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Federal Budget 2010: Highlights for Atlantic Canada

The Conservative government's fifth budget, tabled today by Finance Minister Jim Flaherty, was short on new measures (and transparency which has made it increasingly difficult in recent budgets to decipher new funding and policy directions).

Stimulus spending will continue as announced in last year's budget. A recovery in revenues and spending restraint (outside of major transfers to governments and persons) is designed to bring the \$49 billion deficit in 2010/2011 back to near balance by 2014/2015. Two specific areas targeted for spending restraint include foreign aid (frozen in nominal terms from 2011/2012) and defence (a slower growth path beginning in 2012/2013). Atlantic Canada had 19% of military personnel employment and wages and salaries in Canada in 2009. Other departmental salary and operating budgets will be frozen for three years while program review processes will seek to identify further savings. These measures will return federal program spending to 13.2% of GDP by 2014/2015, similar to the level prior to last year's stimulus package.

The biggest single budget announcement in dollar terms is the complete elimination of tariffs on imports of machinery and equipment and manufacturing inputs, saving Canadian businesses an estimated \$300 million annually when fully implemented. The Canadian and Atlantic manufacturing and export sector have been under intense pressure in recent years and this will provide some modest relief by lowering the cost of investment in new equipment which should help improve competitiveness for those businesses which have survived the global recession.

There were several announcements that may provide some benefit over time particularly to small- and medium-sized business. The government will set up a new Red Tape Reduction Commission to review and recommend ways to reduce compliance costs relating to federal regulations. An Advisory Committee on Small Business and Entrepreneurship will advise the government on how to improve access to federal programs and information. And a two-year pilot initiative will provide \$40 million to support up to 20 projects for federal departments and agencies to demonstrate the use of innovative products and technologies developed by small- and medium-size businesses.

Despite these and other initiatives relating to innovation and competitiveness, a coordinated strategy to improve productivity is lacking. This is not only a national issue but a specific concern in Atlantic Canada where productivity lags well behind the national level.

Youth were disproportionately affected by the recession in terms of job losses and the budget includes funding for a number of initiatives (worth \$77 million in 2010/2011) to help provide internships for new graduates; mentor young entrepreneurs; and assist Aboriginal, disadvantaged and youth at risk.

Other specific measures or announcements and their relevance for Atlantic Canada are as follows:

Infrastructure Stimulus

- The second year of Canada's Economic Action Plan will continue to support infrastructure spending in Atlantic Canada. Many of the programs that were announced in last year's budget will continue to support infrastructure spending in 2010/2011. Activity on Atlantic Canadian projects announced under these programs is expected to increase in 2010.

Transportation Infrastructure

- The budget will provide \$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.
- The budget will provide \$28 million in 2010/2011 to support the operations of Atlantic ferry services including Digby-Saint John, Woods Island-Caribou and Souris- Îles de la Madeleine.
- There was no mention of the Atlantic Gateway. An Atlantic Gateway strategy was scheduled to be released in the fall of 2009.

Regional Development

- The budget allocated the Atlantic Canada Opportunities Agency (ACOA) \$19 million per year, starting in 2010/2011, to continue its Atlantic Innovation Fund (which provides funding for businesses and research institutes to develop and commercialize new technologies) and to support its Innovative Communities Fund (which helps communities adapt to new economic realities and opportunities). This announcement ensures ongoing funding of approximately \$60 million per year for the Atlantic Innovation Fund which was launched in 2000 and renewed in 2005.

Innovation

- The National Research Council will receive an additional \$135 million over the next two years for its 11 regional innovation clusters which includes centres in St. John's (Ocean Technologies), Charlottetown (Nutrisciences and Health), Fredericton (Information Technologies & E-business) and Halifax (Life Sciences). Genome Canada will also receive an additional \$75 million in 2009/2010 to launch a new targeted research competition focused on forestry and the environment and to sustain funding for the regional genomics innovation centres.
- There was a commitment to create a Digital Economy Strategy that will help the information and communications technologies (ICT) sector to create new

- The Government announced a comprehensive review of all federal support for R&D to improve its contribution to innovation and economic opportunities for business. There have been criticisms in the past of the ability to access and fully utilize programs such as the Scientific Research and Experimental Development Tax Incentive Program.

Forest Industries

- The Next Generation Renewable Power Initiative will provide an additional \$100 million over four years to support the development of advanced clean energy technologies in the forestry sector.

Fishery

- The budget provides \$7.2 million over two years to support a new Catch Certification Office in Fisheries and Oceans Canada that will issue certificates to exporters attesting that seafood products are legally harvested. This will help ensure access to international markets, most notably the European Union.

Federal Transfers

- The government reaffirmed its commitment not to cut the growth track of major transfers to other levels of government. However, there are concerns about the path of federal transfers beyond 2013/2014 when existing agreements on transfers such as the Canada Health Transfer and the Canada Social Transfer expire. Federal transfers currently account for between 36% and 44% of total government revenues in the three Maritime provinces and 20% in Newfoundland and Labrador (which no longer receives Equalization payments).