

Budget 2023: A Made In Canada Plan

May 2023



GLOBAL PUBLIC AFFAIRS
FROM INSIGHT TO IMPACT

Agenda

- Current Political Landscape
- Budget Highlights
- Energy/Resources
- Manufacturing
- Health Care
- Transport & Infrastructure
- Financial Sector



2023 – What to Expect?

- Elections (Alberta, Manitoba & NWT)
- Liberals remain in Ottawa
 - Supply and Confidence Agreement holds
- Affordability/Inflation, Global Competition, Climate, Foreign Agenda to dominate
- Continued attention on Indigenous Reconciliation
- Canada's place in the world will continue to evolve and respond to world events

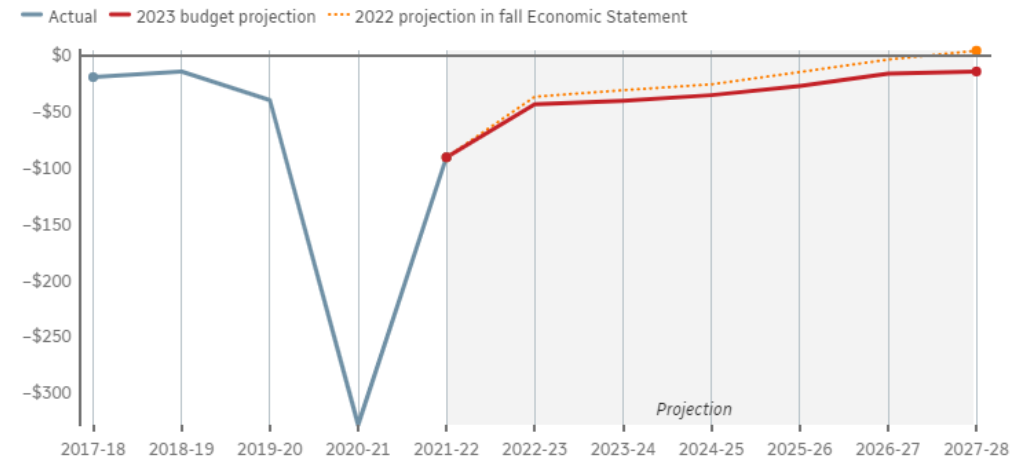


Budget 2023 Highlights

- Budget must still be passed
- \$2.5 billion in spending for a GST “grocery rebate” which will see a one-time rebate provided to an estimated 11 million low-income Canadian households
- \$13 billion for expanding the federal dental care program (a key item for the NDP as per their agreement with the Liberals)
- The introduction of new investment tax credits for clean technologies, electricity and clean hydrogen
- Approximately \$40 billion to augment Canada’s defense and security capabilities
- \$70 billion in spending between now and 2027-28, offset by approximately \$25 billion in savings through cost reduction efforts at a departmental level.

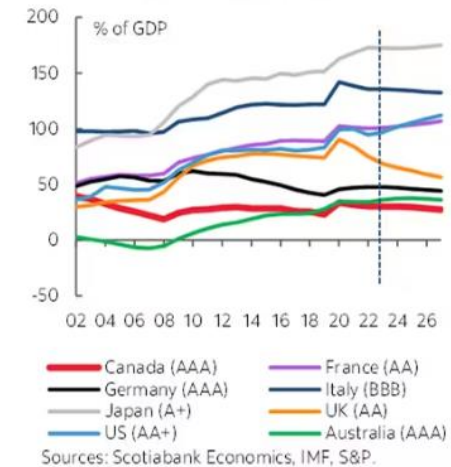
Projected deficit

Federal budget balance (in billions)



Source: Government of Canada
Annual Financial Reports,
Budget documents (Graeme Bruce/CBC)

General Government Net Debt

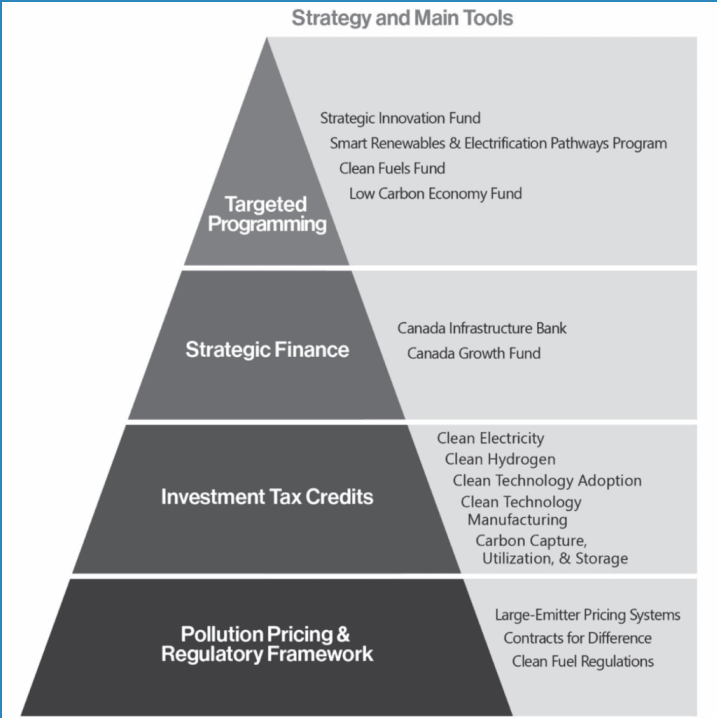


Clean energy & minerals

- Emission reduction and clean technology a prime focus
- 5 ITCs: Hydrogen, CCUS, Clean Tech, Clean Electricity & Clean Manufacturing
 - Further consultation to come before legislation is tabled
 - Labour provisions are part of each program
- Commitment to improving EA approval process
- Post-Biden visit Canada/US commitment to cooperate on clean minerals, hydrogen and other technology issues.
- Canada Growth Fund closer to reality

Vintage	Measure	Application	Total cost over 10 years
New	Clean electricity	Budget 2024	\$25.7B
New	Clean technology manufacturing	January 1, 2024	\$11.1B
New details	Clean hydrogen	Budget 2023	\$17.7B
FES 2022; addition of geothermal and extension to 2034	Clean technology adoption	Budget 2023	-\$16B
Budget 2022; limited new enhancements	Carbon capture, utilization, and storage	2022	-\$15B

Source: RBC

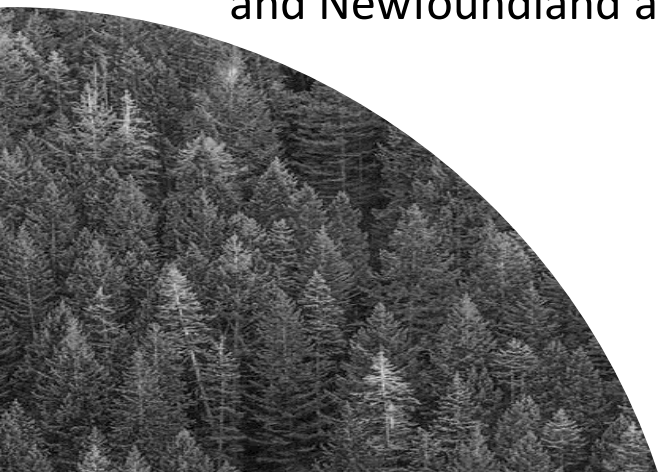


Source: Budget 2023



Clean energy & minerals

- \$3.0 billion over 13 years, starting in 2023-24, to Natural Resources Canada to:
 - Recapitalize funding for the Smart Renewables and Electrification Pathways Program to support critical regional priorities and Indigenous-led projects, and add transmission projects to the program's eligibility
 - Renew the Smart Grid program to continue to support electricity grid innovation
 - Create new investments in science-based activities to help capitalize on Canada's offshore wind potential, particularly off the coasts of Nova Scotia and Newfoundland and Labrador
 - \$500 million to SIF to support clean technologies in Canada. SIF will also direct up to \$1.5 billion of its existing resources towards projects in sectors including clean technologies, critical minerals, and industrial transformation
 - Updating the mandate of the Canada Infrastructure Bank (CIB) to include a focus on clean electricity CIB will invest at least \$10 billion through its Clean Power priority stream



Healthcare

Federal healthcare transfers make up the bulk of new spending

- **Top-ups and guaranteed increases** to existing Canada Health Transfer accounting for \$198.3B over ten years
- **Tied funding** towards expanding access to primary care, supporting health workforces, better access to mental health & addictions care, and IT modernization
- **Provinces must agree to** using funds solely for healthcare, uphold the *Canada Health Act*, streamline foreign credential recognition, and improve data

The biggest new 'signature' program: the Canadian Dental Care Plan. Per the Liberal/NDP agreement, Budget included full national program on dental coverage for uninsured Canadians with family income under \$90K

- **\$13B/5 years**, plus \$4.4B ongoing, will cover families under \$90K annual income
- Administered by Health Canada with support from third-party administrator
- Additional support (\$250M/3 yrs) for Oral Health Access Fund to address care gaps

An emphasis on Health Data. \$505M/5 yrs for CIHI, Canada Health Infoway and federal data partners to build new system, collaborate with provinces to improve data ecosystem



Healthcare: What wasn't in Budget 2023

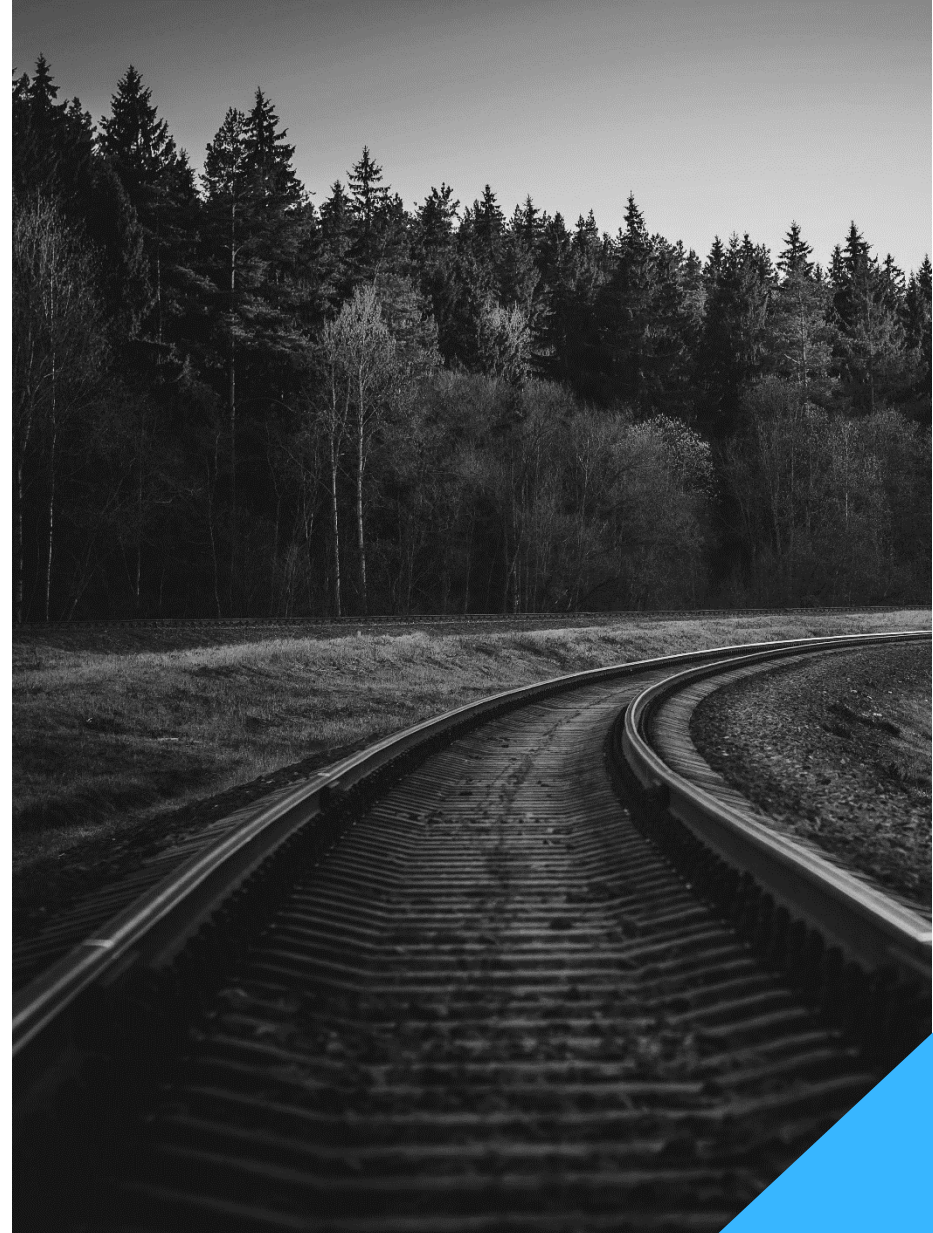
Omissions were notable in the Budget. Significant funding is coming, but the budget did not make note of any of the following “big picture” Health discussions:

- **National pharmacare:** Liberals have promised to table *Pharmacare Act* in 2023 under agreement with NDP, but none of Pharmacare, Canadian Drug Agency or a national formulary were mentioned.
- **Drug pricing reforms and/or changes:** The Patented Medicines Price Review Board continues to be a pain point for the federal government, and reform process has stalled; no mention of drug affordability measures or commitments
- **Support for life sciences innovation / biomanufacturing:** Despite life sciences being a stated focus for economic development, only brief mention about continued supports to improve readiness for future health emergencies, and consulting on best practices for the future



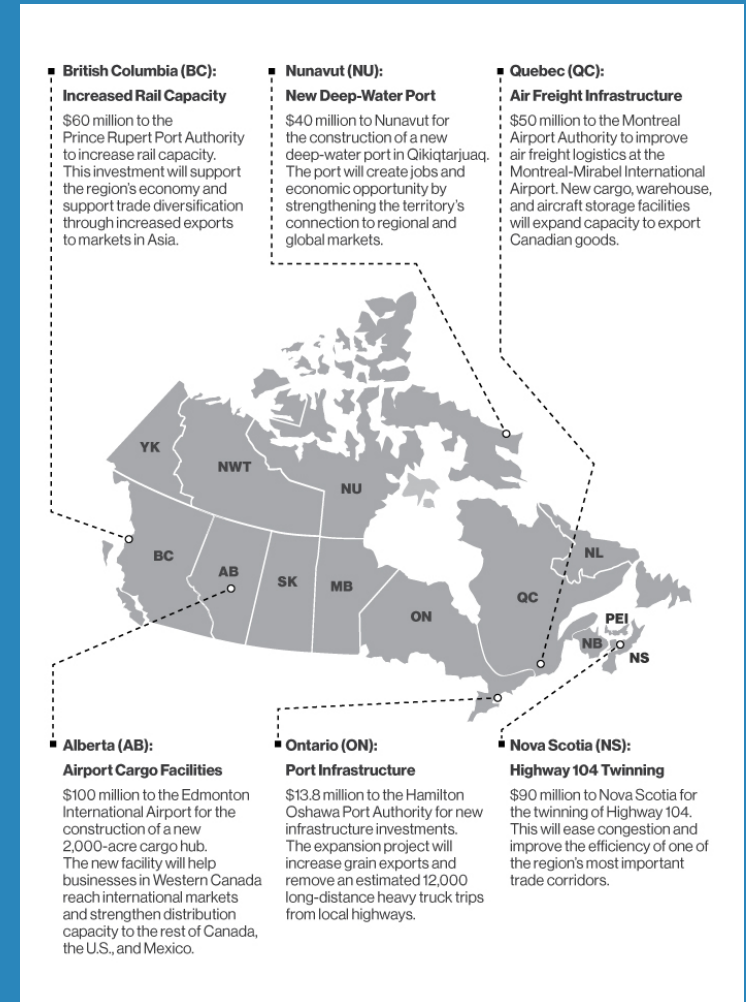
Transportation Supply Chain

- Budget 2023 addressed key challenges of congested supply chains and maintaining resiliency and fluidity in the system as much as possible by:
 - **Investing \$27.2 million over five years to establish a Transportation Supply Chain Office** to work with industry and other orders of government to respond to disruptions and better coordinate action to increase the capacity, efficiency, and reliability of Canada's transportation supply chain infrastructure.
 - **\$25 million over five years to develop transportation supply chain data** to make supply chains more efficient, and inform future infrastructure planning.



Transportation

- **VIA Rail:** \$210.0 million over five years with \$117.4 million in remaining amortization, to VIA Rail to conduct maintenance on its trains on routes outside the Québec City– Windsor Corridor and to maintain levels of service across its network.
- **Support Rail Competition:** Create pilot project for the interswitching limit in the prairie provinces.
- **Strengthen Air Passenger Rights and Data Sharing:** convert the Canadian Transportation Agency to a mediation-arbitration process, recover costs from airlines and require data sharing and disclosure



Source: Budget 2023



Budget 2023: Financial services

- Changes to the *Income Tax Act* that would treat dividends received on Canadian shares held by financial institutions in the ordinary course of their business as business income
- Lowering of the criminal interest rate to 35 per cent
- Adjusting the payday lending exemption to require payday lenders to charge no more than \$14 per \$100 borrowed
- Commitments from Visa and Mastercard to lower credit card interchange fees for Canadian small businesses
- The Financial Consumer Agency of Canada will publish guidelines to ensure federally regulated financial institutions provide Canadians with fair and equitable access to relief measures for mortgage holders, including by extending amortizations, adjusting payment schedules, or authorizing lump-sum payments
- Amendments to the *Criminal Code* and the *Proceeds of Crime (Money Laundering) and Terrorist Financial Act* to strengthen the investigative, enforcement of Canada's AML/ATF Regime



Budget 2023: Financial services

- Expand range of circumstances where OSFI can take control of an FRFI
- Expand existing authority for the Superintendent to issue a direction of compliance to include an act that threatens the integrity and security of an FRFI
- Provide new powers to allow the Minister of Finance to impose enhanced due diligence requirements to protect Canada's financial system from the financing of national security threats
- Reviewing the mandate of FINTRAC to determine whether it should be expanded to counter sanctions evasion and threats to security and will provide an update in the 2023 fall economic and fiscal update
- OSFI will consult federally regulated financial institutions on guidelines for publicly disclosing their exposure to crypto-assets



Thank you for attending!

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