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Bi-national Great Lakes-St. Lawrence shipping annually supports:
328,500 JOBS | \$60 BILLION IN ECONOMIC ACTIVITY | \$11.7 BILLION IN TAXES

Chamber of Marine Commerce Federal Budget Summary

April 20, 2021

Introduction

In her first budget as Finance Minister, Chrystia Freeland just presented the Liberals' vision to "finish the fight" against COVID and navigate Canada through recovery to a new dawn of growth and prosperity. Spanning more than 700 pages, *A Recovery Plan for Jobs, Growth, and Resilience* is divided into three parts and comes with a massive price tag — **\$101.4 billion** in new spending.

Key Highlights

The federal Liberal government is betting that Canadians want an expanded and activist federal government, and that fiscal discipline is a secondary concern. Key highlights include:

- 52 measures (outside of tax-related measures) will be implemented through legislation — from strengthening Canada's small business financing to creating a \$15 federal minimum wage.
- \$30 billion for a **national child care plan**
- A \$15 federal **minimum wage**
- \$17.6 billion for **green investments**

Minister Freeland maintains that Canada can afford the multi-year deficits that are without precedent. The only fiscal anchor the budget establishes is the objective of putting the nation's finances on a trajectory that reduces the debt-to-GDP ratio in the coming years.

While many expected a flurry of new taxes, including massive changes to the EI program, tax hikes are relatively modest and include:

- A three per cent **tax on the revenues of digital giants**
- A **tax on empty residences** owned by non-resident foreigners
- A **luxury tax** on purchases of private airplanes and expensive boats and cars

By the Numbers

- Total expenditures for 2021-22: **\$497.6 billion**
- New 2021 spending: **\$101.4 billion**
- 2021-22 projected deficit: **\$154.7 billion**
- Extended pandemic supports (CERS and CEWS): **\$12 billion**

Budget 2021 includes a number of announcements to support business, economic growth and job creation, and includes items of potential interest to transportation and the marine sector:

a. Climate Change and Oceans Protection

\$5 billion over seven years to increase funding for the Strategic Innovation Fund's Net Zero Accelerator. This will support projects that will help support clean technologies and help meaningfully accelerate domestic greenhouse gas emissions reductions by 2030.

A 50% tax reduction for companies that manufacture zero emission technologies. List of eligible technologies to be determined by Finance, ECCC, ISED, Sustainable Development Technology Canada and other stakeholders.

Budget 2021 also proposes to provide \$2.3 billion over five years, starting in 2021-22, with \$100.5 million in remaining amortization, to Environment and Climate Change Canada, Parks Canada, and the Department of Fisheries and Oceans to:

- Conserve up to 1 million square kilometers more land and inland waters to achieve Canada's 25 per cent protected area by 2025 target, including through national wildlife areas, and Indigenous Protected and Conserved Areas.
- Create thousands of jobs in nature conservation and management.
- Accelerate new provincial and territorial protected areas.
- Take action to prevent priority species at imminent risk of disappearing, including through partnerships with Indigenous peoples.

b. Developing the Canada Water Agency

Budget 2021 proposes to provide \$17.4 million over two years, starting in 2021-22, to Environment and Climate Change Canada to support work with the provinces, territories, Indigenous peoples, and key stakeholders on the scope of the agency's mandate, including identifying opportunities to build and support more resilient water and irrigation infrastructure. The agency would be headquartered outside the National Capital Region.

c. Maintaining Momentum on Regulatory Modernization

Since 2018, the government has been conducting targeted regulatory reviews to identify and eliminate bottlenecks to economic growth. The first round of reviews led to the publication of Regulatory Roadmaps on the high-growth sectors of agri-food and aquaculture, health and bio-sciences, and transportation and infrastructure. The second round of Regulatory Roadmaps on digitization and technology neutral regulations, international standards, and clean technology will be released in the coming weeks. Later this year, the government will launch a third round of targeted regulatory reviews focused on how regulations can accelerate Canada's recovery from the pandemic.

d. Workforce Development

Budget 2021 proposes to provide \$960 million over three years, beginning in 2021-22, to Employment and Social Development Canada (ESDC) for a new Sectoral Workforce Solutions Program. Working primarily with sector associations, funding would help design and deliver training that is relevant to the needs of businesses; this funding would also help businesses recruit and retain a diverse and inclusive workforce.

e. Administration of Trade Controls

Budget 2021 proposes to provide \$38.2 million over five years, starting in 2021-22, and \$7.9 million per year ongoing, to Global Affairs Canada, as additional resourcing to support Canada's trade controls regime.

f. Strengthening Canada's Trade Remedy System

The Budget announces the government's intention to launch public consultations on measures to strengthen Canada's trade remedy system and to improve access for workers and small and medium-sized enterprises. Following these consultations, the government may propose amendments.

g. Special Import Measures Act and the Canadian International Trade Tribunal Act

Budget 2021 also proposes to amend the Canada-United States-Mexico Agreement

Implementation Act to clarify processes for the selection of trade remedy dispute settlement panels and committees under the agreement.

h. Better Supports for Exporters

Budget 2021 announces the government's intention to work with Export Development Canada to enhance supports to small and medium-sized exporters and to strengthen human rights considerations in export supports. The government may propose amendments to the Export Development Act.

i. Infrastructure and Renewing our National Trade Corridors (p. 143)

Budget 2021 proposes to invest \$1.9 billion over four years, starting in 2021-22, to recapitalize the National Trade Corridors Fund. This funding could attract approximately \$2.7 billion from private and other public sector partners, resulting in total investments of \$4.6 billion. This would spur investments in much-needed enhancements to our roads, rail, and shipping routes, build long-term resilience for the Canadian economy, and support internal trade. It would make Canada's transportation system more fluid, supporting economic recovery and increasing prosperity across Canada. Alleviating bottlenecks and congestion will also reduce greenhouse gas emissions in Canada. Of this total funding, 15 per cent would be dedicated to building and improving transportation networks in the Arctic. Investments will bring growth and jobs to northern communities, and help more of our resources and goods get to markets in faster, cleaner, more cost efficient ways.

Budget 2021 proposes \$4.3 billion over four years for the Indigenous Community Infrastructure Fund, as prioritized by Indigenous partners, with shovel ready infrastructure projects in First Nations, including with Métis Nation communities in the Arctic.

The Budget also proposes to provide \$22.6 million over four years, starting in 2021-22, to Infrastructure Canada to conduct Canada's first ever National Infrastructure Assessment.

j. Modernizing Travel and Trade at Our Borders

\$656.1 million over five years, beginning in 2021-22, and \$123.8 million ongoing, to the Canada Border Services Agency (CBSA) to modernize our borders. Funding will transform the border experience for travellers through touchless and automated interactions, enhance CBSA's ability to detect contraband, and help protect the integrity of our border infrastructure. Funding will also support three Canadian preclearance pilots in the United States that would enable customs and immigration inspections to be completed before goods and travellers enter Canada.

Summary Analysis

With Ontario in lockdown and vaccine shortages persisting across the country, an election was already unlikely. CMC intelligence also suggests that the NDP will support the Budget, so at this time we would not anticipate an election until sometime after the summer. The Bloc and Conservatives are unlikely to support the Budget with the Conservatives lampooning the massive spending and the Bloc critical of the lack of additional health transfer to Quebec.

At the end of the day, this budget is one that the Liberals are happy to implement or happy to campaign on. Either way, they are well positioned to be fighting on their ground and leaving the Conservatives in a difficult political position. However, public opinion polling shows that Canadians are also concerned by high spending so the Liberals do not have carte blanche to spend and will have to demonstrate they still understand the need for fiscal responsibility.

Given the amount of spending and legislative changes this budget proposes, the Budget 2021 implementation bill is likely to be enormous and may even require two separate pieces of legislation. We will continue to track implementation closely.

Key links

- Budget 2021 is available [here](#).
- The transcript for the Finance Minister's speech/release is available [here](#).
- The press release on the Budget is [here](#).

About The Chamber of Marine Commerce

The Chamber of Marine Commerce (CMC) is a bi-national association that represents more than 130 marine industry stakeholders including major Canadian and American shippers, ports, terminals and marine service providers, as well as domestic and international ship owners. The Chamber advocates for safe, sustainable, harmonized and competitive policy and regulation that recognizes the marine transportation system's significant advantages in the Great Lakes, St. Lawrence, Coastal and Arctic regions.

The marine industry is vital to our prosperity by enabling efficient trade within North America and around the world. As the safest, most efficient and environmentally smart method of carrying bulk freight, the increased use of marine transportation alleviates highway congestion, reduces greenhouse gas emissions and is a vital catalyst to overall economic prosperity.

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