The Confédération des syndicats nationaux (CSN) is a trade union organization with nearly 2,000 member unions, who together represent 300,000 working women and men, primarily within Quebec.

In advance of the next federal budget, the CSN would like to provide some comments concerning the management of public funds and economic policy.

Personal and corporate taxation

The CSN welcomed the changes made to ensure that personal taxation is more progressive by introducing a marginal tax rate of 33% for taxpayers earning more than $200,000 and reducing the rate for the second tax bracket from 22% to 20.5%. These changes have had a positive effect on economic growth.

However, the CSN believes that the government must limit the many tax benefits that disproportionately benefit high-income earners and reduce as much as possible unfair tax expenditures, both for individuals and businesses. The CSN has some proposals that could protect the tax base:

- revise the inclusion rate for capital gains,
- reduce stock option deductions,
- eliminate the use of the lower small business tax rate by wealthy taxpayers to evade payment of taxes,
- reduce tax breaks for oil and gas companies,
- replace research and development tax credits with direct government aid.

Tax evasion, tax avoidance and tax havens

Wealth accumulated by Canadian individuals in tax havens is estimated to be $300 billion, which results in annual losses of tax revenues of approximately $6 billion. This amount represents tax revenues that would have been collected if this wealth had produced investment income in Canada.

With respect to corporations, a study by Tax Justice Network estimates that after the United States and Germany, Canada is the country most affected by the transfer of multinationals' profits. In 2012, profits made in Canada and transferred to tax havens totalled $23.5 billion, or 33% of profits declared that year.

These figures demonstrate that the Canadian government must apply new international standards that have emerged from recent initiatives of the G20 and the Organization for Economic Co-operation and Development (OECD), that is, the standard for automatic exchange of financial account information, which seeks to end banking secrecy, and the standard to end base erosion and profit shifting (BEPS project).

In addition to actively participating in the initiatives of the G20 and the OECD, the Government of Canada must also put its own house in order. Legislation governing tax information exchange agreements (TIEA) and tax conventions, especially the Barbados agreement, was deliberately amended so that Canadian companies could repatriate dividends tax free from tax havens. By rejecting Motion No. M-42 presented by Gabriel Ste-Marie, a Bloc Québécois member, the Trudeau government and the Conservatives sanctioned this unacceptable practice.

Federal transfers

In its election platform, the Liberal Party of Canada promised collaborative leadership. However, with regard to the Canada Health Transfer (CHT), the Trudeau government instead imposed on the provinces an annual increase based on Canada's nominal gross domestic product (GDP) that has a 3% cap for ten years starting in 2017-18. The federal government is encroaching on the provinces' jurisdiction in health care by making access to certain funds conditional on provincial investments in mental health and home care.

The agreement that the Government of Quebec reluctantly signed only provides for an average 3.6% increase in the CHT over the next ten years. That is not enough in the long term because, according to Conference Board of Canada forecasts, health care costs will increase on average by 5.2% every year from 2015 to 2035. The federal government is refusing to do its part to ensure the funding of health services required by its own legislation, the *Canada Health Act*.

With respect to the Canada Social Transfer (CST), CSN repeats that the 3% per year increase means that this envelope will remain below 1994-95 levels, or the levels before the 33% federal cuts.

Investing in infrastructure

CSN is pleased that the federal government intends to make more investments in infrastructure in order to improve the competitiveness of Canada's economy even though this will result in higher budget deficits. The Government of Canada is in a position to run deficits because its debt-to-GDP ratio is the lowest of all G7 countries. CSN is of the opinion that the federal government has the right investment priorities: public transit, green infrastructure, affordable housing, etc. However, the process used to determine which investments will be given priority lacks transparency and must be improved.

It is important to point out that even with these new investments, the federal government will still spend three times less in relation to the economy than the Government of Quebec. Therefore, federal infrastructure spending may not be as countercyclical as it appears to be.

The new element of the federal public infrastructure investment strategy is the large-scale use of public private partnerships (PPP) through the new Infrastructure Bank of Canada (IBC). The goal is to mobilize and leverage private sector capital for the funding of infrastructures that can turn a profit. Other infrastructures will continue to be financed by traditional means. If this strategy works, more infrastructure projects can be completed without a significant increase in the federal government's debt. According to the Fall Economic Statement 2016, the federal government estimates that the private sector could finance up to 80% of the cost of certain infrastructures.

The CSN believes that a change of this magnitude should have been subject to public debate. During the election campaign, the Liberal Party never stated that new infrastructure investments would be PPP projects. The federal government's approach raises several concerns:

- The returns required to attract private capital will lead to various types of fees for the users of the infrastructures.
- The PPPs will result in costs for the governments involved and, contrary to supporters' claims, governments will assume a rather significant share of the risks of PPP infrastructure projects.
- The government maintains that infrastructure PPPs are a win-win proposition because they provide a solid return for pension plans, which in turn ensures that seniors enjoy a secure retirement, while making it possible to build more infrastructure. This argument is misleading in that the federal government has approached several financial institutions that do not manage pension funds: BlackRock Asset Management in New York, Olaya Group in Saudi Arabia, Qatar Investment Authority, etc.
- How will municipalities and the Government of Quebec be able to retain control over investments and infrastructure management in their areas if "federal investments" have a mandatory private fund component? This problem has already arisen with the Réseau électrique métropolitain (REM) of the Caisse de dépôt et placement (CDPQ) because the federal government agreed to invest the same amount as the Government of Quebec on condition that its investment be provided by the BIC, which means that private sector investors could provide up to 80% of the "federal contribution".

Balanced industrial policy

Although the Trudeau government is more attuned to environmental issues than the previous government, it continues to focus on the development of the oil sands, which is absurd given the negative impact of this industry on the manufacturing sector (Dutch disease) and the challenges of climate change.

That said, the CSN notes that the Trudeau government has taken a more proactive approach than the previous government with respect to industrial policies. The government needs to be proactive in order to create comparative advantages in several sectors of economic activity. Thus, budget 2017-18 includes some measures that could accelerate the modernization of Canada's and Quebec's industrial fabric and are compatible with the industrial policies promoted by the CSN.

Budget 2017-28 includes an investment of $950 million over five years in order to support a small number of innovation superclusters that have strong growth potential. This investment targets sectors that will increase Canada's global competitiveness: advanced manufacturing, agri-food, clean technology, digital technology, health and biological sciences, clean resources, infrastructure and transportation. The CSN believes that other sectors could form superclusters, particularly the forestry bioproducts industry.

The budget also introduced the new procurement program, Innovative Solutions Canada, which will allow the federal government and participating provincial governments that are so inclined to be the first clients for new technologies developed in Canada, such as clean technologies.

With respect to trade agreements, if the North American Free Trade Agreement (NAFTA) is renegotiated, as the Trump administration has suggested, the government must ensure that it is a win-win agreement that it does not weaken workers' rights. Given that the United States has provoked a fifth Canada-US softwood lumber dispute, the Canadian government should ensure, as a condition for the renegotiation, that softwood lumber is included in the agreement to guarantee free trade in this sector.

Labour and employment insurance policy

In the area of labour training, budget 2017-18 includes several measures to improve the performance of the labour market. The government intends to undertake a major reform of labour market transfer agreements. In particular, it plans to amend the Employment Insurance Act in order to broaden the eligibility criteria for training programs and the services provided under these agreements.

The CSN supports in principle making these training programs available to groups that are underrepresented on the labour market provided that the government continues to improve the employment insurance program. The CSN recognizes that the Trudeau government has made positive changes to the employment insurance program since being elected. However, there is much work to be done to make this program responsive to the realities of the working world. In particular, the government must put in place the following measures:

- Increase the replacement rate to at least 60% of the maximum insurable earnings on the basis of the 12 best weeks in the 52 weeks preceding the benefit period;
- Increase the benefit period to avoid the "black hole" for seasonal workers and ensure improved economic security for all workers;
- Create an independent fund that is kept separate from the government's general revenues.

Finally, budget 2017-18 announced the creation of an entity that will identify the skills that Canadian employers are looking for and require while proposing innovative approaches to procurement and skills training. The creation of this federal entity calls into question the labour institutions that Quebec has created over the years such as La Commission des partenaires du marché du travail. Moreover, the CSN believes that training programs cannot just consider the needs of businesses. In order to support workers' autonomy the skills acquired through training must be transferable.