

February 19, 2008

By Fax: (613) 995-5176

The Honourable James M. Flaherty, P.C., M.P.
Minister of Finance
Department of Finance Canada
140 O'Connor Street
Ottawa, ON K1A 0G5

Dear Honourable Minister Flaherty:

I am writing to provide you with our recommendations for the 2008 Federal Budget.

Our first recommendation is that you consult more genuinely and openly with a broad range of Canadians in developing federal budgets. The budget is the most important statement of the government's priorities, yet in Canada it continues to be developed in a highly secretive and exclusive manner, unlike in many other countries.

In the last election campaign, in the Federal Accountability Act, and in the 2006 Budget your government made a commitment to create an independent Parliamentary Budget Office to provide objective analysis to Parliament. Unfortunately, this remains little more than a watered-down and unfulfilled promise.

Pre-budget consultations organized by the Finance Committee and your department provide little scope for any meaningful consultations or input. The nature of the questions and the multiple-choice format used in your department's on-line consultations are restrictive and biased. The credibility of these consultation processes is further undermined when very substantial budgetary tax measures are included in the Fall Economic Statement, announced on very short notice.

All Canadians – and not just business lobbyists – deserve a real say in how the federal government sets its priorities, collects revenues, runs the economy and funds public services.

At CUPE's recent national convention in October, our members debated and agreed upon a number of key priorities:

- Actions to promote public services, strengthen our communities and fight back against privatization, including bad trade deals.
- Achieving equality and strengthening our members' bargaining power.
- Meeting Canada's global green targets on climate change and building international solidarity.

.../2

These priorities, approved by over 2,000 delegates representing CUPE's more than 550,000 members, form the basis of our recommendations for the federal budget. These include:

Child Care and Early Learning. Commit \$1.2 billion as the first step to provide early learning and child care for all 3-5 year olds through a national public/non-profit program. This is essential for promoting equality, especially for women, and to address the labour market pressures of an aging population – and is a better solution than expanding an exploitative temporary foreign worker program.

Municipal Infrastructure. Commit to a long-term plan to eliminate the municipal infrastructure deficit by providing municipalities with access to a substantial and growing source of revenues, such as one cent from the GST. The lack of adequate federal and provincial transfers is forcing municipalities to cut services, delay badly needed investments, and to raise regressive property taxes and user fees. The gas tax revenues and other infrastructure transfers are not nearly enough to fill the gap.

Privatization and Public-Private Partnerships (P3s). Stop pushing privatization on provinces and local governments by eliminating the \$1.25 billion Fund for P3s, the P3 Office, and the requirement to consider P3s. Local governments and provinces should not be pushed into risky, expensive and unaccountable public-private partnerships. This approach may help to subsidize private corporations, but it does so at the expense of maintaining good public services and by increasing the bill for future generations.

Strengthen public health care. Canada's public medicare system is a clear example of how universal and accessible public services can be provided much more equitably and efficiently than a privatized system. Despite this, it continues to be threatened by privatization in new ways and at an ever-increasing pace. It is not perfect, but instead of being undermined, the public system needs to be strengthened. An important step in this direction would be a national pharmacare program that would provide all Canadian with access to the medicine that they need and a home care program for our seniors. This would also provide our employers with an additional competitive advantage.

Support for Education and Training. Increase transfers for post-secondary education by \$1 billion to reduce tuition, expand access and improve conditions for students and staff. Stronger support for public education and training is necessary not only to promote equality and to improve the quality of people's lives, but also to ensure that the Canadian economy becomes more productive and innovative. Public schools also deserve a full rebate on the GST they pay and not just 68 cents on the dollar.

Training and Employment Insurance. The federal government needs to provide more support and play a more active national role in training, skills development, literacy and labour market development. Devolution to the provinces has not worked and makes no sense as we develop an increasingly national labour market. Canadian businesses invest less than half the OECD average in workplace training. Federal cuts to literacy, community and labour market programs were short-sighted and counter-productive, especially when these types of investments have been shown to provide the greatest workforce benefits. The EI system should be reformed to provide training benefits for employed and unemployed workers and to increase benefits and coverage for workers in all forms of employment.

First Nations and Aboriginal Canadians have been left out for far too long. Adequate, predictable and sustained federal funding needs to be provided to meet the key areas identified in the Kelowna Accord: for health, housing, water, education, and economic opportunity programs. The arbitrary 2% cap for annual increases of funding of core services to First Nations also needs to be removed. Without adequate support and increased investments, the conditions of Aboriginal Canadians will fall further behind. We will all lose out: socially, economically and culturally.

Sectoral Development Policies. Canada's economy is becoming increasingly unbalanced and vulnerable. We are reverting economically: becoming ever more dependent on the export of raw natural resources and at the same time hollowed out and weakened in our manufacturing capacity. These developments are linked and have been aggravated by federal economic policies. The loss of over 300,000 manufacturing and processing jobs, with many more expected, has already caused much hardship in many communities. Your government appears to be becoming aware of the severity of the situation, with the announcement of Community Development Trusts to help vulnerable communities adjust. This help is welcomed, but the industries and communities affected need more. Explicit and targeted strategies to foster growth in manufacturing and forestry sectors, use of strategic government procurement and measures to slow down excessive and damaging growth in the resource sector are needed.

Climate Change Leadership. We are now in a situation where the federal government is far behind the position of just about every other segment of Canadian society and most of the rest of the world on the issue of climate change. The climate crisis is closely related to our emerging economic problems and, fortunately, the solutions are linked. Substantial and comprehensive action and leadership is needed at the federal level. Industry needs to make significant reductions: best achieved by putting a price on pollution – without allowing dozens of loopholes. But this is only part of what is necessary. We need major investments in environmental infrastructure to build a greener economy, including in municipal infrastructure, public transit, retrofitting public buildings, support for health, social and community services to help with the impact of climate change, proactive environmental regulations, and a green jobs investment fund and a just transition fund to help industry innovate and workers adapt. Revenues from emission permit sales or carbon taxes can easily pay for these badly needed investments. Misdirected, ineffective and expensive measures, such as ethanol subsidies to turn food into fuel, should be eliminated.

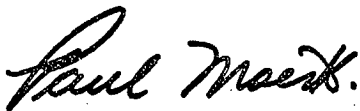
Reducing Poverty, Inequality and Insecurity. In the past few years, Canada has experienced the greatest increase in inequality since the Second World War. Disturbingly, the wage gap between men and women actually increased over the past year – for the first time since 2000. The increase in inequality is due in part to tax policies that have favoured the affluent and to economic, social and fiscal policies that have made lower income and working families more vulnerable. Climate change impacts and policies can also have a very disproportionate impact on lower income and vulnerable communities. A green tax refund should be introduced to ensure that lower and middle-income families are not adversely affected. These policies need to be introduced together with progressive tax reform and with a national anti-poverty strategy. In addition to the measures mentioned above, this should include: an increase to the federal minimum wage to at least \$10 an hour, an increase in the child tax benefit to \$5,000 per child, a substantial national affordable public housing program and improvements to public pensions. Support to groups providing services and advocating for women, immigrants, Aboriginal Canadians and other marginalized communities also needs to be restored.

Sufficient revenues to fund these measures can be raised by closing tax loopholes, raising high income tax rates, full taxation and indexation of capital gains, carbon revenues, and the transfer of one cent from the GST to municipalities.

These measures are not only affordable: they are also necessary. Recent developments in the United States have shown the economic damage that results from economic policies of deregulation, bad trade deals, privatization and expensive tax cuts. We are already suffering economically from the impacts of these policies.

More of these policies in Canada will make the situation worse, not better. Short-term and short-sighted measures to deal with an economic slowdown are not needed – yet. Instead, we need a change in direction, one that uses federal leadership and public investments to lay the foundation for a more balanced, prosperous, democratic and sustainable economic future for all Canadians.

Yours truly,



PAUL MOIST
National President
Canadian Union of Public Employees

cc: Leader of the Liberal Party Stéphane Dion
Leader of the New Democrat Party Jack Layton
Leader of Le Bloc Québécois Gilles Duceppe
Canadian Labour Congress President Ken Georgetti
Canadian Union of Public Employees National Secretary-Treasurer Claude Gagnéux

February 14, 2008
wl/cope 491

S:\Research\WPTEXT\ECONOMY\Flaherty 2008 pre-budget.doc