**What we Needed- What we got**
**FEDERAL BUDGET 2005**

**Introduction:**

The federal government missed a huge opportunity to use the massive Canadian surplus to address the country's large social and physical infrastructure deficit. Canadians voted in a Liberal minority government, Canadians were looking for a progressive budget. Instead what we got was a budget only a conservative could love.

The Martin government is asking families and cities to wait five more years before they receive the federal resources for their communities. There are no strings attached to the federal payments to the provinces and territories for programs like child care, health care and urban infrastructure renewal. This means there is nothing to stop for-profit services from expanding in these critical areas of public service.

The budget once again gives more money to the wealthy and the corporate sector, instead of supporting the poor and working people. It ushers in more than $13 billion in tax cuts over the next three years, which will unfairly benefit higher income-earners.

The elimination of limits on foreign investment for pension plans and RRSPs has huge implications. It kicks open the gates for capital flight out of the country and undermines the potential use of pension funds for public investment in infrastructure. It makes pension investments in public bonds for infrastructure development even less attractive in comparison to larger returns from investment in low-wage countries.

There are no fixed targets to implement Canada's obligations under the Kyoto agreement on the environment. There is little support for post secondary education and housing and a disappointing allocation of resources for Aboriginal peoples.

**What we needed for Early Childhood Education and Care:**

- The government to keep its promise by ensuring sufficient and sustainable funding that delivers accountable, high-quality not-for-profit child care.

- A commitment to provide the stability and increased long-term funding through a dedicated child care transfer that a new social program requires to succeed

- The money comes with strings. It is the only way to move us from the current patchwork of services to a truly excellent cross-Canada system. Funding must only go to provinces that have concrete plans to deliver on the QUAD principles of quality, universality, accessibility and developmental programming.

- Accountability ensured through reporting to legislatures and Parliament.

- No new spending to expand for-profit child care. Not only is it an unwise investment of our resources, it also opens the entire system up to trade challenges from foreign child care corporations under international trade agreements.

**What we got:**

2005 Budget Early Learning and Child Care (ELCC) Initiative

- $700 million to be paid immediately into a third-party trust ($200 million to be spent in 2004-05 budget year)
- Provinces and territories will get the funds on a per capita basis up to the end of 2005-06
- Provinces and territories will have $650 in 2006-07 and $1. 15 billion for each of the following three years until 2009-10
- The total new commitment is $5 billion but out of this funding $100 million will go to First Nations on-reserve child care and $100 million will go to research, benchmarks, and indicators.

**What it means:**

The trust takes away the ability of the federal government to ensure the provinces and territories meet the principles of quality, universality, accessibility and developmental programming. Funding without strong accountability won't transform a substandard service into a system

The funding commitment moves too slowly in the first few years. A year 06-07 commitment of $650 million doesn't move this program forward at the speed Canada's children and parents need. There isn't a strong enough indication that there is a commitment to develop a true system with the sustained and increased funding commitment that is needed.

There is no true accountability in how child care is delivered. We need reporting to Parliament on how federal money is being spent - not just information-gathering and research. CUPE will continue to press for measures that assure accountability, including a dedicated transfer for child care funds, legislation, and a commitment to fund only non-profit delivery.

**What we needed for Cities and Communities and our environment:**

- At least $5 billion a year for the next 3 years in new debt financing for large infrastructure projects, to be matched by other levels of government (50/50).
- A share of the fuel tax to fund infrastructure programs increasing to 5 cents a litre in 2007 ($2.5 billion
- Renewal and expansion of the Canada Strategic Infrastructure Financing program and other existing infrastructure programs
- An end to privatization of public infrastructure
- A Kyoto Implementation Fund of $1.25 billion each year over the next seven years to finance public sector initiatives

**What we got:**

- $600 million of the gas tax in the first year (1.5 cents/litre) with an increase to $2 billion (5 cents/litre) in year five
- No new money for existing infrastructure programs
- Encouragement to leverage private funds

    - $225 million over five years for EnerGuide for Houses Retrofit Incentive Program
    - Proceeds from $1 billion sale of Petro-Canada over five years for wind power, renewable power production, sustainable energy science and technology
    - Additional $300 million for 2004-05 Green Municipal Funds run by the FCM, $150 million of which is to clean up brownfields
    - Voluntary agreements to reduce greenhouse gas emissions

**What it means:**

Infrastructure is where communities and the environment meet but the budget promotes privatization and P3s. It's bad for communities and dampens hope of leadership on environment and achieving Kyoto targets. It does not attach strings that tie public investment, ownership and operation to public funding.

**What we needed for health care:**

- Implementation legislation requiring provincial accountability for health transfers in accordance with the *Canada Health Act* including a prohibition against for-profit care.

- Make home care, palliative care, long-term care and continuing care insured services under the *Canada Health Act*.

- A National Drug Agency and a national pharmacare program.

- Increased funding to address the shortage of health care professionals.

- A national capital investment program with a mandate to meet health care infrastructure demands.

- A wait time reduction strategy to reduce emergency room waits for emergency medical services personnel.

**What we got:**

- $805 million over five years
  - $200 million for health human resources, wait times initiatives and performance reporting including
    - $75 million for the assessment of internationally educated health professionals,
    - $15 million for research on wait time benchmarks
    - $110 million for the Canadian Institute for Health Information for data collection on performance.
  - $210 million for healthy living
  - $34 for pandemic influenza preparedness
  - $170 for safety of drugs and therapeutic products
  - $90 million for environmental health
  - $90 for a diabetes strategy
  - $11 million in 2005 – 2006 for a hepatitis C program

**What it means:**
The Liberals are content that they pulled the wool over Canadians eyes in September 2004 with the First Ministers' agreement on health care. They appear unconcerned about the growth of for-profit health care delivery. There are no accountability mechanisms to ensure that provinces and territories will use the money as intended. The $805 million in new money is just $161 million per year for nine programs across 12 jurisdictions Small and insignificant.

**What we needed on Tax policy:**

- Changes to the tax system to create a more just and equitable society
- Restore the federal income tax rate on the highest income earners (over $250,000) to the level that existed in the 1980s
- Restore the general corporate income tax rate to 23% which is what it was until 2003

**What we got:**
Tax cuts of $13.4 billion over three years

Personal

- Increase of the basic exemption from $8,012 to $10,000 by 2009
- Increase the RRSP limit to $22,000, from $18,000 in 2005
- Increase annual dollar limit on contributions to money purchase RPPs to 22,000

- Increase the maximum defined benefit RPPs, to $2,444 per year of service by 2009
- RPP and RRSP limits will be indexed to average wage growth starting in 2010 and 2011 respectively
- These limit increases will reduce federal revenues by $70 million for 05-06 and $180 million by 09-10

Corporate

- Eliminate the corporate surtax in 2008 and 2 percentage decrease in general corporate income tax to 19 percent from 21 per cent by 2010
- Reduce the general corporate income tax rate by two percentage points
- Accelerate the capital cost allowance deduction rates for combustion turbines used in electricity generation, transmission, distribution, oil and gas transmission pipelines, cables for communications infrastructure
- Tax cuts for small businesses in jewelry, beer and wine, agricultural cooperative sector
- Audit and enforcement resources to the Canada Revenue Agency

**What it means**:
These moves increase the tax benefits of a retirement income system that already favours high-income earners The increased contributions are a direct benefit to higher wage earners and will do nothing for the vast majority of CUPE members who will never see their way to saving $22,000 per year for retirement..Given other priorities, it is difficult to understand how greater tax benefits for the top three to four per cent of tax filers can be justified.

**What we needed for Employment Insurance and Training:**

Roughly two-thirds of unemployed women do not receive EI, while more than half of unemployed men in Canada do not receive EI. Qualifying hours should be lowered and the duration of benefits should be lengthened. Benefits should be automatic if workers are laid off after a special leave, such as maternity leave.

**What we got:**

- New rate setting mechanism
- The limit on rate increases will be $0.15 per year.
- New benefits will be announced soon by Minister of Human Resources and Skills Development
- Ongoing negotiations between the federal government and Quebec on new rates as well as transition money to implement the new parental insurance plan in Quebec

**What it means:**

Limiting the EI rate increases means employers will not have to pay higher EI premiums if the need for benefits rises with more joblessness because of a weak economy. It also means thousands of workers, mainly women, will continue to be denied EI benefits when unemployed or seeking paid parental leave. They won't have enough hours worked to qualify.

**What we needed for post-secondary education:**

- Restore the billions of dollars that had been cut from post-secondary education since 1993.
- Increase the transparency of its funding commitments to the provinces by establishing a separate accounting of cash transfers for post-secondary education
- Establish a national system of grants based solely on need

**What we got:**

- $3 million per year to extend eligibility for loan forgiveness for Canada Student Loans in cases where students are permanently disabled, or if a borrower dies
- $125 new money over three years for training
- $30 million new money over three years for literacy
- $810 million over 6 years for University based research councils

**What it means:**
There is nothing to prohibit the establishment of private, for-profit educational institutions and end public-private partnerships. There is no significant support for indebted students. Rather, the government chooses to funnel money into foundations and granting councils for the commercialization of university research.