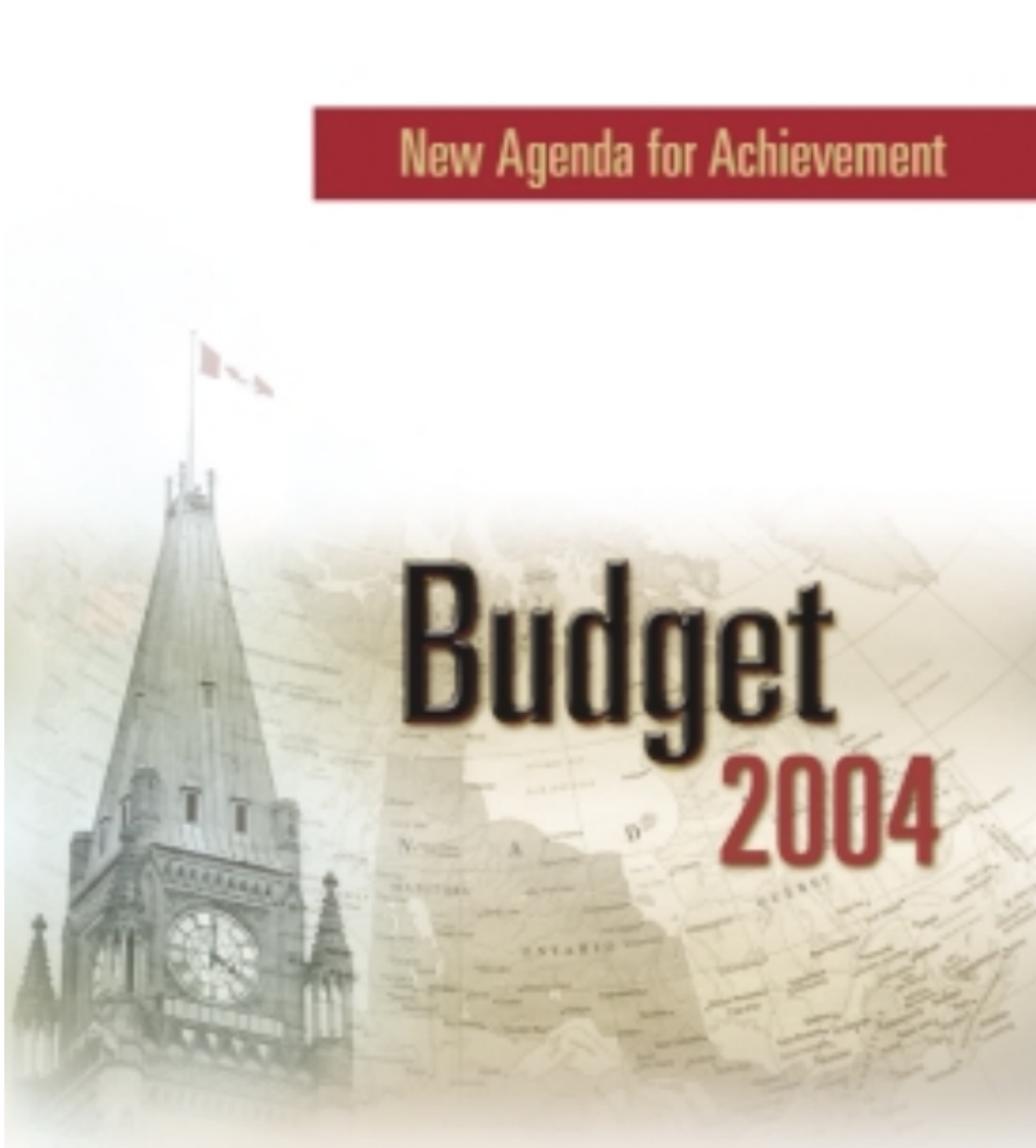


New Agenda for Achievement



Budget 2004

Overview: New Agenda for Achievement

March 23, 2004



Canada

“Throughout our history, Canadians have been animated by a simple idea: that we have a responsibility to make sure our children and grandchildren lead even better lives in an even better land.... This budget honours that responsibility by laying the foundation for a better future.”

Ralph Goodale, Minister of Finance
2004 Budget Speech

Introduction

Canada is a country that works.

Budget 2004 integrates social and economic policy in a new agenda for achievement.

This budget has two objectives:

- Providing Canadians with responsible and prudent financial management.
- Taking the first steps to implement the vision presented in the Speech from the Throne of strengthening Canada’s social foundations, building a 21st century economy and restoring Canada to a place of pride and influence in the world.

It includes measures on:

- *Responsible and Prudent Financial Management*—improving accountability and integrity in government spending and maintaining balanced budgets or better.
- *Health*—promoting effective policies to sustain and strengthen our health care and public health systems.
- *Learning*—providing young Canadians with the tools to succeed, while encouraging life-long learning for citizens from all walks of life.

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- *Communities*—laying a solid and sustainable foundation for a new deal for communities of all sizes.
 - *Knowledge and Commercialization*—promoting increased productivity through investments in research and development.
 - *Our Relationship to the World*—building and strengthening Canada’s international ties.

Economic and Fiscal Prospects

Canada’s economy was hit by a series of shocks in 2003 ranging from the severe acute respiratory syndrome (SARS) outbreak, a case of bovine spongiform encephalopathy (BSE) and the Ontario power blackout to forest fires in British Columbia and Hurricane Juan in Nova Scotia.

All this, combined with the rapid increase of more than 20 per cent in the value of the Canadian dollar, pushed Canada’s economic growth down to 1.7 per cent last year, well below the 3.2 per cent forecast by private-sector economists at the time of the last federal budget.

For 2004 private sector economists forecast an average growth rate of 2.7 per cent for Canada’s economy, reflecting solid domestic fundamentals, low interest rates and a stronger U.S. economy. In 2005 growth is forecast to rise to 3.3 per cent.

Responsible and Prudent Financial Management

The Government of Canada is committed to balanced budgets or better in each of the next two years. This commitment to fiscal discipline means the Government will maintain its annual \$3 billion Contingency Reserve which, if not needed to deal with unforeseen circumstances, will be used to reduce the federal debt. As well, the budget restores \$1 billion in economic prudence for 2004–05 and 2005–06.

This kind of prudence is what enabled us to address some of the extraordinary burdens imposed by SARS and BSE, including \$1 billion in direct assistance to agricultural producers to help offset the severe hardships caused by recent disease outbreaks and sudden drops in farm incomes

Budget 2004 also sets the objective of reducing Canada's debt-to-gross-domestic-product (GDP) ratio to 25 per cent within 10 years.

The Government is improving the management and oversight of spending by introducing a comprehensive plan, under the leadership of the President of the Treasury Board, designed to improve accountability and transparency by:

- Re-establishing the Office of the Comptroller General of Canada to oversee all government spending.
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- Appointing professionally accredited comptrollers to sign off on new spending in every government department.
- Strengthening internal auditing on a government-wide basis.
- Implementing new corporate governance rules for crown corporations and requiring all five-year special audits to be tabled in Parliament.
- Introducing the phased-in implementation of automatic electronic disclosure of government contracts with only limited exceptions.

The Government has also:

- Reallocated \$1 billion annually from low to high priority programs.
- Launched a fundamental review of all government spending by the Cabinet Committee on Expenditure Review, which is expected to find at least \$3 billion in annual ongoing savings available for reinvestment within four years.

Health

As announced at the January 2004 First Ministers Meeting, the Budget confirms an additional payment of \$2 billion in health care funding for the provinces and territories, bringing to \$36.8 billion for funding provided under the 2003 Health Accord.

This additional money builds on initiatives announced in Budget 2003 to provide the provinces and territories with sustained and predictable funding for health care. By 2007–08, health and social cash transfers from the

Government of Canada to the provinces and territories will total \$28.1 billion. This is an annual average increase of \$1.8 billion, or 8 per cent, starting from 2003–04.

As well, recent cases of SARS, BSE and West Nile Virus in Canada have pointed to the need to develop a coordinated system to respond to national public health emergencies. Budget 2004 launches this process with an investment of \$665 million this fiscal year and over the next two years, which includes:

- \$165 million to assist in creating the new Canada Public Health Agency and to fund its main activities, including increasing emergency response capacity, and enhancing surveillance.
- \$100 million to be invested in Canada Health Infoway to develop high quality, real-time public health surveillance systems.
- \$400 million to provinces and territories to support a national immunization strategy and to assist in enhancing public health readiness.

Learning

Budget 2004 includes a comprehensive package of measures to make post-secondary education more accessible to all Canadians and promote lifelong learning, including:

- A new Canada Learning Bond (CLB) of up to \$2,000 for every child, born after 2003, in a family that is entitled to the National Child Benefit (NCB) supplement. An initial \$500 bond will be provided with subsequent \$100 annual instalments for children, until age 15, in each year that the family is entitled to the NCB supplement.

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- Significantly enhancing the Canada Education Savings Grant (CESG) matching rate for low- and middle-income families.
 - Introducing a new upfront grant of up to \$3,000 for first year post-secondary dependent students from low-income families.
 - Raising the weekly loan ceiling under the Canada Student Loans Program to \$210 from \$165.
 - Accelerating implementation of the agreement with the provinces and territories to improve access to affordable, quality early learning and child care programs.
 - Extending the education tax credit to employees who pursue career-related studies.

New Deal for Communities

Budget 2004 takes the first steps on the Government's commitment to forge a new deal for communities of all sizes:

- Municipalities will receive an estimated \$7 billion in GST/HST relief over the next 10 years.
 - The \$1 billion under the Municipal Rural Infrastructure Fund will be spent over the next five years instead of the previously announced 10-year period.
 - Funding of \$4 billion over 10 years will be provided to clean up contaminated sites.
 - Federal programs will be strengthened to address the priorities of Aboriginal people and their communities.
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- \$15 million will be allocated annually for enhanced language training to reduce labour market barriers faced by skilled immigrants.

Community-Based and Non Profit Sector

Canadians depend on a wide range of community-based and non-profit organizations to contribute to the well being of individuals and families.

In recognition of the contribution of social economy enterprises and voluntary sector organizations, Budget 2004:

- Improves the tax rules for charities.
- Extends small business programs and helps establish capital funds and other sources of lending to benefit social economy enterprises.
- Provides additional funding over two years to the Voluntary Sector Initiative.

Knowledge and Commercialization

The Government recognizes the need to improve productivity and stimulate innovation to ensure the development of a 21st century economy.

One of the keys to improving productivity is sustained investment in new technologies. Therefore, Budget 2004:

- Increases the capital cost allowance (CCA) rate for computer equipment to 45 per cent from 30 per cent and the rate for broadband, Internet and other data network infrastructure equipment to 30 per cent from 20 per cent.
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In addition, this budget sets out investments aimed at enhancing Canada's ability to succeed in an increasingly competitive global economy. These include:

- Additional funding of \$90 million per year for Canada's three federal granting councils.
- \$270 million to the Business Development Bank of Canada and the Farm Credit Corporation to provide venture capital for start up technology companies and lever additional private sector financing for investment in leading edge technologies.
- \$100 million to improve the commercialization of research conducted at Canada's universities, hospitals and other research facilities.
- Accelerating by one year, the planned increase in the small business deduction limit—the amount of business income to which the 12 per-cent income tax rate applies—to \$300,000 by 2005.

Our Relationship to the World

The Government will restore Canada's place of influence and pride on the global stage.

Budget 2004 supports this priority by introducing a series of targeted initiatives in domestic security, defence and foreign aid, including:

- An additional \$250 million to cover the costs of the Canadian Forces' participation in peacekeeping missions in Afghanistan and the ongoing international efforts to prevent terrorism.
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- \$50 million in 2004–05 for Canada’s military participation in the UN-sanctioned multinational peacekeeping force in Haiti.
- Exemption from tax on income earned by Canadian Forces personnel and police while serving on high-risk international missions.
- Committing an additional \$605 million over five years to address security priorities such as intelligence, border protection, marine and cyber-security and enhanced co-ordination of systems, information, threat assessments and emergency response.
- An increase of \$248 million in international assistance in 2005–06, building on the 8 per cent increase for 2004–05.
- Reducing the Air Travellers Security Charge (ATSC) for domestic, transborder and other international air travel.

How Can I Get More Information on Budget 2004?

Information is available on the Internet at www.fin.gc.ca or by phoning:

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