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February 21, 2013

Minister of Finance
The Honourable James Flaherty
Department of Finance Canada
140 O'Connor Street
Ottawa, Ontario K1A 0G5

Dear Minister Flaherty,

To start with, I would like to extend my best wishes to you, on behalf of myself and all New Democrats, for a speedy recovery from your recent illness.

As you prepare the 2013 federal budget, we are writing to share with you the NDP's budgetary priorities. We know that Canadians are counting on all of us, as their elected representatives, to bring forward ideas and proposals that help build a fairer, greener, more prosperous Canada. They're counting on us to put the public interest first, and work together to build a thriving economy that creates high quality jobs. New Democrats believe that with an approach that's balanced, sustainable and fiscally responsible, we can do just that.

We are disappointed that rather than attacking the serious economic challenges facing Canadians, your last budget attacked programs and services that Canadians count on—slashing future healthcare funding, gutting environmental protections and weakening Old Age Security. And despite the fact unemployment (or "that nearly 300,000 more Canadians are still unemployed today than before the recession") hasn't yet returned to pre-recession levels, *Budget 2012* failed to implement a meaningful job creation strategy.

On issue after issue, your government showed it was out of step with the priorities of most Canadians. *Budget 2013* is an opportunity for you to change course and start putting Canadians first, instead of choosing to again plough ahead with an agenda that mostly serves only a well-connected few.



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Since the last budget, Canada's economy has continued to underperform, and structural imbalances are worsening. While some regions and sectors suffer from a lack of skilled workers essential to their sustainable growth, others continue to face alarmingly high rates of unemployment and underemployment. GDP growth has failed to meet the government's own projections while innovation and productivity growth continue to lag behind our southern neighbours. Household debt is skyrocketing and threatens the financial stability of our banking sector.

Over 1.3 million Canadians are out of work and hundreds of thousands of others are underemployed or employed in precarious positions. Young people, Aboriginal peoples and recent immigrants face unemployment rates significantly higher than the national average and many provinces have double digit unemployment rates. Meanwhile, your government's deep cuts to Employment Insurance and services to help the unemployed are resulting in even greater hardship for those most vulnerable.

We believe that *Budget 2013* must take swift action to improve our macro-economic performance and better protect our economy against global economic volatility. New Democrats believe in balancing the budget over the business cycle, but a policy of enacting fiscal austerity in a context of weak economic growth is short-sighted.

The most effective means to ensure a return to balanced budgets is to take decisive action to create jobs, encourage growth and re-establish broad-based economic prosperity. Unfortunately, your government has instead chosen reckless corporate tax giveaways that failed to rally private investment or encourage economic growth. The result is greatly expanded government debt and repeatedly missed deficit targets – while Canadian businesses sit on over a half a trillion dollars in 'dead money' because they see no place to invest under current economic conditions.

We believe that the government needs to tackle the innovation and competitiveness gap that has persisted between Canada and the United States for the last three decades. We believe that the most direct, evidence-based methods to stimulate productivity are to provide long-term, predictable funding to close Canada's infrastructure gap, implement a long-term skills training strategy, reverse cuts to research funding – such as the SR&ED tax credit – and implement an innovation performance assessment program. These medium- and long-term steps can be coupled with the strategic use of government procurement and targeted incentives like job creation tax credits for small and medium-sized businesses and investment in industries where Canada has a comparative advantage – such as the high-tech and aerospace sectors.

Budget 2013 must also address persistent challenges that have been ignored by your government.

Youth unemployment has skyrocketed under your government, with unemployment for young Canadians up by 280,000 during the recession. New Democrats are concerned that these youth are at risk of becoming a lost generation. According to the TD Bank, unemployment will cost these young people a total of \$23 billion in lost wages over the next 18 years.

The impact of the country's sluggish economic performance on Canadians has been amplified by your government's changes to Employment Insurance that have decreased access and reduced benefits – wreaking havoc on families struggling to make ends meet. We urge you to use *Budget 2013* to fix the mess you have made of Canada's Employment Insurance system.

While Canada is rated 4th on the UN Human Development Index, when Aboriginal populations are considered our country drops to a scandalous 78th.

Your government must take specific action in *Budget 2013* to improve the social and economic outcomes of First Nations, Inuit and Métis peoples, as outlined in the NDP motion passed unanimously by the House in February. Action must include stable, equitable funding for First Nations schools – in keeping with the Shannen's Dream motion passed by the House of Commons – and a targeted job and skills plan to help First Nations, Metis and Inuit fill skilled job shortages.

Canada's natural resources can be a source of prosperity and economic success for generations to come, but only if they are responsibly managed through policies that are environmentally, socially and economically sustainable. New Democrats believe we must ensure that future generations are left with the benefit of our natural resources, not just clean-up costs. Unfortunately, your government has taken an unbalanced approach to extractive industries – including generous subsidies handed out to major polluters – and you have left Canada's fiscal framework highly vulnerable to volatile shifts in global commodity prices.

In addition to taking an unbalanced approach to resource extraction, your government has gutted laws that protect our environment – from fisheries habitat protection to navigable waters protection to environmental assessments to climate change. Meanwhile, your last budget slashed funding for key environmental programs, including parks, polar research and experiment lakes. This risky approach of allowing oil and gas lobbyists to dictate government policy has left our businesses, environment and communities vulnerable to serious long-term environmental and economic consequences. We urge your government to reinstate these protections and reverse these cuts.

We also believe that *Budget 2013* should improve fiscal accountability and abandon the inappropriate use of omnibus budget implementation bills. Canadians have been outraged by the way you have taken issues not mentioned in your budgets and put them into budget implementation bills – usually without any consultations with the people affected.

A strong, independent Parliamentary Budget Officer is essential to ensuring fiscal accountability. We urge you to cease your political attacks and make the Parliamentary Budget Officer a full, independent officer of Parliament. We also urge you to provide the Parliamentary Budget Officer with timely information about the real costs and details of your planned cuts to programs and services people rely on.

Unilateral federal cuts to things like the Canada Health Transfer, Old Age Security, the Guaranteed Income Supplement, Employment Insurance and other programs will mean billions in costs downloaded

onto provincial, territorial and municipal government. We urge you to formally calculate the cumulative impact of your policy changes on all levels of governments and on Canadians, including on the aggregate debt level of provincial governments, and release this information in *Budget 2013*.

My New Democratic colleagues and I believe that the budgeting process should reflect Canadian values of balance, prosperity and sustainability – within a commitment to sound public administration. To this end, we hope that you will address the concerns we have raised in *Budget 2013*.

I look forward to the opportunity to discuss these proposals in greater detail.

Sincerely,

A handwritten signature in black ink that reads "Peggy Nash". The signature is written in a cursive style with a large initial "P" and "N".

Peggy Nash MP (Parkdale-High Park)
Finance Critic
Canada's New Democrats