

2019 FEDERAL BUDGET UPDATE

OUR PERSPECTIVE

On March 19th, Finance Minister Bill Morneau released the 2019 Federal Budget laying out the key policies, investments and messages the Trudeau Liberals will take to voters in their re-election bid this October.

Titled Investing in the Middle Class, the Liberals have doubled down on the political strategy successfully executed in the 2015 federal election, prioritizing spending over deficit reduction and appealing to moderate and left-leaning Canadian voters. With \$23 billion in new spending, this Budget is one of the largest in Canadian history. Notably, it does not tackle some of the major concerns of business groups and corporate Canada, including a review of the taxation system and the regulatory burden.

The Liberals are focused on addressing persistent concerns for key voter demographics, including young Canadians struggling with home ownership and student loans, and elderly Canadians dealing with pensions and drug prices. The Liberals also maintained policy focus on innovation as the key to Canada's economic future, committing \$1.7 billion to ensure

all Canadians have access to high speed internet by 2030, and \$1.7 billion to launch the Canada Training Benefit to help displaced workers retrain for new jobs.

The Budget is aimed at lifting the Government's sagging poll numbers and changing the channel in the wake of the SNC-Lavalin scandal and the most difficult period of the Prime Minister's tenure. However, that will be a challenge if the opposition's reaction is any indication. Using unforeseen Parliamentary tactics, the opposition parties delayed and disrupted the Minister's Budget Speech, citing their disagreement with the shut-down of the Justice Committee's investigation into the SNC-Lavalin scandal.

Stakeholders looking to engage with the Government of Canada must anticipate a highly partisan political environment between now and the national election in October. Liberals will be solely focused on their re-election efforts and implementing the pieces of their agenda that will help them deliver votes in key regions, particularly British Columbia, Ontario, Quebec and Atlantic Canada.

BY THE NUMBERS

The 2018 polls showed that support for the Liberals was holding steady. Recently, post SNC-Lavalin affair, the Liberal Party of Canada has taken hits in demographics, which helped them get elected in 2015. Today, the support for the Liberals continues to dwindle, demonstrating that the Party is in its worst position in the polls since being elected. (Source: CBC Poll Tracker)

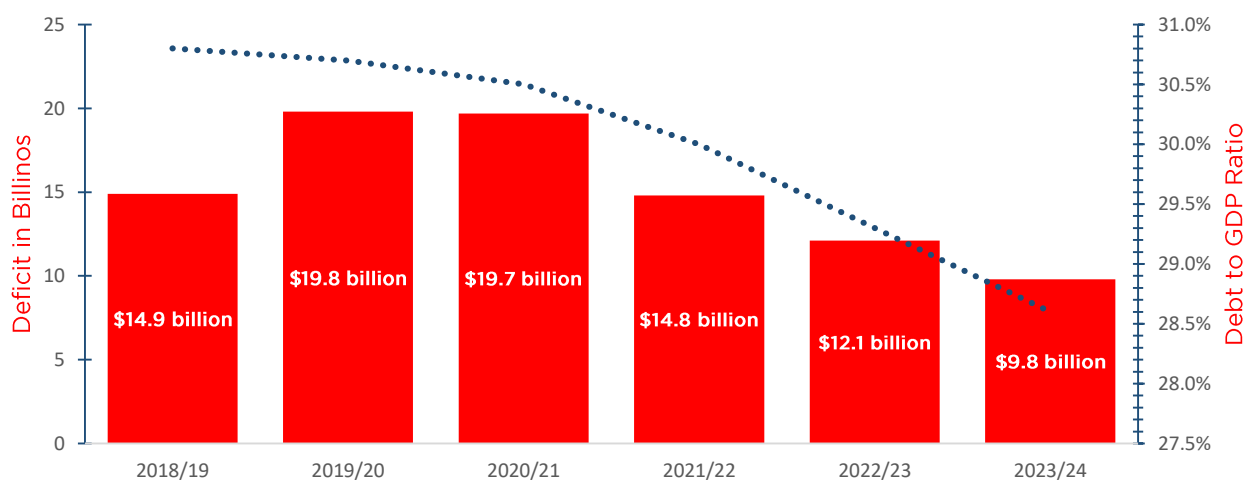
PRE-2018 BUDGET POLLS (PRE-SNC LAVALIN AFFAIR)

LIB 38.4%	CPC 32.9%	NDP 17.3%
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PRE-2019 BUDGET POLLS

CPC 35.3%	LIB 32.7%	NDP 15.9%
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Backing away from their 2015 election promise to deliver a balanced budget by 2019, the Liberals have instead posted a deficit of \$14.9 billion, down slightly from expectations and with no path to balance outlined. The government believes that their path is achieving consistent reduction of Canada's debt relative to GDP.



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KEY HIGHLIGHTS



Training and Skills

The Budget launches the Canada Training Benefit, a new program to fund skills upgrades and EI benefits to help workers take the time to learn. The government will also lower interest rates and repayment timelines on Canada Student Loans.



High Speed Internet

The Budget sets a national target to provide 95% of Canadian homes and businesses with access to 50Mbps high-speed internet by 2026 and 100% by 2030. Budget 2019 proposes a plan that commits up to \$6 billion in rural broadband over the next 10 years, including creating a new Universal Broadband Fund.



National Pharmacare

The Budget takes steps towards implementing a national pharmacare program by creating the Canadian Drug Agency, which will take a coordinated approach to assessing effectiveness and negotiating prescription drug prices on behalf of Canadians. The new agency is projected to lower prescription drug costs by as much as \$3 billion annually.



Home Ownership

To appeal to millennial voters, the government is introducing a First Time Home Buyer Incentive, a shared equity mortgage program intended to reduce mortgage payments required to buy a home – repaid upon sale of the property. The government also commits \$10 billion to help finance the construction of over 42,000 new housing units across Canada.



Retirement Security

The federal government is increasing the income exemption level for the Guaranteed Income Supplement (Old Age Security payments), up to \$15,000 of annual employment income. The Budget also invests in community-based programs to keep seniors active in their communities.



Digital Government

The Budget invests \$305 million to improve digital service delivery from Service Canada. It also commits \$144.9 million in supporting the cyber preparedness of critical systems and infrastructure and \$30 million to protect Canadian elections from cyberattacks.

STAKEHOLDER REACTIONS



“Budget 2019 failed to provide any meaningful solutions to the greatest concerns of Canadian business owners, such as a comprehensive review of the tax system, commitments to reduce the regulatory burden, commitments to eliminating inter-provincial trade barriers and support for SMEs.”

**Honorable Perrin Beatty, President and CEO,
Canadian Chamber of Commerce.**



“Justin Trudeau is trying to bury the SNC-Lavalin corruption scandal under \$41 billion of brand new Liberal spending, which Canadians will pay for through higher taxes if he is re-elected.”

**Andrew Scheer, Party Leader,
Conservative Party of Canada**



“It’s clear that corporations called in favours from Trudeau’s PMO because it paid off with a continuation of corporate handouts, while leaving crumbs for Canadians who clearly weren’t the priority here. Very disappointing.”

**Jagmeet Singh, Party Leader,
New Democratic Party**