



“Yet, over the last few decades, the middle class and those working hard to join it have fallen behind. Everyday folks who work hard to provide for their families are worried about the future.

And who can blame them?”

— Bill Morneau, Minister of Finance

A Budget for the Middle Class

As Minister Morneau painted the town “green” with the release of Budget 2017 on Wednesday, gender-equality supporters and innovation enthusiasts found plenty to cheer on. AIA Canada had its eyes set on the budget to analyse how it will impact our \$21 billion sector. Here’s our take on the key areas that will directly affect the aftermarket.

What It Means for the Aftermarket Industry

Our pre-release commentary centred on the expected “cautious” and “policy” nature of the budget, along with a focus on innovation, skills development, the deficit, investment in infrastructure, housing, child care and tax reform. We have identified three areas that are relevant to the aftermarket industry.

Innovation

Innovation and technology will dramatically change the automotive industry in the coming years. For this reason, we are definitely not complaining that innovation seems to be the ‘buzzword’ for the Liberal government at a macro level. Why the intense focus on innovation? It’s all about repositioning Canada in the global economy by making moves to become a player in future-orientated global markets.

Key Takeaways:

- 1. Invest in superclusters:** Budget 2017 proposes to invest up to \$950 million over five years to a small number of business-led innovation ‘superclusters’ that have the greatest potential to accelerate economic growth. The industries that will be a part of these superclusters are: agri-food, digital, clean tech, advanced manufacturing, biosciences and clean resources.
- 2. Green & clean technology:** New financing, in the form of \$1.4 billion, will support Canada’s clean technology firms to grow. The government will invest \$229 million for Natural Resources Canada and Transport Canada to continue their research and development for clean technology and transportation.
- 3. Electric vehicles:** The Liberals stated their intent to invest in a number of national programs in the next eleven years, including an investment of \$120 million to deploy infrastructure for electric vehicle charging and natural gas and hydrogen refuelling stations.
- 4. Autonomous vehicles:** The budget proposes to develop “regulations for the safe adoption of connected and autonomous vehicles and unmanned air vehicles.”

- 5. Funding for innovation projects:** The budget will also streamline the administrative process for accessing funds that support innovation, including the Automotive Innovation Fund and the Automotive Supplier Innovation Program, through the creation of the five-year Strategic Innovation Fund that will receive \$1.26 billion.

Skills Development

If the Liberal government is to achieve its goal of transitioning Canada into an innovative country, the workforce must be endowed with the skills of future (think coding, programming, engineering, mathematics, etc.) On the flip side, innovation introduces technology that eliminates jobs! Canadians will need new skills to find their place in an economy where automation will increasingly play a bigger role.

Key Takeaways:

- 1. Support for Canadians to upgrade their skills:** The provision of \$132.4 million over four years, beginning in 2018–19, and \$37.9 million per year thereafter will allow unemployed Canadians to pursue self-funded training while receiving EI benefits.
- 2. Alignment between industry and educational institutions:** Budget 2017 aims to create even more work-integrated learning opportunities for Canadian students. The government intends to renew and expand federal funding for Mitacs, a not-for-profit organization that builds partnerships between industry and educational institutions.
- 3. Occupational skills:** The budget extends the eligibility criteria for the 15% tuition tax credit to fees for an individual's tuition paid to a university, college or other postsecondary institution in Canada for occupational skills courses that are not at the post-secondary level.

Taxes and Finance

It is interesting to note that there were no personal income tax rate changes announced in the budget. What was announced during Morneau's speech, however, was the following statement - "All Canadians must pay their fair share of taxes."

Key Takeaways:

- 1. Everyone pays their share of taxes:** Close tax loopholes that result in unfair tax advantages for some at the expense of others; crack down on tax evasion and combat tax avoidance; make existing tax relief for individuals and families more effective and accessible; and eliminate ineffective and inefficient tax measures.
- 2. Venture capital:** The influx of which is said to be lacking in Canada (which can create an environment that is not conducive to entrepreneurship and innovation), will get a cash injection of \$400 million over three years through the establishment of a Venture Capital Catalyst Initiative.

Did you know?

In September 2016, Morneau began a cross-Canada tour to conduct annual pre-budget consultations. The consultations broke records with over one million people engaged and 29,000 submissions and ideas received.

Additional Announcements

Extended parental leave: New parents will have the option of taking 18-months leave by allocating money for the traditional 12-month leave over an 18-month period.

Student loans/Adult learners: The budget includes \$287.2 million over three years for a pilot project to test changes to student loan and grant rules to help more adults return to school.

Procurement: Budget 2017 proposes to provide up to \$50 million, starting in 2017–18, to launch a new procurement program, Innovative Solutions Canada, modelled on the very successful U.S. Small Business Innovation Research program.

Sources:

[Building a Strong Middle Class #Budget 2017](#)

[Prepared text of Bill Morneau's 2017 Budget Speech](#)

[Sussex Strategy Group](#)

[Huffington Post](#)

