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Introduction

The Prime Minister's swansong Budget takes some big steps in creating the policy architecture needed to build a lasting political legacy. But this task will take years to achieve and its success will depend upon continued political leadership and investments by future Prime Ministers.

Canada's fiscal position

From a strictly economic perspective, the 2003 Budget is surely one of the most remarkable ever to be tabled in Canada. We are certain that finance ministers from around the world will be casting envious eyes on Canada's astonishing performance. Virtually every economic and fiscal indicator has vastly improved in the last several years.

Canada's economic growth has outperformed the US for three years running, and surpassed virtually every other country in the developed world as well. We have positive trade balances. Our net debt to the rest of the world is now lower than that of the US and will be much lower in the next few years. Our tax burden has been substantially reduced and, despite the business sector's constant complaints, profits are up and many vexatious business taxes have been reduced or eliminated.

On the fiscal side, we have substantially decreased our debt burden and it will fall further in the years ahead. Canada's public debt burden, second highest among OECD countries in 1995, is now lower than that of Germany, Japan and Italy. Within a few years, we may have a lower debt burden than any other OECD country.

Virtually the only fiscal indicator that is not higher than that of other OECD countries is spending on public programs as a percentage of GDP: Our public spending is lower than all the other OECD countries except the US.

This Budget takes advantage of the outstanding performance of the Canadian economy and federal fiscal policy, to restore and reinvest in needed public services in Canada. The usual suspects will complain that Ottawa is spending too much, but there is no economic or fiscal basis for such a complaint. Their real complaint cannot be economic: It is straight-out old-fashioned ideology. They do not want spending on public programs because they automatically oppose anything and everything in the public sector.

We believe that such slogans should be a thing of the past. The government's new spending is entirely within every measure of fiscal prudence. If there are complaints about planned new spending on public sector programs, let it be based on the merits of the spending and not on empty rhetoric.

In the following pages, we review the major social initiatives planned in the 2003 Budget. We have suggestions for some and complaints about a few. Overall, we applaud the direction of the Budget and see it as a huge step forward in restoring Canadians' confidence in their federal government and preserving our identity as a nation committed to a better life for all, not just a few.

National Child Benefit

The National Child Benefit has been hailed as the most promising innovation in Canadian social policy in a generation. The 2003 Budget goes a long way to realizing that promise.

The Budget announced another series of significant increases in the Canada Child Tax Benefit. These commitments complete the first stage of the National Child Benefit reform (creating an *integrated child benefit*) and launch a second stage of reform (to build an *adequate child benefit*).

The maximum Canada Child Tax Benefit payment will rise from $2,632 in July 2003 for the first child to a projected $3,243 in July 2007. The maximum benefit for a second child goes from $2,423 in 2003 to $3,016 in 2007, and for the third and each additional child from $2,427 to $3,020 over that period.

These are substantial enrichments. In inflation-adjusted 2003 dollars, the maximum benefit for the first child was $1,696 in 1997, the year before the National Child Benefit reform began. In July 2003, it will be $2,632. By July 2007, it is projected to reach $3,015 in constant 2003 dollars. Thus the 2007 maximum payment will represent a substantial $1,319 or 77.8 percent real increase over 1997.

It should be noted that the increases to the Canada Child Tax Benefit announced in the 2003 Budget are not being phased in by the same amount each year. The real (i.e., above-inflation) increases will occur in the July 2003-June 2004, July 2005-June 2006 and July 2006-June 2007 payment years; the amounts for July 2004-June 2005 and July 2007-June 2008 will be adjusted only for inflation (the Canada Child Tax Benefit has been fully indexed since 2000).

Total expenditures on federal child benefits will increase in real terms (constant 2003 dollars) from $5.9 billion in 1997 to $9.4 billion in 2007 – a boost of $3.6 billion or 60.6 percent. The new investments in the Canada Child Tax Benefit much more than make up for reductions in expenditures on federal child benefits in the 1980s: By 2007, Ottawa will be spending $2.6 billion or 38.4 percent more than its 1984 expenditure of $6.8 billion on child benefit programs (again, these figures are in constant 2003 dollars).

Boosting the Canada Child Tax Benefit represents much more than another welcome investment in one of our most important social programs. It also achieves a milestone in the development of the federal-provincial/territorial National Child Benefit, a joint reform of child benefits and welfare. The $2,632 maximum Canada Child Tax Benefit for July 2003 marks the completion of a new architecture for child benefits – an *integrated child benefit* providing equal and portable benefits to all low-income families delivered through an inclusive system that also serves the large majority of non-poor families.

Welfare-embedded child benefits are being replaced by income-tested child benefits delivered by Ottawa, the provinces and the territories. Annual increases in the federal Canada Child Tax Benefit have enabled the provinces and territories to redirect their spending from welfare child benefits into a range of non-welfare programs for low-income families, such as child care and other early childhood development services, supplementary health care, income-tested child benefits and earnings supplements.

The architecture for a child benefit system for the new century is now in place. The next challenge is to build the integrated child benefit into an *adequate child benefit* paying substantially larger amounts to low-income families (both welfare families and the working poor) and to modest- and middle-income families.

Caledon has proposed that an adequate child benefit should offset the cost of raising a child in a low-income family, which we conservatively put at $4,400 (pending updated research). The Budget puts the federal government well on the road to an adequate child benefit by committing to a series of increases that will reach $3,243 by 2007.

Child care

The Budget commits a total of $935 million over five years to child care, consisting of $900 million to the provinces and territories and $35 million for First Nations children. Taking into account Ottawa's 2000 five-year commitment of $2.2 billion to the provinces and territories for early childhood development services and 2002 announcement of $320 million for Aboriginal children, cumulative federal spending on these crucial services for families with young children will come to close to $3.5 billion.

As with the enrichment in the Canada Child Tax Benefit, there is more to this initiative than money (though far less money than for child benefits): It also makes some progress in creating the architecture for a comprehensive national system of child care and other early childhood education services.

Canada suffers from a severe shortage of quality early learning and child care services. The new money announced in the 2003 Budget is intended to increase the supply of child care and preschool spaces, reduce the cost of such services for low- and modest-income families, and improve the quality of such services.

This is an improvement on the original, virtually-no-strings-attached Early Childhood Development Agreement of 2000, which provided $2.2 billion of federal money over five years to help the provinces and territories enhance their early childhood development services. They can spend that money anywhere within a wide range of services divided into four areas: promoting healthy pregnancy, birth and infancy; improving parenting and family supports; strengthening early childhood development, learning and care; and strengthening community supports for families with children. Ontario – the largest recipient of the $2.2 billion, with $844 million over five years or 38.4 percent of the total – has chosen not to spend any of that money on child care, although most jurisdictions have.

That will not be allowed under the new federal funding announced in the 2003 Budget. To get its share, Ontario will have to allocate that money to child care (as of course will any province or territory). If the Ontario government chooses to leave this money on the table, families in that most populous province will lose out and their government will have to explain to the voters why it refused an offer of federal money for quality child care – one of the most crucial economic and social investments any government can make.

We have two concerns about the Budget's child care initiative. First, the money – $935 million spread over five years – is modest given the enormity of the need, and may not be sufficient (at only $25 million in the first year) to bring all the provinces and territories (again, especially Ontario) to the table. Second, and related to the first issue, the federal government in its negotiations with the provinces and territories will have to be firm in requiring that investments go to *quality* child care, with the focus on increasing supply.

Child Disability Benefit

The Budget announces a new benefit for low- and modest-income families with children with severe disabilities. Delivered through the Canada Child Tax Benefit, the Child Disability Benefit will pay up to $1,600 per child for its first year (July 2003-June 2004). It is intended to help reduce the heavy burden that such families typically must shoulder in paying for the supports and services their children require.

The maximum benefit will go to families with net incomes under $33,487 (for families with three or fewer children)). Above that level, payments will decline and then end once net family income reaches $46,602 in the case of families with one child receiving the benefit, $47,584 for two children with the benefit, and $48,211 for those caring for three or more qualifying children. To qualify for the new benefit, the child must have a severe and prolonged mental or physical impairment, as determined through the Disability Tax Credit.

However, middle- and upper-income families caring for children with severe disabilities are not left out in the cold. They already receive a Disability Tax Credit supplement for children, currently worth a maximum $586 per qualifying child in federal income tax savings; this amount is supplemented by the provinces and territories, which provide similar tax credits. So in effect there will be a geared-to-income though universal income system for families caring for children with severe disabilities, made up of the new Child Disability Benefit and the existing child supplement to the Disability Tax Credit.

Disability tax benefits

Recent federal Budgets have incrementally strengthened tax benefits for Canadians with disabilities and their caregivers, and the 2003 Budget continues this positive trend. Since 1996, total disability-related tax expenditures have increased from $600 million to $1.3 billion per year.

When a parent dies, financially dependent infirm children can receive a tax-free rollover of the deceased parent's RRSP or RRIF (registered retirement income fund). The Budget raises the level of income used to determine the financial dependence of an infirm child from $7,634 to $13,814, as of 2003. This measure will extend the rollover provision to help more infirm children and grandchildren.

The Budget once again expands the list of expenses eligible for the Medical Expense Tax Credit. The new items are the cost of real-time captioning and similar services used by persons with an impairment, and the incremental cost of gluten-free food products for Canadians with celiac disease who require a gluten-free diet.

The Budget also announces an evaluation of the Disability Tax Credit, and the creation of a technical advisory committee on tax benefits for persons with disabilities with representation from organizations speaking for persons with disabilities, medical practitioners and private sector tax experts. This body will examine such issues as eligibility for the Disability Tax Credit (especially for those who suffer episodic and mental conditions), the list of activities of daily living used to determine eligibility for the credit and the identification of professionals allowed to certify eligibility.

Employability assistance for Canadians with disabilities

The 2003 Budget announces the renewal of the Employability Assistance for Persons with Disabilities (EAPD) Agreement, originally signed in 1998-99. EAPD consists of a set of bilateral agreements under which the federal government shares with provinces and territories in 50 percent of the cost – up to a designated maximum – of a wide range of employment supports to help persons with disabilities prepare for, enter or remain in the paid labour market. Employment-related interventions include employment counselling and assessment, employment planning, pre-employment training, postsecondary education, skills training, assistive aids and devices, wage subsidies or earning supplements, and other workplace supports.

These measures are important to help improve employment opportunities for Canadians with disabilities. The latest available national data (based on the 1996 Census) found that the employment rate (i.e., the percentage of the population employed) for men with disabilities was 41 percent and 32 percent for women with disabilities compared with 83 percent and 70 percent for men and women without disabilities, respectively.

Disability supports

While labour market initiatives are necessary, they are far from sufficient. In fact, they likely will make only the slightest of dents in reducing unemployment because they are being introduced in the absence of a range of disability supports. These supports include both equipment and services such as home care, attendant care, homemaker services and interpreter services.

The need to focus on disability supports is not a new observation. Governments themselves have recognized the importance of disability supports as a foundation for full participation, including education, training and work. They have even stated as much. On October 27, 1998, all governments (except Quebec) made formal their commitment to advancing an inclusion agenda by signing a national agreement on disability entitled *In Unison*: *A Canadian Approach to Disability Issues.*

In Unison identifies three 'building blocks' – personal supports, employment and income – in which changes are required to promote full participation. These building blocks are intrinsically linked. Access to personal supports helps ensure that persons with disabilities can go to school, partake in training or get a job. The ability to work affects the need for income assistance. This national vision paper effectively sets out the political architecture and the elements of the policy architecture to move forward the disability agenda.

In Unison commits all governments in Canada to work towards these objectives in a comprehensive way. Equally important, it encourages all governments to work together to reach these objectives. The focus on employability in this Budget allows Ottawa to claim that it has 'done something' on disability when, in fact, there will be no progress until the real impediment to inclusion – the lack of disability supports – is addressed.

The Caledon Institute has urged the federal government to introduce a National Disability Supports Initiative as a concrete and practicable component of the disability policy architecture. Several national organizations have made the same case. The disability community will have to wait yet again for concrete actions on a national agreement that was signed almost five years ago but around which there has been little progress on the most fundamental of its elements.

Health

To no one's surprise, the 2003 Budget commits federal money to seal the political deal agreed to by Ottawa and the provinces (with the territories abstaining) in the recent Accord on Health Care Renewal.

By our estimate, the Budget promises to pay roughly $12 billion in 'new' federal money to the provinces or to various provincial health care services. This promise is not too far short of the Romanow Report's recommendation of $15 billion in new funds over three years.

We anticipate that Premiers will focus on the money. Ottawa will insist that the cup is 80 percent full, and the provinces will complain that it is 20 percent empty. But we think money is the wrong focus: Rather, the question Canadians should ask is 'what will the money buy?'

The Budget presents an impressive array of new health care initiatives, in everything from health care technology assessment to a national immunization strategy. These investments will have a substantial and positive impact on health care in Canada. But the bulk of Ottawa's new health care money is being paid to the provinces, so the consequences for the health system will ultimately depend on what the provinces decide to do with the money.

Another $15, $20, or even $25 billion sent to provincial capitals with few conditions could end up being spent once again on everything from tax cuts to lawn mowers. If so, nothing much will be accomplished for health reform, certainly no new national programs in the priority areas to be funded by the 'Health Reform Fund' – primary health care reform, home care, drug coverage, improved access to diagnostic technology and the creation of an electronic patient record. This is a case where before we say 'show me the money,' we should say 'show me the conditions.'

Unfortunately the Accord spelled out few conditions, with no provision for enforcement, and the Budget failed to fill this vacuum. The Accord says that provinces and territories must agree to spend the Health Reform Fund money to achieve agreed upon objectives in the priority areas to be funded by the Health Reform Fund, but in most cases these objectives are vague and will not be visible for several years. More important, there does not seem to be any way for Ottawa to withhold funds if a province fails to live up to its side of the bargain.

Ottawa is relying on a new Health Council to provide information to provincial voters, who in turn can hold their provincial governments accountable for health spending. However, the Health Council reports through federal-provincial/territorial Ministers of Health. It is hard to see any report containing potentially contentious assessments being approved by the very people who may be criticized as a result. Besides, voters have not in the past shown much interest in keeping provinces and territories accountable for spending federal dollars.

If, in the next year or two, the Health Council does not work in keeping provinces accountable, we would urge Ottawa to rethink this strategy. We believe that Canadians would support strong and enforceable conditions, requiring provinces to spend the money as agreed or not continue to get the money, especially if it has become clear that the ‘softer’ accountability mechanisms now being set up have failed.

Despite this shortcoming, we see the Accord and the Budget’s implementation of the Accord as, broadly, the right architecture for reform of the health care system. The priorities are the ones consistently brought forward by Canadians in representations to Romanow. The concept of federal and provincial agreement on substantive goals, of sharing the reform process as partners, and the development of a framework of Canadian standards to measures progress, are the core elements needed for reform of the health care system. If some teeth need to be added so that the Accord is not just another piece of paper in the federal-provincial/territorial wind, we hope that Ottawa will find the courage to take the necessary steps.

But, while we concur broadly with the direction of the Accord, we also believe that health reform is far too important to Canadians to be left to a backroom deal. The next step must be wider, public discussions of the Accord. Now that Ottawa and the provinces have worked out a deal, it should be subjected to public, media and legislative scrutiny.

There should be a careful review by a Parliamentary Committee and corresponding undertakings in provincial and territorial legislatures. Indeed, this may be an opportunity to set up a joint committee of federal and provincial legislators to seek public and expert input. Ottawa did the right thing in setting up the Romanow Commission and giving Canadians from coast to coast a say in the future of the health care system. It would be a shame to lose this broad participation now that we are in the home stretch.

As part of broadening the discussion on implementing health reform, it is vital that our elected representatives be involved. We urge that the Accord or its successor be subject to debate in the legislatures of Canada and that approval, in the end, be by way of a resolution to be passed in each assembly. These resolutions would not be Constitutional amendments, and unanimity is not necessary. If a province does not wish to participate, so be it. But for those provinces that do wish to participate, let us make certain there is a deep and shared understanding of what is being undertaken, reflecting a wide popular consensus – not just another deal made behind closed doors.

While not part of the health transfer to the provinces, we also note and applaud the Budget's commitment to another $1.3 billion in funds for Aboriginal health. Addressing the gap in health status between Aboriginals and other Canadians must be one of our highest priorities. Following the direction set out in the Accord and reiterated in the Budget, this money is to be spent in consultation with Aboriginal peoples. The funds should not be deployed without adequate discussion and direction from the Aboriginal community.

Home care

The Accord on Health Care Renewal identified home care as one of the major pillars in which investment is required. First Ministers agreed to provide first-dollar coverage for this basket of services for short-term acute home care, including acute mental health care and end-of-life care. The Accord states that: "First Ministers agree that access to these services will be based on assessed need and that, by 2006, available services could include nursing/professional services, pharmaceuticals and medical equipment/supplies, support for essential personal care needs and assessment of client needs and case management."

Clearly, this statement is a crucial step in recognizing the need to invest in home care and making the commitment required for concrete action. It could represent a significant advance in both restructuring and saving medicare.

Caledon has long called for substantial new public investment in home care, arguing that it not only would help relieve pressure on the acute health care system but also would embody a far more humane and effective way to deliver health care. Of course, home care will be more effective only to the extent that the appropriate level of funding actually is provided. Provinces and territories will determine the relative expenditure in this area within their respective jurisdictions. If they fail to direct sufficient support to at-home care, they could be placing at risk the health of thousands of Canadians who are cared for at home without the essential technical equipment and professional attention.

Respite

While the details are to be fleshed out, it is essential that whatever basket of services is woven over the coming months and years includes adequate supports for respite. This term refers to the range of services and supports that provide a break or occasional relief for caregivers.

Unfortunately, the needs of those who provide care usually are considered secondary to those who receive care. While the inclusion of respite may be implicit in the Accord, it should be stated explicitly in recognition of its importance.

In addition to naming respite in particular, it is important to ensure that its provision is appropriate. Respite often assumes the form of a single unidimensional service – e.g., a caregiver from an agency replaces a primary caregiver for a few hours a week to allow some time off for a break. While this help is crucial, it is only one component of what caregivers have identified as the supports and various forms of assistance that actually provide them with some relief. Ideally, any home care package should include a ‘menu’ of supports from which caregivers can choose in order to customize or individualize the relief that is appropriate to their needs.

The lack of explicit reference in the Health Care Accord to respite *per se* is surprising. At the Annual Premiers’ Conference held in August 2002, the premiers committed themselves to developing a coordinated long-term care approach. Within their overall commitment to home and community care, they identified five discrete but related strategies, the first of which was support for caregivers. In fact, they stated that:

> Caregivers play a significant role in enabling people to remain in the community, avoid premature admission to long-term care facilities, and allow earlier discharge from hospital. It is estimated that caregivers provide 75 to 90 percent of care in the home. Today, increased pressures are being placed on caregivers in response to an overall shift to caring for clients in the community as part of modernizing and restructuring of health care systems across the country. Currently, direct government support for caregivers is limited.

It will be important to ensure, as the discussions on home care evolve, that the needs of primary caregivers remain primary on First Ministers’ agendas.

Compassionate leave

While the Health Accord failed to make explicit reference to respite, it did introduce a significant initiative: a new provision for compassionate leave. In respect of this commitment, the Budget announced $86 million to launch a compassionate family care leave benefit for 2003-04 and $221 million in 2004-05 and each year thereafter. This measure will allow Canadians who meet the eligibility requirements for Employment Insurance special benefits and who have served a two-week waiting period to take six weeks of paid leave to care for a gravely ill or dying child, parent or spouse.

Compassionate leave is intended to recognize that caregivers who provide care for dying or gravely ill relatives usually face serious health and economic pressures. The constant care needs of their ailing relatives – combined with their own exhaustion – often require a leave from work for a short period of time.

But many caregivers risk losing their jobs if they take time off work to look after a family member who is seriously ill. While the majority of caregivers of frail seniors are in the labour force, few provinces have family responsibility leave provisions in their employment standards legislation, leaving most Canadian caregivers at risk of losing their jobs when elder care interferes with employment. The labour codes of only a handful of provinces, including British Columbia and New Brunswick, allow time off for unpaid leave.

Neither do employers typically make provision for family leave. The benefits to which workers are entitled usually provide sick leave only for the actual employees. Many workers employed in casual or contractual positions do not even have access to these benefits for themselves, let alone in respect of a family member.

The problem arises not only from the precariousness of most employment arrangements. There are financial burdens as well. Caregivers often incur substantial costs in providing care for a sick or dying relative. If they actually are able to take time off work, the leave usually is at taken at their own expense. Caregivers also incur costs associated with the care itself, including technical aids and equipment, medication and a variety of services, such as homemaker assistance and attendant care.

Many caregivers also pay a price over the long term; a substantial absence from work could affect the value of their retirement income. The Canada Pension Plan for example, includes drop-out provisions for periods of low earnings due to sickness, temporary disability, education or skills upgrading, or care of children. But the drop-out provisions do not cover periods of low earnings for work absences related to caregiving – a serious concern that requires attention, given the large number of employed caregivers trying to balance work and family responsibilities.

The announcement in the Budget is a significant advance in public policy. It draws public and employer attention to the needs of caregivers – whose very great economic and health stresses often get overlooked in the attention typically focussed upon the care receivers. Moreover, because the compassionate leave provision will be embedded within an amended Employment Insurance Act, the measure not only will sanction a period of leave. It also will allow for *paid* leave so that caregivers will have some relief from the heavy costs of caregiving.

Clearly, this important first step is just that – a first step. It will not include the many thousands of caregivers who either had to quit their job in order to provide care at home or who themselves are elderly spouses caring for their ailing partners. The needs of these caregivers are just as important and should be met in other ways. Nor will the new Employment Insurance benefit help the many thousands of caregivers who may need some paid leave for caregiving responsibilities – but whose relatives are not gravely ill or dying.

In fact, compassionate leave should be understood as one item in the above-mentioned 'menu' of supports and services that provide relief for caregivers. The service package should include – but not be limited to – day programs, respite beds, sitters and companions, housekeeping, adult day care, peer support, physical modifications to the home, transportation services, counselling, personal emergency supports, longer facility stay, meal programs and outdoor maintenance.

If this first step helps open the door to the diverse needs of wide range of caregivers, then it will be a big step indeed.

Housing

The federal Budget announced three new measures related to affordable housing and support for the homeless.

Under the Affordable Housing Initiative, Ottawa will invest $320 million over five years to build up the supply of affordable rental housing. This new money is in addition to the $680 million that Ottawa had put on a federal-provincial table in November 2001 for low-cost housing.

This is an important announcement. It signals that the federal government recognizes it has a crucial role to play in ensuring the supply of decent affordable housing.

There is no question that Canada has been facing a serious housing crisis over the past decade. The numbers of homeless individuals and families on the streets of many urban centres are the tip of a very big iceberg. An estimated one in five Canadian households is deemed to live in 'core housing need.' This means that their housing is lacking in terms of number of bedrooms per family size, safety of the dwelling or payment of more than 30 percent of household income on accommodation.

Following a building boom in the late 1980s, the level of private rental development had slowed by the 1990s. At the same time, the federal government decided that it had no business in affordable housing – and began to withdraw funds from this area. Neither has there been new provincial funding for development, aside from small programs in BC and Quebec. Cities have had to assume more responsibility – both in leadership and finance – to ensure an adequate supply of decent affordable housing. Yet they have been granted no additional means for this purpose.

There likely will be many voices crying that the Budget investment is far too low relative to the need. They are right. More money would have helped ease the housing crisis more quickly. The good news is that the Affordable Housing Initiative is a crucial pillar in the housing policy architecture. The foundation is now in place. It needs to be strengthened and further developed. But at least it is now possible to say, once again, that there is a federal policy home for housing. For many years, this was not the case.

The second pillar in the policy architecture involves funds for rebuilding the current housing stock. The Budget announced the extension of federal housing renovation programs, including the Residential Rehabilitation Assistance Program, which had been slated to expire in March 2003. Ottawa committed $128 million a year over three years for a total $384 million for purposes of repair and renewal.

This measure is an important accompaniment to the first one, which invests in new stock. The purpose of the second pillar is to fix or upgrade the housing that already exists. Funds typically are paid to low-income households to assist with necessary repairs. The Residential Rehabilitation Assistance Program, in particular, provides badly needed support to the elderly and to persons with disabilities who may require help with the cost of accommodating their special needs.

Again, the funds are modest. The intent is not. It is another means of bolstering the supply of affordable housing – this time through protecting and rebuilding what is already in place. Equally important, the federal government is at the table and is assuming a leadership role in this crucial area.

The third leg of the policy architecture for housing comes in the three-year extension of the Supporting Communities Partnership Initiative. Introduced in 1999, this program provides funds to communities to help them tackle the complex problem of homelessness. It makes sense to have a separate focus for this issue. Homelessness is the result not only of a lack of decent affordable housing but often is linked to other pressing social problems, including chronic poverty, domestic violence, mental illness and addiction.

But in the long term, the real way to make a dent in homelessness is to ensure that the first two pillars of the housing architecture are solid. The most significant step is to ensure the availability of affordable housing that provides more than just temporary shelter – but a real home.

Infrastructure funding

Perhaps the biggest disappointment in the 2003 Budget is the paltry amount of $3 billion over ten years for infrastructure. This amount is intended to cover large-scale projects as well as the day-to-day upgrades of municipal 'nuts' and 'bolts,' such as sewers and water works. Smaller projects are also to be supported through this measure.

Canada desperately needs an infusion of funds into urban hardware. Much of the infrastructure within cities – such as buildings, roads and sewers – requires upgrading or replacement. The lifespan of any given property is about 35 years, after which it typically needs major overhaul. Aging or faulty sewers, pumps and drainage systems in need of repair can create serious health risks.

But infrastructure investment is important not just to protect against potential health risks. It is essential for taking proactive steps for a clean environment. A move to 'green' transportation for example – whether through fuel cell buses, electrical cars or light rail transit – costs money. The Budget announces climate change measures worth only $2 billion over five years to bolster the greening of the environment and the economy in such areas as renewable energy and sustainable transportation.

Cities will not be happy with what they will see as mere lip service to the pressures they face. Local governments are seriously constrained in their ability to tackle a wide and growing range of social, environmental and economic challenges. Municipalities in most provinces have only limited sources of revenue – property tax, payments from higher levels of government in lieu of taxes, and revenues from various sources such as development charges, permits and user fees. Neither are municipalities permitted to run deficits on their operating budgets. They either must raise property taxes or cut programs in order to hold the line on spending.

The $3 billion spread out over ten years will nowhere near cover the range of physical investments that are required in centres large and small. The City of Toronto alone needs several billion dollars to rebuild its urban core in sewage, waste disposal and transportation. Granted, the new federal dollars are intended to provide leverage to help raise funds from other sources, including provincial and local governments and private investors. But the initial amount has to be adequate enough to attract collateral investors.

The other weakness is that the Infrastructure Fund includes no measures to enable investment in social infrastructure, such as recreation. 'Soft' foundations are as important as the hard foundations in the urban architecture. In the global economy whose wealth depends on the creation of knowledge, 'quality of place' has emerged as a crucial variable in the economic equation.

Investments which make a city a good place to live are now understood as essential for economic health. In addition to a clean environment, social amenities are part of a total package of factors required to become a successful region with a large pool of knowledge workers. Low crime, adequate recreation and rich culture are now recognized as important features of the new urban face. Pity that the Budget gives this face such low profile.

The Canada Social Transfer

As agreed in the Health Accord, the Budget confirms that 2003-04 will be the last year of the Canada Health and Social Transfer (CHST). In the next fiscal year, the CHST will be converted into the Canada Health Transfer and…something else. What that something else will be, and what it can do for 'social Canada,' will be one of the critical questions to be decided during the next 12 months. In the Budget, it is assumed that the cash and tax points remaining in the CHST will be designated as the Canada Social Transfer and left just as is: An equal per capita block transfer to the provinces with only one condition – namely, that provinces do not discriminate based on province of residency in their social assistance programs.

While the Canada Social Transfer is purportedly meant to 'help' provinces pay for postsecondary education as well as social assistance, this purpose is in name only. The Canada Social Transfer will be worth about $7.75 billion in cash in 2003-04, rising to $8.45 billion in 2007-08. This is a lot of money to pay with only one condition. With the exception of the social assistance 'non-residency' condition, the provinces do not have to do anything to get the money; they do not have to spend more or spend differently than had there been no transfer. So, what is the real purpose of the transfer? If the transfer to the provinces is in reality only a fiscal transfer, the transfer should at the very least be appropriately renamed so as not to mislead Canadians. Indeed, if this funding is merely a fiscal transfer, why is it being paid as an equal per capita transfer? Should it not then be added to Equalization so as to assist most those provinces that are in the worst fiscal position?

We believe that more can and should be done with the Canada Social Transfer. Ottawa has to tell federal taxpayers what they are getting for their taxes. If nothing else, the federal government should at least insist on a non-discrimination clause for postsecondary education similar to that for social assistance, so that provinces will be discouraged from discriminating against out-of-province applicants to their universities and colleges.

With respect to social assistance, the federal government should implement some form of catastrophic coverage for provinces, so that should a province suffer extreme economic hardship – say unemployment of more than 20 percent – additional federal assistance would kick in. In return for catastrophic coverage, the provinces should agree to enter into discussions with Ottawa on the long-term reform of our income security system. Now that we have made such great progress on benefits for children, the time has come to consider the other half of the income security architecture – incomes for adults.

The Budget has effectively written off the social side of what was the Canada Health and Social Transfer. We do not think this is good enough. We hope that Canadians will not take this as the last word and instead demand an open debate of the purpose and role of the Canada Social Transfer.