

Notes For Remarks  
Hon. Jim Flaherty  
Minister of Finance

Empire/Canadian Clubs  
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Good Morning:

I am delighted to share this podium and have the opportunity, not only to reflect on our new government's first budget, but also to build on what Prime Minister Harper said yesterday... and place the budget in the broader context of the kind of society Canadians expect government to help strengthen and build.

Je suis ravi de me trouver à cette tribune et d'avoir le privilège de vous parler cet après-midi, non seulement pour traiter du premier budget de notre nouveau gouvernement, mais aussi pour souligner l'importance des paroles du Premier Ministre Harper d'hier et pour envisager ce budget dans un contexte plus large.

Comment contribu-t-il au genre de société que le gouvernement devrait aider à bâtir et à renforcer pour répondre aux attentes des Canadiennes et des Canadiens.

Public life is not only about debating policies, election campaigns and differing views of our national, provincial or local priorities.

Public life is about reflecting the essence of the objective economic and daily realities in the lives of our fellow Canadians;

- the way we work;
- the way we live;
- the way we care for those we love;
- and to reach out to a brighter tomorrow for our families, communities, province and country.

I accepted Stephen Harper's invitation to enter federal politics because I believed in the positive difference he and like minded Canadians who work with him could make in economic, social, and workplace opportunities for generations of Canadians.

I believed in the need for fundamental re-balancing in the relationship between taxpayers and government, and restoring fiscal balance to the federation.

It is those broad principles that formed the basis of what Prime Minister Harper campaigned on. They underline the five priorities our government is focused on. They were the core underpinnings of the budget it was my privilege to place before Canadians one week ago today here in Ottawa.

## **Principles**

The principles are simple, direct and clear.

First, government has no absolute right to more and more of the hard earned cash of working and investing Canadians, when;

- government is too large;
- taxes are too high;
- surpluses are endemic; and
- Canadians' ability to compete, and make economic and social progress in their homes, communities and families is hampered by all of the above.

Second, there is only one taxpayer who carries the provincial, federal and municipal tax load. Not three separate taxpayers unrelated to each other.

Governments have a duty to keep this in mind, which is why Prime Minister Harper committed himself and the government, to significant tax reduction in our first budget. Tax reduction in every way the government raises money from Canadians.

And finally, government must be respectful of the dollars they spend. Taxpayers expect and demand that spending is focused, transparent and accountable. We must ensure Canadians receive good value for the money they send, and the money we spend.

## **Tax Relief**

It was a distinct honour for me to begin the delivery on those commitments by proposing tax reductions totalling twenty billion dollars for Canadians in all walks of life and in every region: the largest tax relief plan in recent history, and greater than all the tax cuts proposed in the last four federal budgets combined.

This budget delivers more than twice as much tax relief as new spending. For every new tax dollar we spend, this government is returning two dollars to hardworking Canadians.

Whether it is:

- the 1% GST tax reduction across the board;
- the new Canada Employment Credit;
- a permanent reduction in the lowest income tax rate, as of July 1,
- or increases in the basic tax free exemption for all Canadians;
- These tax cuts are broad, evenly directed and helpful to millions of Canadians from coast to coast.

This budget delivers tax relief people can see. Tax relief that makes a difference. Tax relief Canadians can count on.

And in fact, over 655,000 of our fellow Canadians who earn in the lowest bracket will be relieved of any federal income tax burden all together.

All this within the iron commitment of our government to a balanced federal budget.

### **Investing in priorities**

And we are doing all this while investing:

- more in healthcare,
- more in childcare,
- more in defence and national security,
- more in policing, safe communities and protected borders,

- and standing with our farmers across Canada who deserve and merit transitional support during these challenging and unbalanced global commodity pricing periods.

Part of how we can do this is because we are determined to reduce waste, redundancy, overlap and unchecked growth in the federal government's own spending.

### **Expenditure Management**

Over the past five years, total program spending has grown by an average of 8.2 per cent annually. In 2004 – 2005 growth in spending increased by 14.4 per cent.

This growth is neither sustainable or desirable.

Our budget brings that down to 5.4 per cent for this year, and 4.1 per cent next year. A clear departure from the past.

As you can see, our government is determined and focused. We are reigning in spending and looking inwards to see if we, as a government, have our own house in order.

As a result, we will be moving ahead with an ongoing review of all programs and Departments in order to ensure compliance with the following principles:

- First, that government programs are focused on results, and value for money.
- Secondly, that programs are consistent with federal responsibilities.
- And thirdly, that when programs no longer serve the purpose for which they were created, they must be terminated.

We intend to identify \$1 billion in savings over this year and next and report by the fall.

Our government will be open and straightforward with Canadians regarding the finances of Canada. The days of surprise surpluses are over.

We want to create a new culture of responsibility to replace the culture of entitlement we saw under the previous government.

When a federal government chronically underestimates its revenues, understates its surpluses, so that it is only after the fiscal year is long gone we find out just how much excess cash is sitting in our federal coffers, that means Canadians are taxed too much.

What is worse, it transpires in a way that Canadians, business and community groups, even Parliament itself are never given the chance to discuss how much of a surplus cushion Ottawa should have and what appropriate tax levels should be.

The tax system does not exist to fund large federal surpluses that give license to spend the people's hard earned cash as if it belonged to the government of Canada.

Government works for the people, and not the other way around. The relationship between tax dollars collected and federal fiscal planning should portray a genuinely respectful relationship with that principle.

The budget delivered on last week, underlines and embraces that kind of relationship between a government and the taxpayers to whom it is accountable.

The Canada we have all inherited from those who have come before, and the Canada we all have a duty to help build and make stronger still, was not built by more and more federal programs. It was built by hard working Canadians striving for better lives for themselves, their families, their communities and their neighbourhoods.

That is why our budget;

- Provides Canadian families with children under six a new \$1,200 a year Universal Child Care Benefit so they can make their own choices on childcare;
- Helps apprentices in the trades;
- Encourages young Canadians to participate in physical fitness and sports programs;
- Assists with university education deductions; and
- Reduces the tax burden on small business.

It is on the farm, in the classroom, on the factory floor, in research labs and small businesses, on construction sites and community centres and church basements of all denominations where this country moves forward everyday.

And that is where we should be removing the burdens of excess taxation, encouraging independence, initiative, family and hard work, because they are at the very core of what drives and enriches Canadian lives.

Government should be there to help in those areas that cannot be faced alone by hardworking and decent Canadians. In those areas where a framework of equality of opportunity truly reflects our values as caring citizens, neighbours and human beings very much in the Canadian tradition:

In education,

-in health care,

-in securing safe communities,

-in public health,

-in supporting persons with disabilities,

-in defence and

-in removing the capital gains tax from donations to cultural, social and health charities...

government has a role to play, and we have embraced that role in this new budget.

In all cases we are acting to increase opportunity, enterprise, community and the best of Canada in focused and fiscally responsible ways.

As the Finance Minister and Minister Responsible for the GTA, I am honoured to be part of a new government that embraces this kind of break out from the old paradigm of Ottawa over-spending and knowing best.

Instead we are focusing on priorities that produce real results for people in their daily lives. Take infrastructure for example.

### **Infrastructure**

Our budget provides over \$16 billion in more infrastructure spending over the next four years.

This is a long-term investment that will mean:

- better roads;
- more efficient borders; and
- modern public transit, which will occur in two ways;
  - 1) over \$1 in transit capital for new buses and trains; and
  - 2) We are proposing a 15.5 per cent transit tax credit on monthly transit passes to get people out of their cars.

The ultimate goal of these investments is to get people and goods moving in order to keep Ottawa, the GTA and all of the regions of Canada competitive.

### **Productivity**

Making Canada more competitive and more productive is an essential part of what our first budget is all about. In fact, there are 23 specific initiatives in this budget to move us forward on this front.

Productivity and competitiveness is about: innovation, fair and reasonable tax rates, education, research and development and enhanced workplace productivity:

-From the \$1 billion Post Secondary Infrastructure fund,

- to assisting in textbooks;
- reducing corporate and small business taxes;
- increasing the incentives to be in the workplace; and
- moving away from the high taxes, high spending, high surpluses model of federal fiscal policy of the previous federal government.

We are embracing a new beginning:

A beginning where the taxpayer is respected as opposed to being overburdened;

- a beginning where the federal, provincial and territorial governments can work together, like we did on softwood lumber, to restore fiscal balance to the federation; and
- a beginning where we support families, reward initiative, foster productivity in all regions of Canada;

## **Conclusion**

With this budget we have turned a new leaf.

- We have turned a new leaf away from excessive taxation and wasteful federal spending,
- we have turned a new leaf away from condescension to the provinces and feigned and unnecessary hostility towards our greatest allies and trading partners to the south,
- we have turned a new leaf away from government that puts being big ahead of every other value or attribute.

Our government is focused, deliberate and fiscally responsible. Our government has a few priorities at a time, and is not prepared to over promise nor overspend. Our government knows its place and respects its core accountability to the taxpayer.

During the cold winter campaign just past, we made a commitment to Canadians.

- A commitment to provide substantial tax relief.
- A commitment to balance the books and reduce the debt.
- A commitment to reduce spending and provide real value for the tax dollars Canadians send us.

In this, our government's first budget, we delivered.

- We provided more tax relief than the last four federal budgets combined.
- We reduced spending to below the rate of economic growth.

- We paid off \$3 billion in debt, with an ongoing commitment of debt reduction.
- We delivered our Universal Child Care benefit, restored accountability and began cracking down on crime.

We kept our promises to hardworking Canadians. They entrusted us to focus on priorities and deliver real results. And it is for those reasons that I brought forward our Budget.

It is in support of that budgetary and governing approach that I am honoured to be here with the members of the Empire and Canadian Clubs today.

Thank you all very much.