



ALTERNATIVE FEDERAL BUDGET 2005

Time for a fair tax system

Canada's tax system can be a vital tool for creating a more just and equitable society in which all citizens share proportionately—according to their means and needs—in both receiving the country's basic services and paying for them. Instead, the federal and most provincial governments over the past decade have focused mainly on cutting taxes and spending, thus enriching a wealthy minority at the expense of low- and middle-income Canadians. It is time to refashion the tax system to reverse these economic and social disparities.

THE AFB WILL:

- increase the maximum benefit level of the Child Tax Benefit to \$4,900 by 2007;
- increase the value of the GST credit and the GST credit threshold by 25%;
- restore the federal income tax rate on the highest income earners (over \$250,000) to the 34% level that existed in the 1980s, and restore the general corporate income tax rate from 21% to the 23% level that prevailed until the Martin budget of 2003, using the extra tax revenue to fund initiatives to spur more business investment;
- limit the maximum annual amount for RRSP contributions to 18% of twice the average industrial wage;
- make the disability tax credit refundable and available to all those with disabilities, regardless of income, and implement the recommendations of the Disability Tax Fairness report;
- allow limited exemption on copyright income and limited income-averaging for artists, writers, and other creative workers;
- replace the array of tax-assisted education programs with one national system of needs-based grants;
- restore the inclusion rate for capital gains income to 80%, but adjust it for inflation so that capital gains will be taxed on a more equitable basis with other forms of income;
- eliminate the meals and entertainment expense deductions for both corporate and personal income taxes;
- end the special treatment of employee stock options, which are now taxed at only half the rate of income;
- close loopholes which now allow corporations to avoid paying Canadian taxes by taking advantage of offshore tax havens such as Barbados;
- phase out tax-assisted subsidies to the fossil fuel and mining sectors, raise taxes on fossil fuels to reflect their health and environmental costs, and introduce a tax on toxic substances; and
- make employer-provided public transit passes a non-taxable employee benefit.

Find out more at www.policyalternatives.ca



ALTERNATIVE FEDERAL BUDGET 2005

Time for social reinvestment

Canadians were forced to make great sacrifices in the war against the deficit when the federal government slashed billions from its support of key social programs. The Liberals promised, once the budget was balanced, to devote at least half of surplus revenue to restoring social spending levels. Instead, despite seven successive large surpluses (with an eighth on the way), less than 25% has gone for much-needed social reinvestment. It's time to redress this harmful fiscal imbalance.

THE AFB WILL:

- immediately increase spending on the social transfer by \$3.2 billion to bring it back to 1994-95 levels with an increase of more than \$13 billion over three years;
- assure accountability by dividing the social transfer into separate social and post-secondary education envelopes with a separate envelope for each social item, such as child care;
- broaden the scope of public health care by including home care and palliative care, and initiating plans for a national pharmacare program;
- increase First Nations health funding by 10% a year and provide an extra \$1 billion per year to meet housing needs on reserves;
- create a new Post-Secondary Education Transfer to be funded by an additional \$4.2 billion over the next three years, in addition to a national system of needs-based grants to significantly reduce the costs of higher education;
- commit \$6 billion over the next three years for the development of a universal, high-quality child care program;
- adopt a national housing strategy with \$1.5 billion a year to fund the annual construction of 25,000 additional affordable housing units;
- increase GIS benefits by 10% and OAS benefits by 5% for Canada's seniors; and
- increase funding for the CBC by \$250 million a year.

Find out more at www.policyalternatives.ca



ALTERNATIVE FEDERAL BUDGET 2005

Time for a real war on poverty

It is a national and inexcusable disgrace that, despite continued strong economic growth, 15% of Canadians—over 4 million, including one in six children and more than half female lone parents—are still living in poverty. This is one of the highest poverty rates among the world's industrialized nations, and must no longer be tolerated. The means to make poverty history in Canada are readily available. There is no one single measure that will eliminate poverty: what is needed is a comprehensive package of tax, program spending and regulatory measures. What has been lacking for decades, and is still lacking, is the political will.

THE AFB WILL:

- increase funding for the Canada Social Transfer immediately by \$3.2 billion, and by more than \$13 billion over the next three years, taking steps to ensure that every cent is spent on social programs and that all those in need will receive benefits regardless of their province of residence;
- introduce a pan-Canadian child care program to provide universal, affordable, and accessible quality child care to all who need it;
- consolidate the Canada Child Tax Benefit and the National Child Benefit Supplement into one program and increase it to a maximum of at least \$4,900 for the first child;
- increase the value of the GST credit and the GST thresholds by 25% to make up for the value that was lost when the credit was not indexed to inflation;
- enhance the Employment Insurance program to make temporary, part-time, seasonal and casual workers eligible for EI benefits;
- commit to having an additional 25,000 affordable housing units built each year for low-income people and the homeless;
- reinstate the federal minimum wage at a minimum rate of \$10 an hour as an example for provincial, territorial and municipal governments to follow, and index it to the cost of living;
- significantly increase funding for post-secondary education and freeze/reduce tuition fees to make PSE more accessible to low-income families;
- increase the GIS benefit by 10% and the OAS benefit by 5% to assist low income seniors;
- provide over \$1 billion per year to address housing needs on Aboriginal reserves and more than \$1 billion over 3 years to improve Aboriginal education;
- reduce poverty among people with disabilities by making the disability tax credit refundable, and initiating a labour market strategy and supports plan for persons with disabilities.

Find out more at www.policyalternatives.ca



ALTERNATIVE FEDERAL BUDGET 2005

Time for better health care

The quality and accessibility of Canada's health care services have declined alarmingly over the past decade, casualties of underfunding, mismanagement, soaring drug costs, and a misguided trend to privatizing services. The First Ministers' Accord reached last fall precludes the need for further federal health transfers, but decisive measures are still required to strengthen weak accountability and the enforcement of Medicare principles, and to deal with the spiraling costs of drugs.

THE AFB WILL:

- reaffirm the federal government's obligation to uphold the statutory standards and requirements of the Canada Health Act, and to prohibit and penalize provincial violations of the Act's basic principles;
- strengthen accountability and enforcement mechanisms by restricting interpretation of the Canada Health Act to the federal jurisdiction and eliminating "third-party" dispute resolution panels;
- curb and then begin to reverse the trend toward for-profit provision of health care, give priority to public not-for-profit delivery, and require provincial and territorial governments to disclose expenditures or subsidies directed to for-profit services;
- include home care, palliative care, and diagnostic services under the Canada Health Act and start planning to add long-term care as well;
- establish a National Drug Agency with the mandate and tools to evaluate the cost and effectiveness of prescription drugs, monitor adverse drug reactions, develop a national drug formulary to contain and reduce costs, and within two years to establish a national Pharmacare program;
- fund a national health care investment program, in partnership with the provinces, through the AFB's proposed Canadian Infrastructure Financing Authority;
- take immediate steps, in conjunction with the provinces, to address the shortage of doctors, nurses, and other health care professionals, and to facilitate the entry of more young Canadians into the health and medical professions; and
- initiate a switch in government focus from cure to prevention, with a goal of improving the social determinants of health (such as ensuring adequate income, food, housing and social services for everyone), thereby reducing health care costs by 40% or more over the next 10 years.

Find out more at www.policyalternatives.ca



ALTERNATIVE FEDERAL BUDGET 2005

Time for more liveable communities

Our cities and towns are reeling under the impacts of federal-provincial downloading, funding cuts, restructuring, restricted tax-raising authority, rising operating costs, and amalgamation. A shrinking financial base has left many communities struggling to maintain adequate levels of basic services. A national urban strategy is urgently needed to correct the current imbalance of tax revenue and the centralization of wealth and development in the largest cities. Federal policies related to our communities must go beyond a mere transfer of funds to encompass a coherent, sustainable social, economic and environmental infrastructure program.

THE AFB WILL:

- establish a Canadian Infrastructure Financing Authority that will help provide up to \$10 billion a year in financing for new cost-shared infrastructure projects;
- create a new federal Department of Community Development mandated to coordinate federal policies on community matters and, in consultation with all stakeholders, develop a national strategy for renewing public infrastructure;
- support the proposal by the Federation of Canadian Municipalities for a three-year pilot project promoting community facilities for cultural, educational, and recreational events;
- allocate a dedicated share of the fuel tax totalling about \$5.6 billion over three years to fund municipal infrastructure;
- provide \$1.5 billion a year to support the annual construction of 25,000 additional affordable housing units for low-income residents;
- increase funding for the Supporting Communities Partnership Initiative to \$200 million a year to provide housing, shelters, and other services for the homeless;
- help seniors living in urban centres to pay their property taxes by raising their fixed pension income through a 10% increase in GIS benefits and a 5% increase in OAS benefits;
- provide support to artists and cultural industries that will help to strengthen the cultural life in our cities and communities; and
- stop the proposed sale of federal buildings, which are worth over \$7 billion, and instead use them to develop a "Good Neighbourhood Initiative" that will direct federal property spending to support downtown revitalization and sustainable development projects.

Find out more at www.policyalternatives.ca



ALTERNATIVE FEDERAL BUDGET 2005

Time for a clean environment

Although Canadians overwhelmingly support stronger action on the environment, the federal government has lagged far behind public opinion by giving environmental protection such a low priority. Its indifference has led to Canada falling far behind other countries in reducing greenhouse gas emissions, in curbing the pollution of our air and water, and in promoting the development of clean alternative forms of energy. This neglect of ecological issues has made a mockery of Canada's Kyoto Protocol commitments, exposing our federal government to scathing criticism from environmentalists and even from international agencies such as the OECD. Much of the existing spending is being ineffectively spent and much stronger regulations are required. Clearly a much more effective national "green" action plan is urgently needed.

THE AFB WILL:

- introduce a Pollution Dividend that will involve increasing excise taxes on fossil fuels to reflect their health and environmental costs, with revenues going partly to support investment in clean energy alternatives;
- implement a National Green Power Strategy to promote the increased development of wind, solar, geothermal, tidal, and other forms of clean and renewable energy;
- phase out the current huge federal subsidies to the fossil fuel and mining sectors—estimated by the Auditor General to have exceeded \$40 billion over the past three decades and now averaging about \$1.9 billion annually;
- create 35 new marine protected areas and 22 new national wildlife protected areas by 2010;
- levy a tax on toxic substances, with tax rates varying according to the degree of toxicity of each substance, and revenue used to monitor, measure, and reduce the levels of toxins in our environment;
- fund a Just Transition program to help workers displaced from fossil fuel industries to obtain the retraining and skills upgrading needed to obtain alternative employment;
- help farmers with a transition program to move towards more sustainable organic production; and
- amend the income tax rules to make employer-provided public transit passes tax-deductible.

Find out more at www.policyalternatives.ca



ALTERNATIVE FEDERAL BUDGET 2005

Time for progressive international policies

Canada is entering a critical stage in its international relations. The Martin government's top priority in this area seems to be forging closer economic, military, and trade links ("deep integration") with the United States to conform with that country's "national security" agenda—including possible Canadian participation in the U.S. ballistic missile defence program. This approach ignores the fact that human security involves more than protection against terrorism. It also encompasses security needs in health, food, income, housing, the environment, education, human rights and democracy. The security of people in wealthy countries like Canada cannot be isolated from the security of people in less-developed countries. Canada should adopt an international policy rooted in the holistic concept of human security.

THE AFB WILL:

- commit Canada to contributing its fair share of funding to meet its promised contribution to the Millennium Development Goals, which will mean raising its foreign aid to the UN target of 0.7% of GNP by 2015;
- ensure that Canada also meets its financial commitment to the Global Fund to Fight Aids, Tuberculosis and Malaria;
- eliminate the most objectionable elements of NAFTA, especially its odious Chapter 11 giving corporations the right to directly sue governments for laws or policies that allegedly threaten their profits;
- take steps to diversify our trade and international relations policies, moving them away from a dangerous dependence on exports to the U.S. and toward stronger economic, social and cultural relations with other countries;
- support and help facilitate the cancellation of debt owed by the poorest countries;
- freeze Canada's military budget—which at nearly \$14 billion a year is the sixth highest among NATO countries—and refocus "defence" spending on maintaining national security and sovereignty and supporting UN peacekeeping operations;
- reject Canadian participation in the U.S. BMD project; and
- terminate the practice of contracting out defence functions to the private sector.

Find out more at www.policyalternatives.ca



ALTERNATIVE FEDERAL BUDGET 2005

Time to rebuild the Federation

Relations between the federal government, the provinces and municipalities have been severely strained by the federal cuts in transfer payments and by quarrels over the federal-provincial equalization formula. Ottawa's cutbacks not only reduced provincial governments' financial resources, but had a domino effect when the provinces downloaded more of their public servicing responsibilities onto municipalities without corresponding additional subsidies.

THE AFB WILL:

- assure adequate funding for the Canada Social Transfer (CST) by immediately restoring the \$3.2 billion needed to lift funding back up to 1994-95 levels and by increasing funding for the transfer by more than \$13 billion over the next 3 years;
- increase funding for the post-secondary transfer by \$1.2 billion immediately, rising to an additional \$1.7 billion by 2007/8, for an additional \$4.3 billion over the next 3 years;
- provide communities with an additional \$5.6 billion over the next 3 years for the renewal of municipal infrastructure;
- establish a new Canadian Infrastructure Financing Authority that will help to finance up to \$10 billion per year of investments in municipal, educational and health infrastructure;
- provide an additional \$6 billion over the next 3 years for the development of a pan-Canadian child care program;
- assure accountability and transparency by dividing the social transfer into separate Social Transfer and Post-Secondary Education funds and having a separate envelope for each social item within the CST;
- with each of these transfers and with the health transfers, establish legislation, standards and strict accountability measures to ensure that Canadians receive a high quality of service and funds are spent appropriately;
- set up mechanisms to develop common principles and objectives for the Social Transfer agreed upon by all parties through a process of consultation with all Canadians; and
- fix the equalization problem by using a ten province standard instead of excluding Alberta and Atlantic Canada and by shifting the focus from an arbitrarily set level of fiscal capacity to a measure of the true cost of providing basic provincial public services.

Find out more at www.policyalternatives.ca



ALTERNATIVE FEDERAL BUDGET 2005

Time for more and better jobs

Although the national unemployment rate has fallen to 7% (still unacceptably high), the quality of jobs in many areas has deteriorated, with too many temporary or part-time jobs that paying only minimum wages and provide little or no job security or benefits. A progressive sector development strategy, aimed at fostering high-quality jobs in high-value, high-productivity sectors, in all parts of the country, must be a central element of any overall strategy to make our economy more fair, more prosperous, and more sustainable, and to bring the unemployment rate down to 6% or lower.

THE AFB WILL:

- reform the Employment Insurance system to improve and extend eligibility and benefits to workers now unfairly denied them, including the self-employed, provide coverage for training and retraining, and prevent the EI Fund from being “raided” by the government for other purposes.
- reintroduce the federal minimum wage at a rate of \$10 per hour;
- develop a national disability-related support plan and a comprehensive labour market strategy for persons with disabilities, based on priorities and needs determined in consultation with the provinces and territories and the disability community;
- provide greater funding for Aboriginal education and labour market training programs;
- invest considerably in renewing Canada’s social and physical infrastructure, creating hundreds of thousands of additional jobs;
- assist farmers with a transition program geared to increasing their incomes through more sustainable agriculture;
- reward real investment, not speculation, by partially reversing recent across-the-board federal tax cuts and allocating the resulting revenues to support tax credits for new investment spending in targeted sectors;
- establish a new Sector Development Bank mandated to reinvest these funds to support new Canadian-based projects and facilities;
- amend the Canadian Investment Act to protect Canadian economic interests and to derive greater benefits from incoming foreign investment by directing it into job-creating, value-added economic development;
- eliminate the most intrusive investment-related aspects of international trade agreements, especially the objectionable Chapter 11 of NAFTA which allows foreign firms to directly sue the federal government for laws or policies that threaten their profits;
- increase funding for Technology Partnerships Canada by \$500 million a year; and
- establish a new Canadian Procurement Institute, in collaboration with other levels of government, to maximize the potential leverage of massive government purchases on corporate investment and technology practices.

Find out more at www.policyalternatives.ca