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Chair

Mr. Massimo Pacetti

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● (1405)

[*English*]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good afternoon. It's nice to have you all here this afternoon. This is our first meeting for this afternoon. We're a little bit between sessions here, so please forgive some of the members who are just coming in. The important thing is that your testimony is on the record.

Pursuant to Standing Order 83.1, we're here on pre-budget consultations. What I'll do is allow you a seven- to eight-minute opening statement, in order to present your briefs. Please don't go over that limit, because we have more than one group and it's tough to stay on schedule. I don't want to interrupt you after eight minutes, but I will if I have to, because the members are going to want to ask questions afterwards.

For the members, we added the Juvenile Diabetes Research Foundation.

Beginning with the Canadian Association of Fire Chiefs, Mr. Warden, you were going to do the presentation, so go ahead. Thank you.

Chief Donald Warden (Fire Chief, Wasaga Beach, Canadian Association of Fire Chiefs): Thank you.

On behalf of the thousand chief fire officers comprising the membership of the Canadian Association of Fire Chiefs, the opportunity to participate in these pre-budget deliberations is much appreciated.

My name is Don Warden, and I chair the association's government relations committee. With me is Pat Burke, the committee's vice-chair. I am the fire chief of Wasaga Beach, while Pat is the Niagara fire chief.

CAFC is a national organization with members located in all provinces and territories. The positions contained in this submission come either from policy resolutions adopted by our membership at an annual general meeting, or from our pre-budget survey conducted this summer. Thus, the contents of our brief accurately reflect the views of our members.

The April 2005 consensus report published by Statistics Canada estimated a total Canadian population of 32 million. The 131 fire chiefs participating in this year's pre-budget survey collectively protect the lives and property of approximately half of those citizens.

A senior representative of Public Safety and Emergency Preparedness Canada recently stated that in the event of a major catastrophic incident, the role of the emergency first responders already on the scene would be to restore structure to a chaotic situation. CAFC agrees that the responsibility will fall initially on the shoulders of local first responders. While they are ready to assume this role, it is the equal responsibility of government to ensure that the training and equipment required to restore structure have been put in place in advance.

Much has been made of the need to be prepared for a terrorist assault on Canada and, more recently, about obsessing about a pandemic resulting from avian flu. While such possibilities cannot be discounted, the standing committee should note that emergency incidents in Canada have largely been caused by nature. Damage from water or wind can be as severe as or far exceed that caused by a terrorist attack. The impact of the December 2004 tsunami on Indonesia was overwhelming compared to the Bali terrorist tragedy in that country. Whether a disaster is man-made or caused by nature is less significant to the fire service than is their capacity to deal with the effects of any such incident.

A major objective of this submission is to ensure that the Government of Canada recognizes the steps it must take to ensure that Canadian fire services are prepared to do their part to ensure that structure can be brought from chaos in the event of a disaster. To discuss the role that the Government of Canada should have in such a program, I will ask Fire Chief Pat Burke to comment presently.

Prior to that, however, I've been directed by our national board of directors to make reference to the standing committee's consultations in Moncton earlier this week. At that time, a delegation representing the fire services from throughout the Maritimes urged the standing committee to move quickly to pass Bill C-273 and return it to the House for third reading. This position is unanimously supported by the board of the Canadian Association of Fire Chiefs, which comprises directors from all provinces and territories.

With that said, I would now like to turn the floor over to Fire Chief Burke.

Chief Patrick Burke (Fire Chief, Niagara Falls, Canadian Association of Fire Chiefs): Thank you, Chief Warden.

The February 2004 throne speech stated that there is no more fundamental role for government than the protection of its citizens. Chief Warden has pointed out that the fire services are in the business of restoring order from chaos. To do so, the Government of Canada has to share with the provinces and territories the responsibility for ensuring that the equipment and training needs are appropriate for providing proper emergency first responses. This year the standing committee could take no action more significant in its pre-budget report to the House than to commit itself, in writing, to the principle that all Canadians deserve to receive basic fire protection services, and that adequate federal funding is required to ensure that this principle is respected. Within the context of that guiding principle, CAFC believes the standing committee should take four specific actions.

First, the standing committee should recommend that the amount of funding under the joint emergency preparedness program be increased, to make it more meaningful across a much broader spectrum of the fire services than is currently the case. There is widespread support for the notion that emergency preparedness is expected by the citizens of Canada. For that reason, we also recommend that the committee urge the government to scrutinize JEPP to ensure that it remains responsive to the needs of the fire services in the years ahead.

Secondly, the standing committee should endorse the recommendation of the Senate Standing Committee on National Security and Defence that the federal government provide four additional years of funding for the purchase of CBRN equipment. The Senate standing committee had recommended annual federal funding of $5 million, but the association believes this amount to be insufficient, and instead recommends that $10 million per year for the next four years would be far more realistic.

Thirdly, fire services personnel recognize that they are the emergency first responders likely to arrive first at the scene of any incident. They have to be able to communicate among themselves, with their command post, and ultimately with the other emergency services once they arrive. Hand-held communication devices would be a major step toward creating true interoperability between the emergency first responder services. That leads me to the third point in this discussion. We urge the standing committee to recommend that the cost of equipping the entire first responder community nationwide with hand-held communication devices be addressed in the forthcoming budget, and further, that the federal portion of the cost be at least 50%.

Fourthly, fully 93% of the fire chiefs responding to our pre-budget survey stated that the Government of Canada has a responsibility to financially support training for fire services personnel. More than two-thirds of them felt this support should be provided directly to their fire departments, as opposed to having it come through provincial and territorial governments. This is a proposition that is supported by the association as well.

I'd like to spend these few remaining moments available to us bringing three additional and important pre-budget concerns to your attention. First, the Canadian fire services have been significantly disadvantaged since the Office of the Dominion Fire Commissioner was abolished some years ago. We believe a federal presence for the fire services needs to be re-established in the next budget, and that the mandate for this office should include, one, a national coordinator for the fire service, for emergency preparedness—that's CBRN and USAR; two, an office responsible for national fire training standards, fire prevention and education, a coordinating body for provincial fire prevention activities, and the development of strategies on a national level for fire prevention in Canada; three, responsibility for coordinating a national response by the fire services to emergencies both within Canada and internationally; and four, a national link for the provincial fire commissioners, similar to the coordination of the police.

Secondly, as incredible as it may seem to the standing committee, we believe there are no national fire-related statistics available to the Canadian fire services. As a result, fire protection and fire prevention planning are carried out in an information vacuum in many parts of Canada. We urge the standing committee to support the concept that the next federal budget contain the financial resources necessary to collect, compile, and distribute national fire-related statistics in a timely and uniform manner.

Finally, we've been told by senior public servants that the Government of Canada lacks the political will to play its role in ensuring that all structures in Canada be protected by automatic sprinkler systems. In 2004 the city of Vancouver enjoyed the distinction of recording no fire-related fatalities. It's no coincidence that Vancouver is the only major city in Canada that requires automatic sprinkler systems in all residential constructs.

The fire services cannot believe that members of Parliament lack the political will to protect the lives and property of their constituents. It's for that reason that we have urged that the tax system be amended to encourage the installation of automatic sprinkler systems in both residential and non-residential structures.

● (1410)

Your attention to our remarks is very much appreciated. Chief Warden and I are looking forward to discussing our brief with you during the dialogue portion of the consultation.

Thank you.

The Chair: Thank you, Mr. Burke.

From the Canadian Association of Physicians for the Environment, Mr. Khatter.

Dr. Kapil Khatter (Excutive Director, Canadian Association of Physicians for the Environment): Chair, committee members, thank you very much for the opportunity to speak today.

I will begin by presenting from our brief, and that will be followed by my colleague from Toronto Public Health, who will comment further on their recent report.

My name is Kapil Khatter. I am a family physician and the president of the Canadian Association of Physicians for the Environment. We are here today to ask you to fund a Canadian chemical testing or biomonitoring program in the next budget.

The assessment and regulation of chemicals in Canada is severely hampered by a lack of information about what we're being exposed to in terms of chemicals and in what amounts. We don't know enough, for instance, about children's exposures and how they differ from adults, or what parts of the country are getting the most exposure.

The United States, which has a population testing program in place and is about to begin important research, is a step ahead of us on this. This new research, the U.S. national children's study, will be the largest study ever conducted in North America to look at children's environments and how they impact their health.

The United States has invited us to join. We cannot miss this outstanding opportunity. Canadian testing will answer many of our outstanding questions and allow us to make better chemical risk assessment decisions. Given the resources that have already been invested in organizing this study, doing it, now, in collaboration with the Americans, will save us huge amounts of money. Although this kind of research is not cheap, it is the most scientifically rigorous way of gathering this information.

For this reason, there is broad support for both the U.S. study and a Canadian arm—including from the chemical industry. It is widely understood that studies like this pay for themselves in the long run by reducing the societal burden of chronic disease and by helping us make more efficient policy decisions. Canadian biomonitoring will help us identify new emerging problems and assess Canadian chemical management. Adding Canadian subjects will make the overall study better able to assess the impacts of chemical exposure. A Canadian program would be a much-needed shot in the arm for environmental and health research in Canada.

What we and other groups are calling for is a two-pronged approach similar to that in the United States. The proposal is for funding a population testing program through Statistics Canada's Canadian health measures survey, and funding for a Canadian arm of the U.S. national children's study. Running a Canadian component of the children's study will take $50 million per year for the first five years. A robust StatsCan testing program will take an additional $19 million per year.

As the U.S. study is getting under way now, money is urgently needed in the upcoming federal budget so that we can participate in time.

● (1415)

Mrs. Loren Vanderlinden (Supervisor, Environmental Health Assessment and Policy, Canadian Association of Physicians for the Environment): Hello, my name is Loren Vanderlinden. I am here today on behalf of Toronto Public Health and Dr. David McKeown, the medical officer of health for the City of Toronto.

We recently released a major report examining the state of knowledge of children's environmental health in Canada. In this comprehensive work, we concluded that there is a need for urgent action in a number of priority areas to ensure that children's health is better protected from environmental threats in this country.

Dr. McKeown has recommended that the federal Minister of Health improve research and surveillance through the two specific initiatives already mentioned by Dr. Khatter: a Canadian longitudinal birth cohort study to complement the U.S. national children's study, and a long-term national biomonitoring program similar to that of the U.S. Centers for Disease Control and Prevention.

Canadian involvement in the national children's study would be an invaluable opportunity to improve our understanding of how environmental exposures around the time of pregnancy influence health across all stages of development. As one of my colleagues describes, this study is, and will be, an investment in prevention. It would not only add to the body of research on the causes of environmentally linked health impacts, but it would also allow for testing hypotheses about how best to prevent such diseases and conditions.

Health economic analyses for both Canada and the U.S. indicate that the annual societal costs from health conditions of environmental origin are substantial, amounting in the many billions of dollars each year. By collaborating with the U.S. on a national children's study, Canadian researchers stand to benefit from the wealth of pre-existing expertise from U.S. federally funded research centres.

The work of these children's centres has already helped inform the planning and the protocol development for the U.S. study. We don't have comparable research centres in Canada. A Canadian arm of the study would require that similar research centres be established and would then serve to help build crucial research and training capacity on children's environmental health in Canada.

The second recommended initiative, a long-term biomonitoring study, one that measures the amounts of chemicals found in body tissues, answers the urgent need for information on exposures of Canadian children and adults. Unfortunately, except for some limited cross-sectional data, there has been no systematic general population biomonitoring in Canada. An ongoing biomonitoring study would not only provide a baseline of information to better understand the nature of Canadian children's exposure, but would also help to predict those at risk for harmful exposures and allow for tracking of trends.

As it stands, the upcoming Canada health measures survey, as a one-time project, will be able to test for only four contaminants and collect samples only from adults or children above the age of five. There are no current data in Canada on the exposure of children younger than age six to certain environmental contaminants such as lead or mercury, which we know to be harmful to their developing brain and nervous system.

Once again, we stand to benefit from the expertise of our colleagues in the U.S. whose long-term biomonitoring program is assessing exposure to nearly 150 different contaminants, as of the last report.

Thank you for the chance to speak and for considering this information.

The Chair: Thank you, Ms. Vanderlinden.

From the Canadian Institute of Chartered Accountants, Mr. Byars.

Mr. Nigel Byars (Executive Vice-President, Canadian Institute of Chartered Accountants): Mr. Chairman and members of the committee, on behalf of Canada's 70,000 chartered accountants, thank you for the opportunity to speak to you today.

Our analysis, comments, and recommendations are contained in the written submission provided to you, and we wish to highlight selected areas we consider to be particularly important to Canadians.

Let me begin with the strengthening of the financial condition of the Government of Canada. The government has delivered meaningful improvement in its financial condition over the past decade by reducing debt. This improvement is most evident in the decline in the ratio of debt to GDP to 38.7%, well down from its highest point, when it sat at 68.4%.

The annual interest on the Canadian mortgage declined by $1.7 billion in the 2005 fiscal year and as a share of net revenue stood at 17.2%, compared to its peak of 39% in the early 1990s. Yet this cost still amounts to approximately $34 billion or about $2,100 per Canadian taxpayer. Although the annual public debt charges are now $9 billion less than they were in 1998, interest-bearing debt still amounted to $615 billion at March 2005 and has only been reduced by $14.8 billion since 1998.

Much of the government surpluses reported over the past eight years have resulted from significantly lower debt costs, and much of the lower debt costs are attributable more to the significant fall in interest rates than to reduced federal debt.

A lower debt burden means that a smaller portion of government revenue is pre-committed to meeting the annual debt-servicing costs. Paying down the debt improves the government's resilience to economic shocks and reduces the burden to be left to the younger generations who will inherit the obligation.

We are concerned about recent significant increases in government spending. Program spending increased last year by 15%, the largest such increase since 1983. The significant multi-year spending commitments made after the last budget are a further concern, as program spending is now projected to increase at an average annual rate of 5.6% through to 2010. The reserves for contingency and economic prudence are intended to hedge against unexpected negative events and not to fund significant discretionary changes in the fiscal plan such as the post-budget commitments.

Yesterday the U.S. Federal Reserve Bank increased its benchmark lending rate for the 12th time since June 2004, to 4%. This raises the rate to its highest point since June of 2001. The Bank of Canada rate, by comparison, currently stands at 3%. The spectre of higher interest rates and a fluctuating Canadian dollars adds uncertainty and risk to any budget projection. The need for caution and prudent control over spending remains.

We recommend that the government establish a formal plan to achieve its goal of reducing the debt to GDP ratio to 25% by 2015. Accomplishing this goal requires a structured reduction plan and not simply the hope that an inflationary rise in GDP will solve the problem by itself.

The second area is improving productivity and enhancing the quality of life for Canadians. The Conference Board's 10th annual “Performance and Potential” report indicates that Canada's economic position has dropped from third place in 2003 to 12th place in 2005. Furthermore, Canada's productivity growth rate for 2003 and 2004 was at the bottom of the list of G-8 nations. Canada has a productivity problem. Unless we address the productivity problem, Canadians risk lower incomes and an economic quality of life further below that of our major trading partners.

We encourage the government to pursue a productivity-focused agenda by reducing and reallocating spending to allow tax reduction by making strategic investments in infrastructure, education, and skills training and by promoting and encouraging innovation, research, and entrepreneurship.

● (1420)

A third area is enhancing the efficiency of Canada's tax system. Identifying and fixing inefficiencies in the tax system can potentially save billions of dollars, savings that can be achieved without compromising the integrity of the tax system.

An area where savings could be most significant is the harmonization of the GST and provincial sales taxes. While the federal government has previously indicated its preference for the single administration of a harmonized sales tax system, we believe it should rekindle its efforts and make this a clear priority at future federal-provincial meetings with those provinces not already harmonized.

Harmonization benefits are also possible with the corporate income tax system. Only seven provinces have agreements with the federal government for the administration of their corporate income taxes.

The benefits of a harmonized system with a single administration over sales tax and corporate income tax could produce significant annual savings to governments and taxpayers. A more efficient tax system can contribute to increased productivity and can enable taxpayers to reinvest their share of the savings in Canada's economy.

Finally, we will focus on improving transparency and financial reporting practices of the federal government by highlighting three aspects related to improved financial reporting we believe should be given priority attention by the government.

First is the timeliness of annual government reporting. For several years the release date for the government's annual audited financial statements has been mid-October, more than six months after the end of the fiscal year and significantly later than the required reporting of publicly traded Canadian corporations. Although there are challenges to more timely reporting by the government, the fact remains that information loses relevance and value to decision-makers over time, and financial reporting six months after the end of the fiscal year is too late for the government to be reporting to the shareholders of Canada. We encourage the government to improve the timeliness of its financial reporting.

The second issue relates to performance measurement and reporting. The government has made significant progress in adopting CICA reporting recommendations, and the financial statements discussion and analysis contained in the 2005 “Public Accounts” is an excellent example of this progress.

The 1997 CICA research report “Indicators of Government Financial Condition” identifies ten indicators under the themes of sustainability, flexibility, and vulnerability. Several of these indicators are referred to in the financial statements discussion and analysis section of the public accounts. However, governments should be accountable not only for historical progress but also for progress at achieving predetermined performance goals. We encourage the government to adopt specific goals for these indicators and to report their progress in achieving them.

The final area of focus relates to Bill C-67. As we understand the intent of the bill, the government wishes to be able to appropriate any amount of excess surplus in a particular year to enable future income tax reductions and future program spending. The remainder of any surplus would fall to reducing accumulated deficit—or net federal debt, as the finance department refers to it.

To the extent that the activities that relate to such proposed appropriations are incurred and relate directly to the reporting fiscal year, we do not express concern. However, if the intended tax reductions or the planned program expenditures are in fact related to future years, then such appropriations would not be in accordance with generally accepted accounting principles for public sector organizations.

We recognize that as a sovereign nation Canada does have the power to write its own rules. However, in this age of increased transparency, accountability, and enhanced governance focus, Canada's financial reporting would not be seen favourably in world capital markets if it were to deviate from public sector GAAP and adopt a form of reserve accounting similar to that which has contributed to the difficulties and declining credibility of certain major publicly traded Canadian and international corporations. We encourage the government to ensure that the credibility of its financial reporting withstands full scrutiny by all users of its financial reports by continuing to adhere to generally accepted accounting principles for the public sector.

This concludes our overview comments in support of our written submission.

Thank you for the opportunity to speak to you today.

● (1425)

The Chair: Thank you.

We went over the limit, but seeing as how you are a CA and I'm a CGA, it takes you guys a little bit longer.

Some hon. members: Oh, oh!

The Chair: It's just a shot I had to take. Sorry.

From the Writers' Union of Canada, Ms. Windsor.

Mr. Ron Brown (First Vice-Chair, Writers' Union of Canada): Actually, I'm Ron Brown. I'm the vice-chair of the Writers' Union, and I'm delighted to present our speaking notes to you today.

The Writers' Union of Canada appreciates this opportunity to participate in pre-budget consultations with you, the Standing Committee on Finance. As our brief already before you points out, this union was founded by writers, for writers, in 1973, and has evolved into the national voice of more that 1,500 writers of books in all general trade genres, with a mandate to promote and defend the interests of its creative membership and all Canadians' freedom to write and to publish.

The Writers' Union of Canada urges the Government of Canada in its next budget to increase funding to the not-for-profit arts sector through the Canada Council for the Arts by $5 per capita, effectively doubling the current annual contribution; introduce a copyright income deduction for creators, modeled on that used in the province of Quebec; introduce a limited back-averaging plan for the professional income of creators whose incomes fluctuate; exempt from taxation subsistence grants for creators administered by the Canada Council for the Arts; grant the Public Lending Right Commission's request for a budgetary increase to bring its hit rate up to a level more aligned with the hit rate established 18 years ago; support the Writers' Union of Canada in its efforts to seek secured creditor status for writers in the event of publishers going into receivership; and extend employment insurance benefits to self-employed creators, and creators who work in paid employment to supplement their self-employment, to make them eligible for EI when employment is lost.

Many of these proposals are not new, but we maintain that they can address the inequities writers and other artists face. We respectfully submit that they can help this committee achieve its stated objectives.

Concerning increased funding to the not-for-profit arts sector through Canada Council for the Arts, the Writers' Union supports the work being done by the Canadian Arts Coalition and shares in the coalition's common goal: to seek increased investment of $5 per Canadian for arts funding through the Canada Council for the Arts. Our case for increased funding is threefold.

First and foremost, we believe the intrinsic benefits embedded in the arts experience—music, theatre, books, comedy, art—enrich the lives of all Canadians. Environics and Ipsos-Reid, with analysis conducted by the Rotman School of Management, report that over 90% of Canadians believe the arts are important to enhancing the quality of life in their communities.

Increasing public support of the arts by $5 per Canadian would mean more educational opportunities for our children and enhanced access to the arts for all Canadians. The demand for funding, to have writers do readings in schools and for the general public, exceeds the funds available and the demand is increasing, yet the funding has stayed the same for eight years.

The arts are also an important part of building an inclusive country. It's how we build a sense of shared citizenship and understanding of one another. If you look on your 20-dollar bill, you will see a quote from Gabrielle Roy: “Could we ever know each other in the slightest without the arts?”

Second, everyone understands the need to make strategic investments in our public infrastructure to improve transportation, schools, and hospitals. As we make these important investments in our communities and cities, we need to invest equally in the arts. The viability of cities in the future will depend greatly on their cultural opportunities.

Finally, it's about taking our place on the world stage. The arts define who we are as a nation and help showcase Canada to the world. By exporting Canada's culture, we are building a reputation and profile for Canada in the international community. Our members, many of whom have benefited directly from Canada Council support, continue to be among our best ambassadors.

The Canada Council for the Arts is the federal government's primary vehicle for delivering arts support and is fundamental to the public cultural infrastructure of Canada.

Concerning copyright income deduction, more than a year ago Parliament considered a private member's bill calling for copyright income deduction for writers and other artists. Although the bill was general in tone and lacked specifics, it nonetheless captured the spirit of the inequity writers face and the general principles of what might help correct it. We again recommend that the Department of Finance institute a copyright income deduction for creators.

This deduction has been used in Quebec for several years, where it not only corrects the tax penalty implicit in the Income Tax Act, but also works to encourage, rather than penalize, those who try to make a living from their creations. In Quebec, the provision applies to writers, artists, filmmakers, composers, anyone who produces copyright material that generates income. Since copyright is clearly defined under the Copyright Act, such a provision is very easy to administer.

● (1430)

The copyright income deduction effectively removes fluctuations from creators' incomes, since it is the royalties earned on copyright material that create the wild income fluctuations.

The copyright income deduction requires almost no calculation and fits easily within the existing framework of the income tax form. There are many precedents already on the form, such as the deduction for employment income earned outside Canada, or the deduction for employees of certain international organizations, such as the United Nations. Canada has a long history of giving special consideration to enterprises that further the national interest—for instance, scientific research and experimental development. Likewise, the contribution made by members of Parliament is appropriately recognized through a tax-exempt allowance. The copyright income deduction would function in the same way, providing an incentive to those who create the nation's cultural products.

The cost to the government would be minuscule. Setting a reasonable upper limit of income—and only that income derived from the artistic endeavour—would ensure that only those writers and artists with low incomes would be able to derive benefit from the deduction. As creators, we are unlike other taxpayers. Our creativity provides the raw materials for the entire cultural sector that receive a variety of subsidies and incentives at the production and dissemination levels. We are seeking equitable treatment.

Concerning limited backward income averaging, as we've described, most writers cobble together their incomes from various sources—teaching, editing, or driving a cab. Still, book royalties and advances account for a third of a writer's income, on average. A book, like any large creative endeavour, can take years to write, yet the bulk of the income generated from that book usually arrives in one fell swoop. A creator puts in years of labour and often years of sacrifice, incurring debt and doing without. Then, when the payoff comes, that income is taxed as if it were earned entirely within that taxation year.

We are pleased that in the past this committee has recognized the injustice of this inequity and has recommended that the government institute income backward averaging for creators.

Concerning subsistence grants, one of the most confusing inequities has been policy towards subsistence grants for writers and artists. These are grants that quite literally provide funds for artists to live for several months while they create their cultural product—hence the name “subsistence”. We contend that these grants should be tax-exempt.

People otherwise employed on a full-time basis are ineligible to apply for these grants. Only self-employed creators may apply. If grants arrive at the beginning of the year, the grant usually has been exhausted at tax time, by rent, food, and the necessities of life required during the period of the grant. Creators may have to borrow money in order to pay the tax. In essence, taxing grants such as these undermines the principle of survival that inspired their creation.

Concerning public lending right, Canada has the distinction of being one of only a handful of progressive countries in the world with a public lending right commission. The call to create the public lending right was spearheaded by the Writers' Union of Canada. Public lending right provides for a modest annual payment to Canadian book authors whose works are available in Canadian libraries for lending.

At the time of PLR's creation, the government agreed to periodically inject increased funding into the program to ensure its success long into the future. Unfortunately, government funding into PLR has not met the increased demand for funds, as is reported in the recent PLR annual report. The union believes it is imperative for the Public Lending Right Commission's request for a budgetary increase be funded in the next budget, to bring its hit rate up to a level more aligned with the hit rate established 18 years ago.

● (1435)

The Chair: Mr. Brown, you're way over on the time. I know you have two more points, so perhaps you just could conclude, if you want, off the cuff.

Mr. Ron Brown: The last two points were going to be secured creditor status for authors and employment insurance benefits.

Once again, we urge the members of the committee to recommend that the government remove the tax inequity currently carried by creators with fluctuating incomes through a targeted copyright income deduction and the introduction of income backward averaging for writers.

In addition, we further urge the committee to recommend that subsistence grants received by artists from the Canada Council for Arts be made tax-exempt.

The Chair: Thank you, Mr. Brown.

From Orchestras Canada, Ms. Carleton.

Ms. Katherine Carleton (Executive Director, Orchestras Canada): Thank you very much. I appreciate the privilege of speaking to you today.

My name is Katherine Carleton. I'm the executive director of Orchestras Canada. We're a national organization representing over 100 professional, semi-professional, amateur, and youth orchestras from coast to coast. We have members in every province, and their annual budgets range in size from under $3,500 to over $18 million.

I'm here to bust some myths about Canada's orchestras. I will tell you about the real success stories from our community. I will outline for you some of the key points of contact between our orchestras and the federal government. I ask you to consider some proposals I believe will benefit the 98% of Canadians who say they like music. This is according to some research the CBC did as part of a recent arts and culture study. I can't or won't speak for the 2% who say they don't like music. I assume none of them are in the room today.

At the lower end of the budget spectrum, our orchestra members demonstrate both the vitality of Canada's volunteer community and a profound commitment to making music at the highest possible level. It's not an elite art form: it's people performing for the sheer love of music.

At the higher levels—and I'm talking about approximately 40 orchestras all across the country in communities like St. John's, Halifax, Quebec City, Montreal, Ottawa, Toronto, Kingston, Thunder Bay, London, Kitchener-Waterloo, Windsor, Winnipeg, Regina, Saskatoon, Edmonton, Calgary, Kelowna, Vancouver, and Victoria—Canada's semi-professional and professional orchestras perform for over 2.2 million Canadians each year. Contrary to public belief, the number is growing.

As well, our orchestras present concerts for over one million Canadian schoolchildren each year, helping to create an arts curriculum that is otherwise increasingly absent in our schools. They are heard by hundreds of thousands of listeners across Canada and around the world on CBC Radio Two and Radio-Canada. They support the work of choirs, opera companies, and ballet companies in their community. They record for a handful of enterprising Canadian record labels, including CBC Records, Analekta, and ATMA. Their recordings are distributed throughout the world through innovative partnership arrangements. They engage in cutting-edge technological ventures to take their work around the world on the worldwide web. In short, they're actively engaged in expanding their audiences, and they're doing an exemplary job of serving their geographic communities, while enhancing Canada's national reputation.

All of this comes with a cost. On average, revenue from ticket sales and performance fees covers 37% of the expenses of operating a professional symphony orchestra. The rest comes from donations, sponsorships, and grants from all three levels of government: municipal, federal, and provincial. If government support were not in place, ticket prices would have to rise to prohibitive levels, and access to this music would be restricted to fewer and fewer Canadians.

Alternatively, orchestras would revert to part-time and amateur status, and their capacity to serve their communities would diminish. Daytime concerts for schoolchildren and seniors would disappear. Regional touring, which is already reduced, would disappear. The quality of performance would be affected, and our ability to effectively showcase Canada to the international community would diminish.

Here's where you come in. Orchestras Canada and the orchestras we represent are members of the Canadian Arts Coalition. This group, which got together in the spring of 2005, was formed around the single potent idea of working together to advocate for an increase in the funding to the Canada Council for the Arts. As my colleague mentioned, we're looking for an increase in the council's budget equivalent to an additional $5 per Canadian, increasing the per capita support to the council to just under $10. This amounts to an increase of somewhere between $150 million and $160 million, and represents a doubling of the council's budget.

Why are we asking for this, and why are we asking for this now? First of all, we have absolute confidence in the Canada Council for the Arts—its efficiency, its deep knowledge of the arts community, and the integrity of its decision-making processes. If there is to be additional funding for the arts from the federal government, we see the Canada Council as the ideal agency to distribute this funding.

Secondly, we've had the benefit of a lot of research. We know this level of investment by the Canadian people is necessary to ensure we all enjoy enhanced community access to the arts in all their variety. As well, more money to the Canada Council will enable it to respond to demographic shifts in the Canadian population, and to new and emerging art forms, without destabilizing the arts organizations the council has funded since its founding 48 years ago.

The point is there's been an explosion in the amount and quality of art-making going on in Canada, and the council lacks the ability to fully respond. That's my first pitch: increased funding to the Canada Council for the Arts.

● (1440)

My second pitch is a more delicate one, and you won't have heard about it from any of our members who have addressed you during your travels around the country. Why? Because they're afraid to talk about it. I'm talking about the relationship between our member orchestras and the Canada Revenue Agency, specifically relating to the tax treatment of the artists engaged by our orchestras.

We have members right across the country. Our 40 professional member orchestras are each engaged in negotiating their own contracts with their artists, specifying fees and working conditions with those musicians; contracts that must be set to not only universal artistic realities, but also conditions unique to each orchestra.

What do I mean by universal artistic realities? The fact is, if you're going to be performing a Beethoven symphony on a Friday night, you actually need all of your musicians to show up for rehearsal at the same time on Tuesday morning. This isn't so much a matter of control by an employer—as it's been defined in case law—as it is a matter of how orchestras need to work.

What do I mean by unique community conditions? This is about how much of an orchestra a community can afford to support: how many musicians; how many concerts; how free the musicians are to accept other musical work, if it happens to be available in their community; how long a season the musicians are engaged for; and potentially, the length of period, typically during the summer, when the musicians are receiving no income at all from the orchestra. In some communities, access to employment insurance is a necessity to maintain a quality orchestra, and in other communities it is a burden. These conditions vary, depending on the population base, audience size, traditions of government support, and community philanthropy.

Each agreement between an orchestra and the artists it engages is unique. As a reflection of these custom-made agreements, we know that some Canadian orchestras treat their contract musicians as employees and some orchestras treat their musicians as independent contractors. In some cases, employment status was sought and negotiated through collective bargaining; in other cases employment status was imposed by CRA following an audit process and then confirmed in the tax court, using an industrial lens and industrial definitions, and often with back assessments going back as far as three years and an on-going cost to payroll because of mandatory EI and CPP contributions.

Orchestras large and small across the country have gone through this, and they've spent time and money they simply don't have dealing with CRA. In almost all cases where this has happened, the orchestra has undergone severe financial hardship. A few have filed for bankruptcy protection from which they are only slowly recovering.

Don't misunderstand me. Canadian orchestras are not looking to flout the law, and we really don't think CRA has it in for Canada's orchestral community, although it may feel that way sometimes. But we are looking for a different and more nuanced relationship with CRA, one that acknowledges both the universal artistic realities I referred to and the relative inflexibility of orchestras' revenue streams.

My point on this is a very simple one. Let's get it together with CRA, to ensure that Canada's cultural policy on one side is united with Canada's treatment of artists for tax purposes on the other side.

My final point relates to a request for a reconsideration of the level of funding available from the Department of Foreign Affairs and International Trade for international touring.

The *Globe and Mail* wrote on Saturday about Canada missing the boat on China. As one example, a number of our orchestras are looking to travel to China in the next three years. China does not pay very good fees to touring orchestras from anywhere, whether they're Canadian or from anywhere else. Colleagues in Europe and across the U.S. are going, with either massive amounts of government support or massive amounts of corporate support, because those countries believe in the importance of cultural diplomacy. We simply ask that the Department Foreign Affairs and International Trade look very carefully at the context within which cultural diplomacy can be performed, and that there be flexible processes in place to be able to assess those applications so as to help create long-term and meaningful relationships between countries.

That's my presentation.

Thank you.

● (1445)

The Chair: Thank you, Ms. Carleton.

From YWCA Canada, we have Ms. Bourns.

Ms. Elizabeth Bourns (President, YWCA Canada): Thank you very much.

YWCA Canada is the largest multi-service women's organization, providing services in over 150 communities in this country to women and their children at critical turning points in their lives. We are the only national network of shelters, with 45 shelters at 24 sites, and subsidized housing for homeless women and women escaping violence in the country, housing over 30,000 women and children annually. We're the second-largest provider of day care, providing care for 35,000 children each year. We offer an extensive array of employment, vocational job placement, and life skills training to more than 32,000 women in the country.

Our political voice is grounded in the experiences of the women for whom we work, with an overarching goal to assist women in reaching their full potential to be active and equal participants in all aspects of society. Our recommendations reflect our long-term investment in the rights and equality of women in Canada and our experience of working with millions of Canadian women over our long history.

Women live unequal lives in Canada. They are the poorest of Canadians, experience unequal pay for work of equal value, have inadequate access to permanent affordable housing and legal aid, are not adequately represented in public office, and experience increasing rates of violence in our homes and on our streets. Our presentation focuses on six fundamental issues that we believe, if addressed, would dramatically improve the status of women in Canada.

On violence against women, according to Statistics Canada, in the year ending March 31, 2002, over 55,000 women and 45,000 dependent children were admitted to shelters as a result of domestic violence. This is a 20% increase over the year 2000. Three in ten women currently or previously married in Canada have experienced at least one incident of physical or sexual violence at the hands of a marital partner.

No woman is immune to violence. Young women under 25 are the group at highest risk, and spousal homicide rates for aboriginal women are more than eight times the rate for non-aboriginal women. We need public policy that addresses the root cause of the violence rather than a law-and-order approach that is an inadequate remedy for a complex problem.

Women must not only face abuse, they must leave their homes, networks, and communities to escape it. The lack of affordable housing and the other multiple challenges they face leave them incredibly vulnerable to the recurrence of violence in their lives. YWCA Canada is the only national network of violence-against-women shelter services.

YWCA Canada strongly recommends that the federal government take a leadership role in designing a comprehensive national policy and plan that will effectively decrease violence against women in Canada, support research that will assist policy-makers in understanding and dealing with the complexity of violence against women, provide substantial financial commitment to emergency shelters, second stage, and permanent housing projects dedicated to women fleeing violence, and provide adequate legal aid funding for family law assistance.

On a national housing plan, no woman should have to choose between housing and abuse. Lack of permanent affordable housing is one of the most compelling reasons women return to abusive relationships. It keeps them in the depths of poverty. In Toronto at our YWCA shelters, an astonishing 70% of women who come to our doors are turned away because there is a bottleneck in the system. Women currently staying in YWCA shelters cannot move, because their incomes are too low and rents are too high. While YWCA is encouraged by the $1.6 billion commitment to the 2005 federal budget for new housing initiatives, we know much is still to be done. The current level of resources falls short of the requirements for new rental housing.

YWCA Canada recommends that the federal government establish a national housing plan and allocate resources to programs that are sustained over the long term; expand social housing initiatives, through programs such as the affordable housing program, and increase political pressure on provinces to hold to the matching-funds commitment outlined in the affordable housing framework agreement; develop housing policies in collaboration with representatives in the women's community to ensure that the specific and unique needs of women fleeing violence, aboriginal women, and women with disabilities are addressed; build 25,000 new affordable housing units every year for the next five years; play a leadership role in the delivery and development of new social housing units; pass Bill C-363; and reinvest a large portion of CMHC's annual profits into permanent affordable housing.

On sustaining women's equality seeking organizations, feminist women's organizations are the major contributor to the development of equitable social policy and law in Canada. The visibility of equity issues on the Canadian social agenda has declined in the last 15 years, a number related to the significant funding cuts experienced by women's groups in the early 1990s. There has been no improvement in the status of women since that time. In fact, we've seen a regression. This is marked by the lack of women's earning power, the increase in poverty experienced by women and children, and the lack of female representation in public offices. These are not coincidences.

● (1450)

YWCA Canada recommends that the federal government financially support women's equality-seeking organizations through core funding; double Status of Women Canada's budget; create a full-time ministry for women's equality and create a women's equality act; enact pay-equity legislation; sustain the parliamentary Standing Committee on the Status of Women and implement its recommendations; instruct the Auditor General to conduct a full audit of the federal government's performance on women's equality on an appropriate cycle; and maintain a strong policy partnership with women's organizations.

YWCA is one of the largest non-profit providers of child care in Canada, offering 1.5 million hours of regulated care every year. Our camps and after-school programs host more than 20,000 children annually. YWCAs and YMCA-YWCAs also offer support to families through parenting programs, education, and support services.

We believe quality early-learning and care programs support the healthy development of all young children, parents who need to work and/or care for other family members, parents in their parenting role, and women's equality.

Justice Rosalie Abella has said that child care is the ramp to equality for women; without it, most women are not able to meet the needs of their children, nor can they fully participate in the economic, social, cultural, and political life of their communities. Mothers who are supported by strong public policy networks of quality child care, adequate parental leave, income supports, and family-friendly workplaces are better able to respond to their children's needs.

Some program spending proposals purport to advance parental choice by providing funds directly to parents. Over the last 30 years across Canada, individual user fees and subsidies have been the primary funding source for child care, and yet outside of Quebec we still don't have stable community-based and integrated services; an adequate supply of quality, affordable child care; equitable access to existing child care spaces; and public policy that entitles children such as those with disabilities equal access to child care.

Children benefit from quality programs regardless of their parents' workforce participation or their family's socio-economic status. Programs that meet the needs of both parents and children are more cost-effective, with economic studies indicating that for every dollar spent on child care there is a $2 return to increased tax revenue and reduced social service cost.

We applaud the government's recent investment in child care in the 2005 budget as a beginning. The new investments must go to support a system of quality early-learning and care and not continue to support a patchwork of uneven services. Based on 30 years of active involvement in advocating for and delivering child care, we recommend that the federal government develop a publicly funded, sustainable system for quality child care. In Quebec, for example, parents pay a maximum $7 a day and the government pays the rest.

Provide a child care act that guarantees standards and the principles of a quality universal accessible developmental program, and inclusiveness.

Create public accountability to tie provincial and territorial five-year plans that contain goals, timelines, and targets to measure real progress in developing comprehensive family and centre-based child care services.

Provide money for children so that in future every public dollar goes directly into services.

YWCA Canada continues to respect Quebec's right to develop its own programs.

Income inequity: women’s poverty deepens every year in Canada. Low-income, lone-mother families now need an average of an additional $8,800 a year just to reach the poverty line. More than one million children live in poverty in Canada, and the child poverty rate is now 15.6 % higher than it was in 1989.

With minimum wages of $8 and less in Canada, no women with children can afford decent and secure housing, adequate child care, and nutrition. In some provinces women suffer a clawback on their social welfare revenues.

YWCA Canada recommends that the federal government pressure provincial governments to increase the minimum wage, establish a federal-provincial-territorial living wage commission, restore eligibility for EI to benefit women’s job market conditions, raise the child tax benefit to $4,900, stop provincial clawbacks, and support women’s rights to pay equity.

Ensure women’s access to justice: legal aid throughout Canada continues to inadequately meet the needs of women who are faced with having to seek legal services during family breakdown.

● (1455)

The Chair: I thought you were going to conclude there. If you can—

Ms. Elizabeth Bourns: Would you like me to?

The Chair: Yes, please.

Ms. Elizabeth Bourns: Okay.

The current funding commitment is not sufficient to respond adequately to the needs of women and children across all provinces and territories.

Thank you.

The Chair: Thank you.

I have to apologize, because we're limited in time, and if we go over, then the members won't have time to ask questions. We have to stay on schedule.

From the last group we have Mr. Forbes, from the Juvenile Diabetes Research Foundation.

Mr. Ronald Forbes (President and Chief Executive Officer, Juvenile Diabetes Research Foundation of Canada): Good afternoon.

Mr. Chair, thank you very much for the opportunity to appear before you today on behalf of the Juvenile Diabetes Research Foundation. My name is Ron Forbes and I am the president and CEO of JDRF Canada.

Founded in 1970, JDRF is the largest non-profit, non-government funder and advocate of diabetes research in the world. JDRF has an international presence, with over 100 offices world-wide, including Canada.

The mission of JDRF is find a cure for diabetes and its complications through the support of research. Juvenile type 1 diabetes is an autoimmune disease and is the most severe form of diabetes, striking infants, children, and young adults, and leaving them insulin-dependent for life, with the constant threat of developing devastating complications. Type 1 diabetes is different from type 2 diabetes, which is generally referred to as adult-onset diabetes. Unlike type 2 diabetes, type 1 diabetes cannot be controlled and prevented with diet and exercise. Type 1 diabetes does not strike as a consequence of lifestyle. While insulin allows the person to stay alive, it does not cure diabetes, nor does it prevent its eventual devastating effects, such as kidney failure, blindness, nerve damage, amputations, heart attack, and stroke. People with diabetes are two to four times more likely to have a heart attack or stroke than someone without diabetes. The life expectancy for people with diabetes is shortened by an average of 15 years, and the risk of death for people with diabetes is about two times that of people without diabetes.

Canada has one of the highest rates of type 1 diabetes in the world, and over the past 10 years the number of people developing type 1 diabetes has been rising by 3% per year. Over 200,000 Canadians have type 1 diabetes.

The costs to the Canadian health system are staggering. Diabetes is estimated to cost Canadians over $13 billion a year. A recent study in Saskatchewan found that while diabetes affects 3.6% of the population of Saskatchewan, it accounted for 15% of the spending on hospitals, physician services, and prescription drugs. The government can no longer afford to ignore the significant impact of this disease on individual Canadians, on the health care system, and on the Canadian economy as a whole. Type 1 diabetes is an important public health issue that is going to worsen.

JDRF is asking the Government of Canada specifically to fund research for juvenile type 1 diabetes by contributing $25 million a year for five years. This funding should be specifically directed towards JDRF research priorities, which are designed to deliver tangible results within the next five years. The government's investment will therefore have a significantly high return in the short term.

In the United States, the National Institutes of Health has committed $350 million a year for five years specifically towards research for type 1 diabetes. An investment into juvenile diabetes research directly translates into an investment in the country's human capital for the future; it directly translates into healthier and more productive Canadians. Our joint efforts have a potential to pay off in the short term, as Canadian researchers are world leaders in type 1 diabetes research, and a made-in-Canada cure for type 1 diabetes is definitely within reach.

JDRF believes that the rationale for providing specific funding to diabetes research at this time is very compelling. Canada has one of the highest rates of type 1 diabetes in the world. Canada has one of the lowest rates of government support of type 1 diabetes among developed nations. Diabetes is one of the most costly chronic diseases, with a price tag of $13 billion a year. Canadian expertise in diabetes research is world-renowned, as recognized this summer in the series of articles in *The Globe and Mail* called “The Top 10 Things Canadians Do Best”.

● (1500)

Canada has the potential to carry the legacy as the nation that first provided insulin to the world and then provided a cure, to allow people with diabetes around the world to discard insulin for life. An investment in type 1 diabetes research is a direct investment in the future productivity of the nation’s population.

All federal parties continue to emphasize research, innovation, and children as priorities. An investment into type 1 diabetes will demonstrate the sincerity of the commitment to these areas.

One of Canada's great research strengths lies in the area of diabetes research. Canadian researchers, using innovative techniques and basic ingenuity, have persevered to make dramatic advances in fighting diabetes, including major breakthroughs in 2000 in islet transplantation, by a Canadian team of researchers led by Dr. James Shapiro.

The procedure known as the Edmonton protocol uses islets isolated from a donor pancreas and prepared for injection into the recipient’s liver through the portal vein. To date, there have been over 500 islet transplants worldwide, and more than 60 in Canada. However, obstacles still remain, and we're working to obliterate these. And researchers have also suggested that an islet transplantation could also cure type 2 diabetes.

This research is promising, but it continues to have limitations. As a result, the continued need and urgency for research in the quest to find a cure for type 1 diabetes persists. To accelerate the type 1 diabetes agenda, JDRF has adopted a proactive, goal-driven approach to research management. At the core of this approach is our commitment to quicken the pace of translating basic scientific discoveries to the clinical arena, through identifying gaps in research funding and filling those gaps by aggressively funding those innovative, high-risk, high-reward research projects. We are investing in these approaches and collaborating where payoff is greatest. We are demanding accountability, measuring progress in months, not years.

Canadian researchers have made some promising discoveries that could lead to several cures. However, more funding is urgently needed to move these from research to reality. A commitment within the 2006 federal budget to increase funds for type 1 diabetes research would address a number of public priorities of the government, including health care, innovation, research, and children.

The Government of Canada has stated that it wants Canadian research dollars to be directed where our strengths exist, and juvenile diabetes research is an area in which we are leading the world. Canada was the nation that discovered insulin, and with increased commitment to research, Canada could be the nation that makes people around the world discard insulin for life.

I would also like to take this opportunity to thank the committee for its continued support of the Canadian Institutes of Health Research. JDRF sees CIHR as an important partner in our research work. The need is strong for consistent long-term funding of health research, rather than sporadic injections into the CIHR budget.

I thank you for the opportunity to appear before this committee today. JDRF looks forward to working closely with the Government of Canada to find a cure for this very serious disease.

Thank you.

● (1505)

The Chair: Thank you, Mr. Forbes.

Mr. Penson, for five minutes.

Mr. Charlie Penson (Peace River, CPC): Thank you, Mr. Chairman.

I'd like to thank the panel members for being here.

Maybe you'll get a sense of some of the dilemma we have on this committee when we're sitting here. I also have to represent my constituents in my home province. I was keeping track for a while. We're on panel 57, and I think we're averaging about $1 billion in requests per panel. In just one instance today, Ms. Bourns, you made a suggestion of 25,000 affordable housing units. It's a good suggestion, but that's about $5 billion by my calculation, if you could get them for that. So this is the dilemma we have. And my constituents are saying they would rather have tax cuts. It's quite a balancing act.

I'd like to ask something of you, Mr. Byars. You're the one saying we have a bit of a problem in terms of productivity and are falling behind. We've heard this theme before from a number of other groups, but I thought I heard you say you would ask for reallocation within the current envelope before increasing any more spending. Did I hear you correctly?

Mr. Nigel Byars: That is correct, yes.

Mr. Charlie Penson: So if there were any new spending incurred, somebody else would have to take a hit somewhere else, is that right?

Mr. Nigel Byars: In our view, it would be a case of aligning priorities. Ultimately the ability to spend is governed by the revenue that's generated. We're concerned that the government is at risk because of sensitivity to increases in the interest rate. It's not prudent to try to grow spending. In fact, in the government's reported results, of $1.6 billion worth of surplus, removing the one-time gain from the Petro Canada share sale would result in a billion-dollar loss. And it's not going to re-occur. So spending has to be carefully controlled.

Mr. Charlie Penson: I want to pursue this a little further with you. The other point you made, I think, was that a 15% increase in program spending is not sustainable. That is running at three or four times the rate of growth in the economy. It seems to me this is the kind of spending that got us into big trouble in the seventies and eighties and led to the reason that we still have almost a $500 billion debt. I think you referred to our still paying $34 billion a year in interest on that debt, money that could be used for some of the things people here are suggesting, if we didn't have it. We don't want to get into that round again.

I want to ask you about the urgency you sense in needing to do something about our productivity decline; that, to me, says we're declining in our standard of living. How urgent is it that we get things right there?

Mr. Nigel Byars: I think it's an area that has to be moved on very quickly. It takes time to effect changes in productivity. They don't happen overnight. The sooner such activities are taken to address the productivity decline, the sooner there's a chance there will be recovering growth in productivity.

Mr. Charlie Penson: If you had one suggestion, one thing we could do this year to enhance our productivity, stop that decline, and maybe get more investment in the machinery and equipment or jobs people require to have a good standard of living, what would be the suggestion you would make, as your number one priority?

● (1510)

Mr. Nigel Byars: We would opt to try to simplify the tax system to reduce the inefficiencies that are there. There are opportunities to free up both physical resources and financial resources for the benefit of the government and Canadians as well that could be redirected to improving productivity.

Mr. Charlie Penson: Is part of that the two federal-provincial agreements with Alberta and Ontario on the corporate tax side?

Mr. Nigel Byars: Those are very simple examples. The Ontario agreement, as we understand it, could generate $100 million worth of savings alone.

Mr. Charlie Penson: What about enhanced capital cost allowance? We hear a lot about that. Those companies wanting to make investments in machinery and equipment and to build plants see it as an opportunity to make those investments and be able to write off those investments over a short period of time as a legitimate expense.

Mr. Nigel Byars: There are certainly opportunities there, but tax administration and tax policy are something that should be looked at in the broad context, not by selective cherry-picking, in effect. One must be careful about focussing on one small area without looking at the broader tax program.

Mr. Charlie Penson: But it's a pretty comprehensive program that would have to be undertaken to look at that, wouldn't it be?

Mr. Nigel Byars: Yes, it is. If we had the time, we could explore that, and I could cite a significant number of anomalies in the tax system about which frankly, if you looked at them individually, you'd say they really don't make a lot of sense. This does have to be addressed.

Mr. Charlie Penson: Generally, would the changes be to move away from taxes that discourage people from working longer and making investments? Is that what you're talking about? Are you looking towards more consumption tax rather than capital taxes and personal income tax?

Mr. Nigel Byars: We would be looking for more rational balance in the taxing mechanisms. Taxation is a motivator. It can also be something that demotivates action. It has to be looked at carefully. That's why we would suggest that it not be tinkered with idly by selective picking at things that are apparent very quickly on the surface.

It was noted in one the presentations made to the committee earlier by another organization that the drop in corporate tax rates in fact still resulted in increased corporate tax revenues for the government over the last couple of years.

Mr. Charlie Penson: Do I have any time left, Mr. Chair?

The Chair: Seeing that there are fewer members, you can go ahead.

Mr. Charlie Penson: I also note your concern with Bill C-67, the surplus allocation act. I gather your concern is that there's still quite a bit of room for manoeuvring at year-end spending, so that there may not actually be any surplus at all, or nothing above the contingency reserve. There still could be quite a bit of activity late in the year. Is that part of the concern?

Mr. Nigel Byars: On the essence of the concern, if there is initially an excess surplus and the government appropriates that surplus there are two scenarios. One is revenue reduction by example, the other one is program spending.

If revenue reduction or tax rebates apply to the fiscal year the government is reporting in and are recorded in that year, it's not really an issue. If the actual program spending is incurred in respect of that year, it's not an issue. But if an excess surplus is being appropriated as a cookie jar that can be dipped into in the future to offset revenues or expenditures that otherwise properly belong in a different reporting year, that's not in accordance with generally accepted accounting principles. In fact, it would result in a misstatement of the financial reporting results of the government for the year in question.

The Chair: Thank you, Mr. Penson.

Mr. Loubier.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Thank you, Mr. Chairman. I have a question I would like to ask the representative from the Canadian Institute of Chartered Accountants.

It’s now a dozen years since the Canadian Institute of Chartered Accountants began appearing before the Standing Committee on Finance, both in Ottawa and in the various provinces. I remember that when you appeared in 1994, 1995, 1996 and even 1998, you said it was essential that the federal government eliminate its annual deficit.

We agreed with you. We said that in fact it was ridiculous, particularly in 1994 with a 46 billion dollar deficit. At some point, public finances would have to be cleaned up. At the time, you told us that eliminating annual deficits would prevent the debt from increasing and would therefore allow us to get a grip on it. In 1998, we succeeded in producing the first surpluses, in obtaining a balanced budget and greater fiscal resources.

Like the Canadian Chamber of Commerce, the Conseil du patronat du Québec and all the other employer organizations, you have just discovered a new magic formula: over the next few years we will have to reach a debt-to-GDP ratio of 25 percent. First of all, we don't know where this objective comes from and whether it is really so miraculous. Secondly, it gives the accelerated repayment of the debt an urgency that results in many priorities having to be set aside.

In your report, you say for example that since 1998, 61.4 billion dollars have been applied to the debt. This is most of the government’s surprise surpluses. At the beginning of every fiscal year, the government would always say that there wouldn’t be any surplus, but at the end of the year, there were always unexpected surpluses, of which somewhere between 70 and 85 percent on average would be applied to the debt.

In order to pay off 61.4 billion dollars in this fashion, we have had to sacrifice investments in health and education, and in planned investments to assist the neediest families, so much so that two years ago, the federal government began to realize that there was a problem of incredible under-financing in health. Waiting lists were expanding rapidly. At the present time, colleges and universities also have serious financing needs. All this just to lower the debt-to-GDP ratio from 55 percent to around 41 percent, a drop of some 14 percentage points. We therefore sacrificed 61 billion dollars of resources that could have gone into health, education or increasing productivity, all in order to now have a debt-to-GDP ratio of around 41 percent.

First of all, where does this magical 25 percent figure come from? Second, couldn’t we have a little more balanced approach that takes priorities into account? Since we started this tour, we have found priorities and urgent situations everywhere. People are dying of hunger; others are dying because they can’t get proper care. So shouldn’t we be a little more balanced in our budget priorities? Third, regarding your chart on page 3 where you show the debt-to-GDP ratio, shouldn’t you have made another projection, showing another curve a little higher up, showing us what the debt-to-GDP ratio would have been if most of the surpluses since 1998 had not gone into the debt, but had been invested in programs that have a multiplier effect on increases in GDP, on increased wealth and the distribution of this increase? It would have been useful to have the second curve.

● (1515)

Mr. Nigel Byars: Mr. Loubier I apologize for not being able to answer you in French. I’ll answer you in English.

[*English*]

It's important that one remember it's not just a question of debt, but a question of debt and debt service. What is referred to as net federal debt by the government is in fact accumulated deficit. The accumulated deficit at the end of March 2005 was $499.9 billion. In fact, the amount of debt that was outstanding at that point was $615 billion. If interest rates moved 100 basis points, or 1%, that would increase the government's annual cost by $6 billion.

When we advocate that the government maintain reasonable control over its debt structure, we are saying this on the basis of saying it is prudent to live within your means and not borrow excessively, because the costs of that borrowing could effectively restrict your abilities to do things that are important for the citizens of Canada.

In respect of your question about the debt-to-GDP ratio of 25%, it was the government that came forward with that indicator. You may recall that a couple of years ago we had urged the government to reduce it to at least 40% of GDP. They've now done that; they're at about 37%. But frankly, we're not really there yet.

Interest rates are lower than we've seen in fifty years. In fact, in the last eight years the drop in the government's borrowing rates—what they are at the end of March 2005 to where they were in 1998—has ranged from 100 to 200 basis points. If that hadn't happened, if the government had not been able to reduce debt—and I do underline that the actual interest-bearing debt has gone down by only $15 billion—then Canada would be in a severely worsened position from what it is today. It would not have the flexibility to do many things it has been able to do during that time.

● (1520)

[*Translation*]

Mr. Yvan Loubier: Mr. Byars, have you done the calculations to show what fiscal resources we would need each year to reach a 25 percent debt to GDP rate by 2014-2015? In other words, what proportion of surpluses generated each year or what annual amount would have to be applied to paying down the debt, and thus could not be applied to health, education, orchestras or any of the other priorities that we have been noting since these consultations began? Do we have any idea of roughly how much of an annual payment on the debt would be needed in order to reach 25 percent?

[*English*]

Mr. Nigel Byars: We have not made that calculation in terms of what would be required to reduce the ratio at the present time. There are two ways that happens, mind you. One is the tangible reduction of the absolute amount of debt, and the other is the growth in GDP. In fact, if debt remained constant and GDP grew at an acceptable rate, it is possible the government might reach its 25% target without any further reduction in debt. But in the end, that's all contingent on how successful the economy's growth rate really is.

The Chair: I might be able to help that. The GDP this year is gearing up for about 1.3.

[*Translation*]

The GDP is about 1.3 percent.

[*English*]

So even if we say it's going to go to 1.5 times 25%, it's about $375 billion.

[*Translation*]

The debt is 375 billion dollars.

[*English*]

So that's the calculation. The debt is now at $490 billion.

Mr. Nigel Byars: I'd also point out that if the government maintained a $3-billion surplus annually, it would take over 200 years to fully extinguish the interest-bearing debt of the Government of Canada.

The Chair: That's the other problem.

[*Translation*]

Mr. Yvan Loubier: That means that we will need about seven or eight billion dollars, or perhaps a little more, between seven and ten billion dollars per year applied to the debt out of the surpluses generated annually, in order to be able to reach a 25 percent ratio. This is the case if we make a rule of three.

[*English*]

Mr. Nigel Byars: I'm not sure of that figure. As I say, we hadn't calculated. I don't think it would necessarily be that much. The point we've tried to underline is the government brought forward the target of 25% of GDP in the 2004 budget, and then reintroduced it again in the current year's budget, indicating it would be a target for 2015. We'd encourage the government to formalize a plan, and not really rely on growth in GDP solely to reach that target.

[*Translation*]

Mr. Yvan Loubier: Can we compare government debt management with the management of our private affairs? And here, I'm not talking about sponsorships. I'm thinking of a couple who buy a house. They have an asset, the house, but there is a trade-off, the mortgage. There isn't one family in the world, unless they're millionaires or multimillionaires, who pay cash for their house and don't pay for it in instalments spread out over many years because they have an offsetting asset. Could we make this comparison at some point? We would find it normal for a Government to have a certain debt after getting the trends in this debt under control through a balanced budget and using a good part of its revenues on the priorities of its citizens, with multiplier effects on the economy, on employment, on its tax receipts, which are often forgotten when we make investments nowadays. These investments give a good return. Couldn't we adopt this approach, which is a little less frightening than the idea that we have to urgently speed up the reduction in the debt-to-GDP ratio? In my opinion, this would be a more positive approach than saying that we absolutely have to go this, and forget all the other priorities of our citizens.

● (1525)

[*English*]

Mr. Nigel Byars: I think it's important to remember that managing debt should be something that's done as an organized and structured process. There is a parallel effectively between the government's financial debt management structure and what an individual would have to consider in terms of their own mortgage. The ability to even obtain a mortgage is more determined by the available cash flow of the borrower than the underlying security of the asset that's being financed. The same is really true for the government. The government can only afford intelligently, I would suggest, to direct a certain proportion of its revenues to servicing its debt. Currently, over 17¢ on every dollar of government revenue just pays the interest; it doesn't address a repayment at all of the principle. A few years ago, that amount was considerably higher. There is a need to consider to continue with prudence in the approach, much as one would prudently try to manage one's own personal affairs.

The Chair: Merci, Monsieur Loubier.

I want to wrap it up, but I have just a couple of questions. Some of the questions were not directed towards some of the other groups because we've heard some of the presentations already, but I just want to clear up a few points.

From the Canadian Association of Fire Chiefs, I think it was Mr. Warden who stated that since the Dominion Fire Commissioner was abolished or taken away—I'm not sure if it was a department—you've been severely disadvantaged. In what sense—economically or image-wise?

Chief Donald Warden: In response to your question, it's a matter of we're not getting the fire statistics or the data that we require to properly ascertain what programs we need to eliminate those hazards out there in the public. That's one of the areas. We don't have anybody to represent us on the federal level of government to whom we can report, as the police chiefs association does.

Chief Burke likely has a few more words that he can add to that.

The Chair: Which minister was he reporting to? Was it a Canadian function? Was it through an agency?

Chief Donald Warden: As I understand it, it was through Public Works Canada, back then.

The Chair: Was there a cause related to it? Do you know why it would have been abolished?

Chief Donald Warden: No, I don't. I can't answer that. Maybe Pat can.

Chief Patrick Burke: I think it was shifted around and lost some of its importance within the government structure in terms of a liaison with the fire services across the country. What's changed now is we do have PSEPC in place, a government ministry that's responsible for emergency preparedness. There are a lot of emerging issues that make it certainly more important to have the fire service lead-in in that ministry and to have somebody in there responsible to sort out those issues and to deal with some coordination or plan for the fire service and emergency response across the country. A lot of that stuff is missing.

The Chair: So you'd maybe recommend that there would at least be some stats coming out there and there would be some type of a link between the two?

Chief Patrick Burke: It gets a little embarrassing for us, and it could be embarrassing for any member of the government if one of your constituents asked you what the fire death rate in Canada is. You wouldn't be able to answer it, unless you called up the fire commissioner or fire marshal of every single territory and province in Canada and added up what they considered the death rate. You wouldn't know what the property loss was. You wouldn't be able to get any of those statistics, and they're very important when we're trying to coordinate across the country an effective fire prevention program and an effective public education program. We need the national statistics.

The Chair: Thank you.

Mr. Brown, can you just explain “hit rate”? I think it's in your brief, in the section with the public lending rate. Yes. You say in your brief “increase be funded in the next budget, to bring its hit rate up to a level more aligned with the hit rate”. What is that—how many people you beat up?

Mr. Ron Brown: I'll let Deborah answer that one.

● (1530)

Mrs. Deborah Windsor (Executive Director, Writers' Union of Canada): The hit rate is the amount of money that was given to each writer based on the number of times their books were found in public libraries. There was a random testing done by the Public Lending Right Commission that identified certain books were in certain libraries, and writers received revenue for having their books in a library.

The budget for the Public Lending Right Commission has not increased in the last few years. As a matter of fact, it decreased at one point in time and it is now getting back to what it was a few years ago. And simultaneous to the budget not increasing, and, as I said, having decreased at one point, the number of new creations and new books in libraries has increased. So the amount of money that a writer would receive today for the use of their work at public libraries has decreased by approximately half to what it was a few years ago.

The Chair: Thank you.

Mr. Forbes, from what I understand, in the last budget there was some money put aside for a diabetes strategy.

Mr. Ronald Forbes: Yes.

The Chair: Does that not help, or is this going to be never-ending, the request for additional moneys? How does that fit in with your national approach?

Mr. Ronald Forbes: You're absolutely right. In fact, there was a lot of money put for diabetes, but unfortunately none of it was for type 1 diabetes. We are having a struggle trying to explain to most people the difference between type 1 and type 2. Most of it is for type 2, and there's the whole question of healthy living. I mean, $300 million has just been given to the new public health agency, but that's for prevention and healthy living, and $30 million has been given to the Canadian diabetes strategy, none of which actually goes to any research for type 1 diabetes.

The Chair: That you, Mr. Forbes.

Just quickly, Mr. Byars, I understand there's an agreement for corporate taxes with Alberta and Ontario. Is that a done deal? Is there anything happening on the Quebec side for some savings?

Mr. Nigel Byars: Not that we are aware of. The Ontario agreement, we believe, is pretty well likely to be completed—

The Chair: From your membership in Quebec, is there any movement there?

Mr. Nigel Byars: No.

The Chair: No. Okay.

Thank you for taking time out of your day. It's very interesting. You can see the dilemma that we have as parliamentarians. I think Mr. Penson addressed it earlier. But that's our job. That's what we're paid for and that's why we're here.

Thank you again.

The meeting is adjourned.

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