GREATER TORONTO HOTEL ASSOCIATION

Federal Budget Update
March 4, 2010

Federal Minister of Finance Jim Flaherty today delivered, "*Leading the Way on Jobs and Growth",* the Conservative government's 2010 budget. The top priority is to "finish the work from last year" and bring Canada's finances back to fiscal balance over the next 5 years with the completion of the Economic Action Plan and the introduction of new measures. The government will not cut spending in provincial transfers or raise taxes, but will slow down stimulus spending in 2010.

Fiscal Outlook & Deficit Reduction:
Temporary measures in the Action Plan will be wound down as planned.

- Budget 2010 proposes $17.6 billion in savings over five years through restrained growth in spending through freezing salaries, departmental operating budgets, and reviewing all departmental spending.
- The deficit projection is to be cut by almost half to $27.6 billion in 2011–12, and cut by two-thirds to $17.5 billion in 2012–13.
- The debt-to-GDP ratio is expected to peak at 35.4 per cent in 2010–11 and then fall to 35.2 per cent in 2011–12 and 31.9 per cent by 2014–15.
- Program spending as a share of GDP is expected to decline from 15.6 per cent in 2009–10 to 13.2 per cent in 2014–15.

Stimulus Highlights:
Cost is $19B in new money complemented by $6 billion from provinces, territories, municipalities and other partners and includes:

<u>Tourism</u>

- Year 2 of the commitment of $50 million for the Marquee Tourism & Events Program will continue as will funding under the Ontario Economic Development Corporation worth a total of close to $200 million.
- $150 million over two years to upgrade facilities, including visitor centres and campgrounds, as well as roads at National Parks and National Historic Sites throughout the country to continue to attract a large number of international visitors.
- $2.2 billion to support industries and communities in sectors affected by the economic downturn, including tourism and culture.
- The second year commitment of an additional $20 million of marketing money for CTC to market within Canada will see realignment of CTC's budget through a cut of $0.9 million this year, $4.2 million next year and $4.2 million in 2012 to focus on more productive markets as Canada is maturing as a tourist destination within its current primary markets.

<u>Taxation & Business</u>

- $3.2 billion in personal income tax relief to support growth and job creation including allowing Canadians to earn more income before paying federal income tax and before being subject to higher tax rates.
- Continuation of corporate tax cuts that will see Canada have the lowest tax rate on new business investment in the G7 and by 2012, Canada will have the lowest statutory corporate income tax rate in the G7.
- Establishing a new Red Tape Reduction Commission to reduce paperwork for businesses.
- Expanding eligibility for accelerated capital cost allowance for investment in clean energy generation assets.
- $1.9 billion to accelerate private sector investment, enhance the ability of Canadian firms to participate in global markets, and create a more competitive business environment with proposed improvements to the international tax system.
- Make Canada a tariff-free zone for industrial manufacturers by eliminating all remaining tariffs on machinery and equipment and goods imported for further manufacturing. When fully implemented, this will provide $300 million in annual duty savings for Canadian business to support investment and growth and create jobs.

Jobs & Training

- Over $100 million to protect jobs by extending the maximum length for work-sharing agreements.
- Freezing the Employment Insurance premium rate at $1.73 per $100 of insurable earnings to the end of 2010—the lowest rate since 1982.
- Over $4 billion in additional benefits, training opportunities, internships and skills development and Employment Insurance premium relief to help unemployed Canadians.

Infrastructure

- $7.7 billion in infrastructure stimulus to create jobs and modernize infrastructure, building on the $8.3 billion investment in infrastructure and housing delivered in 2009–10.

The GTHA is in Ottawa for the budget release and will continue to review the budget and its implications for the hotel and tourism industry.

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