

Costing Canada's Recovery Plan

Canada's Conservatives are pleased to present the complete costing of the election platform.

All of the calculations for deficits and the fiscal outlook are based on the Parliamentary Budget Officer (PBO)'s 2021 Election Platform Costing Baseline.

In the table below, the overall dramatic impact on the deficit drops by 85 per cent from \$168 billion this year to just under \$25 billion in 2025-26. This is simply adding the Conservative plan to the PBO baseline and recalculating the debt charges using the PBO tool. No economic impacts of the policies are included here.

No Cuts Needed – Even Without Faster Growth

Even without the additional growth that will result from the plan, no cuts are needed because Conservatives will run a disciplined government that limits the growth of future spending.

As can be seen, a Conservative government will be well on its way to balancing the budget within a decade without making cuts. Longer term projections show a return to balance in approximately seven years (2028-29), but they are not shown here because the numbers extend beyond the PBO baseline and therefore have a higher degree of uncertainty.

Projected Spending and Deficits Without Any Additional Growth

To be fully transparent and show the prudence of Conservatives' planning, the costing shows what spending and deficits will look like without the stimulus measures resulting in any additional growth. As can be seen, the Conservative plan remains well on its way to balancing the budget within 10 years.

\$ billions	2021-22	2022-23	2023-24	2024-25	2025-26
Budgetary balance (PBO baseline)	-138.2	-42.7	-35.6	-24.8	-24.6
Total net new spending	29.7	14.2	7.8	0.3	-0.7
New public debt charges	0.1	0.4	0.5	0.7	0.8
Final budgetary balance	-168.0	-57.3	-43.9	-25.8	-24.7

Quantifying Improved Economic Performance

Canada's Conservatives have a detailed plan to boost Canada's economic performance.

While the plan for growth is not included in the estimates in order to be prudent, Conservatives believe that growth will actually be higher because of the following:

- The \$5-billion investment in the Canadian Advanced Research Agency would increase gross domestic product (GDP) between 0.6 per cent and 1.6 per cent over five years according to the GDP multiplier of three to eight cited by PBO. The low end of this range is applied in the projection. An overhauled research and development (R&D) regime in Canada should also result in moderately higher labour productivity.

- Conservatives estimate that the \$7.6-billion Canada Job Surge Plan will drive employment up by 180,000 jobs above the PBO baseline. The Job Surge Plan will also boost wages.
- The \$5.6-billion per year Canada Workers Benefit is provided entirely to low and modest income Canadians, so the PBO's fiscal multiplier range of 0.8 and 1.3 would apply to it. In the projection, a multiplier of 0.8 per cent is applied over the next five years. It will also increase employment by 0.5 per cent or 95,000 workers by bringing more people into the labour force.
- Conservatives estimate that the \$13.8 billion from the Canada Investment Accelerator combined with our regulatory reform will drive a two per cent increase in business investment over four years.
- Conservatives estimate that regulatory reform and reducing interprovincial trade barriers will boost Canada's GDP one per cent over five years. This is far below the International Monetary Fund (IMF)'s four per cent estimate because Conservatives recognize that much work is needed to achieve regulatory harmonization in a decentralized federation.
- Conservatives estimate that returning to growth in Canada's energy sector, which used to be the biggest driver of investment could boost Canadian business investment and employment significantly. Since Justin Trudeau came to power, more than \$100 billion of investment has been cancelled, a four per cent loss to GDP. Canada's Conservatives want to return the sector to growth.

Based on these calculations, Conservatives believe that the following boosts to GDP, employment, and productivity are likely to result from the plan. However, as discussed above, this is not included in the costing in order to be prudent.

% Variation from PBO Baseline	2021	2022	2023	2024	2025
GDP price level	0	0	0	0	0
Real GDP	0	1.5	0.9	0.6	0.6
Employment	0	1.3	0.3	0.2	0
Labour productivity	0	0	0.2	0.2	0.3

Liberal Spending Outlook

Finally, Conservatives have adjusted the Liberal spending profile to be more realistic based on their track record, where program spending has risen by an annual average of 6.5 per cent from 2016 to 2019. The PBO fiscal baseline estimates program expenditures based on current law only, projected forward. Effectively, it is simulating a five-year period without a single new budget, new law, new program or new spending promise, which is unrealistic for the Liberals.

Conservatives believe that this approach drastically underestimates the amount of spending that is likely to occur under Justin Trudeau.

Conservatives believe that applying a 6.5 per cent growth rate to Liberal spending promises is reasonable based on this Prime Minister's track record and the historic data. Justin Trudeau has broken every promise he has ever made on balanced budgets. He has consistently refused to adopt any type of

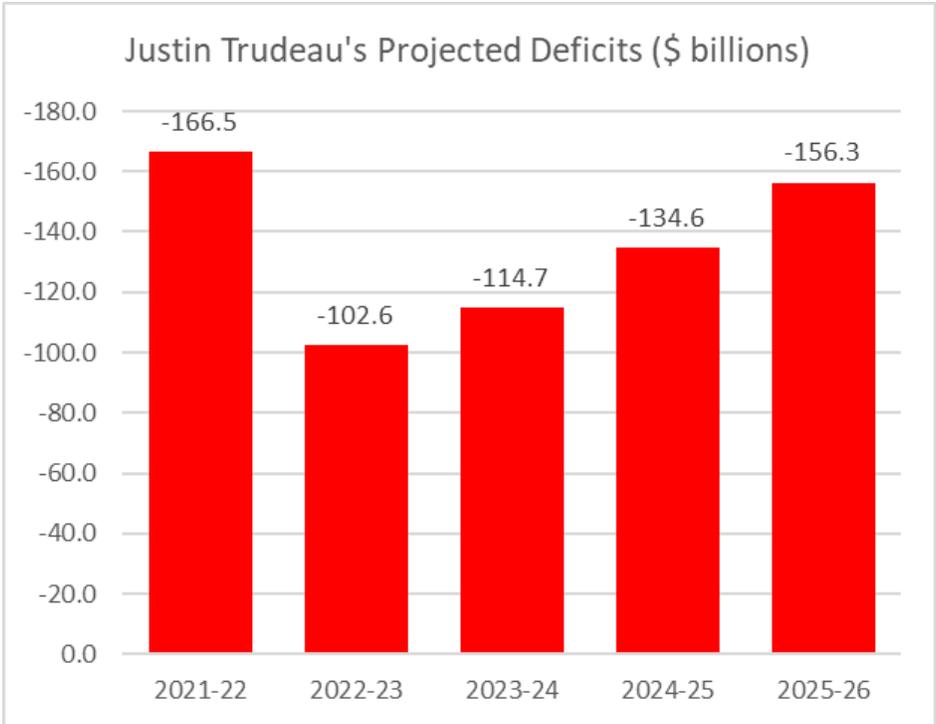
fiscal anchor and he vilifies Conservatives for pursuing balanced budgets. The last cabinet member who was concerned about fiscal responsibility resigned last year.

In the table below, Conservatives allow for pandemic-related emergency spending to roll off as planned, and then grew other expenditures by 6.5 per cent per annum. Public debt charges were then recalculated based on the [PBO tool](#).

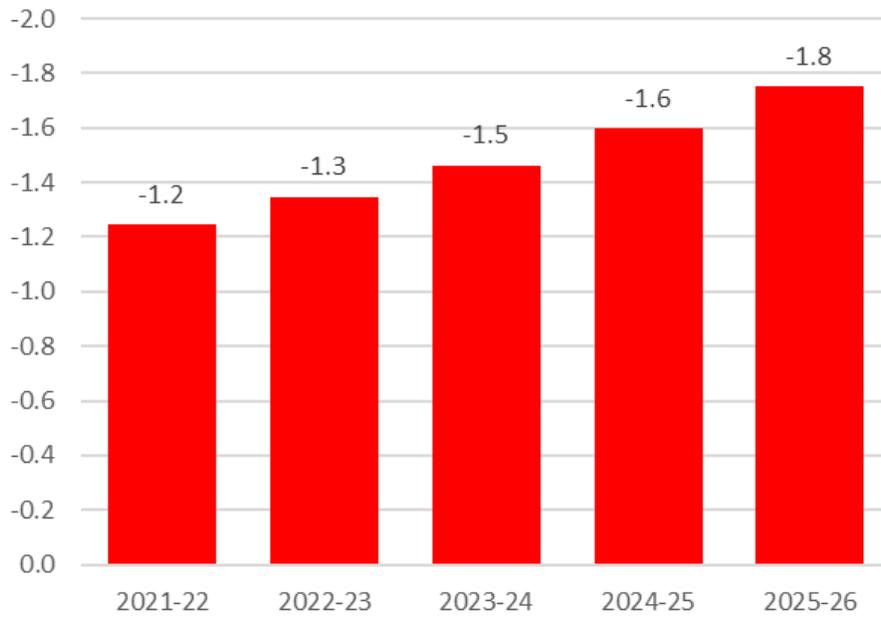
\$ billions	2021-22	2022-23	2023-24	2024-25	2025-26
Budgetary revenues	367.2	394.5	415.3	433.8	452.1
Program expenses	498.8	455.0	484.5	516.0	549.6
Current public debt charges	21.7	23.5	27.5	32.4	37.6
New platform spending	13.1	17.9	16.2	16.3	14.6
Incremental public debt charges	0.2	0.7	1.8	3.7	6.7
Budgetary balance	-166.5	-102.6	-114.7	-134.6	-156.3
Total debt	-1,245.5	-1,348.1	-1,462.9	-1,597.5	-1,753.8

The results show Justin Trudeau’s deficits rising gradually to over \$150 billion per year with total debt reaching \$1.8 trillion.

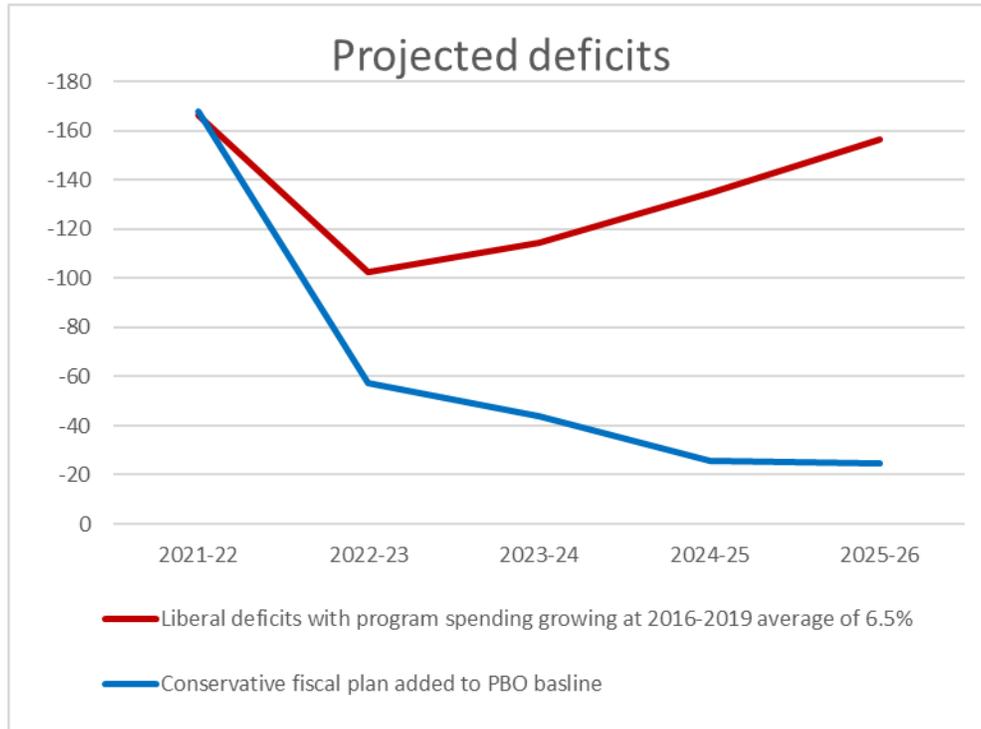
Again, this is based on the Liberal track record of growing program spending at 6.5 per cent per year. If Justin Trudeau adopts a fiscal anchor during the campaign or if he provides guidance on how much he will grow spending, then Conservatives would certainly be very pleased to recalculate his deficit projections.



Justin Trudeau's Projected Debt (\$ trillions)



Final Budget Balance Comparison



Canadians will have a critical choice in the coming election: to continue down the path of failure and soaring debt with a Liberal government that will spend and spend without a plan for growth.

Or Canadians can choose a Conservative Government to build a stronger Canada with great jobs and rising wages, an innovative dynamic economy where things get built, and where every sector of the economy can share in the success of our great nation.

Erin O'Toole and Canada's Conservatives would like to thank the staff at the Parliamentary Budget Office for their advice and for working long hours – evenings and weekends to complete such a large number of complex costings in a short period of time. This was the Conservatives' most ambitious platform ever and it was not possible for PBO to start this work before the writ drop because of limitations in their enabling legislation. Their Herculean efforts were greatly appreciated.

	2021-22	2022-23	2023-24	2024-25	2025-26
Deficit - PBO Election Costing Baseline	-138.2	-42.7	-35.6	-24.8	-24.6
Canada Job Surge Plan	6.511	1.100	0.000	0.000	0.000
<i>Less reallocation from Budget 2021</i>	0.000	-0.577	-0.582	0.000	0.000
Dine and Discover program (restaurants)	0.843	0.000	0.000	0.000	0.000
Dine and Discover program (Explore and Support Canada)	0.155	1.399	0.000	0.000	0.000
Eliminate the Liberal escalator tax on alcohol	0.011	0.069	0.111	0.152	0.195
Main Street Business Loan	2.199	0.000	0.000	0.000	0.000
Canada Investment Accelerator	1.653	6.746	5.364	0.000	0.000
Rebuild Main Street Tax Credit	0.129	0.529	0.421	0.000	0.000
Double Apprenticeship Job Creation	0.016	0.065	0.069	0.057	0.019
Create the Canada Job Training Fund	0.000	0.125	0.125	0.000	0.000
Canada Seniors Care Benefit	0.450	0.471	0.497	0.526	0.555
Patent Box	0.005	0.025	0.046	0.070	0.096
Securing Canadian Patents	0.040	0.040	0.040	0.040	0.040
Flow-Through Shares for Tech Companies	0.071	0.288	0.306	0.326	0.348
<i>Less reallocation from Budget 2021</i>	0.000	-1.724	-2.287	-1.276	-0.395
Securing Small Craft Harbours	0.007	0.061	0.064	0.067	0.070
Secure the Offshore	0.500	0.500	0.500	0.000	0.000
Double the Canada Workers Benefit	1.388	5.570	5.638	5.696	5.780
Increase EI Sickness to 52 weeks	0.372	1.521	1.431	0.731	-0.038
Construction Mobility Tax Credit	0.021	0.087	0.089	0.091	0.094
Better Funding for Child Care	0.900	0.700	0.600	0.300	0.120
<i>Less reallocation from Budget 2021</i>	0.000	-4.906	-6.208	-7.237	-8.383
Expand the Canada Child Benefit to the Seventh Month of Pregnancy	0.086	0.341	0.349	0.356	0.363
GST Holiday	1.819	0.000	0.000	0.000	0.000
Defer capital gains in rental housing	0.500	0.500	0.500	0.500	0.500
Reinstate the tariff on imported PPE	-0.104	-0.319	-0.326	-0.333	-0.340
6% Increase to the Canada Health Transfer	0.000	0.304	0.329	0.901	2.099
Employees Mental Health Coverage	0.001	0.004	0.008	0.010	0.006
Mental Health and Wellness Programming	0.050	0.050	0.050	0.000	0.000
Supporting Canadians suffering from addiction	0.100	0.100	0.125	0.000	0.000
Investing in Carbon Capture	0.500	0.500	0.500	0.500	0.500
Investing in Natural Climate Solutions	0.300	0.300	0.300	0.300	0.300
<i>Less reallocation from Budget 2021</i>	0.000	-0.580	-0.486	-0.484	-0.446
Training against trafficking	0.020	0.020	0.020	0.020	0.020
Tackling illegal guns and gangs	0.025	0.025	0.025	0.025	0.025
Withdraw from the Asian Infrastructure and Investment Bank	-0.009	-0.009	-0.009	-0.009	-0.009
Securing veterans' pensions	0.159	0.052	0.051	0.051	0.051
Training to reduce Indigenous incarceration	0.013	0.013	0.000	0.000	0.000
Securing Indigenous Mental Health	0.200	0.200	0.200	0.200	0.200

Northern Residents Deduction	0.160	0.500	0.500	0.500	0.500
Improve Nutrition North	0.050	0.050	0.050	0.050	0.050
Boost the Enabling Accessibility Fund	0.080	0.080	0.080	0.080	0.080
Improve the Disability Tax Credit	0.009	0.039	0.041	0.043	0.045
Economic transition of former mining communities	0.020	0.020	0.020	0.020	0.020
Funding Francophone Universities	0.030	0.030	0.030	0.030	0.030
Fiscal Stabilization and Provincial Agreements	9.720	0.000	0.000	0.000	0.000
Abolish CRTC Part II license fees	0.031	0.124	0.127	0.130	0.132
Fighting online hate and trafficking	0.025	0.025	0.025	0.025	0.025
End Trudeau's Media Bailout	0.000	-0.153	-0.147	-0.150	-0.150
Canadian Heritage Preservation Fund	0.015	0.015	0.015	0.015	0.015
More funding to the Canada Revenue Agency	0.000	-0.467	-1.218	-2.407	-3.578
<i>Less reallocation from Budget 2021</i>	0.000	-0.038	-0.056	-0.055	-0.055
Tobacco Recovery Fee	-0.017	-0.066	-0.066	-0.066	-0.066
Smaller measures and contingency amounts	0.600	0.500	0.500	0.500	0.500
Total net new spending	29.654	14.249	7.761	0.295	-0.682
New public debt charges	0.130	0.363	0.534	0.656	0.755
Final Deficit	-168.0	-57.3	-43.9	-25.8	-24.7