

FEB 21 2008



Minister of Finance

Ministre des Finances

Ottawa, Canada K1A 0G5

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2008FIN240346

His Worship Fred Eisenberger
Mayor
City of Hamilton
230-77 James Street North
Hamilton, ON L8R 2K3

Dear Mr. Eisenberger:

Thank you for your correspondence of January 11, 2008 in which you submit the City of Hamilton's views and recommendations in preparation for Budget 2008. Your city's views, along with the views of all Canadians, are very much appreciated.

I would like to take the opportunity to share some thoughts about the Canadian economy – our economic success, our unbounded potential and our challenges moving forward.

We live in a global economy with fierce competition and growing uncertainty. If we are to stay ahead of the curve, we must be bold and innovative. We need to create an environment in Canada that rewards hard work, encourages growth and improves our quality of life.

The Government of Canada is leading the way for the benefit of individuals, families and businesses by making broad based, long-term tax reductions, reducing record amounts of debt and spending responsibly and efficiently.

Canada is currently in an enviable position with strong economic fundamentals:

- We are experiencing the second-longest period of economic expansion in Canadian history;
- Inflation has remained low and stable;
- Business investment is expanding for the 12th consecutive year;
- Our unemployment rate is near its lowest level in 33 years, with more Canadians working than ever before;
- Canada is one of the few countries in the world with sound public pension plans; and
- We are on the best fiscal footing of the major western industrialized countries. In fact, we are the only member of the G-7 with both ongoing budget surpluses and a falling debt burden.

Although Canada is on a solid financial footing, 2008 promises to bring new and important challenges for us to consider as we prepare our third Budget and chart our path for the years ahead.

Canada

For instance:

- The volatile Canadian dollar and its impact on the economy and particularly, on the manufacturing, agriculture, tourism and forestry sectors;
- The decline in the U.S. housing market and concerns about the broader U.S. economy;
- The increasing economic competition from abroad, especially from emerging economies like China, Brazil and India;
- An aging population and a shortage of skilled workers; and
- Aging infrastructure and increased gridlock.

To keep our economy strong, our Government has a plan. In fact, we developed a long-term economic plan entitled *Advantage Canada* which focuses on creating five key advantages:

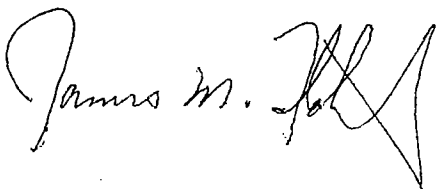
- An Infrastructure Advantage – building modern, world-class infrastructure that promotes economic growth, a clean environment and international competitiveness;
- A Knowledge Advantage – creating the best-educated, most-skilled and most flexible workforce in the world;
- An Entrepreneurial Advantage – reducing unnecessary regulation and red tape by 20 percent and increasing competition in the Canadian marketplace;
- A Fiscal Advantage – eliminating Canada's total government net debt in less than a generation; and
- A Tax Advantage – providing relief in every way the Government collects taxes: personal taxes, consumption taxes, business taxes and excise taxes.

For more information on *Advantage Canada*, please visit the Department of Finance website at www.fin.gc.ca/ec2006/plan/pltoce.html.

I firmly believe that there is nothing Canadians cannot do if we put our minds and energy behind it. There is nothing Canadians cannot do when we mobilize and focus our creativity and talent. In spite of the challenges, our economy is strong, and our country is united. We have a brilliant future together!

Thank you for writing on behalf of the City of Hamilton.

Sincerely,

A handwritten signature in black ink, appearing to read "James M. Flaherty". The signature is stylized and cursive, with a large initial "J" and "F".

James M. Flaherty