



CANADA'S NEW GOVERNMENT

ADVANTAGE CANADA

*Building a Strong Economy
for Canadians*

SUMMARY

November 2006



Canadians understand the extraordinary potential of their country. Canada is a place where people can realize their dreams; where families can enjoy a quality of life that is second to none, and where businesses and organizations can achieve excellence on a global scale.

All of us can be proud of what Canada stands for in today's world. We are a successful, independent nation that believes in tolerance, justice and providing a helping hand to the less fortunate. As the world changes, Canadians need to work together to make Canada even more prosperous and strong.

That's why Canada's New Government has developed *Advantage Canada: Building a Strong Economy for Canadians*. *Advantage Canada* is a strategic, long-term economic plan designed to improve our country's economic prosperity both today and in the future. It will strengthen our nation, and show a modern, ambitious and dynamic Canada to the world.

MAKING CANADA A WORLD LEADER FOR TODAY AND FUTURE GENERATIONS

Advantage Canada is optimistic, but realistic. It is visionary, but pragmatic and results-oriented. It is ambitious, but grounded in the realities of world markets, and of Canada's existing economic and social realities.

Canadians are a proud, hard-working, ambitious people who want better lives for themselves, their children and future generations.

That's why this plan is focused on helping people and businesses strive for excellence. It will help all Canadians improve their quality of life and achieve their dreams. It will create jobs, help entrepreneurs start businesses, and provide the wealth Canada needs to invest in health care and strong communities. It will shape Canada's future through principles and policies that will help us to reach our full potential.

Advantage Canada is a plan that will help Canadians to build a strong economy. Government has an important role to play in creating the right conditions for Canadians—and Canadian businesses and organizations—to thrive. This plan will create new opportunities and choices for Canadians.

A STRONG CANADA IN A CHANGING WORLD

Canada is back: we are fully assuming our role in world affairs and we stand on the best economic footing of any of the Group of Seven (G7) economies. We are an emerging energy superpower that is taking action to make concrete improvements to our environmental sustainability. This economic plan will make a strong Canada even stronger, by building a country that is a formidable economic player in the world.

The world economy is changing. New players are emerging as major economic powers. Competition in world markets is fierce. Meanwhile, Canada's baby boomers are set to retire in record numbers, testing our capacity to maintain our improved standard of living. These are challenges we will meet head-on. And as we adapt, these global changes will bring tremendous new opportunities for Canadians.

To that end, Canada's New Government committed in Budget 2006 to develop this plan.

ADVANTAGES WE NEED TO IMPROVE OUR QUALITY OF LIFE

Other countries—from Ireland to Singapore to the United Kingdom—are developing competitive advantages based on their own strengths. Given Canada's social, demographic and economic circumstances, we have the opportunity to create competitive advantages of our own.

Advantage Canada is focused on creating five Canadian advantages that will help us improve our quality of life and succeed on the world stage.

Five Canadian Advantages

Tax Advantage:

- Canada's *Tax Advantage* will reduce taxes for all Canadians and establish the lowest tax rate on new business investment in the G7.

Fiscal Advantage:

- Canada's *Fiscal Advantage* will eliminate Canada's total government net debt in less than a generation, creating a strong foundation on which to build sustainable prosperity.

Entrepreneurial Advantage:

- Canada's *Entrepreneurial Advantage* will reduce unnecessary regulation and red tape and lower taxes to unlock business investment. By building a more competitive business environment, consumers will get goods at lower prices and Canadian businesses will be better equipped for global success.

Knowledge Advantage:

- Canada's *Knowledge Advantage* will create the best-educated, most-skilled and most flexible workforce in the world.

Infrastructure Advantage:

- Canada's *Infrastructure Advantage* will create modern, world-class infrastructure to ensure the seamless flow of people, goods and services across our roads and bridges, through our ports and gateways, and via our public transit.

PRINCIPLES TO SHAPE POLICY FOR TODAY AND TOMORROW

Advantage Canada is based on four core principles. These principles are prisms that will guide policy decisions to improve our quality of life and make Canada a world leader for today and future generations.

Four Core Principles

- **Focusing government.** Government will be focused on what it does best. It will be responsible in its spending, efficient in its operations, effective in its results and accountable to taxpayers.
- **Creating new opportunities and choices for people.** Government will create incentives for people to excel—right here at home. We will reduce taxes and invest in education, training and transition to work opportunities so Canadians can achieve their potential and have the choices they want.
- **Investing for sustainable growth.** Government will invest and seek partnerships with the provinces and the private sector in strategic areas that contribute to strong economies—including primary scientific research, a clean environment and modern infrastructure.
- **Freeing businesses to grow and succeed.** Government will create the right economic conditions to encourage firms to invest and flourish.

POLICIES AND PLANS

When government policies and plans are complementary, their positive impact is multiplied. That is why *Advantage Canada's* policies and plans build upon one another, creating a whole that is greater than the sum of its parts. The following is a summary of *Advantage Canada's* policies and plans.

Focusing Government

When governments are good at the things they need to do, everyone benefits. Making governments more focused on the things they need to do well will improve services and help build a climate for the overall economy to perform better. *Advantage Canada* will:

- Eliminate Canada's total government net debt in less than a generation. Canada's New Government will show leadership by reducing the federal debt to 25 per cent of gross domestic product by 2012–13—a full year ahead of what had been planned previously.
- Dedicate all interest savings from federal debt reduction to ongoing personal income tax reductions to ensure that Canadians benefit directly from debt reduction.
- Use unanticipated surpluses to accelerate debt and personal income tax reductions.
- Keep the rate of growth of program spending, on average, below the rate of growth of the economy.
- Introduce a new Expenditure Management System to ensure existing spending is effective, efficient, focused on areas of federal responsibility and provides value for money.

- Renew the inflation-control agreement with the Bank of Canada until the end of 2011; the inflation target will continue to be the 2 per cent mid-point of the 1 to 3 per cent range.
- Restore fiscal balance by limiting federal spending power, ensuring stable, predictable and principle-based fiscal arrangements with provinces and territories, and strengthening the economic union.
- Provide leadership to ensure competitive, open markets within our borders, which benefit consumers, workers and businesses.

Creating New Opportunities and Choices for People

Talented, creative people are the most critical contributor to a successful national economy over the long term. At a time when Canada's population is aging and labour shortages are very real, governments must do what they can to help people enter the labour market and reach their full potential. *Advantage Canada* will:

- Deliver on the Government's commitment to reduce the goods and services tax rate to 5 per cent.
- Help low- and modest-income Canadians over the "welfare wall" by implementing a Working Income Tax Benefit.
- Continue to reduce personal income taxes to make the tax system fairer to attract and retain highly skilled workers, who are key to Canada's future economic competitiveness.
- Reduce taxes on savings, including capital gains, to make them more competitive with the tax treatment of savings in other countries.
- Increase participation in the labour market and make sure Canadians can work wherever they want across Canada.
- Enhance workers' skills through post-secondary education and training so that Canadians are equipped to succeed.

Investing for Sustainable Growth

The world economy's ground rules have changed in recent years. Government has an important role to ensure that Canadian people, businesses and organizations have the advantages they need to succeed on a global scale. *Advantage Canada* will:

- Maintain Canada's leadership in the G7 for public sector research and maximize its value by focusing on excellence and increased linkages with the private sector.
- Create a healthier environment and more sustainable economic growth, including through responsible use of our natural resources and effective use of technology.
- Build modern infrastructure that enhances Canada's quality of life and commerce within Canada and across our borders.

Freeing Businesses to Grow and Succeed

Excessive tax and regulatory burdens are holding Canadian businesses back. These burdens have harmed our country's productivity performance for too long. The time has come for action. *Advantage Canada* will:

- Establish the lowest tax rate on new business investment in the G7.
- Reduce the administrative burden on business by cutting paperwork by 20 per cent, and consider a principle-based legislative framework to guide regulatory departments and agencies.
- Improve the framework for competition through effective rules and regulations and modern competition policies.
- Build on our leading-edge financial system to ensure that investment is directed to its most productive use.
- Be open to trade and foreign investment so goods, services and technologies flow freely into Canada and Canadian firms have ready access to foreign markets to compete with the best in the world.

Implementation and Key Success Factors: The Will of Canadians to Succeed

Long-term economic success requires the discipline to focus on the principles and policies of this plan. It also requires sticking with the plan. That's why *Advantage Canada* is a multi-year strategy that will require commitment. Achieving the economic and societal benefits of this plan will take time. For this plan to truly be successful, it will take strong leadership from governments across Canada, commitment by the private sector and the dedication and energy of the Canadian people.

Advantage Canada will grow our standard of living and improve our quality of life. It will create good jobs, prosperity and new opportunities for Canadian families. Working together—governments, businesses, organizations and people—there is nothing we cannot achieve.

Through this plan, working towards this common purpose, we will remain a shining example to the rest of the world of what a truly great, prosperous and compassionate nation can be.

HOW CAN I GET MORE INFORMATION?

Information is available on the Internet at www.fin.gc.ca.

You can also obtain copies of this brochure and other documents from the:

Distribution Centre
Department of Finance Canada
Room P-135, West Tower
300 Laurier Avenue West
Ottawa, Ontario K1A 0G5

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Ce document est également offert en français.

