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Mr. Alan Tonks

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• (0835)

[English]

The Chair (Mr. Alan Tonks (York South—Weston, Lib.)): Bonjour. Good morning, members of the committee and witnesses, ladies and gentlemen. We're going to begin. We have a quorum.

We are meeting today, pursuant to Standing Order 32(5), on the report of the Commissioner of the Environment and Sustainable Development for the year 2004, referred to the committee on October 26, 2004—chapter 3, “Sustainable Development Strategies: Using the Tax System and Managing Office SolidWaste”.

We have before us as witnesses, from the Office of the Auditor General of Canada, Ms. Johanne Gélina, Commissioner of the Environment and Sustainable Development; Neil Maxwell, principal; and Bob Pelland, director. From the Department of Finance, we have Mr. Serge Dupont, general director, tax policy branch; and Susan Margles, director, sector policy analysis, economic development and corporate finance.

I understand, Ms. Gélina, that you have prior appointments, so we're going to try to move along to facilitate your presence here, because it's very important, obviously.

Without further ado, I will turn it over to you, Mr. Dupont, or whoever is going to make the first presentation. Perhaps you'd like to begin.

Mr. Serge Dupont (General Director, Tax Policy Branch, Department of Finance): Sure, I'm pleased to do so, although my colleague Ms. Margles will start the presentation. We have a joint presentation for the committee this morning. We circulated the notes this morning, so we'll just touch on some of the highlights, which should take approximately five to seven minutes.

The Chair: Good. Thank you.

Ms. Margles.

Ms. Susan Margles (Director, Sector Policy Analysis, Economic Development and Corporate Finance, Department of Finance): Merci, Serge.

Thank you, Mr. Chairman, for the opportunity to appear before the committee today.

I understand that we were invited today to answer questions relating to the role the department plays with respect to climate change policy, and in particular with regard to tax policy as it relates to environmental objectives. We are very pleased to have the opportunity to discuss that with you today.

I propose to begin by briefly outlining the role of the department relative to line departments in the development of government policy, and in particular in the area of climate change. I will focus primarily on the spending side, and my colleague Monsieur Dupont, from our tax policy branch, will then address the tax policy aspect, discussing the report by the commissioner that this committee has already had an opportunity to discuss and outlining the department's activities with respect to the contribution of tax policy to environmental objectives.

In terms of our role, the department has a primary responsibility for providing the Minister of Finance with analysis and advice on the broad economic and financial affairs of the country. A key part of this role of supporting the minister is in and around the preparation of the federal budget. In this regard, officials at the department such as ourselves take direction from a number of sources, notably the minister, but also the Speech from the Throne and other broad statements of government policy, proposals from other ministers, other departments, parliamentarians, parliamentary committees, and groups of individuals outside the government.

[Translation]

I work in the Economic Development and Corporate Finance Branch, which is responsible for providing advice on the budgets of a number of departments and agencies. These include: Environment Canada, Natural Resources Canada, Industry Canada and Transport Canada as well as the Natural Science and Engineering Research Council and many others. To do this we have a professional staff of 33 people.

I am noting the nature of resources and responsibilities to illustrate that our mandate is not to make policy for these departments, but to advise the Minister of Finance on the proposals and programs of those departments and agencies.

[English]

Officials at the department consider the direct fiscal implications of proposals, as that is our responsibility within the federal government. We also try, to our best ability, to assess the indirect economic but also the social and environmental implications of these proposals.

How is that advice developed? In developing advice on budget proposals, officials focus first on policy objectives. We ask the question, what is the policy objective of the proposal? Is it consistent with the government's broad economic and social agenda? What are the trade-offs involved? Have other options been considered? We call this the challenge function, and it is the fundamental basis of our work.

It is important to note that officials do not have direct control over final policy decisions, only over the advice that we provide to the minister. One of the questions that officials would ask as part of the challenge function is how the policy goal may best be achieved—that is, we ask whether taxes, spending, or regulation, or some combination of these is the best tool.

I'll turn for a moment to climate change and just mention that with respect to climate change, the lead responsibility is with the ministers of environment and natural resources, so the advice we give to the minister is in reaction to proposals that come from those ministers.

I won't go into too much detail right now about climate change and what has taken place so far, except to say that successive budgets since 1997 have provided a total of \$3.7 billion in funding for climate change measures, including \$2 billion in Budget 2003. I can give you more detail if you wish during the question period on the measures; however, I would just point out that these do fall into six broad streams: mitigation, public education and outreach, international, technology and innovation, climate science, and impacts and adaptation.

A final point I would like to make is in regard to climate change, that there is a significant amount of unallocated climate change and environment funding. Of the \$2 billion provided in Budget 2003, fully \$695 million remains unallocated. Also unallocated is the \$800 million for environmental technologies that was announced in Budget 2004 as part of the sale of the government's Petro-Canada shares, which has now been completed. I expect that the ad hoc cabinet committee on sustainability and environment that has been established by the Prime Minister will be developing proposals over the next 12 months or so on how best to use these funds and move forward generally in this area.

I'll now turn it over to Monsieur Dupont.

● (0840)

Mr. Serge Dupont: *Monsieur le président, Mme Margles* has set a broad context.

[Translation]

I understand that committee members have expressed particular interest in the role of the tax system in supporting environmental goals, which is obviously the context of the work that the Commissioner examined in her report.

The primary role of the tax system is to raise revenues to fund public goods and services. The general goal of tax policy is to do so in a manner that is economically efficient, fair and as simple as possible for both taxpayers and the government.

The tax system is also a tool that can support other public policy objectives, including environmental policy objectives.

Our role is to provide analysis and advice to the Minister of Finance with respect to the tax system, taking into account all the purposes that it has to serve.

The Commissioner's recent report examined the department's progress with respect to its commitment to carry out analysis on how the tax system can contribute to environmental objectives. The Commissioner's report acknowledges the work that the department has been undertaking on a range of issues regarding the tax system's possible contribution.

The Commissioner made several observations. We of course understand the importance of these matters, and we take the Commissioner's recommendations very seriously.

To take one example, the report has further convinced us of the importance of publishing a framework document setting out the general criteria that guide the department in assessing proposals to change existing tax measures or implement new tax measures to further environmental objectives. This document will improve transparency and make it easier for stakeholders to understand how the department assesses tax policy proposals.

Tax policy can be used in various ways to support the environment. Relief from taxation can be used to provide an incentive to undertake activities that have positive environmental effects. On the other hand, a tax or charge can be imposed on activities that have negative environmental consequences.

Of course, the onus is on us to look at all possible measures having regard to resource limitations.

[English]

The analysis of potential tax measures typically encompasses a range of considerations, and I'd perhaps just want to sketch here the kind of framework. When I mention that we want to issue a framework paper, I want to very briefly set out the kinds of considerations that we think would be included in that paper that are relevant to the analysis of fiscal policy tools.

As Ms. Margles has indicated in the first instance, we need to go back from a particular proposal to what is the original objective, what is prompting the proposal, and how it might compare with other instruments that may be utilized to achieve the same goals. We will look at such measures as effectiveness, the extent to which the proposed measure would influence behaviour toward the desired environmental objective, including consideration of whether the tax measure can be targeted effectively; the fiscal cost, what would be the forgone revenue, and then, of course, we would relate the fiscal cost to the benefits in terms of the environment, essentially to achieve a cost-benefit type of assessment; efficiency, how the measure would affect resource allocation decisions in the economy and essentially whether it would help sustain growth or impede growth as at least one element of the analysis; fairness, because if we're talking about a tax or a tax relief measure, one has to look at who benefits, who pays, basically, and what that would look like in terms of fairness across businesses, sectors, households, and regions; and simplicity, whether citizens would be able to understand the measure easily, what it's supposed to do, and how costly it would be for government to administer and citizens to comply with.

Decision-making, then, by elected officials involves a balancing of these and many other factors. Frankly, there is rarely a slam dunk when one has to look at the overall sets of considerations.

Canada in recent years has implemented a variety of tax measures that support environmental objectives: accelerated capital cost allowance for certain power generation projects or projects that burn fossil fuel in an efficient manner; an excise tax exemption for the ethanol or methanol component of gasoline and ethanol-blended diesel and bio-diesel fuels; and special tax treatment for gifts of ecologically sensitive land. I would add that there have also been other major economic instruments, not tax, such as a wind power production incentive and incentives for home retrofits.

I would note for the interest of members in the committee that legislation recently introduced by the minister in Parliament pursuant to the 2004 budget proposes a prohibition on deduction of fines and penalties, including those imposed under environmental protection laws.

I would just conclude by saying that there has been a considerable amount of analysis and work done on these issues. These will continue to inform decision-making. We will also be very attentive as a department to proposals that come from other departments and stakeholders, and we will try to brief the minister on these matters to the best of our ability.

Thank you.

• (0845)

The Chair: Thank you, Ms. Margles and Mr. Dupont.

Ms. Gélinas, do you wish to make any comment, or do you wish us to go directly to questions?

Ms. Johanne Gélinas (Commissioner of the Environment and Sustainable Development, Office of the Auditor General of Canada): Not at this time. I will go through my own opening statement, if I may have a few minutes to do that, and then it will be a pleasure to hear the questions.

The Chair: Okay. Thank you, Ms. Gélinas.

[Translation]

Ms. Johanne Gélinas: Good morning Mr. Chairman and members. Thank you for inviting us here again today.

Joining me are Neil Maxwell and Bob Pelland, the Principal and Director responsible for the audit on using the tax system, part of our Chapter 3 on sustainable development strategies.

Last week when we appeared before you, we presented our findings for this audit. I want to briefly remind you of what we found.

In its sustainable development strategies, Finance Canada has established the objective of examining ways to better integrate the economy and the environment through use of the tax system. The primary goal in the 2001 strategy was to identify specific areas where the tax system may be acting as an impediment to attaining sustainable development.

This morning, I've taken the liberty of providing you with the Finance Department's sustainable development strategy so you can see a real one. This what it looks like.

[English]

How has the department done? While it has analysed a range of issues associated with its tax-related commitments, it has not clearly stated what it's trying to achieve with the commitments in terms of expected performance.

The department can show you a list of tax measures that it has analysed, but it is unable to show the extent to which it has covered the key areas that need analysis. Consequently, the Department of Finance cannot tell Parliament and Canadians the extent to which the tax system either impedes or favours the attainment of sustainable development. As I said to you last week, the department is dragging its feet when it should be showing leadership, and its response is not sufficient.

In our recommendation, we identified three critical areas where Finance Canada should move forward and where it could make significant progress in fulfilling its commitments.

First, the department should carry out a systematic review of the tax system to identify problem areas and identify opportunities. Second, it should ensure that it properly analyses the environmental impacts of all proposed tax measures. Third, the department should develop greater transparency in the analytical process and options available.

I will briefly expand on these three areas.

First, we recommended that Finance Canada carry out a systematic risk-based review, because the tax system has a huge potential to create incentives and disincentives or to influence behaviour, for better or worse. For example, think of how individuals have responded to the tax deductibility of RRSP contributions. In the end, it is the sum of individual behaviours that will play a big part in determining the future of sustainable development in this country. Thus, it is vital that Finance Canada demonstrate that it intends to do the review and make it public.

In its response to our recommendation, the department committed only to continue to do what it has been doing in analyzing individual tax measures. I don't think it missed my point; I think it doesn't want to do it.

• (0850)

[Translation]

Regarding the second area, we recommend that Finance Canada ensure that potential environmental impacts are adequately analyzed for all tax measures and policy options and that those impacts are integrated with economic and social impacts. The department responded that it would depend on the Strategic Environmental Assessment process for Cabinet and ministers. However, it has only just begun to establish proper systems for this process and results to date are not encouraging. For example, the department did not have formal systems which would enable it to say how many tax proposals should have been assessed or how many assessments had been completed.

For the third area, we believe that the department should enhance transparency by making public the analysis of the anticipated environmental impacts of tax measures, such as those included in the budget. And we know that it can be done, because there has been at least one case where the Department has done this: it provided another standing committee with its analysis of employer-provided transit passes.

[English]

The department's response on transparency is not hopeful, as it commits only to public statements on strategic environmental assessment, as required anyway, and on publicizing the process that it follows. The department claims it is constrained on reporting the analysis on specific measures to prevent influencing decision-making by economic agents, who may seek to take advantage or avoid tax measures. That argument is not valid if the environmental analysis is released at the time the tax measure is announced, for example, in the official budget paper.

The department also said that it needs to maintain ministerial confidentiality. Examples such as information that the government routinely discloses in the regulation-making process show that the release of such information does not have to compromise confidentiality.

Finally, on a broader point, the federal government has been studying ecological fiscal reform for over a decade, and it is time to make its position clear.

[Translation]

It might be helpful now if the committee could explore with departmental officials how they intend to use the tax system to move the sustainable development agenda forward.

Mr. Chairman, I would like to add a word before concluding my opening statement.

[English]

We have here today a golden opportunity to ask the Department of Finance to bring clarity to what it really intends to do. I hope after the hearings we will get the details in writing, because frankly, with

the responses we have had so far I will not be able, as Commissioner of Environment and Sustainable Development, to report on progress in the coming years. But I will be able to report on progress if Finance Canada tables before this committee a real action plan on how it will address our recommendations.

Thank you very much.

The Chair: Thank you, Ms. Gélinas, both you and your colleagues and our other witnesses.

Now I think the committee will take it to itself. It's question period time.

Mr. Richardson, you're top on the list; then we'll go to Mr. Bigras.

Mr. Lee Richardson (Calgary Centre, CPC): Thank you, Mr. Chairman, and I thank the officials again for appearing.

This is starting to look a bit like a merry-go-round in terms of what's required here and what's come out. I was pleased to hear from the Department of Finance there is some progress intended. You've obviously read the report of the commissioner of environment. We haven't, as was pointed out in the commissioner's statement just now, seen much progress here.

You spoke of a framework document, something to recognize. Let me bring you back to the point I'm getting to. That was in the report of the commissioner where it was suggested that Finance Canada

...has analyzed a range of issues associated with its tax-related commitments. However, it has not clearly stated what it is trying to achieve with these commitments, in terms of the performance that is targeted or is expected to occur. Its approach to implementing these commitments has been piecemeal and fragmented, because key steps such as pinpointing the main areas that need analysis are missing. Consequently, it is not in a position to tell Parliament and Canadians the extent to which it has analyzed how the tax system impedes or favours the attainment of sustainable development.

This has been a key concern of this committee. This is not the first time it's come to this table. I appreciate your attempt today to suggest that it's coming soon. Again, you're talking about some framework document.

I'd like you, if you could, to elaborate on that a little bit. As the commissioner again has just stated, we'd like some clarity here, some direction, some idea of what action plan there is to provide this documentation. I know the Department of Finance is aware this is an inadequacy in the department. We just haven't been able to get this direction from the department. Where are you going with this?

Could you elaborate for the committee on that point? Then I have one specific example I'd like to ask you about.

• (0855)

Mr. Serge Dupont: Certainly. I appreciate the question and I understand that there are a range of issues that could be of interest to the committee and to Canadians more broadly.

We need to make a clear distinction. The first has to do with the general direction of policy and the broad policy statements, and whether and to what extent the government intends to use what type of mix of instruments to achieve its environmental goals. That is something, as you will appreciate, that is within the domain of the government—within the domain of ministers—and we take direction from there. We advise, but we do not as a department make decisions on it.

Starting there, one has to look at what the analysis is that may be pursued. To say what we are trying to achieve—maybe to answer Madame Gélinas' point, and the answer is perhaps simple, but I think it's basically the truth—it is that our performance indicator, our performance target is to provide the government with the best possible advice we can, with the resources available, as to how it can use the tax system to pursue environmental goals and to pursue sustainable development objectives. That's what we have to do: develop the analysis and provide the best advice we can.

We can then discuss this case by case, measure by measure, and in some instances we will do that. Madame Gélinas made reference to one instance where some analysis was put forward to the finance committee. In other cases, analysis will be put forward when an announcement is made in a budget, and there will be some explanation as to the underlying reasons for that particular measure.

In some cases the analysis will not necessarily be broadly shared. There is often, as you will appreciate, advice provided in confidence to the minister, and that advice is then not necessarily shared in the public domain.

The third tier I would add is what the framework is. How does the Department of Finance go about its business? What happens in the black box? We put some proposals in; how do you guys look at them? That's what we wish to become clearer on and where we think the transparency can really be enhanced. That is to say, here are the criteria we go through; here's the kind of analysis we want to perform on individual measures, to see not only whether they will accomplish something with regard to the environment, but whether, going through a scan of issues, this is sensible and good, sound public policy.

That is a tough job to do. It has to be done case by case. There cannot be a blanket statement, in our estimation, that economic instruments are better than regulation or ought to be used more, necessarily; one has to make the case on specific measures. We do that analysis to the best of our ability.

We hope the framework explaining how we do that will help. Then people, whether other departments, stakeholders, or committees such as this one, can ask: when we see a measure proposed by a group, what is it we should be looking for—at least, if we want to have an understanding of how the Department of Finance officials may want to look at it?

• (0900)

Mr. Lee Richardson: That wasn't the point.

We've been going on this merry-go-round for a while. You're talking process. I want to know what the policy is and how you intend to achieve it. Clearly there is no direction. I'm not blaming you. If you don't get the direction or leadership from the minister,

you go back to the government all the time. I'm wondering what it is you do, not how you do it; that's the point. You just keep passing this ball back and forth: "Well, it isn't us; it's the direction from the department." I'm sorry, but I've heard enough about that, and we're running out of time, so I'm going to obviously not get the answer I was looking for there. It seems there is no direction coming from the government, whom you tried to pass the ball back to.

So let me ask a general question of the entire panel. It is related to one specific direction, and that is in regard to the Kyoto Protocol and with respect to emission credits. It's one I get a lot questioning on personally, concerning the nature of emission credits, the sense that those in an industry who can't meet proposed targets such as they have, or who have not been donated credits, have to go offshore and buy credits from Russia or some other place to meet their commitments.

It seems to me this is a somewhat punitive and questionably beneficial way of achieving the end of meeting a certain target for emission credits. I'm wondering whether there has been any analysis done on this, comparing it perhaps with a suggestion, rather than sending Canadian dollars offshore to buy credits, that perhaps it could be better put into research and development for technical assistance to companies, to give tax credits to these companies for money they put into finding solutions for creating emissions, as opposed to sending the money offshore. It really doesn't make much sense to me.

Ms. Susan Margles: Mr. Richardson, I'd be pleased to try to answer that.

Generally speaking, I think it's fair to say that even though there is a credit system being developed, it wouldn't be the only element involved in helping particularly the large final emitters meet the targets.

Yes, there is a system being developed internationally, and we would have our own domestic system that would enable domestic emitters to trade with each other, based on those who actually may have done better than they needed to in meeting their targets trading with another domestic company in Canada. That would address your concern about the dollars staying within the country.

Companies would only go out internationally when there wasn't enough, let's say, "good side" stuff—the greening stuff—happening in any given period, and they would then potentially have to go offshore to trade in an international market.

As to your point on research and development, I would just add that we are at the same time looking at giving support to a number of research and development initiatives, including several that were announced in past budgets. I mentioned the \$800 million that's been earmarked from the Petro-Canada sale this year. That will be going towards supporting the development of new environmental technologies, which could, for example, help the companies you were talking about that would otherwise potentially have to go offshore to buy those credits.

Even though it is the Minister of Natural Resources who has the lead on developing what Canada's role will be in that whole emissions credit trading system, we are looking within the department at what the different elements are that could be a part of that bigger piece, so that overall the Canadian economy would get the greatest benefit from it at the end of the day.

Mr. Lee Richardson: Thank you.

The Chair: Thank you, Mr. Richardson.

Monsieur Bigras.

[Translation]

Mr. Bernard Bigras (Rosemont—La Petite-Patrie, BQ): Thank you, Mr. Chairman.

First I'm going to tell you I'm disappointed after hearing the exchange between Mr. Richardson and the officials. I'm not disappointed with you; I'm disappointed with those who didn't have the courage to come and explain themselves this morning. I get the impression the deputy ministers are using you as cannon fodder and that they don't have the courage to come and explain their position on the measures. That's the impression I get.

I have a lot of respect for you, both of whom are directors general, but we would have liked to hear from the deputy ministers. They're probably watching us on television today, since this meeting is being televised, and I'd like to tell them that they're wimps. That's all I have to say to them.

Having said that, I'm wondering about the Finance Department's role in this matter. It seems to me there's a clear directive from Cabinet. When the directive comes from the highest level of government, it should be the departments' responsibility to implement it. Of course there's no statutory obligation, and I agree with that. However, when the head adopts a directive, the departments' role is to implement it.

If you can't immediately give me the answer to my question, I expect you to provide it in writing before proceedings resume. I'm not asking for it before the end of the parliamentary session because that's coming quickly. In the past 14 years, how many strategic environmental assessments have been applied to the measures put in place by the Department of Finance? If the deputy minister has to appear again in order to answer this question, Mr. Chairman, I'll present the motion requesting that he come. Why hasn't the strategic environmental assessment been applied in recent years? Can you tell us for C-48, among other things, but also for all the department's measures, the number of strategic environmental assessments that have been implemented by your department?

● (0905)

Ms. Susan Margles: Thank you, I'll try to answer your question. I can explain that, in 2003, we put a system in place at the department to ensure that strategic environmental assessments are conducted. I have a figure here, but I'm going to check it and I'll send you a written answer, as you asked. The information I now have is that we've completed 39 of these assessments since the system was put in place.

As regards our process, we have questionnaires that everyone in the department who develops a proposal must complete. The first

stage is to determine whether the proposal will have an impact on the environment. If someone thinks it will have an impact, that person answers the other questions in the questionnaire with a view to conducting a strategic environmental assessment. We've also established a single location in the department where we now receive all these assessments.

It's true that not everything was in place when Ms. Gélinas visited the department. However, it's been in place since the summer of 2003. So the system is now in existence and we're continuing to improve it.

Mr. Bernard Bigras: You say 39 assessments have been conducted, but it seems to me it's very discretionary. You can apply the environmental assessment when you feel like it. The Commissioner tells us there has to be a systematic review of the tax system. Are you confirming for us that the review has become systematic and mandatory in the past few months? Is that in fact what you're telling us?

Ms. Susan Margles: Yes, it's mandatory and systematic. Except that there are two stages. First, it's mandatory to determine whether the proposal will have environmental impacts. If it's determined that it will, we go to the next stage. However, each time a proposal is developed, it is mandatory to complete the questionnaire in order to assess whether that proposal will have an environmental impact.

Mr. Bernard Bigras: Usually when an environmental assessment is done, conclusions are reached and the proposal or measure is ultimately rejected. In the case of Bill C-48, was there a strategic environmental assessment? In view of the process you've put in place and the clearly established negative impact of C-48, could you have told the minister that you weren't going to go ahead with that measure? Does the process you've established make it possible to reject the measure or does it simply exist so that some kind of assessment can be done?

● (0910)

Mr. Serge Dupont: As regards Bill C-48, sir, I can say that the most important thing is to know whether environmental issues were an integral part of the decision or not. If it was decided that the measure would have negative impact, that wouldn't necessarily mean that the measure should be rejected. The decision-maker has to be aware of its economic and environmental impact and of all the relevant factors.

Bill C-48 is a statutory initiative that was proposed prior to May 2003, the date Ms. Margles referred to, when the department enhanced its assessment process. You say that C-48 definitely has negative impact on the environment. I'm quoting you very approximately; I'm sorry I can't do it exactly. I'll simply mention that the OECD report on Canada's environmental performance cited C-48 as an example of better tax system neutrality, which was welcome. With Bill C-48, a lower tax rate was granted to the resource sector, as it was to all economic sectors, but certain tax system provisions were also reviewed, in particular the deduction for resources.

Mr. Bernard Bigras: Before handing over to my colleague, I'd remind you that the OECD also said that Canada engages in wishful thinking but is far from taking action. We should always consider a report as a whole and not just cite what suits us.

Mr. Serge Dupont: I was answering your question.

Ms. Johanne G  linas: Mr. Chairman, with your permission, I'd like to supplement the answer to Mr. Bigras' question. Now that the strategic environmental assessment under the directive requires a summary of the environmental assessments that have been done, the committee might like to obtain a copy of the summaries of the various strategic environmental assessments that have been prepared by the Department of Finance.

Mr. Bernard Bigras: That was also the gist of my question earlier.

Mr. Serge Dupont: We're taking note of the question and we'll forward the answer to the committee.

[English]

The Chair: Thank you, Mr. Bigras.

Mr. Simard was interested in asking a question.

Three minutes, Mr. Simard.

[Translation]

Mr. Christian Simard (Beauport—Limoilou, BQ): We sense there's clearly a lack of political will within the Department of Finance, and perhaps even in the government, to strictly enforce the directive. Your answers are all vague and sometimes appear to be masterpieces of wishful thinking that explain without answering the question.

For example, in actual fact, we've been talking about environmental taxation and incentives for 20 years now. Apart from the assessment studies, the actual record consists of a deduction for depreciation for renewable energy-based electricity production, an excise tax exemption for ethanol and methanol and a special tax system for gifts of environmentally sensitive lands. There's also an ongoing study of a bill to provide that fines imposed on polluters can no longer be deducted. Currently, they can still be deducted.

That's the actual record that I see. It seems to me it's extraordinarily poor after 20 years. The commitments I see are to continue conducting analyses and to prepare a reference document. We think that's a good idea. But, apart from that, there's no commitment to carry out any pilot projects or any corrective analysis of past tax measures that could have fundamental negative effects on the environment. That's quite unfortunate.

Earlier you said that the money from Petro Canada would help to fund environmental technologies and that that would prevent people from having to buy tradable emissions credits in the international market. Thus that amount would be used to short circuit something that works, that is to say the credits market. That's absolutely not in the spirit of an environmental tax system. These are clearly conventional subsidies.

Will a series of pilot projects be established in this area one day or another? Following these 39 environmental assessments, does the minister intend to file concrete proposals in the next budget for changes to the tax system in order to fight pollution more effectively and to better implement the Kyoto Protocol? That way, our country would be engaging in sustainable development.

● (0915)

Ms. Susan Margles: A number of complementary programs are now in existence. The idea is not to replace one thing with another. As you explained, you have to have a number of elements that work together.

For example, there's now an entity called Sustainable Development Technologies Canada. Its purpose is to invest in the alliances and various consortiums that are developing and demonstrating various environmental technologies. This could supplement the other programs put in place that you mentioned. In this way, we would ensure that small businesses that have technological ideas that could assist in achieving environmental objectives would receive government support.

That's an example. There are a number of others in the 2004, 2003 and 2002 budgets, which allocate amounts for various components. It's not a question of taxes or regulation. These are also programs that were put in place to help achieve goals.

[English]

The Chair: Thank you. Time is out now.

We'll go to Mr. McGuinty, then Mr. Scarpaleggia, and then Mr. Paradis.

Mr. David McGuinty (Ottawa South, Lib.): Thank you very much, Mr. Chairman.

Good morning. I'm sorry I was a little late—it's the growing city of Ottawa.

I don't know whether it's appropriate or not, Mr. Chairman, but I'd like to pick up on a point Monsieur Bigras made earlier and ask the witnesses why the deputy minister isn't here this morning.

The Chair: If I may, I think we will get an answer to that, but I don't think it's appropriate to ask the witnesses. But I think we can get an answer to that, Mr. McGuinty.

Mr. David McGuinty: Wonderful. It would be wonderful to know, because I think these issues are deserving of the kind of treatment, Mr. Chairman, that a deputy minister should be according them. These are the issues with the longest shelf life of all in Canada. Al-Qaeda will come and it will go. National security issues will come and they will go. But natural security issues will not. If we don't start mainstreaming these in sufficient ways and at the appropriate levels of government, I don't believe they will take hold.

I make these comments after nine years as an advocate on behalf of the national round table, as its president, making seven consecutive pre-budget submissions to the Department of Finance. I really believe that these are the kinds of issues that just have to start taking hold at the right level of government in terms of the officials of government. In my mind, and in my words, Mr. Chairman, we have to stop the fiction that these issues are going to sit down by themselves, that they're going to handle themselves. They're not.

That's why I'm very disappointed this morning that the deputy is not here, or at the least the assistant deputy minister, with specific delegation of authority by the deputy minister to be here to appear before this committee. We've put a lot of time and effort into these presentations. We've put a lot of time into preparing. I think they're deserving of the presence of the deputy minister.

So, please, as a single member of Parliament, could you pass the message back up, run the flag back up the flagpole and let folks know at the department that these issues can no longer be pushed to the side, the way ethics is in business school. These are the kinds of issues that should be first and foremost in the mind of the deputy minister. I will certainly be taking it upon myself to write him to ask why it is he's not attending this morning.

Now, that being said, I'd like to ask two or three very practical questions.

Number one, how many person-years are dedicated in the Department of Finance to developing real, robust, back-stopped models of options for your minister and other ministers to consider on a budget-by-budget basis to help better integrate the environment and the economy? How many person-years are dedicated in the department? That's question number one.

• (0920)

Mr. Serge Dupont: I would not have an answer, Mr. Chairman, to the number of person-years. Clearly, considerable effort is devoted to this issue, as is devoted to a range of other issues that go into the formulation of a budget. I don't have the breakdown.

Mr. David McGuinty: Thank you very much.

Question number two.... I often hear from finance officials and neoclassical economists that the Income Tax Act is not a tool through which we should be attempting to achieve public policy objectives. As a recovering lawyer who had to read the Income Tax Act twice, I can say the Income Tax Act is replete, it is filled, it is rife with public policy objectives.

Can you comment and give some insight to the committee and to Canadians why it is there appears to be reluctance to pursue changes in the Income Tax Act in a very direct way in order to achieve the kinds of public policy objectives that we all seem to want to achieve under this rubric of sustainable development?

Mr. Serge Dupont: Certainly I don't recall the Department of Finance stating that the Income Tax Act is not a place to address public policy objectives. I indicate, I think, in my remarks at the beginning that admittedly, the tax system can be a powerful instrument of public policy. I think what has to be done, however, case by case, is to determine whether it is the best instrument.

One has to recognize, for example, that when you provide a particular measure through the tax system, the benefit will depend on the taxable position of the person who is making the purchase or making the investment. In some cases that's good; in other cases maybe that's not so good.

I would simply point to two examples of measures that are economic instruments, financial incentives that have been delivered outside of the tax system for various reasons. The first is the wind power production incentive that was introduced in 2001, which is a very consequent and substantial investment by the Government of Canada. It is an economic instrument. It could have been delivered through a tax credit. In fact, when it was initiated, it was first proposed as a tax measure. But a tax measure will help, in principle, only the corporation that is in a taxable position and can make use of specific deductions. The program has been designed as a subsidy

program that is available to all participants, and it is perhaps better than a tax measure.

Another one is for home retrofits. It's the same thing. The government provides a financial incentive outside the tax system. We could have done it through the tax system, and maybe we could have claimed the tax system is playing a better role in terms of environmental performance. It would not be as good a measure, because it would not be as broadly available.

Mr. David McGuinty: Thank you very much, Mr. Chairman.

Here's the next question I have for the witnesses. In the work of the smart regulation panel convened by PCO and the Clerk of the Privy Council, there is a very explicit, carefully worded, carefully crafted recommendation—I know it very well because I happen to have drafted it. It asks the Government of Canada to expand the appropriate use of economic instruments in Canada. Then it goes on to list a series of specific sub-themes under the rubric of ecological fiscal reform.

Can the witnesses tell us if anything has happened so far flowing from recommendation 25? Once again, how many person-years will be dedicated to this task? And if we don't know how many person-years, can we get some insight in terms of the department? To what extent are department officials the source of genesis of new ideas themselves, or are department officials in a place where they're having to react to outside supplications—and merely outside supplications—that are usually provided to the department on a sector-by-sector, or even industry-by-industry, basis?

Mr. Serge Dupont: Okay. There are quite a few elements in your question, and I'll try to address them.

With regard to person-years on the follow-up to recommendation 25, again, I would not have that accounting. However, we are aware, clearly, of this recommendation.

You're quite right, Mr. Bigras, that the OECD was critical of Canada's overall use of economic instruments; that is something we also take under advisement.

The issue then.... I'm sorry, I'm losing my train of thought with regard to the rest of your question, Mr. McGuinty. I apologize.

• (0925)

Mr. David McGuinty: The source or genesis of ideas, is it inside or outside?

Mr. Serge Dupont: Yes, I appreciate the question.

I think the other thing that was really important to bear in mind is that yes, the Department of Finance is an important institution, but it is part of a broader institution, which is the public service. It includes other departments that have a keen interest in these issues, like the Department of Transport when it comes to transportation; Natural Resources Canada; the Department of the Environment.

We work with our colleagues very closely, and we have an interaction. On any file in the tax policy branch there is, yes, some creativity and some thought that is applied to these issues, but it's not done in the abstract; it's done in discussions with outside groups and our colleagues in the public service. We would hope that, yes, once in a while we have a good idea.

Mr. David McGuinty: Finally, Mr. Chairman, in the year 2000 the Minister of Finance, now Prime Minister, asked the Prime Minister's National Round Table on the Environment and the Economy to devise Canada's first set, first small suite, of environment and sustainable development indicators, which was done.

They're not perfect, I understand, and there's work going on now, particularly on the satellite side, to backfill them. Could you let us know, in terms of the committee members here, will you be incorporating in this year's budget those indicators that are ready to go?

The Minister of Finance at that time, now Prime Minister, stood up in front of 700 people on Bay Street in Toronto and said,

The means of measuring our wealth today are inadequate. I cannot report to you as Minister of Finance on the true health and wealth of this nation-state. We need to expand the way we report. I intend to make sure the Department of Finance includes these indicators in budget making and budget reporting.

Will this happen?

Mr. Serge Dupont: There are two parts to the answer. The first is with regard to the environmental indicators. The last budget in particular reiterated the importance attached to that commitment, provided additional funding for that—\$15 million, I believe it was—for Statistics Canada and other agencies to assist in the development of those indicators.

The second thing I would mention is that all of the proposals, the tax proposals in particular because tax is the domain of the Minister of Finance—other proposals, by the way, are the domain of other ministries, and they make environmental assessments in terms of their particular programs.... Tax is ours, admittedly. If a proposal goes to the minister, there will be in fact a reference made to environmental aspects in the material going for budget briefings. To the extent that there are some impacts, the minister will be briefed on them.

The Chair: Okay. We're out of time.

Mr. Scarpaleggia and Mr. Paradis, I'll have you down for the next round, when we come back, and we'll go to Mr. Cullen.

Mr. Cullen.

Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP): Thank you, Mr. Chair.

I have a number of questions and limited time, so maybe we can match the length of the answer somewhat to the length of the question. The first one's very short.

When this particular auditor's report came down, first of all, did the department accept the findings of this report? Second, I would imagine if the first answer is yes, then the walls have been shaken within the finance department, because I find looking through this, not as a taxation lawyer but just as a layperson, that it is

extraordinarily damning of the department. That's a two-part question. Let's start with that one.

Mr. Serge Dupont: The formal response of the department to the commissioner's report is in the report. I would refer you to that response. I think it outlines what it is we're doing, and what we intend to do.

Mr. Nathan Cullen: So analysis is the primary thing, I'm understanding, in terms of what you're planning to do.

Mr. Serge Dupont: Analysis and advice, yes.

Mr. Nathan Cullen: Analysis and advice.

With respect to your analysis around perverse subsidies—these are subsidies towards the energy sector that contribute to climate change and global warming—it was a number of years ago that analysis was done. Is that correct? I was reading 2000-01.

Mr. Serge Dupont: Sorry, analysis of the...?

Mr. Nathan Cullen: Of subsidies that were going into the energy sector. Perhaps Madam Gélinas might be able to help out here.

Mr. Serge Dupont: There was a broader report—and 1996 is my recollection—that tried to look overall at the energy sector, and whether it favoured or disfavoured renewable energy.

Mr. Nathan Cullen: Can you give us a brief synopsis of what the conclusions were?

Mr. Serge Dupont: Yes. The synopsis was that overall, the regime was generally neutral; there weren't huge variations between the different sectors. The exceptions noted were the relative public support for oil sands projects and also for renewable energy projects. Those were the two that stood out as getting more support than the average of the other sectors.

• (0930)

Mr. Nathan Cullen: Let's get specific with respect to nuclear energy and the support that happens through our taxation system for that energy source. Has there been any consideration of reducing the subsidies and the incentives that are given toward producing energy in that format?

Mr. Serge Dupont: I'm not aware of subsidies in the tax system with regard to nuclear energy. Many of the corporations, certainly in Quebec and Ontario, are publicly held. They would not be affected by the tax system, in any event.

Mr. Nathan Cullen: Just to reiterate many of the comments—this feels like I'm in class; all of my questions have been stolen.

There's a great unanimity within the committee with respect to frustration around this. The lack of the political side of your department showing up here today I find, frankly, offensive. I think we gave enough time and warning and interest in the seriousness of this matter that I actually quite feel for you. First of all, you have to sit at the table with your auditor, and also to sit in front of this committee, and consistently have the answer deflected back to—you know, it's policy. It's governmental direction that drives you folks in terms of.... You pronounce analysis, but not necessarily the incentive.

I'll be joining Mr. McGuinty on writing this letter, and I suggest, for further discussion, that this committee write a letter suggesting that the deputy minister, at the very least, come forward. I find it unacceptable, because you can't provide some of the answers that we need.

I am confused, with looking over the report, particularly this year's auditor's report, about the amount of government direction, the number of statements, the quotation that Mr. McGuinty just gave, over the years. We've known about this for quite a long time, yet the response, in terms of the auditor's report, is not exactly glowing in terms of the initiative and the energy that's coming out of the finance department. With respect to Mr. McGuinty's question in terms of the person-years, I hope we can get that answer.

Will you commit to submitting that answer to the committee?

Mr. Serge Dupont: I will, to the extent that the answer can be provided, certainly. You will appreciate that officials in the department will work on a range of files over time. We do not have a dedicated group, perhaps in Ms. Margles' branch. Environmental policy can be delivered through personal income tax, business income tax, sales tax and so forth, so we have officials throughout our branch in tax policy who from time to time will be called upon to look into environmental matters.

I'm saying that we have not in the past done an accounting of the times that they accorded to these issues versus social policy issues, economic issues, or others. I suppose we can try to go through that exercise; and if it can be helpful to the committee, then I'm sure we will try to provide some indication of the amount of that effort.

Mr. Nathan Cullen: I think the first part of your answer, that there aren't dedicated people per se to this particular file...is that what I'm understanding, or is that not correct?

Mr. Serge Dupont: There will be resources allocated to specific undertakings with regard to the environment. The people who are here with me today, for example, spent a considerable amount of time with the commissioner and spent a considerable amount of their time working on issues having to do with fiscal policy and the environment. I'm saying that it is not the exclusive domain of their activity, and we would have to make some kind of allocation, if you wish, to come to some kind of answer.

Mr. Nathan Cullen: I would not want to suggest you occupy your time with an extensive analysis, but the mere fact that there isn't a department head, there isn't somebody.... The question that's being put forward to us regularly is that the environmental lens is not placed before we make decisions. It's an afterthought. In effect, it's an analysis done on what our current policy systems are.

With this ad hoc committee that's been created within cabinet, the Department of Finance is notably absent, and it is perhaps the most powerful and important. The Department of Environment is not of sufficient weight and power, for my young eyes to this Parliament, in order to make the Department of Finance do anything. The general reputation that your department has, from the minister on down, is that it is a black box and that things will happen in their own due course and time. We've known about this for ten years plus, in terms of the potential. The OECD and other groups are saying we're falling behind. The incentive isn't there and there's been a directive from within cabinet, the strongest directive you can get in terms of policy,

and yet still the reports come out, Madam Gélinas' and others, saying we've fallen behind, we're not doing our job.

Would you care to comment on what strategic initiative needs to be taken—and I would also pass this over to Madam Gélinas—to make sure that the environment lens is the first one, if not among the first ones, that we look through when we're developing something like taxation policy? I don't want to hear an answer particularly about spending. The easiest two answers that government can give is to start to roll out spending figures and to roll out more analysis. I think the committee, you're getting a sense, is particularly tired of the second. Spending is a funny beast. It can be cut one year and spent the next, and suddenly it looks fantastic, and nothing has changed.

So specific to that lens being placed prior to a department like the finance department making any significant decisions, while I'm watching this ad hoc committee, I'm watching today where we don't have, clearly, the influence to bring in front of us the political people to make this thing happen.

● (0935)

The Chair: Madam Gélinas, or Ms. Margles.

Ms. Susan Margles: I'll start by responding to Mr. Cullen's remarks about the ad hoc committee. Clearly, the composition of the committee is the prerogative of the Prime Minister, but I would just say that there are officials from the Department of Finance who are involved and who are on the deputy ministers committee that mirrors that ad hoc committee. The assistant deputy minister I report to is very much engaged in that, and we do provide briefings to the minister, even though he's not a member of that committee, on every issue that comes before that committee, so he is well aware of the proposals that are coming in front of the committee, and of the activities the committee is undertaking. We also have an official who is present at each of the meetings of the ad hoc committee to ensure that we are well aware of the discussions that are going on and some of the decisions that are coming out of that committee.

Mr. Nathan Cullen: Just to be clear on the direction from that committee, is it your understanding that whatever proposals come out of that ad hoc committee will be directives for the finance department? Will these be marching orders, or will these be suggestions for further analysis? We're hearing that they're spinning their wheels, and that this is not an effective body necessarily, it's a feel-good group. I want to know if the work that's being done by these very venerable ministers is going to actually produce some sort of marching direction for you folks.

Ms. Susan Margles: The decisions of that committee are actually recorded as decisions in the same way as, for instance, the committee on domestic affairs or operations committees. They are official committee decisions. They are records of decisions that come out of that committee, so they are taken as directives in that sense, just as in any other ministerial proposal that comes forward to a committee and is approved by that committee and cabinet.

The Chair: Ms. Gélinas.

Ms. Johanne Gélinas: Mr. Chairman, thank you.

Just for the clarity of the transcript, I want to make sure, with respect to Mr. Cullen's question about the responses that the department gave us, that I say two things about that.

First of all, if you look at the overall responses, basically, the department is saying that we will continue to do what we have done in the past, thank you. The other thing also is that so far, the way the responses are shaped or phrased, it's not even possible for us to say if they agree with our recommendation or if they disagree with our recommendation. I hope we will get some clarity on that, because I need to know myself, to do my work in the future.

Mr. Nathan Cullen: So just to be clear, and I'm wrapping up, but from your perspective as the auditors of this report, when you've made recommendations, the answers are framed back to you in such a way that you don't know if they've been accepted or will be acted upon?

Ms. Johanne G  linas: In this case, it's true. Usually a department will start by saying "agree", "disagree", and "here's what we're going to do".

Mr. Nathan Cullen: In this context, the answer is nebulous.

I don't know if Mr. Pelland....

Ms. Johanne G  linas: "Nebulous" is the right word, Mr. Cullen.

The Chair: Fine.

Mr. Maxwell.

Mr. Neil Maxwell (Principal, Office of the Auditor General of Canada): I have three quick points on the member's question about how an environmental lens could be applied.

The first thing I would say—and I go back to the earlier question about studies such as the level playing field—is that's exactly the type of study that we expected the Department of Finance to provide. I think it's notable for the fact that it's one of the rare occasions on which they've done that type of broad, systematic analysis of an aspect of the tax system. That one was just one part of what is a very thick—and we have here the Income Tax Act—set of provisions.

The second point I would make is that with regard to strategic environmental assessment it sounds like the department has made some progress since our audit. The real question there is whether or not the department will use that process rigorously. We certainly had some doubts, in terms of some of these early assessments that had been done at the time we did our audit, about whether they really were aware of the environmental factors that needed to be looked at. We talked about the computer example. We had another example we looked at that we were unable to report because of budget secrecy.

The third point I would make is to return to the issue of transparency, because we made what we thought was a very reasonable recommendation with regard to making information more transparent, making it more available to parliamentarians. We cited in our report the fact that the department had seen its way clear to provide another parliamentary committee with detailed information that came out of its analysis. This is with regard to employer-provided transit passes. We really thought that much more transparency—if it's been done once, it should be possible to do it again—was important, in terms of providing a good environmental lens for the department.

Thank you, Mr. Chair.

• (0940)

The Chair: Thank you.

Thank you, Mr. Cullen.

We'll now go opposition and government side.

Mr. Simard, five minutes, and then we'll go to Mr. Scarpaleggia.

[Translation]

Mr. Christian Simard: In fact, this is a kind of catch 22, that is to say that you're recommending to the Department of Finance things it says it's doing but doesn't commit to doing. So currently, we'd be doing new things following the Commissioner's report. However, according to that report, the answer was unclear, vague, as was said.

Now, getting away from that, I believe we should consider recommendations from the Commissioner that have not been responded to. As the Standing Committee on Environment and Sustainable Development, we can't allow anyone not to respond to us or to say they're going to do something without committing to doing it. Otherwise, how will we be able to make a report? How will we be able to follow up if there's no commitment or if it's done in secret?

It's better to go about it differently. On behalf of the committee, I would like to consider a suggestion from the Commissioner's report. I believe a six-month deadline should be set, since time is passing, for an action plan to be filed by the Department of Finance regarding environmental taxation. As is stated on page 12 of the Commissioner's report:

To demonstrate that it intends to maintain the essence of its three 2001-2003 Sustainable Development Strategy commitments on examining ways to use the tax system, Finance Canada should:

develop clear and concrete expectations for their implementation;

articulate the key steps for implementation;

identify key areas where the tax system hinders the integration of the economy and the environment through a systematic review, based on risk; and

inform Parliament and Canadians about its expectations, its key steps for implementation, and the results of its review.

As regards the action plan for future years, the department simply said that it would continue as it has previously and that it would finish what it had started, but that the other matters were complicated, that the Department of Finance was big, that there were a lot of other departments and that this is not part of its tradition. It said that it often had to choose to use regulations and subsidy programs rather than use that and that it did not really know why it had continued to make traditional choices.

I get the impression we're going round in circles. So the idea would be to consider the recommendation that an action plan be established on the systematic use of environmental taxation filed by the Department of Finance with the Standing Committee on Environment and Sustainable Development. The reasons why environmental taxation is not used in cases where it isn't used should be stated. The action plan should be based on taxation elements that have the greatest impact on the environment, whether it be positive or negative.

I'm not used to the committee's standards, but I would like to present a motion or the equivalent of a recommendation.

[English]

The Chair: Mr. Dupont would like to respond, Mr. Simard, to the points you've raised.

Mr. Dupont.

[Translation]

Mr. Serge Dupont: Mr. Chairman, I'm not sure there's a question that I should answer. I simply want to say that, as regards the systematic use of an environmental taxation, we believe that an analysis that is clear and as relevant as possible should be conducted of all the ways in which the tax system can contribute to sustainable development objectives. However, it should be done in a targeted manner, limited to certain measures.

That is and will continue to be our commitment.

[English]

The Chair: But I think what Mr. Simard is saying, Mr. Dupont, is let's be practical. We have a budget that is in preparation. Is there any document that is a strategic document that is being used as a reference document that would support and drive the budget? Is there anything that is available that this committee could review that would satisfy the committee that many of the concerns raised by Ms. Gélinas and others are in fact going to be incorporated into the budget? Is there any strategic piece of information that is driving the budget?

• (0945)

Mr. Serge Dupont: Mr. Chairman, in terms of a strategic document that would be driving the budget, in particular, I could only refer to the Speech from the Throne. There are commitments there with regard to the environment.

From the perspective of the government, the issue may not be so much as to what specific use will be made of one instrument, but rather how it will move forward on its sustainable development commitments using a range of instruments.

The other documents, if you wish, would be advice provided to the minister with regard to potential budget measures, and of those there will budget measures adopted and others rejected. I indicated earlier that for each one emanating from this department with regard to the tax system, there will be reference made to the environmental aspects of the proposal.

The Chair: Ms. Gélinas.

[Translation]

Ms. Johanne Gélinas: Mr. Chairman, Mr. Simard referred to recommendation 3.44 of the report. I'd like to say that that's the consideration I think is most important. If we don't start with that, we'll never be able to determine the role of the Department of Finance.

I want to recall that the audit report refers to analyses conducted by the Department of Finance over a 10-year period. I don't think anyone conducts analyses just for the fun of it; it has to lead somewhere. It has to result if not in a position, at least in an action

plan, and that's precisely what I'm asking. I'm pleased the Bloc Québécois member has also raised this point. It's fundamental.

[English]

The Chair: Perhaps I may, Mr. Bigras, just ask Mr. Dupont this one.

Mr. Serge Dupont: Taking from the comments of the commissioner, I want to make one clarification.

It is one thing to have an action plan with regard to how the department proposes to carry on its business. I understood that to be the question of Mr. Simard. It is another to say, as the commissioner has just said, that there is a range of analysis, there is a broad base of analysis. We now need to see the action plan. That is a policy action plan. That is not the kind of action plan at least that I thought Mr. Simard was talking about. I may be mistaken. There are two different types of plans. One is how the department goes about its business. The other one is the overall policy that the government will be putting forward.

The Chair: I'm going to go to Mr. Scarpaleggia. Then I'll come back to Mr. Bigras.

Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.): Thank you, Mr. Chair.

Mr. Dupont, by way of preamble I would like to ask you the following question. You mentioned that the department's role is to take proposals from other departments and stakeholders. You don't see parliamentarians as just stakeholders, I hope. I don't mean to split hairs. I just want to make that distinction.

Mr. Serge Dupont: I apologize for the mishap.

Mr. Francis Scarpaleggia: It's not a problem.

Mr. Serge Dupont: I suspect, for instance, the finance committee will be reporting this week on its pre-budget consultations. It heard a number of witnesses and the government pays considerable attention to that advice, and we as officials have to look at it carefully.

Mr. Francis Scarpaleggia: Of course.

Mr. Serge Dupont: I apologize, and by this committee as well.

Mr. Francis Scarpaleggia: Not at all.

You also said that your role is to advise the minister on measures that should be included in a budget. Would you be willing to advise the minister to include tax-deductible transit passes in the next budget?

Mr. Serge Dupont: I welcome the question—I really do. Transit passes have been out there for quite a while in terms of proposal, and as mentioned by the commissioner's office, we did actually provide some information with regard to those kinds of proposals to the finance committee two years ago. It's an interesting one.

As part of the analysis underlying these proposals, at least as I understand it, and the commissioner may correct me, there would be some analysis done by her office in respect of a pilot project in the Ottawa region, where essentially some assistance was provided to employees of various agencies to purchase transit passes.

I mention the kind of framework we go through, and it may sound a bit bureaucratic, but let's take the example of transit passes. Would the measure be effective? I'm not going to state here whether officials will say it's a good measure or it's a bad measure. I just want to draw out some of the considerations.

Would a financial incentive, say a tax deduction or a tax credit, incite many citizens to change from driving to work to taking the bus to work?

• (0950)

Mr. Francis Scarpaleggia: May I stop you there, because I've heard that answer, and that's a fine answer—

Mr. Serge Dupont: But this is the analysis one has to go through to decide whether it's good public policy.

Mr. Francis Scarpaleggia: Yes, I understand, and I apologize for interrupting, but I have limited time.

Mr. Serge Dupont: No, please.

Mr. Francis Scarpaleggia: The Government of Quebec is considering bringing in tax-deductible transit passes. Are you saying that their number crunchers are wrong?

Mr. Serge Dupont: No, I don't think I've pronounced on whether this is good or bad. I've simply indicated that one has to look at whether it will be successful in changing behaviour...for people to drop their cars off and take the bus. That's one element in whether the proposal is fair or not. I'm just saying that's what we'll need to brief the minister on, so he can decide whether he wants—

Mr. Francis Scarpaleggia: Yes, I understand that when one devises budgetary measures, whether they be spending measures or tax measures, one has to go through a rigorous analysis. Some budget measures produce benefits that are not immediately measurable or they're not tangible and they can't be measured and defined, at least in the short term. In many cases, for example in the case of budget cuts, governments undertake budget cuts sometimes for philosophical reasons because they're responding to the will of the people, and of course they do some analysis on what the impact will be economically.

Why is it that when we get to transit passes we narrow the analysis, and we start talking about how many tonnes of carbon dioxide we are reducing, but when we talk about other fiscal measures we can aim at broad policy objectives that are sometimes a little more philosophical than precise?

Mr. Serge Dupont: I think the question would be, what is the best way to promote the use of public transit? And we will take a look at transit pass tax measures and the department will also take a look at other measures such as supporting municipalities in their undertakings in that regard.

Last year in the budget, by the way, the removal of the GST, the 100% rebate on GST for municipalities, did provide a benefit to all the transit corporations, which no longer bear any GST on the buses that they acquire, or any other capital expense.

Mr. Francis Scarpaleggia: I think it would be a nice measure to lighten the tax load on many people who rely on public transit, who are sometimes lower-income Canadians.

Thank you.

Mr. Serge Dupont: Could I just add, Mr. Chairman, that it's one thing to be nice to people who use public transit; it's another one to incite people to move from their cars to public transit.

The Chair: Okay. We'll go back to either Mr. Simard or Mr. Bigras. You both indicate that you want to ask a question.

[Translation]

Mr. Bernard Bigras: Ms. Margles has reassured me about the systematic review of the tax system. However, Mr. Dupont, 15 minutes later, you said that that review could not be based on all the programs. I don't remember what you said word for word, but you, in a way, contradicted Ms. Margles by saying that things had changed since the Commissioner's report and that a systematic review was conducted. I find it hard to understand what that means.

A strategic environmental assessment is much more than a random program evaluation. We're talking here about the three Ps: policies, plans and programs. First I'd like you to assure me that, from now on, you're going to examine programs systematically. Then I want confirmation of the fact that you're going to send me the summaries of the 39 strategic assessments conducted by your department. Lastly, I want to know once and for all whether there has been a genuine strategic environmental assessment of your department's plans and policies. Be frank with us. Tell us whether it hasn't been done or is being done. As regards programs, we want to know more about them in the coming months.

Mr. Serge Dupont: There are a number of aspects to your question. As regards the summaries of the analyses that have been conducted, they can of course be forwarded to you. I believe some confusion has arisen over the question whether a systematic assessment was done of all policy proposals submitted to the minister for decision. The answer to that is yes, all the more so in the case of tax proposals under the Finance Minister's responsibility. However, when matters within the sphere of other departments are brought to the minister's attention, those other departments are responsible for doing the analysis.

As regards the body of laws and out-of-court policies, there's been no commitment to conduct a systematic review to determine the beneficial or negative impact on the environment of everything involving, for example, the Income Tax Act. I would add that, to do so, a kind of neutral statute should be used as a reference. The exercise cannot be conducted in the absolute. Certain measures should be considered at certain times to determine what proposals would help to improve the tax system's impact on the environment. This is an analysis that's conducted on a case-by-case basis and that concerns concrete proposals.

● (0955)

Mr. Bernard Bigras: From what I understand, you're telling us there's a Cabinet directive, but that it isn't applicable in practice.

Ms. Susan Margles: In our view, what Cabinet has requested is that every new proposal be subject to this assessment. The idea isn't to go back into the past to conduct a review of everything that already exists.

Mr. Bernard Bigras: The directive has been around for 14 years. What do you mean by new? What do you think that includes? Where and when does it start; where and when does it stop?

Ms. Susan Margles: It doesn't stop, but it began in May 2003, when the process was implemented.

Mr. Bernard Bigras: In your opinion, when we talk about an amendment to the Income Tax Act, does that apply in respect of a new measure?

Mr. Serge Dupont: Yes, absolutely.

[English]

The Chair: Thank you.

Mr. Paradis.

[Translation]

Hon. Denis Paradis (Brome—Missisquoi, Lib.): Mr. Chairman, in their presentation, the Finance Department people repeat that the mandate is not to make policy for the departments, but rather to advise the minister, to analyze proposals and programs and so on.

They also say that budget preparation should take into account instructions from a certain number of sources, from the Minister of Finance, of course, but also from the Throne Speech, among other things. In my opinion, the instruction given by Cabinet when the special Cabinet Committee on Environment and Sustainable Development was formed must certainly involve the Department of Finance to the extent that it entails a significant position taken by the government.

I'd like the Department of Finance to be more proactive than simply analytical. We know that's probably not its biggest priority, but there could be a green cell in the department since it very often deals with horizontal issues regarding the environment. As a parliamentarian, I'd like the department to show some imagination and creativity rather than wait for proposals from here and there.

The Department of Finance is used to working in the banking industry. I believe we're here to discuss matters openly. Earlier I was speaking with my friend Francis about the possibility of creating a green bank within the Department of Finance. We would include tax credits. Suppose a given amount is available and we have one or two billion dollars in tax credits—depending on what Parliament would vote or what the budget would propose—in that green bank. The Department of Finance could then conduct analyses based on specific financial resources and decide where it would be preferable to invest that one or two billion dollars.

I get the impression that the departments, at least those that submit proposals to you, would view matters in a better light if they knew they could access some of those credits. They'd have the opportunity to innovate and to show some creativity, which, I hope, also happens to you one of these days.

I would like to hear some comments on the subject, Mr. Chairman.

● (1000)

Mr. Serge Dupont: Mr. Chairman, I'm sorry my answers lack creativity.

It seems to me there are two parts to your comments: the green bank and granting funds to achieve results. For example, the sale of Petro Canada's shares will make money available to promote environmental initiatives.

It won't be tax credits since, by definition, the funds won't be granted through a bank or even a department. Tax credits are provided under the act. Taxpayers then claim them where their situation makes it advantageous for them. In the context of an analysis, a choice has to be made between a program that has a budget and can establish priorities and contemplate marginal investments and a tax credit under the act for the use of all taxpayers. A choice has to be made between these two types of instruments.

Hon. Denis Paradis: Perhaps it's on that point that our views differ. I presented a solution different from the present method to you. I encourage you to show some imagination and creativity and find measures that are attractive to the departments. If there was a fund of one or two billion dollars in tax credits, it would be interesting to see what department would be the quickest to propose environmental programming in order to obtain those measures.

You answer by referring to mechanisms that currently exist. I have no objection to that. You're telling us what's going on. However, coming back to what I said earlier, I'd like our Department of Finance to be more committed, more imaginative and more creative in the way it looks for environmental solutions.

Ms. Susan Margles: I'm going to answer, but I don't think you'll find my answer creative enough.

A number of our funds aren't being used right now, such as the one from the sale of the Petro Canada shares, which has already been mentioned. There's another one for climate change; it stands at \$695 million, and it still isn't being used, even though it was announced in the 2003 budget. We're working with the Department of the Environment and with the Natural Resources Department to determine how these funds can be used creatively and effectively.

That may not be as creative as the measures you referred to, but we're working hard on it, in close cooperation with the other departments.

Hon. Denis Paradis: You're definitely right: that's not really my idea of creativity and imagination. A question came to mind while I was listening to you. Why aren't those funds being used right now?

[English]

The Chair: You'll have to make it fairly short, please.

[Translation]

Ms. Susan Margles: For the funds arising from the sale of the Petro Canada shares, since the share sale wasn't completed until September, we haven't had enough time to determine how to use the funds. It was announced in the 2003 budget that the funds would not be used until 2006-2007: so we have a little time to determine what we're going to do with them.

As for climate change, a fund has been established that's larger than the \$700 million I referred to. We began to use the money in cases where ideas were very well developed and supported by the ministers and the government. It was planned that the funds would be used over a period not limited to only a few years.

Now we can take advantage of the fact that the Treasury Board determines what's effective, what works well and what works less well. We're going to receive other proposals that will enable us to make adjustments to the overall plan. We have funds with which we can establish programs that complement those we've already created.

• (1005)

[English]

The Chair: Thank you, Mr. Paradis.

Mr. Simard and then Mr. Cullen.

[Translation]

Mr. Christian Simard: I'm not sure we're all talking about the same thing. When we talk about funds, we're talking about conventional subsidy programs, whether it be through a Petro Canada fund or another fund.

Let's talk a little about the tax system. In another life, I was an advisor to a Minister of the Environment. At the time, the Department of Finance was always talking about the incompressible dollar theory. From the moment you talk about taxpayers, the Department of Finance often automatically says that no new taxes should be introduced because that's no good politically. Instead it advises people to create a subsidy program within the department out of their own funds and to justify their subsidy program without resorting to the tax system.

There is a very strong inertia reaction, and that's dangerous. The government will have to hurt some people, even though it congratulates others through an incentive. That's the kind of culture we're living in. The External Advisory Committee on Smart Regulation says that Canada has old reflexes. It wants to help, so it subsidizes, but it looks away or closes its eyes to the old industry that pollutes. That's what's systematically done.

In the context of an action plan, the Department of Finance should clearly determine whether it's preferable to maintain a subsidy program that's expensive for everyone or to adopt an incentive for new technologies that's punitive in respect of persistent pollutants in the environment. Some 100 of those substances are already known. Their impact on the environment is considerable. As you may have noticed, steadily increasing amounts of these substances are constantly being released in Canada. Canadians and Quebecers think the situation is improving. No way. There's not the slightest improvement in toxic pollution. Penalties are assessed, taxes levied and credits granted. That's what the fiscal measures amount to.

I would expect that, through an action plan, the department would require every subsidy measure to be compared to the fiscal measure. Then we'd get results. That's what would be the least costly and the most effective. I get the impression that, behind all that, there's an absence of political will. They don't want to hurt or tax traditional industries which, although they hire people, are polluters. They finance not only political parties, but also leadership campaigns. That's beneficial. Taxes are cut without really being carefully evaluated. I think you have to call a spade a spade. A government that doesn't want to take environmental action is nothing other than a government that doesn't want to take environmental action. The tax system is a new way of doing things. You analyze for the sake of analyzing, and you conceal your action plan.

So I repeat that we need an action plan in six months at the latest. It will have to be coherent in terms of expectations and objectives that must be achieved. It will also have to stipulate the obligation for the departments to compare a measure that costs taxpayers a lot of money with another that, in addition to being neutral from a tax standpoint, could be much more effective.

That wasn't a question.

• (1010)

[English]

The Chair: Is there any response? No. Does anybody wish to respond to that?

Mr. Dupont.

[Translation]

Mr. Serge Dupont: Perhaps Mr. Simard wasn't expecting an answer, but I'll take the liberty of giving him one all the same.

I think you're right on some points, among other things where you talk about disincentives, that is to say purely a tax. This kind of option should indeed be studied. It's true that, when you talk about tax measures, the debate often turns on tax credits, deductions and so on. I think it's important to recognize that what we're ultimately talking about here are subsidies granted through the tax system with differential effects depending on the recipient's tax status.

Mr. Bigras referred earlier to Bill C-48. As I mentioned earlier, when that bill was introduced, it eliminated the deduction for resources, which was very beneficial for the mining industry in Canada. To somewhat offset the impact on the mining industry, the government adopted a 10 percent tax credit for new exploration and development expenses in the industry. When the bill was introduced in Parliament, the debate focused on the fact that the tax credit shouldn't be applied because the industry in question was a polluter. The question raised was rather whether a 20 percent incentive would be preferable to the 10 percent incentive to encourage the mining industry to a greater degree and to promote development of the northern and isolated regions.

It should be understood that these are tough political choices and that our role is to conduct analyses. In many cases, you and I would no doubt disagree.

Mr. Christian Simard: From a personal standpoint, that doesn't do much.

[English]

The Chair: Mr. Maxwell.

Mr. Neil Maxwell: I have a quick point. It's certainly encouraging to hear that the finance department will look at the issue of the existing tax act and subsidies and the like. I want to correct something from earlier testimony by the Finance Canada official. I think at the time he said that there hadn't been a commitment from the finance department to systematically look through this whole thing and see where those problems lie. I remind the committee of its 1995 report, when it recommended to the government that the government actually do that. The government's response was that it was indeed feasible to do it, and moreover, it would do it. As we commented in the report, it hasn't been done. So there are commitments there.

Another thing I'd like to correct that was mentioned by the official is I sensed that he thought we meant that every page of the Income Tax Act needs to be looked at. We were very careful in our report to say that's not the case. The kind of thing the finance department needs to embark on is very much to look at the highest risk, look at where the main problems may lie, and to focus its efforts that way. It is possible from the work that we did to do that type of analysis.

Thank you, Mr. Chair.

The Chair: Mr. Cullen and then Mr. Cullen.

Hon. Roy Cullen (Etobicoke North, Lib.): Thank you, Mr. Chair. Thank you to the officials.

This is a tough crowd for Finance Canada, especially or in particular or including brother Nathan, but if the objective is to push Finance Canada into looking in a more aggressive or a more structured way into economic instruments that affect environmental policies, then I think that's a good thing.

In fact, I've argued over time that there should be a core group within Finance Canada that can evaluate economic instruments in a more comprehensive way. Part of the problem at the government level is that there seems to be a lack of coordination between environmental objectives and fiscal policy objectives. The two do clash, because if we talk about economic instruments, they typically cost money. They may save money down the stream—I know all those arguments. So you have competing objectives, and I don't know if this new cabinet committee is providing a better way to manage this kind of competition. Maybe you could comment on that in a moment.

I had a couple of very specific questions. I know this meeting is more of a process kind of orientation, but an issue that I've been somewhat frustrated on is the question of energy efficiency in hybrid cars, for example. I don't know exactly where we're at with that federally. I know a number of the provinces have brought in some economic instruments, either grants or tax credits.

When I talk to the Minister of Environment, he says there's a bit of a bun fight going on over tax credits versus grants. Then I go to the finance minister, and he says yes, there's a bun fight going on. And I don't know what we've done on that. In fact I may have missed some policy decision, and I apologize for that, because it's hard to keep on top of everything. I wonder if you could talk about the question of economic instruments as they relate to hybrid cars.

Second, on this whole question of tax shifting in terms of energy, if you look at the oil patch in Calgary, it's moved from oil and gas companies to energy companies. Most of them are getting into renewable energy. Yet it seems to me our tax policies are still focused on the non-renewable sector. I know it's a big political issue as well. I wouldn't want to put that all at the door of the Department of Finance. But what do you see developing there and what are some of the policy issues with respect to tax shifting from the non-renewable to the renewable sector? I wonder if you can comment on hybrid cars, and if you could comment on this new cabinet committee, whether it's making any progress in bringing the two agendas closer together.

Ms. Susan Margles: Just to comment briefly on the committee, I think my reading of it is that the objective in terms of the membership was to do just what you're saying, in the sense that the Minister of Industry is the chair of the committee and you certainly have the Minister of Natural Resources and the Minister of Environment both there with other ministers. From my look at the agenda and the reports that we have from the person who attends from the department, there are certainly very interesting and robust discussions going on there. From my reading of what the Prime Minister put out as a mandate, I think that was the objective.

So I think if you're looking for a place where there's a horizontal look across what we normally consider the two sides of the bun fight that you described, it looks like that is taking place at that committee.

● (1015)

The Chair: Monsieur Dupont.

Mr. Serge Dupont: I have two points regarding vehicle efficiency in particular. That is an important point. It was identified clearly throughout the climate change discussions. The transportation sector is an important contributor. We have ongoing discussions with Environment Canada. There are also discussions involving other departments on different aspects of the issue.

Some discussions are being pursued with the vehicle manufacturers, as you know, on what they may be able to do from the point of view of supply. There is then the issue of what might be done with regard to demand. In particular, would the government contemplate whether there will be a tax on higher-polluting vehicles or a subsidy for more efficient vehicles? It could be a subsidy for hybrid vehicles.

Again, those are the kinds of issues that have to be addressed quite carefully with regard to what the cost in particular would be to measure, what the impact on behaviour would be, and what the ultimate market impact would be.

For example, a subsidy on hybrid vehicles would have to look at what amount would be necessary to change behaviour in regard to the acquisition of these vehicles. It would also have to start from a proposition of whether the government wishes to promote one particular technology rather than another, such as hybrid cars as opposed to another fuel efficient car. If it were to provide an incentive, would the incentive be captured by the buyer or would it be captured by the supplier? The supplier may actually have problems right now, as I understand it, meeting the demand for these vehicles.

Those are the considerations. If you are imposing a tax on the polluting vehicles, if you wish, where will the burden of that tax lie? Is it disproportionate, for instance, with regard to rural areas or families versus singles who may be living downtown?

Those are the kinds of issues we have to look at. I'm only saying that right now the discussions are taking place. The ministry will be advised of this file as we go through the budget process.

Hon. Roy Cullen: What about tax shifting in terms of non-renewable and renewable energy?

Mr. Serge Dupont: On tax shifting, I indicated earlier that the study of a few years ago indicated that the tax system was in fact not altogether biased toward non-renewable energy. There was some bias in favour of oil sands, as I mentioned. In fact, there is a positive bias in regard to renewable energies. We've continued that, whether it's things such as small hydro, ethanol, bio-diesel, and so forth, through successive budgets, adding a bit to the range of technologies that are eligible for certain preferential tax treatment.

The Chair: Thank you, Mr. Cullen.

I have to go to the other Mr. Cullen.

Mr. Cullen.

Mr. Nathan Cullen: Thank you for this opportunity.

I'd like to look at Petro-Canada for a moment on the sale of shares and this potentially good-news announcement that I'm starting to get a little concerned about. I have two questions.

What led to the decision to put only one-third aside for some of the positive benefits, both economic and environmental? For that amount of money, the \$800 million or whatever the final sum comes out to be, what analysis screen did it go through in the finance department? Was it clearly a political decision to pick a number out of the air and say one-third sounds good, it's a lot of money, and people will be happy? Was there a cost-benefit analysis done?

I'm using this as an example of how you folks make decisions to try to understand your methodology.

The second part of that question is why will it be in 2006-07? Have the shares not been completed? Is the money not in the bank, so to speak? Why are we waiting potentially until after another election to disperse these funds? That's not to suggest the government is going to fall or anything.

Ms. Susan Margles: I'll answer the second part first. The determination on 2006-07 was taken at the time of the last budget. It was taken around February of last year, and the budget was March

23. I think it was probably meant to allow time for the development of proposals on how the funding could be used.

In terms of the breakdown of what the funding is going toward, the discussion would have centred around three elements. First of all, there was a book value....

Sorry. To go back to your previous question, the share sale is complete and the money is in the bank. That happened in September. It's not a question of waiting for the money to come in.

There were three elements. First of all, there was a book value of the shares on the government's books. Part of the sale and the accounting for the sale go toward taking that off the books and making the commensurate accounting adjustments. That would take up a part of the total value from the sale.

• (1020)

Mr. Nathan Cullen: How much?

Ms. Susan Margles: Do you know what? I don't know offhand. I can't recall, but I can certainly get that number for you.

Mr. Nathan Cullen: Thank you.

Ms. Susan Margles: When we discuss any budget measure, we look at the overall picture in terms of sources and the uses of the fund. Amounts would have been earmarked in order to pay for other things that were going to be coming in this year or in order to build up the prudence accounts. The money isn't earmarked on a dollar-for-dollar basis.

We didn't know at the time of the last budget exactly how much money we would be getting. We had to take a prudent approach based on the projections that we had at the time for what oil prices were going to be, what we thought we could get, and where markets were going to go. There was a determination made, without full information, on how the split was going to happen and exactly how many dollars would be put toward environmental technology development.

Mr. Nathan Cullen: If I may just focus the question, then, I understand the general trend within the Department of Finance to sort of undersell expectations and then realize.... And we've gone through a number of years of budget surpluses. In general, in community perspectives, we're swimming in cash right now. I know you folks are prudent people, and supposedly that's why we hired you, and that's good.

I'm looking for the screening process where you said that on a cost-benefit basis, with respect to finance and the environment, the potential benefit to the economy, to the environment, you believe that this figure of one-third is appropriate. Is there an analysis done that measures that? Because we've heard it and I've read it in your documentation that the environment is important; it's one of the pegs of the chair or whatever.

At what point in this process did you folks say, bang for buck, we can get this much if we put one-third of Petro-Canada into some sort of environmental development fund and benefit the economy and the environment at the same time? Was that done?

Ms. Susan Margles: I don't think that would have been the exact nature of the analysis. I think people would have had a discussion around how much they thought they could get for those shares, how much they'd need to put aside to cover the book value, what else they'd need in the entire scheme of things to cover off other expenditures that would be happening in that fiscal year. Then there was probably a discussion that it would be a good idea, as a complementarity, given Petro-Canada and the business that it's in, to use part of those funds to meet environmental goals. There was a determination made at that time that \$800 million would be the appropriate number.

Mr. Nathan Cullen: So similar to this—and I think this is driving my confusion and frustration—we've had cabinet directives, we've had strong policy implementation from the political side for a long time, and when we arrive at a decision like this, we're still not doing it. We're still not including the environmental filter in one of the initial ones.

I would also look to Bill C-48, which I wasn't around for. In the prospect of reducing taxation to corporations from 28% to 21%, was there any similar analysis done saying if we do this to certain aspects of our resource sector—as an example, raw material extraction—we'll achieve this many economic benefits? It's easy to say that if corporations pay less tax...then you figure out if you're still going to generate enough revenue.

Did we do the same analysis on the environmental side of things?

The Chair: A one-minute response, please.

Ms. Susan Margles: Do you want to do Bill C-48 first?

Mr. Serge Dupont: Sure, and I'll try to be brief.

I guess Bill C-48 was quite an endeavour. We indicated earlier there was not a strategic environmental assessment done for Bill C-48. That is clear.

That said, Bill C-48 was an exercise in promoting neutrality in the tax system. It provided the removal, essentially, of a measure—the resource allowance—that was providing a net benefit to certain sectors of the resource industry. Having said that, the resource sector then essentially received the benefit of the 21% rate that was applied to all other sectors of the economy.

Mr. Nathan Cullen: Just as my last comment—

The Chair: This is your last comment.

Mr. Nathan Cullen: —I would like to encourage you to have a biased taxation system, because we're not doing full cost accounting in this country, in terms of health care costs, when we promote and maybe even allow a level playing field for the production of smog. We should start to bias the taxation system. We'll do our politics to do what we need to allow you folks to use those tools.

I don't want a level playing field, because it's not, if you're allowing the full cost accounting of what it is we do in our economy.

I thank you for your brief.

The Chair: Thanks, Mr. Cullen.

Mr. McGuinty.

Mr. David McGuinty: Thank you, Mr. Chairman.

I'd like to pick up on a question that Monsieur Bigras posed to you earlier, Mr. Dupont. The second part of his question was, if I understood it, about whether we know how to perform a major assessment of the entire fiscal regime in this country. Do we have the modeling capacity? Do we have the know-how? Is the econometric knowledge there, and so on?

I think your answer to the question was no, we don't know how to do this, and we haven't done it yet. You did say, however, that we are examining measures in isolation.

I just wanted to table that with you—not as a question, but I thought I understood that.

• (1025)

Mr. Serge Dupont: I'd like to respond, if I may, Mr. Chairman.

Mr. David McGuinty: Sure, just weave it into your answer, if you could, in a second.

In the department's response to the commissioner, you also said that as a department you do not release all information and analysis if it backstops your treatment of isolated measures. I think there are legitimate aspects of confidentiality that remain here, which constrain your ability to report; otherwise you would be sending signals out into the marketplace, and I understand that.

Given those two things, and picking up on a question I put earlier in terms of the number of person-years and the fact there is no unit in Finance Canada charged with the specific responsibility of examining these in their entirety, perhaps—but not in isolation—and given the fact that Norway has established a green council outside its department of finance, and Sweden has set up a sustainable development secretariat inside its prime minister's office, and Prime Minister Blair removed climate change from his line departments of energy and environment and took the climate change challenge into the prime minister's office in the U.K., and given that you can't send out messages to Canadian society and it's such a horizontal issue, it seems to me that maybe we ought to be looking here in Canada at creating an undersecretary-of-cabinet position at PCO with specific responsibility for sustainable development issues, including climate change.

Can you comment on that? Is that a fair assessment, and would it help you, in terms of being a department and as tax and programmatic officers in the department, in getting clear guidance and leadership from the centre?

Mr. Serge Dupont: I have a couple of quick comments. The first is with regard to the machinery. You will understand that is the purview of the Prime Minister and the Clerk of the Privy Council, so I'm not at liberty to discuss whether machinery changes would assist the government in any particular way.

I think it's useful to point out that the newly formed cabinet committee chaired by the Minister of Industry is, I think, a substantial example of the willingness of the centre, as you describe it, to establish some coordination of the overall process of integrating the economy and the environment.

Third, from our perspective, the work has to continue with our colleagues. The interdepartmental process does work; it does produce results in many instances. And indeed, every budget is a reflection of that; there have been environmental initiatives in every successive budget, which reflect the result of interdepartmental collaboration. That is not all done within the Department of Finance, obviously, so there is that collaboration.

Mr. David McGuinty: Mr. Dupont, several years ago, with the Clerk of the Privy Council, I convened a leaders' forum on sustainable development. We brought together over 20 deputy ministers and assistant deputy ministers. We put them into a room with 40 leaders from Canadian society, and we heard about the eight cross-cutting themes and the sustainable development strategies. Deputy minister after deputy minister stood up to explain those eight cross-cutting themes. At the end of the full day, after a terrific meeting, a very, very experienced executive from the private sector put up his hand and said, "I've had a wonderful day; I've learned a lot about the sustainable development strategy of the federal government, but I only have one question: who's in charge here?"

I raise this question again because I don't agree with your assessment that you're not in a position to comment on the machinery of government or the structure of government. I believe it is time now to take this out of the purview of the Department of Finance and to put it into the PCO, where it rightfully belongs. I believe there can only be one minister responsible for sustainable development for the country, and that has to be the Prime Minister, and I believe that delegating it outwards or downwards to a single line department's minister is not going to take us where we have to go. Jurisdiction after jurisdiction after jurisdiction on this planet is showing us this is the case.

So again, I put it to you, and I understand the sensitivities of your commenting on this, but do you not think that a central or steering role by PCO, backstopped with analysis, would help you to keep things confidential and at the same time give cabinet the options they need to begin shifting the direction of the ship of state?

● (1030)

Mr. Serge Dupont: I don't think I could really add to my previous answer, Mr. Chair. I don't think I'm in a position to comment on machinery changes.

The Chair: Mr. McGuinty, that's a question we will hold for the Minister of Finance, who will be here on February 8.

Mr. David McGuinty: Excellent.

The Chair: Unless there are any other questions from members, thank you very much to our witnesses, Ms. Gélinas, Mr. Dupont, Ms. Margles, and to our other witnesses. Thank you for being here, and all the very best for the new year.

Members of the committee, I had indicated to Mr. Cullen with respect to his notice of motion that we would refer this to the steering committee. He was in complete agreement with that when I had an opportunity to discuss it with him. If I could have a motion just to refer it.... We don't need a motion to that extent, but that's what we'll do and we'll report out to the first meeting.

Is there anything else?

Thank you very much, and have a merry Christmas and good new year.

Merci. Thank you.

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