

THE BUDGET IN BRIEF 2007

ASPIRE

TO A STRONGER, SAFER, BETTER CANADA



CANADA'S NEW GOVERNMENT

THE HONOURABLE JAMES M. FLAHERTY, P.C., M.P.
MINISTER OF FINANCE

MARCH 19, 2007



Department of Finance
Canada

Ministère des Finances
Canada

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Budget 2007—Aspire to a Stronger, Safer, Better Canada

Introduction

Canada today is strong, and Canada's New Government has a plan for an even better tomorrow.

Budget 2007 is historic: it restores fiscal balance, implements major elements of Canada's long-term economic plan, *Advantage Canada*, and will create greater opportunities for Canadians to fulfill their dreams of a good job, a world-class education for their children, a home of their own and a retirement they can count on.

Budget 2007 will achieve this by:

- Investing in Canadians, preserving and protecting our environment and improving the quality of our health care system for all.
- Restoring fiscal balance, and working with the provinces and territories to deliver results for Canadians and their families.
- Creating competitive advantages for a stronger economy by reducing Canada's debt, lowering the taxes of hard-working families, cracking down on corporations that have avoided paying their fair share of taxes by using tax havens, helping Canadian businesses compete globally, and making unprecedented investments in the infrastructure that connects our nation.
- Making our communities safer and more secure, supporting the men and women of the armed forces, including our veterans, and bringing new hope to people beyond our borders through more effective international aid.

It's time to unleash Canada's full potential. It's time to aspire to a stronger, safer, better Canada.

Budget 2007 aims to create a Canada that we will be proud to pass on to our children, with a standard of living and quality of life that are second to none.

Let us be bold. Let our Canada be an example to the rest of the world of what a truly great, prosperous and compassionate nation can be.



Highlights

Economic Developments and Prospects

- ✓ Canada's employment performance is the best it has been in 30 years, consumer confidence remains high and business financial positions are healthy.
- ✓ Canadian real gross domestic product (GDP) growth slowed modestly in recent quarters as a result of weaker U.S. demand, the past appreciation of the Canadian dollar and a cooling of the Canadian housing market.
- ✓ Private sector forecasters expect growth to improve during the course of 2007, with real GDP growth of 2.3 per cent in 2007 and 2.9 per cent in 2008. These forecasts are consistent with the U.S. economy achieving an expected soft landing in the wake of the recent correction to the U.S. housing market.
- ✓ The Canadian economy faces a number of risks over the budget-planning horizon.
 - The principal domestic risk is that recent weakness in productivity growth reflects lower underlying productivity growth rather than cyclical factors, which would have negative implications for Canada's future growth potential.
 - The downside risk to U.S. residential construction activity appears to have lessened since the November 2006 *Economic and Fiscal Update*, although there remains a risk that the weak U.S. housing market could negatively affect U.S. consumer demand. As well, world oil prices remain volatile and subject to geopolitical risks. Higher oil prices would push up the Canadian dollar, making Canadian exports less competitive.



A Better Canada

Budget 2007 invests in the things that make Canada great and reflect the values and beliefs that define us as a nation. The Government is taking important steps to clean up our environment, invest in Canadians, improve our health care system and celebrate our culture.

Ensuring a Cleaner, Healthier Environment

Canada is the most beautiful country in the world, and it is our responsibility to protect it. It is only through a healthier environment that Canadians can create the quality of life and standard of living to which we all aspire. That is why Budget 2007 invests \$4.5 billion to clean our air and water, reduce greenhouse gases, combat climate change, as well as protect our natural environment. Initiatives to ensure a cleaner, healthier environment include:

- ✓ Supporting major clean air and climate change projects with provinces and territories through the \$1.5-billion Canada ecoTrust for Clean Air and Climate Change.
- ✓ Rebalancing the tax system to encourage investments by the oil sands and other sectors in clean and renewable energy while phasing out accelerated capital cost allowance for oil sands development.
- ✓ Providing a performance-based rebate program offering up to \$2,000 for the purchase of a new fuel-efficient or efficient alternative fuel vehicle.
- ✓ Introducing a new Green Levy on “gas guzzlers.”
- ✓ Providing \$36 million over the next two years to help get older polluting vehicles off the road.
- ✓ Dedicating \$2 billion over seven years for the production of renewable fuels.
- ✓ Hiring 50 per cent more environmental enforcement officers.
- ✓ Protecting species at risk by investing \$110 million over two years to better implement the Species at Risk Act.



- ✓ Investing \$10 million over two years to create or expand protected areas in the Northwest Territories. This will preserve an important part of our boreal forests and the habitat for some of the largest caribou herds in the world.
- ✓ A new National Water Strategy, which includes:
 - \$11 million over two years to accelerate the clean-up of contaminated sediments in eight areas of the Great Lakes Basin identified under the Canada-U.S. Great Lakes Water Quality Agreement.
 - \$5 million over two years for the International Joint Commission to carry out a study with the U.S. on the flow of water out of Lake Superior.
 - \$12 million over two years to support the clean-up of Lake Simcoe.
 - \$7 million over two years to support the clean-up of Lake Winnipeg.
 - \$19 million over two years to help clean and protect our oceans and support greater water pollution prevention, surveillance and enforcement along Canada’s coasts.
 - \$39 million over two years to increase fisheries science research programs to strengthen fisheries management and resource conservation.
 - \$324 million to the Canadian Coast Guard for the procurement, operation and maintenance of an additional six new large vessels—four midshore patrol vessels and two offshore fishery science vessels.
 - New standards to ensure that all First Nations residents have access to safe drinking water.
 - Improving water and wastewater infrastructure, including treatment facilities, sewage collection and water distribution, through the Government’s long-term infrastructure plan outlined in Chapter 5 of *The Budget Plan*.
- ✓ A commitment to working with the provinces on tougher, more stringent regulations and controls to address municipal wastewater effluents.



Investing in Canadians

When Canada is strong, it has the means to protect, defend and support its people. Helping others is central to who we are as Canadians. That is why Budget 2007 is:

- ✓ Introducing a new Working Income Tax Benefit of up to \$500 for individuals and \$1,000 for families. This will reward and strengthen incentives to work for an estimated 1.2 million low-income Canadians, helping them over the “welfare wall.”
- ✓ Helping parents and others save toward the long-term financial security of persons with severe disabilities with a new Registered Disability Savings Plan.
- ✓ Creating an Enabling Accessibility Fund with \$45 million over three years to contribute to the cost of improving physical accessibility for persons with disabilities.
- ✓ Eliminating the capital gains tax for charitable donations of publicly-listed securities to private foundations.
- ✓ Supporting measures to help:
 - Children by investing an additional \$6 million per year to combat sexual exploitation and trafficking.
 - Seniors by expanding the New Horizons for Seniors program by \$10 million per year to combat elder abuse and fraud, and to expand capital assistance for community buildings, equipment and furnishings.
 - Women by providing \$10 million per year to Status of Women Canada towards real action in key areas such as combatting violence against women and girls.
 - Aboriginal Canadians by taking action to provide training and job opportunities for Aboriginal Canadians, helping First Nations members own their own homes, improving the quality of drinking water and enhancing the Aboriginal Justice Strategy.



Investing in the Health of Canadians

The Canadian health care system is one of the things that make Canada the modern, compassionate and prosperous country we love. Budget 2007 takes action to help reduce wait times and to modernize Canada's health system through initiatives such as:

- ✓ Investing an additional \$400 million for Canada Health Infoway to support early movement towards patient wait times guarantees through the development of health information systems and electronic health records.
- ✓ Providing up to \$612 million to support jurisdictions that have made commitments to implement patient wait times guarantees.
- ✓ Providing \$30 million over three years for patient wait times guarantees pilot projects.
- ✓ Providing \$300 million for a vaccine program to protect women and girls against cancer of the cervix.
- ✓ Providing \$2 million to the Canadian MedicAlert Foundation to help the *No Child Without* program provide free MedicAlert bracelets to children.
- ✓ Establishing the Canadian Mental Health Commission, with \$10 million over the next two years and \$15 million per year starting in 2009–10. This commission will lead the development of a national mental health strategy.
- ✓ Providing an additional \$22 million per year to help the Canadian Institute for Health Information build on its reputation as a world leader in providing timely, accurate and comparable health information.



Celebrating Our Culture

As Canadians, we are proud of our history and culture and the things that make us unique. Canada is home to natural and historic treasures that are precious to Canadians and a part of who we are. That's why Budget 2007 strengthens Canada by:

- ✓ Providing \$30 million per year in support for local arts and heritage festivals that engage Canadians in their communities through the expression, celebration and preservation of local culture.
- ✓ Providing \$5 million per year to hire qualified summer interns to work in Canadian museums.
- ✓ Encouraging youth participation in Canadian heritage sports like Canadian three-down football and lacrosse with an investment of \$1.5 million over the next two years in the new Canadian Heritage Sport Fund.
- ✓ Expanding funding for official languages minority communities with an additional \$30 million over the next two years.
- ✓ Supporting the 2008 Francophonie Summit in Quebec City with \$52 million.
- ✓ Creating Canada's National Trust, based on the successful model of the National Trust in the United Kingdom, which will operate independent of government and encourage Canadians to protect important lands, buildings and national treasures.



Restoring Fiscal Balance for a Stronger Federation

Budget 2007 takes historic action to restore fiscal balance in Canada. A restored fiscal balance will ensure the provinces and territories have the means to build and provide things that matter to Canadians. When the provinces and territories invest in health care, post-secondary education, modern infrastructure, child care and social services, all of Canada is stronger.

The Government is investing an additional \$39 billion over the next seven years. This puts all major fiscal arrangements on a long-term, principles-based track to 2013–14. Major initiatives to restore fiscal balance in Canada include:

- ✓ Renewed and strengthened Equalization and Territorial Formula Financing programs that provide \$2.1 billion more in the next two years from the federal government to eligible provinces and the three territories.
- ✓ A commitment to a fiscal capacity cap to ensure that Equalization payments do not unfairly bring a receiving province's total fiscal capacity to a level higher than that of any non-receiving province.
- ✓ Fairness through a commitment to equal per capita cash support for the Canada Social Transfer and the Canada Health Transfer, as they are renewed.
- ✓ An \$800-million increase in annual support for post-secondary education for a total annual transfer of \$3.2 billion to the provinces and territories by 2008–09. This represents a 40-per-cent increase in total transfer support for post-secondary education.
- ✓ An investment of \$250 million per year starting in 2007–08 to provinces and territories for the creation of new child care spaces.
- ✓ New and long-term funding of \$500 million per year starting in 2008–09 for labour market training to help Canadians get the training they need through new long-term arrangements.



- ✓ More than \$16 billion over seven years—including an extension of the Gas Tax Fund for municipalities—to fund infrastructure projects that matter to Canadians like roads and highways, public transit, bridges, sewer and water systems, and green energy.
- ✓ Investing more than \$1.5 billion in the new Canada ecoTrust for Clean Air and Climate Change to help provinces and territories meet environmental objectives.
- ✓ Ensuring that Canadians benefit directly from federal debt reduction by guaranteeing tax relief for Canadians from any future surplus through the Tax Back Guarantee.

In addition, Budget 2007 acts to:

- ✓ Clarify roles and responsibilities of governments.
- ✓ Strengthen the economic union by:
 - Lowering taxes and leaving more money in the pockets of Canadians.
 - Providing incentives to provinces to eliminate or accelerate the elimination of their capital taxes.
 - Attracting and retaining skilled and experienced immigrants through improvements to the Temporary Foreign Worker Program and the creation of a new avenue to immigration for Canadian-educated foreign students and experienced temporary foreign workers.
 - Launching a plan to create a Canadian advantage in global capital markets.



A Stronger Canada Through a Stronger Economy

Fiscal Advantage

Budget 2007 lowers government debt, which means that less of taxpayers' money goes to pay interest on the public debt. This budget also legislates the Tax Back Guarantee, which directs the money saved from paying less interest on the debt to personal income tax reductions for Canadians. Budget 2007 takes action on creating a Fiscal Advantage in Canada by:

- ✓ Planning for debt reduction of \$9.2 billion in 2006–07, which combined with last year's surplus of \$13.2 billion, brings total federal debt reduction to \$22.4 billion over two years.
- ✓ Reducing the federal debt-to-GDP (gross domestic product) ratio from 35 per cent in 2005–06 to 30 per cent by 2008–09. Canada is on target to reach the objective of a 25 per cent debt-to-GDP ratio by 2012–13.
- ✓ Delivering on the Tax Back Guarantee by dedicating over \$1 billion per year in debt interest savings to ongoing personal income tax reductions.
- ✓ Enacting a new Expenditure Management System to ensure better value for Canadian tax dollars by reducing waste and making government more efficient through ongoing reviews of all departmental spending on a four-year cycle.

Infrastructure Advantage

Budget 2007 makes a historic investment of more than \$16 billion over seven years in infrastructure—bringing federal support under a new long-term plan for infrastructure to a total of \$33 billion, including the funding provided in Budget 2006. This historic investment will be dedicated to things that matter such as roads and highways, public transit, bridges, sewer and water systems, and green energy. The plan provides greater predictability, flexibility and accountability, and makes an important contribution towards the economy, the environment and our energy needs.



Initiatives in Budget 2007 to create an Infrastructure Advantage include:

- ✓ Transferring \$2 billion per year to municipalities from 2010–11 to 2013–14 by extending the Gas Tax Fund transfer—for a total of \$8 billion. This money will be used for municipal priorities including roads, public transportation and water.
- ✓ Allocating \$6 billion in new funding to the new Building Canada Fund, investments in gateways and border crossings, and the national fund for public-private partnerships, which will leverage private capital to maximize the impact of the Government's investments.
- ✓ Providing each province and territory with an additional \$25 million per year, for a total investment of \$2.3 billion over the next seven years, to support investments in national priorities throughout the country. These investments include trade-related infrastructure like gateways, roads, highways and other transportation facilities.
- ✓ Bringing the total federal investment in the Asia-Pacific Gateway and Corridor Initiative to \$1 billion to ensure that Canada can take advantage of economic opportunities in Asia.
- ✓ Establishing a new federal office to identify and implement opportunities for public-private partnerships in infrastructure.
- ✓ Renewing the Government's commitment to construct a new border crossing at Windsor-Detroit including:
 - Taking the necessary steps to acquire the appropriate lands once the precise locations for the bridge and plaza have been determined.
 - Exploring public-private partnerships to design, build, finance and operate the new bridge.
 - Covering 50 per cent of the eligible capital cost of building the access road from the new crossing to Highway 401.
 - Providing \$10 million over three years to Transport Canada to support its efforts to implement this important project.



Entrepreneurial Advantage

Canadian businesses and entrepreneurs are the engine of our economy, helping make all of Canada strong. The Government is taking concrete steps to ensure that our markets remain competitive. We are also reducing barriers to small business growth, helping our agri-businesses succeed and reducing taxes on investments. Budget 2007 takes action on creating an Entrepreneurial Advantage in Canada by:

- ✓ Reducing the federal paper burden on small business by 20 per cent by November 2008.
- ✓ Reducing the tax compliance burden on small business by decreasing the frequency of their tax remittance and filing requirements.
- ✓ Appointing an expert independent panel to undertake a comprehensive review of Canada's competition policy.
- ✓ Committing to work with interested provinces/territories to examine how the Alberta-British Columbia Trade, Investment and Labour Mobility Agreement could be applied more broadly. This will help build our economic union and promote the free flow of people and goods within Canada.
- ✓ Working with the provinces and other partners to create a Canadian advantage in global capital markets, including a common securities regulator administering proportionate, more principles-based regulation for the benefit of investors, businesses and the economy.
- ✓ Strengthening capital market enforcement with better resources to tackle cases of fraud and stronger collaboration with provincial authorities. Appointing a senior expert advisor to the Royal Canadian Mounted Police to help develop and guide the implementation of a plan to improve the effectiveness of the Integrated Market Enforcement Teams.



- ✓ Enacting a Global Commerce Strategy to ensure that Canadian businesses can fully participate in global market opportunities.
- ✓ Introducing a new performance-based regulatory system with a commitment to efficient, timely and cost-effective regulation, underpinned by clear service standards and accountability for federal performance.
- ✓ Creating a Major Projects Management Office to streamline the review of large natural resource projects. With an investment of \$60 million over two years, the Government seeks to cut in half the average regulatory review period from four years to about two years, without compromising our regulatory standards.
- ✓ Providing farmers with an immediate one-time payment of \$400 million to address the rising costs of production.
- ✓ Enacting a simpler and more responsive income stabilization program for farmers with a new savings account program to be cost-shared on a 60:40 basis with provinces and territories. A one-time payment of \$600 million will help build new accounts.



Knowledge Advantage

In the modern global economy, the most successful nations are those that best combine people, skills, new ideas and advanced technologies to create a competitive edge. Canada must be well positioned to succeed in this new environment. That's why we're making investments to create the best-educated, most-skilled and most flexible labour force in the world. Budget 2007 takes action on creating a Knowledge Advantage in Canada by:

- ✓ Investing an additional \$800 million per year, beginning in 2008–09, for provinces and territories to strengthen the quality and competitiveness of Canada's post-secondary education system. Federal support will grow by 3 per cent every year thereafter.
- ✓ Helping graduate students cover the cost of their education with \$35 million over two years and \$27 million per year thereafter to support an additional 1,000 students through the Canada Graduate Scholarships. These scholarships will be dedicated to the memory of Canadians who have made a real and lasting impact in their respective fields: Sir Frederick Banting and Dr. Charles Best, Alexander Graham Bell, and Joseph-Armand Bombardier.
 - In health-related studies, through the Canadian Institutes of Health Research.
 - In natural sciences and engineering, through the Natural Sciences and Engineering Research Council of Canada.
 - In the social sciences and humanities, through the Social Sciences and Humanities Research Council of Canada.
- ✓ Making registered education savings plans (RESPs) more attractive by:
 - Eliminating the \$4,000 limit on annual contributions.
 - Increasing the lifetime RESP contribution limit from \$42,000 to \$50,000.
 - Increasing the maximum Canada Education Savings Grant annual amount from \$400 to \$500.



- ✓ Providing \$510 million to the Canada Foundation for Innovation to undertake another major competition before 2010. This will support the modernization of research infrastructure at Canadian universities, colleges, research hospitals and other non-profit research institutions.
- ✓ Providing \$120 million in 2006–07 to CANARIE Inc., a not-for-profit corporation that manages CA*net, a sophisticated research broadband network that links Canadian universities, research hospitals as well as other science facilities in other countries. This money will allow CANARIE to maintain the CA*net network for the next five years and to develop the next generation CA*net5.
- ✓ Providing \$10 million over the next two years to the Canadian Institute for Advanced Research to help Canadian students and researchers participate in and lead groundbreaking research on the international stage.
- ✓ Providing \$6 million in 2008–09 towards the relocation of Natural Resources Canada’s CANMET Materials Technology Laboratory to the McMaster Innovation Park in Hamilton, Ontario.
- ✓ Investing \$85 million per year through the federal granting councils for research targeted on key priorities: health sciences, energy, the environment, information and communications technologies and management, business and finance.
- ✓ Providing an additional \$15 million per year to cover the indirect costs of research, including the operating and maintenance of research facilities.
- ✓ Providing \$500 million per year starting in 2008–09 to provide labour market training to help people who are not eligible for employment-insurance-related training get the skills they need and employers want. Any Canadian who needs training will be able to get training.
- ✓ Supporting leading Centres of Excellence in Commercialization and Research with an investment of \$350 million over 2006–07 and the next two years.



- ✓ Providing Genome Canada with an additional \$100 million in 2006–07 to extend promising research projects and sustain funding for regional genome centres and related technology platforms.
- ✓ Investing \$30 million in The Rick Hansen Man in Motion Foundation in 2006–07 to translate research into practical benefits for Canadians living with spinal cord injuries.
- ✓ Extending and improving the Aboriginal Skills and Employment Partnership through the provision of an additional \$105 million over five years.
- ✓ Improving the Temporary Foreign Worker Program with a \$51-million investment over two years.
- ✓ Dedicating \$34 million over the next two years to help Canadian-educated foreign students and skilled foreign workers stay in Canada as permanent residents.
- ✓ Creating the Foreign Credential Referral Office with a \$13-million investment over two years.
- ✓ Providing \$2 million over the next two years to launch a new international education marketing campaign to attract talented students to Canada.



Tax Advantage

Canadians still pay too much tax. The Government is taking important steps to reduce personal income taxes to encourage people to work, save and invest. We are helping businesses succeed through lower taxes to spur innovation and growth that will lead to more jobs and higher wages for Canadian workers. Canada's New Government is also continuing its commitment to restoring tax fairness, making sure that corporations that have been using tax havens are paying their fair share. Budget 2007 takes action on creating a Tax Advantage in Canada through the following measures:

Personal Income Tax

- ✓ A new \$2,000 child tax credit will provide up to \$310 per child of tax relief to more than 3 million Canadian families.
- ✓ Ending the marriage penalty by increasing the spousal and other amounts to provide up to \$209 of tax relief for a supporting spouse or single taxpayer that is supporting a child or relative.
- ✓ Extending the public transit tax credit to innovative fare products like electronic fare cards and weekly passes when used on an ongoing basis.
- ✓ Increasing the lifetime capital gains exemption for farmers, fishermen and fisherwomen, and small business owners from \$500,000 to \$750,000.
- ✓ Enacting the Tax Fairness Plan, which delivers over \$1 billion in additional tax savings for Canadians including:
 - Increasing the age credit amount by \$1,000 to \$5,066.
 - Allowing pension income splitting.
- ✓ Encouraging older workers to stay in the labour market by permitting phased retirement. This would allow an employer to simultaneously pay a partial pension to an employee and provide further pension benefit accruals to the employee.
- ✓ Increasing the age limit from 69 to 71 for converting a registered retirement savings plan (RRSP) to strengthen incentives for older Canadians to work and save.



- ✓ Amending the list of qualified investments that can be held by RRSPs and other registered plans to include most investment-grade debt and publicly-listed securities.
- ✓ Increasing the share of meal expenses that long-haul truck drivers can deduct for tax purposes from 50 to 80 per cent.

Business Taxes

- ✓ Introducing tax reductions which will lower Canada's tax rate on new business investment. This will encourage investment and job creation, and help Canadian businesses to compete on the world stage.
- ✓ Helping manufacturing and processing businesses make the major investments needed to respond to the stronger Canadian dollar and rising global competition by allowing them to write off their capital investments in machinery and equipment acquired on or after March 19, 2007, and before 2009 using a special two-year 50-per-cent straight-line rate.
- ✓ Increasing the capital cost allowance rate from 4 to 10 per cent for buildings used in manufacturing and processing, and from 45 to 55 per cent for computers.
- ✓ Updating the Canada-U.S. Tax Treaty to facilitate cross-border investment and commerce.
- ✓ Cracking down on corporations that use tax havens to avoid paying their fair share of taxes by eliminating the deductibility of interest incurred to invest in business operations abroad, improving information agreements with other countries, and providing more resources to the Canada Revenue Agency to strengthen their audit and enforcement activities.



Other Tax Measures

- ✓ Extending the 15-per-cent mineral exploration tax credit by an additional year, until March 31, 2008.
- ✓ Establishing a new federal Foreign Convention and Tour Incentive Program to attract foreign conventions and tour groups through a goods and services tax/harmonized sales tax system.
- ✓ Doubling the value of goods that may be imported duty- and tax-free by returning Canadian residents after a 48-hour absence from \$200 to \$400.
- ✓ Supporting the Vancouver 2010 Olympic and Paralympic Winter Games by providing a series of tax relief measures in order to facilitate the Games.



A Safer Canada: Building a Stronger Canada in a Modern World

Canada is admired the world over as a safe, law-abiding society. We cherish our safety and security and we must keep it that way. We are also proud of the role Canada plays across the globe, restoring and protecting the peace. To that end, Budget 2007 significantly enhances Canadians' security at home, and ensures Canada plays an even more effective leadership role in world affairs in three key strategic areas:

Defence

This Government recognizes the sacrifices and contributions of Canadian soldiers. Canada also owes a debt of gratitude to our veterans, who have fought for our freedom and protected the peace. That is why Budget 2007 makes important investments such as:

- ✓ Accelerating the implementation of the *Canada First* defence plan so that the Canadian Forces will receive \$175 million in 2007–08.
- ✓ Earmarking \$60 million per year to bring the environmental allowances paid to soldiers serving in Army field units in line with those provided to members of the Navy and Air Force.
- ✓ Providing \$10 million per year to establish five new Operational Stress Injury Clinics to assist Canadian Forces members and veterans dealing with stress injuries related to their military service and provide improved support for their families.
- ✓ Investing \$19 million in 2007–08 and \$20 million thereafter to establish the Veterans' Ombudsman and ensure that services for veterans meet the standards set out in a new Veterans' Bill of Rights.



Public Security

One of the things visitors to Canada often comment upon is how safe and secure they feel in Canada, and the Government is taking action to help keep it that way. Budget 2007 takes important steps to help prevent crime and to ensure that the security, intelligence and corrections systems are strong through initiatives such as:

- ✓ A new National Anti-Drug Strategy with \$64 million over two years to crack down on gangs, combat illicit drug production such as grow-ops and methamphetamine labs, prevent illicit drug use and treat illicit drug dependency.
- ✓ Providing an additional \$6 million per year to the Royal Canadian Mounted Police (RCMP) to protect children from sexual exploitation and trafficking.
- ✓ Taking action to crack down on white-collar crime by appointing a senior expert advisor to the RCMP to help develop and guide the implementation of a plan to improve the effectiveness of the Integrated Market Enforcement Teams.
- ✓ Improving front-end screening of first-time firearms licence applicants with \$14 million over two years.
- ✓ Strengthening the security of Canada's diplomatic missions abroad with an investment of \$11 million over the next two years to enhance the critical infrastructure of our embassies and consulates.
- ✓ Investing \$80 million over two years to make the Canadian Security Intelligence Service's operations more effective.
- ✓ Providing the Correctional Service of Canada with \$102 million over two years to begin updating its infrastructure, equipment and programming, pending the results of a panel review.
- ✓ Providing \$1 million over two years to the Canadian arm of the International Association of Fire Fighters to help implement a hazardous materials training program.
- ✓ Providing \$10 million over the next two years to support the Canadian Police Research Centre's work in science and technology in policing and public safety.



International Assistance

Canadians take pride in our role in reducing global poverty and contributing to international peace and security. Increasing the amount of resources that we make available for international assistance is a key element of that effort. Budget 2007 supports these goals by:

- ✓ Confirming our Budget 2006 commitment to double international assistance by 2010–11 from 2001–02 levels. This will bring Canada’s total international assistance to \$4.1 billion in 2007–08 and \$4.4 billion in 2008–09.
- ✓ Laying out a three-point program for enhancing the focus, efficiency and accountability of Canada’s international assistance efforts.
- ✓ Providing \$200 million in additional support for reconstruction and development in Afghanistan, with a focus on new opportunities for women, strengthened governance, enhanced security and combatting illegal drugs.
- ✓ Investing \$115 million initially and up to \$230 million over time in the innovative Advance Market Commitment, led by Canada, Italy and the United Kingdom, to create a pneumococcal vaccine, which is expected to save more than 5 million lives in the developing world by 2030.
- ✓ Providing a tax incentive for companies to participate in international programs for the donation of lifesaving medicines, such as those to combat AIDS and tuberculosis, to the developing world.



Fiscal Outlook

The Government's overall fiscal situation is now stronger than projected at the time of the November 2006 *Economic and Fiscal Update*, due to a combination of higher revenues and lower expenses. Budget 2007 builds on these strengths to ensure that taxpayers' dollars are managed effectively.

- ✓ For 2006–07, the Government is planning to reduce the federal debt by \$9.2 billion. Combined with last year's \$13.2-billion surplus, federal debt will have been reduced by \$22.4 billion over two years.
- ✓ The Government is planning on annual debt reduction of at least \$3 billion in 2007–08 and 2008–09, and remains on target to lower the federal debt-to-GDP (gross domestic product) ratio to 25 per cent by 2012–13.
- ✓ The Tax Back Guarantee, which will be legislated with Budget 2007, directs over \$1 billion per year in recent debt interest savings to ongoing personal income tax reductions.
- ✓ Revenues as a share of GDP are projected to decline from 16.2 per cent in 2005–06 to 15.5 per cent in 2008–09. This reflects a growing economy and the impact of tax measures legislated with Budget 2007, including the October 2006 Tax Fairness Plan, and Budget 2006.
- ✓ The Government will limit growth in program spending, on average, to below the rate of growth in the economy.



Table 1.1

**Summary Statement of Transactions
(Including March 2007 Budget Measures)**

	Actual		Projection		
	2004-05	2005-06	2006-07	2007-08	2008-09
	(billions of dollars)				
Budgetary revenues	211.9	222.2	232.3	236.7	243.5
Program expenses	176.4	175.2	189.0	199.6	206.8
Public debt charges	34.1	33.8	34.1	33.8	33.7
Total expenses	210.5	209.0	223.1	233.4	240.5
Planned debt reduction¹	1.5	13.2	9.2	3.0	3.0
Remaining surplus				0.3	0.0
Federal debt	494.7	481.5	472.3	469.3	466.3
Per cent of GDP					
Budgetary revenues	16.4	16.2	16.1	15.8	15.5
Program expenses	13.7	12.8	13.1	13.3	13.2
Public debt charges	2.6	2.5	2.4	2.3	2.1
Total expenses	16.3	15.2	15.5	15.6	15.3
Federal debt	38.3	35.1	32.8	31.4	29.7

Note: Totals may not add due to rounding.

¹ Actual debt reduction in 2004-05 and 2005-06.



Table 1.2

Initiatives Since Budget 2006

	2006-07	2007-08	2008-09	Total
	(millions of dollars)			
A. Initiatives Proposed Before Budget 2007				
Tax Fairness Plan	570	1,020	1,065	2,655
Employment Insurance premiums	125	420	420	965
Other Announced Initiatives	220	196	97	513
Subtotal	915	1,636	1,582	4,133
B. Budget 2007 New Initiatives				
A Better Canada				
Ensuring a Cleaner, Healthier Environment	255	302	249	806
Investing in Canadians	140	857	955	1,952
Investing in the Health of Canadians	1,012	337	39	1,388
Celebrating Our Culture		66	92	158
Less: Existing Sources of Funds		-226	-228	-455
Subtotal	1,407	1,335	1,107	3,849
Restoring Fiscal Balance for a Stronger Federation				
Equalization		1,092	833	1,925
Territorial Formula Financing	54	87	75	216
Canada Social Transfer		1,163	1,761	2,924
Labour Market Strategy			500	500
New Architecture for Infrastructure Support		325	325	650
Other	2,133			2,133
Less: Existing Sources of Funds	-122	-553	-760	-1,435
Subtotal	2,066	2,114	2,734	6,913
A Stronger Canada Through a Stronger Economy				
Infrastructure Advantage		10	8	18
Entrepreneurial Advantage	400	755	142	1,297
Knowledge Advantage				
Science and Technology Leadership	300	377	228	904
Stronger and More Affordable				
Post-Secondary Education	5	31	41	77
Creating a More Skilled and Inclusive Workforce		42	90	132
Less: Existing Sources of Funds		-7	-17	-24
Subtotal—Knowledge Advantage	305	443	342	1,089
Tax Advantage				
More Personal Income Tax Relief	440	1,955	2,025	4,420
Building a Business Tax Advantage		230	710	940
International Tax Fairness		75	190	265
Other Tax Measures		145	-10	135
Subtotal—Tax Advantage	440	2,405	2,915	5,760
Subtotal	1,145	3,612	3,407	8,164
A Safer Canada				
Implementing the <i>Canada First</i> Defence Plan		264	90	354
Keeping Canadians Secure		102	184	286
International Assistance	315			315
Less: Existing Sources of Funds		-49	-87	-136
Subtotal	315	318	187	819
Total Net Budget 2007 Initiatives	4,933	7,379	7,434	19,745
C. Initiatives Proposed Since Budget 2006	5,847	9,015	9,016	23,879