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January 28, 2013

The Hon. Minister James Flaherty
House of Commons
Room 435S, Centre Block
Ottawa, ON
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Dear Mr. Minister,

Over the last few months, the world's attention has shifted back to the threat posed by the climate crisis. This month's inaugural address by U.S. President Barack Obama placed a particularly clear emphasis on the imperative of addressing the threat posed by global warming. Similarly, in Davos last week, Christine Lagarde, Managing Director of the International Monetary Fund, after laying out the current global economic threats, moved to the menace posed by climate change. The IMF has identified climate as a *larger* threat than the global economic instability. In the same vein were strong words from the former senior economist to the World Bank, Sir Nicholas Stern, and the current head of the World Bank, Jim Young Kim.

Under the current Prime Minister, your administration has always stated it will ensure Canada's climate plans will match the rigour of those in the US.

To put ourselves in a position to be ready for the challenge, to avoid falling behind, we must diversify our energy portfolio, while placing a price on carbon. Major leaders in the oil patch, such as Royal Dutch Shell, have called for carbon pricing. Quebec and California have moved ahead on their own. Meanwhile, legislators in the US are increasingly drawn to the benefits of a revenue neutral carbon tax. While this is the approach most often supported by economists, I am aware that both your administration and the Official Opposition favour some form of cap and trade. While the Green Party sees enormous risks of fraud and unnecessary transactional costs in the set-up of a cap and trade scheme, any mechanism for pricing carbon is better than none, and we would not oppose such efforts.

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The key point is that, within the constraints of your own policies, action is needed now on climate and some portion of your budget should speak to the necessity of carbon pricing. As well, the existing commitment to end subsidies to fossil fuels should be accelerated.

The recent enthusiasm for Clean Tech should be highlighted in the budget. According to the Pembina Institute, Canada's economy has a potential for $60 billion in Clean Tech by 2020. The new all-party Clean Tech Caucus, chaired by Jay Aspin, can verify the potential. Continuing support for the Sustainable Technology Development Fund is critical.

As was the case last year, the Canadian economy continues in a nearly stagnant state. Economic growth has slowed, and although the recession is officially over, Canadians are still nervous about our economic recovery. Some elements of the economy are particularly worrying. We are still lagging in innovation, research and development. The productivity gap with the US is widening. Small and medium sized enterprises are struggling and the increases in EI premiums hit them hard. Youth unemployment is still persistently and unacceptably high. The construction sector has slowed and businesses need an injection to keep viable companies from going under. Overall, Canadians need to get back to work. Support for the CleanTech sector and for investments in energy efficiency are timely and would put hundreds of thousands of Canadians to work. It is time to bring back and expand programmes to retrofit residential, commercial and institutional buildings to reduce costly energy waste.

As well, I hope you will consider some targeted tax changes to boost affordable housing. Please consider restoring the tax treatment for purpose built rental housing. As well, remove the deemed GST (HST) attribution for developers who temporarily rent unsold condo units.

One area of injustice relative to pensions for those who served in the military, RCMP or judiciary is the rejection of spousal benefits for those who married after age 65. As Canadians live longer, this is increasingly common. There is no justification for applying the Boer War era policy (aimed at "gold-diggers" who married Boer War veterans) to disallow pensions for spouses otherwise entitled to survivor benefits under the relevant Superannuation Acts.

Lastly, I would like to re-submit some areas for increased revenue and decreased spending from my submission of last year.

Any cuts in government spending should focus squarely on waste and not critical services. We will vigorously oppose cuts in environmental science, environmental assessment, health care, or support to post-secondary education.

In that context, we offer the following recommendations:

Where to gain more revenue:

1) Raise corporate tax rate to 19%, the level it was in 2009. This is still competitive with OECD rates. (+$4.5 billion)
2) Go after off-shore tax havens. Close loopholes for the wealthiest, who hide funds off-shore. Savings (+$1.2 billion)
3) Implement Estate taxes on estates exceeding $5 million. (+$1.5 billion/year)

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Subtotal Total revenue increase: +$7.2 billion

Where to provide tax relief to business, workers, and youth:

1) Eliminate increases in EI payments and deductions; (-$600 million)
2) Increase access to EI benefits until employment improves. (-$500 million)
3) Create Municipally-based Youth Employment and Vocation Development Program that incorporates a Post-Secondary Youth Employment Tuition Credit: (-$1.5 billion)
4) Pass a Small Business Act (similar to that in the EU) to ensure any new legislation takes into account the need to reduce the regulatory burden on small and medium sized enterprises. (No cost associated)

Subtotal Total expenditure increase: -$2.6 billion

We recommend that the Government of Canada leave intact all existing funding for Health, Education, Environment, and Veterans Affairs. Cuts in these areas will create problems for our society that will take decades to repair. Nevertheless, we agree that there is waste in government. With that in mind, we make the following suggestions.

Where to cut:

1) Fulfill commitments made at the G-20 and eliminate subsidies to fossil fuels. (+$1.2 billion)
2) End subsidies to biotechnology, nuclear and asbestos. (+$256 million)
3) Cancel purchase of F-35s. This is not a complete savings of funds as new planes are needed, however Canada does not need stealth fighters with the capabilities of takeoff and landing from aircraft carriers. We have no aircraft carriers. Instead, open a competitive bidding process for planes with search and rescue capability, surveillance, twin engines. At $128 million per unit (PBO) X 65 units = 8.32 billion. 50% savings estimate with open competition, and jets with more realistic capabilities (+$4 billion)
4) Reduce government spending on advertising to 2005 levels. (+$90 million)
5) Cancel plans to build a crystal palace for the House of Commons in West Block, estimated at $115 million. Instead, convert the Government Conference Centre to a temporary House, for cost savings of approximately (+$100 million).
6) Cut the Prime Minister’s Office budget by 50% to levels of the Chretien government. (+$5 million)
7) Cancel plans for Financial Literacy Leader. Instead increase funding to Consumers Association of Canada to deliver on the goals of C-28. As this bill has not been costed, the estimate of savings is stated as a range. (+$2 million)
8) Cancel plans to expand the House of Commons by 30 seats. (+$30 million)
9) Invest in sophisticated telecommunications and video conferencing for federal government departments. Cut spending for governmental civil servant travel by 50%. Given total governmental transport and communications expenditures of $3 billion/year, we believe it is realistic to achieve annual cost savings of (+$500 million).
10) Cut funding from Carbon Capture and Storage projects from the Clean Energy Fund Program, for one time savings. Instead, set environmental and greenhouse gas goals for industry to meet. (+$450 million)

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11) Cut the bureaucracy at Aboriginal Affairs and Northern Development and provide more actual support to First Nations communities. (Revenue neutral)

Subtotal Green Scissors Savings: +$6.633 million

With the savings created, we urge a portion be used to assist Canadians get back to work, with the bulk used to reduce the deficit. We recommend investing for a stronger economy and healthier communities:

1) Fund and expand the Eco-energy Retrofit programme. Expand it to include hospitals, schools and universities. (+$1 billion)
2) Invest in renewable energy and mass transit. (+$1 billion)
3) Invest in First Nations Education, housing, water and health care. (+$1 billion)
4) Establish a National Affordable Housing Program. (+$834 million)

Subtotal Investment for Healthy Economy and Communities: -$3,384 million

To summarize:

Subtotal Total revenue increase: +$7,200 million
Subtotal Total expenditure increase: -$2,600 million
Subtotal Green Scissors Savings: +$6,633 million
Subtotal Investment for Healthy Economy and Communities: -$3,834 million

Total changes to Revenue: +$13,833 million
Total changes in Spending: -$6,434 million
Deficit reduction: $7,399 million

I am happy to discuss any of these ideas with you, should your schedule allow.

Many thanks,

Elizabeth May, O.C., M.P.
Member of Parliament for Saanich-Gulf Islands
Leader of the Green Party of Canada