



Canadian Construction Association Budget 2017 Briefing

General

On March 22, 2017, the federal budget entitled: *Building A Strong Middle Class* was presented by Finance Minister Bill Morneau. Innovation was the theme of the day, with key focus on infrastructure, housing strategy, skills, health, and gender balance.

As expected, the budget posts a significant deficit of \$28.5 billion, expected to peak this year, and with the debt-to-GDP ratio to peak in the next 2 years at 36.1% of GDP before slowly decreasing starting in fiscal year 2019 – 2020.

This year was very much a 'Stay the course' budget with very few major changes of policy direction. In fact, the anticipated large-scale tax measures were nowhere to be found. There were also no changes to small business tax from the pre-budget framework. There were also small tweaks to corporate tax; mostly technical in nature.

Infrastructure

Recognizing the important role infrastructure plays in building strong communities, creating jobs and growing the economy, Budget 2016 provided \$11.9 billion over five years to support public transit, green infrastructure and social infrastructure. In addition, the 2016 Fall Economic Statement announced an additional \$81.2 billion over 11 years, starting in 2017 – 18, in support of public transit, green infrastructure, social infrastructure, transportation that supports trade, Canada's rural and northern communities, and smart cities. Budget 2017 is mostly silent on how the new funding (Phase II) will be applied, with the exception of a reference to the need for new Framework agreements being required.

Implementation Status of Budget 2016

The total value of new proposals announced in Budget 2016 was \$11.6 billion in 2016 – 17. Despite recent criticism, the federal government insists these initiatives are mostly on track. Complex infrastructure projects involving multiple levels of government and the private sector have seen some slippage.

Canada Infrastructure Bank

The Canada Infrastructure Bank will work with provincial, territorial, municipal, Indigenous, and private sector and institutional investment partners to transform the way infrastructure is planned, funded and delivered across the country. With its focus on large, transformative projects such as regional transit plans, transportation networks and electricity grid interconnections, the Bank is intended to augment existing public investments though no details were provided.

The Canada Infrastructure Bank will be responsible for investing at least \$35 billion over 11 years, using loans, loan guarantees and equity investments. To ensure that funds can begin to be invested in a timely manner, the Government will soon propose legislation establishing the Canada Infrastructure Bank. The Government will



begin a process to identify the Bank's Chief Executive Officer and Chairperson of the Board of Directors, with the goal of having the Canada Infrastructure Bank operational in late 2017.

Public Transit Investments

To support the next phase of ambitious public transit projects, the Government will invest \$20.1 billion over 11 years through bilateral agreements with provinces and territories, with provincial and territorial allocations determined using a formula based on ridership (70 per cent) and population (30 per cent).

To ensure that public transit dollars are invested in a way that makes the most sense for Canada's diverse communities, the Government is working closely with provinces and territories.

In addition, the new Canada Infrastructure Bank will play a role in defining and building public transit infrastructure in Canada. As part of its mandate to structure, negotiate and deliver federal support for infrastructure projects with revenue-generating potential, the Bank will invest at least \$5 billion in public transit systems.

Green Infrastructure Investments

To advance Canada's efforts to build a clean economy, Budget 2017 lays out the Government's plan to invest \$21.9 billion in green infrastructure, including initiatives that will support the implementation of the Pan-Canadian Framework on Clean Growth and Climate Change.

Investments to support Canada's transition to a clean economy will flow through three distinct streams:

- **Bilateral agreements:** \$9.2 billion will be provided to provinces and territories over the next 11 years, on a base plus per capita allocation basis, to support priority projects, including those that reduce greenhouse gas emissions, deliver clean water, safely manage wastewater, help communities prepare for challenges that result from climate change, and help build cleaner, better-connected electricity systems.
- **The Canada Infrastructure Bank:** At least \$5 billion will be available over the next 11 years for green infrastructure projects, including those that reduce greenhouse gas emissions, deliver clean air and safe water systems, and promote renewable power.
- **An additional \$2.8 billion** will be invested over the next 11 years through a series of national programs.

This will include \$182 million to develop and implement new building codes to retrofit existing buildings and build new net-zero energy consumption buildings across Canada.

Greener Government

Budget 2017 proposes to provide \$13.5 million over five years, starting in 2017 – 18, to Natural Resources Canada to provide expertise to other federal departments in the best approaches to implement energy efficiency and clean energy technologies, to retrofit federal buildings, and to reduce or eliminate emissions from vehicle fleets.



National Housing Strategy

Budget 2017 proposes to invest more than \$11.2 billion over 11 years in a variety of initiatives designed to build, renew and repair Canada's stock of affordable housing and help ensure that Canadians have affordable housing that meets their needs.

These investments will be made as part of a new National Housing Strategy. The Strategy was developed following extensive consultation with and input from provinces, territories, municipalities, Indigenous Peoples, industry experts, stakeholders and, most importantly, those Canadians who are living with the challenge of finding adequate and affordable housing in many of Canada's big cities, and rural and remote communities.

The Strategy will provide a roadmap for governments and housing providers across the country as they decide how to best support housing renewal in their communities. Key elements include:

- A renewed partnership between the Government and provinces and territories to better support key housing priorities.
- A new \$5 billion National Housing Fund to address critical housing issues, and better support vulnerable citizens.
- Targeted support for northern housing.
- Targeted housing support for Indigenous Peoples not living on-reserve.
- Renewed and expanded federal investments to combat and prevent homelessness.
- Making more federal lands available for the development of affordable housing.
- Expanded funding to strengthen CMHC's housing research activities.

Budget 2017 proposes to provide approximately \$3.2 billion over the next 11 years to provinces and territories to support key priorities for affordable housing. These

priorities may include the construction of new affordable housing units; the renovation and repair of existing housing; rent subsidies and other measures to make housing more affordable; and other initiatives to support safe, independent living for Canada's seniors, persons with disabilities and other individuals requiring accessibility modifications.

National Trade Corridors Fund

To address urgent capacity constraints and freight bottlenecks at major ports of entry, and to better connect the rail and highway infrastructure that delivers economic growth across Canada, the Government proposes to establish a new National Trade Corridors Fund.

Investments will target congestion and inefficiencies at marine ports such as Vancouver (vital to expanding Canada's trade with Asia) and Montréal (critical to the success of Canada's Comprehensive Economic and Trade Agreement with the European Union), as well as along the busiest rail and highway corridors around the Greater Toronto Area and other urban centres across the country. Budget 2017 proposes to provide \$2 billion over 11 years to support the Fund's activities. At least an additional \$5 billion will be provided through the Canada Infrastructure Bank to address trade and transportation priorities.

Homecare Infrastructure

To help more Canadians receive care outside a hospital settings, the Government has offered \$1 billion over four years to provinces and territories, starting in 2018 – 19, for home care infrastructure. In total, the Government has committed to invest \$11 billion over 10 years to support better home care and mental health initiatives.



Temporary Foreign Workers Program

Budget 2017 proposes to invest \$279.8 million over five years, starting in 2017 – 18, and \$49.8 million per year thereafter, to support the continued delivery of the Temporary Foreign Worker Program and the International Mobility Program.

Building on funding announced in the 2016 Fall Economic Statement, Budget 2017 proposes to provide an additional \$7.8 million over two years, starting in 2017 – 18, to implement a new Global Talent Stream under the Temporary Foreign Worker Program, as part of the Global Skills Strategy.



Federal Carbon Pricing

The Framework includes a pan-Canadian approach to pricing carbon, with the aim of having all provinces and territories covered by 2018. Provinces and territories will have the flexibility to choose between two systems: a direct price on carbon or a cap-and-trade system. The Government will introduce a backstop pricing system that will apply in provinces and territories that do not meet the federal carbon pricing benchmark.

In the coming months, the Government will release a consultation paper containing the technical details of the proposed federal carbon pricing backstop mechanism.

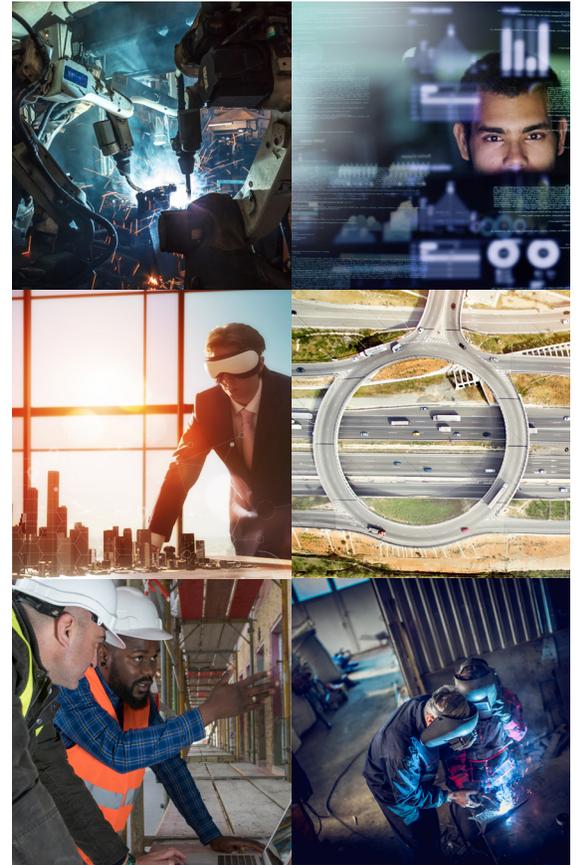


Construction Innovation

Budget 2017 proposes to invest up to \$950 million over five years, starting in 2017 – 18, to be provided on a competitive basis in support of a small number of business-led innovation “superclusters” that have the greatest potential to accelerate economic growth.

The competition will launch in 2017 and focus on superclusters that enhance Canada’s global competitiveness by focusing on highly innovative industries such as advanced manufacturing, agri-food, clean technology, digital technology, health/bio-sciences and clean resources, as well as infrastructure and transportation. Construction will be eligible to compete for funding.

Superclusters will include risk sharing to develop platform technologies and disruptive technologies that will boost Canada’s competitiveness in areas of economic strength (e.g. advanced manufacturing, agri-food, clean technology, digital economy, health/bio-sciences, clean resources, and infrastructure and transportation).



Labour Market Reforms

The Federal government will invest an additional \$1.8 billion over six years, starting in 2017 – 18, to expand the Labour Market Development Agreements. This will provide more funding to upgrade skills.

Many unemployed are not eligible for Employment Insurance (EI)-funded training under the Labour Market Development Agreements. Budget 2017 proposes to invest an additional \$900 million over six years, starting in 2017 – 18, for new Workforce Development Agreements.

The Workforce Development Agreements, which will consolidate the existing Canada Job Fund Agreements, the Labour Market Agreements for Persons with Disabilities and the Targeted Initiative for Older Workers, will make transfers to the provinces and territories simpler and more flexible.

The Government also proposes to amend the *Employment Insurance Act* to broaden worker eligibility for programs and services under the Labour Market Development Agreements, allowing even more Canadians, especially underrepresented groups, to access EI-funded skills training and employment supports.

