insured depositors.

Extending Access to the Financing Needed to Support the Recovery

The Business Credit Availability Program (BCAP) is helping businesses find financing solutions to preserve jobs and fund growth through enhanced cooperation between private sector lenders and Export Development Canada and the Business Development Bank of Canada (BDC). This program is supported by new resources and flexibilities for these financial Crown corporations provided as part of Canada's Economic Action Plan. Through January 2010, the program has reached its target of providing at least \$5 billion in direct lending and other types of financing support and facilitation at market rates to almost 9,000 businesses with viable business models whose access to financing would have otherwise been restricted. A recent report from The Conference Board of Canada concluded that having the Crown corporations work closely with private financial institutions under BCAP has helped build a bridge to more normal credit conditions.

Ensuring that businesses of all sizes have adequate access to financing to acquire vehicles and equipment will become increasingly important as the economic recovery matures. Access to financing has normalized for larger finance and leasing companies that can access capital markets directly. However, some smaller finance and leasing companies, although creditworthy, cannot obtain enough financing to meet the growing needs of their customers. These independent lenders provide specialized financing, often to smaller businesses, supplementing the credit available from banks and other large financing providers.



The Government is therefore creating the Vehicle and Equipment Financing Partnership as part of BCAP. This program will be funded and managed by BDC, with an initial allocation of \$500 million in funding, in partnership with experienced lenders and investors in the private market for asset-based financing. The partnership will expand financing options for small and medium-sized finance and leasing companies, increasing the availability of credit at market rates for dealers and users of vehicles and equipment. Further details on this program will be announced in the coming weeks.

The Government will also introduce amendments to the Export Development Act to ensure that Export Development Canada has the flexibility to serve the needs of Canadian businesses in an evolving and increasingly complex international business environment.

Protecting Consumers

As users of financial services, consumers have a significant stake in almost all financial sector issues. As financial products and practices evolve, the impact on consumers needs to be monitored and their interests, at times, protected through regulatory action.

In Budget 2009, the Government enhanced consumer protection through measures dealing with credit cards and mortgage insurance. Also in Budget 2009, the Task Force on Financial Literacy was established to make recommendations to create a cohesive national strategy to improve financial literacy in Canada. This strategy will help Canadians make knowledgeable and confident decisions towards achieving their financial goals. The Task Force released a discussion paper on February 22, 2010 that will serve as the basis for discussion at the meetings it will hold in every province and territory in the coming weeks.

Proactive Consumer Protection

In this budget, the Government is proposing to take action to establish a more proactive and forward-looking approach to financial consumer issues and to address concerns of Canadians.

The Government is proposing to give the Financial Consumer Agency of Canada (FCAC) new responsibilities that leverage its existing role and marketplace proximity. The FCAC will increase its field testing and stakeholder engagement to provide valuable and timely information to the Government on financial consumer trends and emerging issues. This will also allow the Government to improve the effectiveness of regulatory initiatives, while ensuring that these initiatives are more responsive to the needs of financial consumers.



Enhancing Disclosure and Business Practices of Financial Institutions

The Government is also proposing additional steps to enhance the consumer protection framework for federally regulated financial institutions through the following measures:

- Prohibiting negative option billing in the financial sector. The Government will enact regulations to require financial institutions to offer products and services on an opt-in basis only, where consumers have sufficient disclosure about the terms and conditions before accepting.
- Standardizing the calculation and disclosure of mortgage pre-payment penalties. It is important that consumers have the information they need when making financial decisions, including when to pre-pay a mortgage. As such, the Government will bring forward regulations to bring greater clarity to the calculation of mortgage pre-payment penalties.
- Reducing the maximum cheque hold period. The Government is committed to ensuring affordable access to basic banking services. As consumers need timelier access to funds, the Government will make regulations to reduce the maximum cheque hold period to 4 days from the current 7 days and provide consumers access to the first \$100 within 24 hours.
- Strengthening the dispute resolution framework. The Government already requires that institutions have procedures and personnel in place to address consumer complaints and that each institution also belong to a third-party dispute resolution body. However, there is a wide variation in terms of the procedures used. To ensure that consumers receive consistent treatment, the Government will require that banks belong to an approved third-party dispute handling body. Clear criteria will be established to govern the approval process. The Government will also work with the industry to establish minimum regulatory standards for institutions' internal complaints procedures. This will ensure fair, efficient and timely treatment of consumers' complaints and improve the effectiveness of the third-party dispute resolution process.

Strengthening Canada's Payments System

The Canadian payments system is a vital support to the economy, linking Canadians, merchants and financial institutions together and facilitating payment transactions through, for example, credit and debit card networks and clearing and settlement systems. Canada's domestic payments system has proven capable of meeting the needs of Canadians, even during the financial crisis.



On November 19, 2009 the Government released a proposed Code of Conduct for the Credit and Debit Card Industry in Canada that responds to issues raised by stakeholders in the debit and credit card markets. The Code, which was developed in consultation with market participants, aims to promote fair business practices and ensure that merchants and consumers clearly understand the costs and benefits associated with credit and debit cards.

The comment period closed on January 18, 2010, and the Government received comments from a significant number of stakeholders. The Code will be made available shortly for adoption by credit and debit card networks and their participants once it is finalized. The Government is proposing to amend the FCAC's mandate to enable it to monitor compliance with the Code. The Government will also propose legislation that will provide the Minister of Finance with the authority to regulate the market conduct of the credit and debit card networks and their participants, if necessary.

Given the importance of a safe and efficient payments system to consumers, merchants and payments system providers, the Government will appoint an independent Task Force to conduct a comprehensive review of the Canadian payments system and make recommendations to the Minister of Finance. The Task Force will review the safety, soundness and efficiency of the payments system; whether there is sufficient innovation in the system; the competitive landscape; whether businesses and consumers are being well served; and whether current payment system oversight mechanisms remain appropriate. The Task Force, which will be supported by a secretariat, is expected to be launched in the spring of 2010 and report to the Minister of Finance by the end of 2011.

Modernizing Canada's Currency

The Government is taking steps to modernize Canada's currency and protect against counterfeiting. The introduction of a new series of bank notes by the Bank of Canada will begin in 2011. These bank notes will have increased security features and will be printed on a polymer material, which lasts significantly longer than the current cotton-based paper, thereby reducing production costs and the impact on the environment. The Government is also planning to change the composition of the \$1 and \$2 coins using the Royal Canadian Mint's less expensive patented multi-ply plated steel technology.



Creating a Federal Framework for Credit Unions

Canada is home to a strong and vibrant credit union industry that provides financial services to millions of Canadian consumers and small businesses. To promote the continued growth and competitiveness of the sector and enhance financial stability, the Government will introduce a legislative framework to enable credit unions to incorporate and continue their operations as federal entities. Allowing credit unions to grow and be competitive on a national scale will broaden choices for consumers by helping credit unions to attract new members and improve services to existing members across provincial borders.

Combatting Money Laundering and Terrorist Financing

Budget 2009 announced the Government's commitment to bring forward new measures to safeguard the financial system from illicit financing emanating from outside of Canada. The new measures will enhance Canada's existing anti-money laundering and anti-terrorist financing (AML/ATF) regime by allowing targeted measures to be taken against jurisdictions and foreign entities that lack sufficient and effective AML/ATF controls.

Budget 2010 proposes further measures to ensure that the provisions of the Criminal Code that apply to serious crimes related to money laundering and terrorist financing can be invoked in cases of tax evasion prosecuted under Canada's tax statutes. The Government will also increase ongoing funding for the Financial Transactions and Reports Analysis Centre of Canada by a total of \$8 million per year to help it combat money laundering and terrorist financing.



Renewal of Programs

Budget 2010 renews funding for a number of programs, including:

- \$12 million over two years to Natural Resources Canada to renew the Targeted Geoscience Initiative, with a focus on developing new ways of exploring for deeper mineral deposits.
- \$11 million over two years for the GeoConnections program, which provides consolidated geographic-related information to Canadians via the Internet.
- \$11 million per year, ongoing for the Community Futures Program, which promotes community and economic development in rural Canada.
- \$38 million over two years for federal programs under Canada's Invasive Alien Species Strategy to reduce the risk of invasive animal and plant species being introduced to Canada.
- \$32 million over the next two years for the Regional and Remote Passenger Rail Services Contribution Program, which supports four remote and regional rail services: the Keewatin Railway in Manitoba; the Algoma Central Railway and the Ontario Northland Transportation Commission in Ontario; and Tshiuetin Rail Transportation in Quebec and Labrador.
- \$285 million over two years for Aboriginal health programs in five key areas: the Aboriginal Diabetes Initiative; the Aboriginal Youth Suicide Prevention Strategy; maternal and child health; the Aboriginal Health Human Resources Initiative; and the Aboriginal Health Transition Fund.



Table 3.3.1

Building on a Strong Economic Foundation

	2009-10	2010-11	2011-12	Total
	(millions of dollars)			
Jobs Protection and Youth Employment Measures				
Work-sharing		101	5	106
Building skills for youth				
Youth internships		30		30
Canadian Youth Business Foundation	10			10
Youth at risk		30		30
Pathways to Education Canada		2	6	8
Better education outcomes for First Nations		15	15	30
Subtotal—Jobs Protection and Youth Employment Measures	10	178	26	214
Creating Economic Growth and Jobs Through Innovation				
Creating a more highly skilled workforce		5	10	15
World-leading research infrastructure				
Canadian High Arctic Research Station		1	2	3
TRIUMF		25	25	51
Supporting advanced research				
The research granting councils		32	32	64
Indirect costs of research		8	8	16
Genome Canada	75			75
Rick Hansen Foundation		5	5	9
Knowledge transfer and commercialization				
Supporting college innovation		15	15	30
National Research Council Canada regional innovation clusters		68	67	135
Diversifying the supply of medical isotopes		19	29	48
Canadian Space Agency		5	18	23
Promoting innovation by small and medium-sized businesses		15	25	40
International Science and Technology Partnerships		4	4	8
Supporting regional innovation				
Atlantic Canada Opportunities Agency		19	19	38



Table 3.3.1 (cont'd)

Building on a Strong Economic Foundation

	2009-10	2010-11	2011-12	Total
	(millions of dollars)			
Creating Economic Growth and Jobs through Innovation (cont'd)				
Canada Economic Development for Quebec Regions		15	15	29
Western Economic Diversification Canada		15	15	29
Subtotal—Creating Economic Growth and Jobs through Innovation	75	251	288	613
Encouraging Investment and Trade to Create Jobs and Growth				
Making Canada a tariff-free zone for manufacturers	17	210	230	457
Improving Canada's System of International Taxation		30	25	55
Improving the regulatory system and reducing red tape				
Red Tape Reduction Commission		4	4	8
Streamlining the Northern regulatory regime		6	5	11
Supporting Canadian fisheries access to international markets		4	4	7
Supporting Canada's mining sector		85	-20	65
Supporting Canadian agriculture				
A more competitive cattle sector		60	10	70
Canadian Grain Commission		24	28	52
Subtotal—Encouraging Investment and Trade to Create Jobs and Growth	17	422	286	725
Green Jobs and Growth				
Modernizing the regulatory system for major project reviews		2	3	5
Less cost recovery		-2	-3	-5
Participant funding—Aboriginal consultations		2	1	3
Supporting renewable energy in the forestry sector		25	25	50
Clean energy generation—tax support				
Great Lakes Action Plan		8	8	16
Arctic meteorological and navigational areas		4	8	11
Community-based environmental monitoring in the North		2	5	8



Table 3.3.1 (cont'd)

Building on a Strong Economic Foundation

	2009-10	2010-11	2011-12	Total
	(millions of dollars)			
Green Jobs and Growth (cont'd)				
Canadian Environmental Sustainability Indicators		10	9	18
Positioning Canada's nuclear industry for future success		253	2	255
Subtotal—Energy and the Environment		304	58	362
Modernizing Canada's Infrastructure				
Marine Atlantic		75	100	175
Ferry services in Atlantic Canada		25	3	28
Windsor-Detroit		5	3	8
The Jacques Cartier and Champlain Bridges Incorporated		32	19	51
Improving border efficiency		40	47	87
Ensuring air cargo security		19	19	38
Ensuring maritime safety				
Improving First Nations infrastructure		165	165	331
Subtotal—Modernizing Canada's Infrastructure		361	357	717
Strengthening the Financial Sector				
Strengthening Canada's payments system		3	2	5
Combatting money laundering and terrorist financing		8	8	16
Subtotal—Strengthening the Financial Sector		11	10	21
Renewal of Programs				
Geological mapping		4	8	12
GeoConnections		5	6	11
Community Futures Program		11	11	22
Invasive species		19	19	38
Regional and remote passenger rail		16	16	32
Improving Aboriginal health		140	146	285
Subtotal—Renewal of Programs		194	206	400
Total—Building on a Strong Economic Foundation	102	1,721	1,230	3,053
Less: Funds existing in the fiscal framework		789	635	1,424
Net fiscal cost	102	932	595	1,628

Note: Totals may not add due to rounding.