

Securing progress in an uncertain world

The
**Budget
Speech**
2001



Department of Finance
Canada

Ministère des Finances
Canada

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Also on the Internet at:
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Cette publication est également disponible en français.

Cat. No.: F1-23/2001-1E
ISBN 0-662-31347-X



Introduction

Before I begin, I would like to express the Government's appreciation to the people of Canada who have given of their ideas and insights. I also want to thank the many committees and task forces of our caucus who, throughout the year, have worked so closely with us in the lead-up to this budget. And, finally, I would like to thank the Standing Committee on Finance, whose hearings have framed the national debate and whose report has provided us with valuable input again.

Mr. Speaker, we meet today at a time of global turbulence. A time when character is tested, perseverance is tried and values reaffirmed. Just three months ago tomorrow, terror touched our continent and changed our world. Today, we deal with its economic consequences, but that day was first and foremost a human tragedy, measured in lives taken, families destroyed and fears awakened.

In the aftermath of the terrorist attacks, Canadians are understandably concerned about their own security and that of the nation. We have struggled to explain to our children what we ourselves must seek to understand. At the same time, we have felt the comfort of reaching out to others. We have experienced the reassurance of family and faith. We have recognized our vulnerabilities but, as well, we have rediscovered our strengths and, as a nation, we are more united today than ever.

Mr. Speaker, prior to September 11th, the global economy had begun to slow down. However, the terrible events of that day made matters much worse and introduced a new level of uncertainty into the economic outlook.

The focus of this budget, therefore, is to deal with that uncertainty and to manage through this period of global weakness. Its time frame is the year ahead.

Specifically, this budget does four things:

First, it provides the necessary funding for the security measures to deal with the threats we face.

Second, it recognizes the vital importance of an open Canada-U.S. border to our economic security.

Third, it supports Canadians through difficult times while continuing our long-term plan to build for the future.

And fourth, it provides Canadians with a full and open accounting of the nation's finances.

Before addressing those matters in detail, let me say that although we are going through a difficult period, thanks to the hard choices Canadians have made in recent years, our economy is inherently strong.

It is because of those efforts that today's budget is able to confirm that we will provide the full \$23 billion of increased health care and early childhood funding announced in September of last year.

We will implement the \$100 billion in tax cuts announced last year.

We will fully finance the national security package.

We will pursue our long-term plan to invest in the future.

And, finally, based on the average of private sector forecasts, we will do all of this without going back into deficit.

Mr. Speaker, this is the payoff of our prudent approach, but it is equally the result of the resiliency of Canadians. After all, an economy is not about statistics or spreadsheets. It is a measure of individual enterprise and effort. It is about what people do and how they live.

At times, this means demonstrating courage in the face of adversity, composure in the face of challenge. But Canadians have always shown that strength. It is for this reason that we face the future with confidence.

The Global Situation

Mr. Speaker, the global economy began showing signs of weakness early this year. As a result, the International Monetary Fund reduced its forecast for global growth significantly, reflecting the situation in the United States, persistent difficulties in Japan, poorer prospects in Europe and a marked decline in several emerging countries. Indeed, for the first time in 25 years, we were in the midst of a slowdown that was happening concurrently in every major market of the world.

As we now know, the events of September 11th significantly worsened the state of the U.S. economy. Commerce was hurt by the sheer physical disruptions of stock markets that closed, air traffic that stopped, shipments that were delayed and investments that were postponed.

As a result, economists have now substantially reduced their outlook for U.S. growth this year from the 3.5 per cent predicted a year ago to 1.1 per cent today – reflecting the current recession in that country.

At the same time, they believe this weakness should be relatively short-lived. If they are right, we should see a recovery in the U.S. beginning by the middle of next year. If, on the other hand, U.S. consumer and business confidence erode further, that would have economic and fiscal consequences for us all.

The Canadian Economy

In turning to the state of the Canadian economy, it is important to remember how connected we are to the world. More than 40 per cent of our economic activity is generated by exports and these have been hit hard by the global slowdown, particularly by the downturn in the United States. This was reflected in our weaker performance in the first half of this year and, following the terrorist attacks, Canada was severely affected by delays and disruptions at the U.S. border, reminding us of the vital importance of keeping an open flow of people and products between our two countries.

Tourism, airlines and aerospace have been particularly affected. This has been compounded by the difficulties faced by Canada's softwood lumber industry and many parts of our agricultural industry.

As a result of all of this, our economy contracted in the third quarter. And, in part reflecting recent declines in full-time employment, most analysts expect weakness to continue into the fourth.

The Economic Outlook

Clearly, these developments will have a significant impact on the kind of economic growth we can expect next year.

To assess this, as in the past, we have consulted some 19 private sector forecasters to obtain their best estimates of the economic outlook. Based on that survey, we then consulted with the chief economists of Canada's major chartered banks and three leading forecasting firms to discuss the most recent numbers and their implications for this budget's economic and fiscal projections.

On average, forecasters anticipate growth of 1.3 per cent this year – down dramatically from 4.4 per cent last year. They predict a 1.1 per cent growth for 2002, but with a stronger second half as exports recover, confidence is rebuilt and consumers and businesses respond to the substantial declines in both interest rates and taxes.

That being said, we can take nothing for granted given the extent of global uncertainty. Therefore, the Government, while very confident for the medium and longer term, will remain cautious in its planning.

Managing in Uncertain Times

Mr. Speaker, a key part of reducing uncertainty is restoring a sense of personal security. Today, we are introducing a comprehensive set of measures to that end. Our purpose is clear: to keep Canadians safe, to keep terrorists out and to keep our borders open.

Enhancing Security for Canadians

There is no doubt that September 11th forced us to deal with a struggle we did not start, in a world we did not create. Canadians have been confronted with a new kind of threat at home – and to protect ourselves, we must respond in new kinds of ways.

This is not a classic conflict between states. Our adversaries seek not to win territory but to disrupt our economy; not to deploy troops but to divide our society; not to control our resources but to undermine our freedoms.

As a result, this campaign is not being waged in the traditional fashion. It is being fought not just with bombs but with intelligence operations, police actions and bank controls. The struggle may be long, but it will be won. Quite simply, we need to know our enemy better, anticipate threats sooner and take action faster to stop them. Intelligence and policing are vital. We must know who poses a threat, where they are and what they aim to do.

To ensure that we have the best possible information, this budget commits new resources to the Canadian Security Intelligence Service – CSIS. Indeed, we will provide the agency with the largest increase in its history. Furthermore, we will substantially increase the resources available to the RCMP for antiterrorist activities.

Next, we will enhance controls at all points of entry into Canada. We will beef up security at our ports and seaways, increase the number of patrols off of our coasts and provide better tools and technology to intercept potential terrorists before they reach our shores.

These efforts will begin well beyond our borders. We will place more immigration control officers abroad to gather intelligence and prevent criminals and terrorists from obtaining travel documents or using fraudulent documents to enter Canada.

We will tighten controls in our refugee system so that only those truly in need can enjoy the privilege of our welcome. To that end, we will increase resources so that enhanced security checks can be done on claimants as soon as they arrive.

And, finally, we will provide more resources to the Immigration and Refugee Board to shorten the waiting time for hearings, reduce the backlog that already exists, and send back those who do not deserve to stay.

That being said, however, Canada has always welcomed those seeking a new life in a new land and this will not change. The measures I have just announced will not affect legitimate refugees or immigrants.

What will change – what must change – is our ability to identify and exclude those who come to Canada fraudulently for whatever reason.

Mr. Speaker, the recent events in the United States have awakened us all to the need to protect ourselves against unconventional weapons. Whether the threat is chemical, biological or nuclear, we must increase our ability to respond.

In the event of an unconventional attack, the first on the scene will inevitably be local emergency personnel who need to be skilled in recognizing and responding to different hazards. We will help to provide that training.

Furthermore, these local authorities must be supported by specialists, capable of responding quickly and effectively. We will, therefore, enhance the highly specialized response capacity of both the Canadian Forces and the RCMP.

And finally, we will provide new equipment and improve the capacity of our laboratories to detect and identify biochemical hazards.

Mr. Speaker, terrorists cannot carry out their activities without access to substantial financial resources. Without money, they cannot buy weapons, train personnel or establish cells in foreign lands. We have frozen the assets of suspected terrorists and improved our capacity to track suspect transactions. This budget builds on those efforts, with additional resources to help starve terrorists of the funding they need.

Important as these steps are, however, we recognize that the actions of individual countries are not enough – that we need coordinated action across the international community. We were pleased, therefore, that the 183 nations of the International Monetary Fund agreed in Ottawa to Canada's proposed action plan to combat the global financing of terrorism.

Mr. Speaker, at this point let me now raise another very important aspect of the fight to protect our way of life and our values. Since September 11th, there have been increased concerns over acts of intolerance within our own country. Individuals have been targeted because of the colour of their skin or the practice of their faith.

If ignored, intolerance can threaten the fabric of our nation and we must answer it. It can divide our communities and we must stop it. That is why the Government will provide new funding, aimed at fostering respect and promoting our values, values which have allowed us to welcome so many to Canada, so many who have enriched us so much.

Mr. Speaker, while our country has one of the safest air systems in the world, the attacks on the World Trade Center and the Pentagon have awakened new concerns and require a new response. It must be comprehensive in nature. It is a response that only the national government can provide.

Today, therefore, we are announcing that the Department of Transport will set rigorous new national standards for security in airports and on board flights originating in Canada. The Government is creating a new air security authority to put these standards into effect. To ensure that the same level of security is available right across the country, the Government will act in six key areas.

First, it will provide armed undercover police on Canadian aircraft.

Second, it will provide rigorous screening of both passengers and their carry-on luggage with more security personnel who will be better trained.

Third, to uncover explosive materials in passenger baggage, it will employ new, sophisticated detection systems.

Fourth, it will provide enhanced policing under federal authority at airports to respond to possible security threats.

Fifth, the Government will help pay for new, secure cockpit doors on Canadian passenger aircraft.

And sixth, we will tighten access to aircraft by creating improved security zones at handling facilities and on airport tarmacs.

Taken together, these airport and airline security measures will cost \$2.2 billion over the next five years. To finance them, we will introduce a new security charge to be paid by air travellers – the primary users of the enhanced security measures. For travel in Canada, the charge will amount to \$12 each way.

Finally, Mr. Speaker, just as we are moving to enhance Canadian security here at home, so too are we joined in the war against terrorism abroad. At this moment, 2000 men and women of the Canadian Forces are defending freedom on distant shores. They carry our cause and they have our prayers.

This budget therefore provides the funding needed for their participation in Operation Apollo. It is a significant commitment – indeed, Canada’s Forces constitute the third largest contingent of any nation.

In summary, the measures I have announced today – for improved intelligence, additional policing and security officers, more rigorous enforcement of our refugee and immigration policies, enhancements to our capacity to respond to bio-terrorism, and safer air travel – amount to \$6.5 billion over the next five years.

This includes as well \$1.2 billion for the Department of National Defence and its agencies. This is in addition to the \$3.9 billion increase in funding for National Defence announced since 1999, and which is now starting to come on stream.

Securing an Open Border

Mr. Speaker, Canada and the United States have agreed that we cannot close our borders to commerce in the hope of closing our countries to risk. Our two-way trade is the source of millions of jobs in both countries. While it is well known that most of our exports go to the U.S., what is less well known is that 25 per cent of American exports come to Canada. We are their largest market.

Indeed, the Canada-United States border is a compelling illustration of economic interdependence. We are sovereign and separate nations, but we are also the closest of neighbours; our relations are intertwined, our economies linked.

Our challenge, therefore, is to create a border that is open for business but closed to terror. This means going beyond the simple restoration of things as they were before September 11th. It means we must create the most modern, sophisticated border possible using state-of-the-art technology to speed legitimate traffic while stopping those who would do our countries harm.

Our American partners share this goal and have agreed to work with us to build what the Prime Minister has described as a “seamless but sovereign” border.

To these ends, therefore, first, we will speed up the implementation of pre-screening and pre-clearance programs that will allow frequent travelers and commercial shipments to move more quickly and easily from one country to the other.

Second, we will introduce state-of-the-art detection equipment to intercept firearms and explosives.

Third, we will establish new Integrated Border Enforcement Teams to work in cooperation with U.S. federal, state and local agencies.

All told, these new border initiatives will cost \$650 million over the next five years.

In addition, if we are to create the most modern border in the world, we must invest in the physical infrastructure that supports it: first-class road access, new truck processing centres and intelligent transportation systems that pre-clear vehicles.

We will do whatever is required to move ahead, as quickly as possible on this initiative. And we look forward to doing so in partnership with the provinces, municipalities and the private sector.

To put this into effect, we are announcing today a \$600 million program to fund infrastructure projects to facilitate cross-border trade in all parts of the country.

Strategic Investments: Bridging to the Future

Mr. Speaker, the measures announced so far this afternoon flow initially from the need to address the challenges arising out of September 11th.

What I should now like to do is set out a series of investments which, while providing important stimulus in a time of economic slowdown, focus as well directly on the need to advance the long-term economic plan we have set in train to build for the future. This is crucial because our economic success, our ability to create jobs, will be determined, first and foremost, by the degree to which we demonstrate an understanding of the great currents that are shaping the world of tomorrow.

These are to be seen in the transforming impact of new technologies. They are to be secured through strong economic fundamentals. And they are to be seized by focusing on the ingenuity and innovation of our people.

From the beginning, the Government has pursued a long-term plan which speaks to these priorities and which lays the foundation for strong and durable growth. Indeed, since balancing the books, almost 70 per cent of our new spending has gone to health care, education and innovation.

Health

In terms of health and early childhood development, last year the Prime Minister reached a historic, \$23 billion accord with the provinces which will lead to, among other things, an increase in the number of doctors and nurses, providing new MRI machines, a better use of technology and improved health care.

As a result of this agreement, an additional \$2.8 billion will flow to provincial governments for health this year, rising to \$3.6 billion next year and more than \$4 billion the year after that.

Secondly, since 1994, the Canadian Institute for Health Information has been developing the tools to advance health policies, improve health practices and strengthen our health system. To enable the Institute to continue its work, this budget provides \$95 million in funding for a further four years.

Finally, in the 1999 budget, we created the Canadian Institutes of Health Research. These are breaking down the barriers between disciplines through 13 new institutes that are revolutionizing research in areas such as aging, cancer, diabetes, arthritis and women's health. To continue to build momentum, this budget provides the Institutes with an additional \$75 million per year. This will bring their total funding to \$561 million next year – double what we spent in this area just four years ago.

Skills

Mr. Speaker, knowledge is to the information age what steam was to the industrial age: it is the fuel that drives it, the energy that sustains it.

In the first budget following the elimination of the deficit, the Government made a major commitment to skills and learning. We introduced the Canadian Opportunities Strategy, which was based on the simple premise that people, regardless of income, who want an education should have that chance. This is particularly important now. When times are tough and people are hurting, we must provide every opportunity for Canadians to upgrade their skills.

Therefore, in order to encourage Canadians to pursue educational opportunities under Employment Insurance programs, we will introduce two new incentives. First, we will extend the education tax credit to individuals receiving EI assistance for their post-secondary education. And second, we will provide a deduction for people who receive EI assistance to obtain adult basic education.

Furthermore, this budget enhances Canada Study Grants for students with disabilities by increasing the maximum grant for exceptional costs associated with disabilities from \$5,000 to \$8,000.

Unions have asked us to change the EI rules with respect to apprentices. Currently, in order to qualify, apprentices must wait two weeks each time they leave the workforce for classroom training. Today, we will change that so they are subject to only one waiting period during their course of study.

In addition, to assist apprentice vehicle mechanics, we will provide a tax deduction for the extraordinary cost of mechanics' tools.

Canada's 29 sector councils are industry-led partnerships bringing together workers, employers and educators in a new, hands-on approach to skills development. From textiles to tourism to biotechnology, these councils are examining what skills are needed today and what skills will be needed for tomorrow, developing training programs and pointing workers toward emerging job opportunities. They are producing needed results. And we will expand the network quickly to include other strategic sectors, and we will double the funding for these councils to \$60 million.

In the same vein, if Canada is to seize the tremendous opportunities of tomorrow, we must develop the next generation of business leaders today. To this end, the Government will make new investments, building on existing initiatives, to enable young entrepreneurs to receive mentoring, work experience and financial support to turn their ideas into reality in the world of science, technology and business.

Aboriginal Children

Mr. Speaker, the early years in children's lives are critical to their growth and well-being and lay the foundation for their learning, work and other endeavours. Last year, therefore, the federal government reached a landmark agreement with the provinces and territories to foster early childhood development right across Canada.

In the spirit of this agreement, we will build on existing federal programs, with a particular focus on First Nations children on reserves. It is, indeed, the quality of life of children today that will lead the First Nations to a better future tomorrow. That is why we will enhance initiatives such as the Head Start program and intensify efforts to reduce the incidence and effects of fetal alcohol syndrome. And we will do more to support children facing learning challenges in school.

All told, this budget will provide an additional \$185 million over the next two years to help Aboriginal children receive the best possible start in life.

Research

Mr. Speaker, creating new knowledge – and bringing the products of that knowledge to market – are keys to success in the new economy. But breakthroughs don't happen by chance, they happen through sustained and dedicated effort.

Research today is the source of new jobs tomorrow. That is why the Government has made substantial investments to make Canada a leader in the new frontiers of knowledge.

In 1997, we created the Canada Foundation for Innovation to increase the capabilities of our universities, colleges and hospitals to carry out world-class research. This year alone, the Foundation will provide \$300 million to institutions large and small to support state-of-the-art research infrastructure in areas such as health, the environment, natural sciences and engineering.

Next year, more than \$480 million in grants will flow from the CFI which, combined with the leveraging from its partners, will support over \$1 billion in new research infrastructure in Canadian universities.

Furthermore, to attract the best researchers from around the world – and retain the best in Canada – we established the Canada Research Chairs in Budget 2000. Last year, we provided funding for 400 such Chairs. That will double to 800 this year and rise to 1200 next year. When the program is fully implemented in 2004-05, there will be some 2000 new Research Chairs in Canadian universities.

Mr. Speaker, the success of the Canada Research Chairs Program will be measured by the quality of people it attracts.

Take for example Dr. Deborah Zamble, a Canadian who stayed in the U.S. to do post-doctoral work at the Harvard Medical School. Thanks to the program, she is now back home at the University of Toronto. The same holds true for Dr. Neil Adames of the University of Alberta who came back from the Washington University School of Medicine. Both are among the hundreds of world-class researchers who are finding new opportunities in Canada today and who are ensuring that their country will be at the cutting edge of the world's breakthroughs tomorrow.

As we have just seen, helping Canadian universities to build and operate top-rank research facilities has been a key priority of the Government for some time. In previous budgets we have provided substantial assistance to help meet the direct costs of research. However, many have told us that more help is now needed with respect to indirect costs of research. We agree.

That is why, last year, the Government announced \$400 million for the Canada Foundation for Innovation to support grants toward the operating costs of the research infrastructure it funds. It is also why, when we designed the Canada Research Chairs Program, we did so to cover the total costs of research.

Looking ahead, we will work with the university community on ways to provide ongoing support for indirect costs that are both predictable and affordable. To that end, in this budget we are announcing a \$200 million payment this year to help bridge the gap.

Mr. Speaker, as we know, basic research is the foundation upon which all applied research builds. That is why in past budgets we have provided additional resources for basic and applied research in the natural sciences and engineering, as well as the social sciences and humanities through their respective granting councils.

In this budget, we continue to go further. We will increase their funding by 7 per cent.

In the 1998 budget, Canada staked its claim to becoming the world leader in high-speed network technologies with the creation of CA*net 3. Today, to stay on the cutting edge, this budget provides \$110 million to build and operate CA*net 4, which will benefit research organizations across the country, particularly many of our smaller universities and community colleges.

Looking ahead, as we indicated in the Speech from the Throne, we will work with Canadian industry, provinces, communities and the public on private sector solutions to further broadband Internet coverage in Canada, particularly for rural and remote areas. More planning is required to properly achieve our commitment, particularly given the rapidly changing technology and, as a consequence, we will shift our target to the end of 2005.

In looking at possible outcomes, it is our expectation that the best approach could very well be to expand the highly successful SchoolNet and Community Access programs to ensure broadband access. Therefore, not only are we extending these programs to 2003-04, at an annual cost of \$40 million, we are also setting aside \$35 million a year for three years thereafter to support such broadband expansion.

Mr. Speaker, the fruits of research must become a source of jobs for all Canadians. Not simply the source of ideas for others. We must not lose momentum now.

In order to build critical mass in emerging fields of knowledge, the National Research Council is building new technology centres, including the Electronic Commerce Centre in New Brunswick, the Advanced Aluminum Technology Centre in Quebec and the National Institute for Nanotechnology in Alberta. To support NRC technology centres elsewhere in Canada and to create the clusters necessary for success in the knowledge economy, this budget will increase the requisite funding by \$40 million per year.

Mr. Speaker, there are few in our economy who have embraced innovation with more energy than those in the agricultural community. Recent years, however, have been difficult for many farm families, particularly those dependent upon grains and oilseeds.

That is why the Minister of Agriculture and Agri-Food is working with his provincial and territorial colleagues, as well as with farm groups, to create a new, integrated and financially sustainable agricultural policy.

It is why the Prime Minister formed the Caucus Task Force on Future Opportunities in Farming.

Today, the Government reaffirms its commitment to this process of renewal and confirms that we will provide our share of the long-term, predictable funding that will support the new approach to agriculture.

International Aid

Mr. Speaker, just as we are investing in our prospects at home, we must also recognize that we have obligations beyond our borders, to those most in need.

Indeed, the Prime Minister has led the way in making African development a centrepiece of the G-8 Summit Canada will host in June. As a caring people, Canadians know that hunger knows no creed, misery no religion. To help reduce poverty, provide primary education for all and set Africa on a sustainable path to a brighter future, this budget establishes a new \$500 million Africa Fund.

Furthermore, in the context of our international obligations to people and countries in need, we also must help those most directly affected by the war in Afghanistan – the Afghan people themselves. To provide them with aid and comfort, food and clothing, this budget commits \$100 million.

And finally, we will provide \$400 million in further international assistance. That will bring our total new commitment in this budget to \$1 billion over three years.

Infrastructure

Mr. Speaker, a modern economy must have the basic infrastructure to support it. Whether it is highways, urban transit or fishing harbours, Canada must have the physical infrastructure it needs to succeed. Investments in infrastructure will stimulate job creation in the short and medium term and make the economy more productive and competitive in the long term.

These are things that must be done and now is the time to do them. We recognize that the costs of these projects are often enormous – beyond the capacity of any one level of government.

A prime example, Mr. Speaker, is Canada's bid for the 2010 Olympics. We know British Columbia will provide a magnificent setting, and we share the hopes and dreams of the people of Whistler and Vancouver. That is why we are pleased to announce at this point that we will provide the funding requested to support their bid. If the bid is successful, we will do more.

We also recognize that our great cities are too important to our economy, to our quality of life, to our signature as a nation, to leave them in straightened circumstances.

We recognize as well that the same reasoning holds true for smaller, rural or remote municipalities, all of which are hard pressed to find the resources required to foster the economic development they need to offer their young people a future in their own communities.

That is why, in Budget 2000, we announced a new program, in partnership with the provinces and municipalities, to rebuild and renew the country's infrastructure. The federal contribution is \$2 billion, which should begin to flow in a substantial way in a matter of months, as will the \$600 million for highways announced at the same time.

Today, I want to announce that we are creating a new foundation focusing on strategic infrastructure in order to finance large projects across Canada beyond the capacity of existing programs. The Strategic Infrastructure Foundation will work with municipal and provincial governments, as well as promoting partnerships with the private sector, to meet the essential infrastructure needs of the 21st century economy. The Canadian government will commit a minimum of \$2 billion to this foundation.

Mr. Speaker, when we speak of infrastructure, we speak not only of the building blocks of trade and commerce, but of the foundation stones of a society. Housing is a basic need of every Canadian, seniors and young families alike, and meeting that need must be the responsibility of us all. In many of our urban centres, there is a shortage of affordable rental housing. There are also problems with housing in remote areas.

To address these problems, the Government announced the commitment of \$680 million over five years for affordable housing. We are pleased that a framework agreement has now been reached with the provinces and territories and look forward to construction beginning as soon as possible.

Mr. Speaker, in Budget 2000, we announced a number of initiatives aimed at both sustaining our environment and developing innovative technologies.

Two of those initiatives – the \$25 million Green Municipal Enabling Fund and the \$100 million Green Municipal Investment Fund – have already spawned more than 100 projects in areas as diverse as energy and water savings, urban transit, waste diversion and renewable energy. These funds are improving the quality of our life and securing our position as a leader in environmental technology. We would like to congratulate the Federation of Canadian Municipalities both for its initiative and for its management of these Funds. Today, as a result, we are announcing that we will double our contribution to both funds.

Mr. Speaker, across Canada, as in most countries, contaminated land lies unused and unproductive. Such sites, known as brownfields, may have the potential for rejuvenation, bringing both health and economic benefits to local communities.

Therefore, responding to the Government, the National Round Table on the Environment and the Economy has agreed to develop a National Brownfield Redevelopment Strategy in order to ensure that Canada is a global leader in remediation.

Recognizing that there are few things more basic to life than the quality of the air we breathe, and in order to reduce greenhouse gases that contribute to climate change, this budget will fund a new, long-term program to provide incentives for the production of a key source of renewable energy – wind power.

Mr. Speaker, before reporting on the state of the nation's finances, let me touch on one final but very important area.

All of us recognize the vital role small and medium-sized business play in the creation of jobs and growth in our economy.

In past budgets, we have introduced a number of measures aimed at addressing their specific concerns. We do so again today.

Earlier, I set out an extensive program to facilitate our important cross-border trade with the U.S. While those measures will benefit all Canadians, more can be done to ensure the ongoing growth of our small business sector.

Therefore, first, to make it easier to get their goods across the border, where volumes dictate, we will establish small-business desks, which will offer personalized assistance.

Second, we will put in place new systems to enable smaller businesses to prepare, file and pay their import declarations over the Internet.

Finally, to improve their cash flow in the face of the economic slowdown, we will allow small and medium-sized businesses to defer their corporate tax instalments of the next three months – that is, January, February and March of 2002 – for a period of six months.

In total, this will defer – without interest or penalty – \$2 billion in taxes for small businesses.

Let us turn now to the finances of the nation.

Fiscal Projections

Mr. Speaker, it has been our practice to establish a Contingency Reserve in our projections of some \$3 billion to guard against the unexpected. It has also been our practice to use it, when not needed, to pay down debt.

This year, faced with the circumstances of the global slowdown and the unforeseen security requirements flowing from September 11th, we have had to use portions of the Contingency Reserve for this and the next two years.

As a result, the Contingency Reserve for the four months remaining of this year will be \$1.5 billion. Given the projections for the economy, any such reserves at this year-end will not be used to pay down the debt but to finance the Strategic Infrastructure Foundation and the Africa Fund. That being said, I can now confirm that we will balance the budget this year, the fifth year in a row, something we haven't seen in 50 years.

For 2002-03, the Contingency Reserve will be \$2 billion and, for 2003-04, it will be \$2.5 billion.

With these reserves as buffers, I can also confirm that if current projections hold or even using the average of the four most pessimistic private sector growth forecasts, we will balance the budget – or better – next year and the year after that for a total of seven balanced budgets in a row.

Choices

Mr. Speaker, this budget reflects the decisions we have made in the face of this present uncertainty. They demonstrate our determination to help Canadians through this difficult period.

Our choices also reflect a clear-eyed assessment of what we can and cannot do. Simply put, we cannot turn around the American economy – our largest export market.

What we can do is provide support for Canadians to come through the storm – and we are doing so.

First, by putting our fiscal house in order and by meeting our inflation targets, we made it possible for monetary policy to provide significant stimulus through lower interest rates. As a result, the Bank of Canada has been able to reduce short-term interest rates by 3.5 percentage points – with half of this decline coming since September 11th.

This means real dollars in the pockets of Canadians. To a family seeking a mortgage of \$100,000, it means annual mortgage payments are \$2,200 less than they were a year ago. To a small business, with a \$250,000 bank loan tied to the prime lending rate, it means annual payments are about \$9,000 less than they were a year ago.

Next, we have provided major stimulus through lower taxes. In Budget 2000, we introduced the largest tax cuts in Canadian history. Last October, we accelerated that plan. This year, lower taxes have put \$17 billion back into the pockets of Canadian families and businesses. By next year, the value of the tax cuts will grow to \$20 billion. This is significant stimulus and it is already working its way through the economy.

For instance, for a two-earner family of four, with a combined income of \$60,000, these tax cuts mean \$1,000 in savings this year – an 18 per cent reduction. In less than three years, their taxes will fall by 34 per cent.

A one-earner family of four earning \$40,000 will pay about \$1,100 less in taxes this year – a savings of 32 per cent. By 2004, this family will pay almost \$2,000 less in tax – a 59 per cent reduction.

Finally, the stimulus being provided through the strategic investments announced in this budget or coming on stream will amount to some \$9 billion this year, rising to \$11 billion next year.

When you put this spending together with the tax cuts – without even counting the benefits of lower interest rates – they provide a total stimulus of almost \$26 billion or 2.4 per cent of GDP this year and \$31 billion or 2.8 per cent of GDP next year. This provides enormous support for the Canadian economy, and does so in ways consistent with our long-term plan for the future.

Managing an economy through tough times means striking the right balance. This budget does that. It provides vital support at a critical time. But it does not go so far as to jeopardize either the progress of our past or the prospects of our future. It builds on the strong fundamentals Canadians have worked so hard to achieve. For just as we must face our challenges squarely, so must we understand our strengths fully.

The fact is we face the current slowdown in much better shape than we did the last one, in the early 1990s. At that time, the budget had been in deficit for two decades. Today, we are posting our fifth consecutive balanced budget.

In the mid-1990s, our debt-to-GDP ratio hit 71 per cent. By next year, it will fall to below 50 per cent for the first time in 17 years.

In the mid-1990s, 36 cents of every tax dollar went to debt servicing. Today, that number has been reduced to 23 cents. Indeed, in the past four years, we have paid down nearly \$36 billion in debt, \$17.1 billion last year alone, relieving Canada of more than \$2.5 billion a year in interest payments.

In the early 1990s, Canada had a large current account deficit and our foreign debt was rising. Today, we have a large current account surplus and our foreign debt has fallen from 44 per cent of GDP to roughly 20 per cent.

Prior to the 1990s, Canada had a poor record on inflation. Today, we have a decade-long track record of hitting our inflation targets.

In the early 1990s, our fiscal credibility was low, resulting despite problems in the economy in short-term interest rates of over 13 per cent. Today, short-term interest rates have fallen to about 2 per cent – their lowest levels in more than 40 years.

Finally, in the early 1990s, a number of Canadians had serious concerns about the sustainability of our retirement income system. Today, the Canada Pension Plan is secure and on a strong footing, as confirmed by the independent actuarial report tabled today.

What is important in all of this is that what we have accomplished as a people in recent years will not only help us to ride out the current storm, it puts us in a position to take full advantage of the economic recovery when it comes.

Conclusion

For this reason, Mr. Speaker, we will not let the events of September 11th shake us from our course.

The history of our country is one of great achievement, of looking beyond the problems of the moment to the opportunities ahead. Every generation of Canadians has contributed to that record. Each has demonstrated that quality of optimism. Now it falls to us to prepare for a better tomorrow.

There is no miracle here. This will be achieved because of the way we govern ourselves in this period of global uncertainty:

Dealing with current needs while avoiding the mistakes of the past.

Preserving our ability to pursue our long-term plan to invest in people, reduce taxes, reduce debt, invest in a stronger economy, and a fairer society.

Canadians remember the hard choices of the 1990s as we worked to pull ourselves out of deficit. We will not play fast and loose with the finances of the nation. We will not place on our children and our children's children a burden they should not have to bear, a mortgage they should not have to pay.

Look at what we have accomplished as Canadians these past few years. We have eliminated a crippling deficit and increased the child tax benefit. We have re-indexed the tax system to benefit low-income Canadians, while paying down massive amounts of debt. We have cut taxes while investing in our children, in education, in research and in health care.

Let there be no doubt: the plan that brought us these benefits will see us through the current downturn. It will prepare us for the recovery ahead. It is a plan that sees policy as the means, but better lives for people as the end; that understands the currents of fundamental change and positions Canadians to turn that change to their advantage. It is a plan that knows that in a world where technology has made every nation a neighbour, only a few will lead the way and that Canada must be one of them.

That is what this budget is about. It is about dealing with the present so that we can seize the future. It is about resolving to work together as never before, renewed in purpose, confident of our course and guided through changing times by unchanging values.

It is a budget anchored in the knowledge that, as a country, we have only begun to scratch the surface of what we can do. That so much more awaits us. That an even stronger and more prosperous future lies within our grasp.