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Mr. Massimo Pacetti

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● (0835)

[*English*]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good morning.

Could we begin? I want to stay on schedule, because we have numerous groups. If I don't stick to the schedule, I'm going to be stuck by the end of the day, staying here until midnight.

To the groups, I appreciate you taking time out of your day to present us with your briefs.

Pursuant to Standing Order 83.1, we're here on the pre-budget consultations for 2005. Here's the way I'm going to work this. I will allow you a seven- to eight-minute timeframe for your presentations, your opening briefs, your opening remarks, or whatever you'd like. If you can keep it to seven or eight minutes, we'd really appreciate it, because this is a bigger panel. The members are then going to want to ask questions.

Some of the members are not here, but that's fine. Your briefs are going to be on record, and that's what is important.

I forgot to mention this a few times yesterday, but when we travel, only half of the committee travels, so you're not going to get more than two other MPs anyway.

So if we can get started, we begin with the Association of Canadian Pension Management, and Mr. Perkin.

Mr. Scott Perkin (President, Association of Canadian Pension Management): Thank you, Mr. Chair. My name is Scott Perkin, and I am president of the Association of Canadian Pension Management.

The ACPM represents Canada's private and public pension plan sponsors, administrators, and other stakeholders. Our current membership represents some 300 registered pension plans, providing coverage for approximately 3.5 million Canadians.

In our written submission we have briefly addressed some of the committee's consultation questions regarding investments in entrepreneurial capital. We also have three specific areas of recommendation that I would like to address today regarding investments in human and physical capital, particularly initiatives to strengthen Canada's retirement income system.

I wish to begin my remarks with a word of thanks. On behalf of the ACPM, I appeared before this committee one year ago and recommended that the 30% foreign property rule be relaxed or abolished; that pension plans not be singled out over concerns about the income trust market; and that pension and RRSP contribution limits be increased further. Obviously our message and that of others in the industry resonated with the concerns of this committee and those of the finance minister.

So why am I here today? I appear before you today with more far-reaching concerns about the future of the Canadian retirement income system as a whole. In fact, these concerns arise from many of the questions that members of this committee raised last year. Mr. Solberg was concerned with demographic trends and the impact of an aging population on Canada's retirement income system. Ms. Wasylycia-Leis was concerned about pension benefits security, particularly in the context of corporate bankruptcy. Other members of this committee expressed concerns about the adequacy of funding rules for pension plans, particularly the lack of consistency or uniformity across Canada. And you, Mr. Chairman, challenged us to look for specific solutions, so we have.

Two months ago, we distributed to members of this committee our funding report entitled “Back From the Brink: Securing the Future of Defined Benefit Pension Plans”. This report, over a year in the making, addresses a number of the challenges currently facing defined benefit or DB pension plans here in Canada, and we begin with some alarming statistics.

From 1992 to 2003, DB pension plan coverage in Canada declined from 44% to 34% of the Canadian workforce, and the number of DB plans declined by 14%. Coverage in the public sector declined from 91.5% to 79%, while in the private sector the drop was from 28.6% to 20.5%. What these numbers reflect is a large and growing gap between DB plan coverage in the public and private sectors and a clear declining coverage, with the private sector hardest hit in absolute terms, notwithstanding the growth in Canada's workforce.

Government action is clearly necessary. The ACPM believes the federal and provincial governments must create a legislative and regulatory environment that promotes the establishment and maintenance of voluntary workplace pension plans and that reinforces pension benefit security.

In May of this year, the federal Department of Finance published a consultation paper regarding the legislative and regulatory framework for federally registered DB plans. The stated objective of this consultation is to seek the views of Canadians on how to improve the security of pension plan benefits and how to ensure the viability of defined benefit pension plans.

The ACPM's report “Back From the Brink” addresses many of the issues raised in the Department of Finance paper. Among the ACPM report's main recommendations are the following.

Governments should move decisively to address asymmetry, the mismatch between risk and reward, when it comes to issues of deficit and surplus in DB plan funding. As an example, federal legislation should be amended to clearly prevent compulsory surplus distribution in the event of partial plan wind-up. I reiterate the comments of Mr. Dodge, the Governor of the Bank of Canada, who suggested over a year ago that the Supreme Court of Canada's decision in Monsanto “tells employers to get out as fast as they can of defined benefit plans and, if you're stuck with one, to run it in a deficit position at all times”. Minimal funding strategies are a rational response to the current funding environment. Unfortunately, this does not bode well for pension benefit security.

Here are other recommendations from our report.

Governments should shift their regulatory approach to focus solely on solvency valuations, and deficit amortization periods should be lengthened.

All DB plans should have a written funding policy.

The federal government should increase or abolish the current Income Tax Act surplus threshold to enable plan sponsors to better manage the funding of their DB plans.

● (0840)

Plan sponsors should be permitted to use letters of credit as a tool in financing solvency deficiencies.

Benefit improvements made within a specified period before plan wind-up should enjoy a lower priority, if there are insufficient assets.

The seniority of pension debt on wind-up should remain as is, and legislation, federally and elsewhere, that permits a plan sponsor to walk away from pension debt on plan wind-up should be revoked.

Pension guarantee funds do not work well in practice, and the expansion or creation of such schemes should be avoided. We believe that resolving the asymmetry issue and creating better incentives for sponsors to overfund pension plans are preferable solutions.

Now, I'd like to focus on efforts to encourage greater financial self-sufficiency in retirement. The ACPM welcomed the modest but positive increases in pension and RRSP contribution limits announced in the 2005 federal budget. Like many others, however, we still don't think these increases go far enough. We continue to believe that Canada's tax-assisted retirement savings levels need to be increased further to allow Canadians to adequately save for retirement, closer to levels enjoyed in the U.S. and U.K. We are encouraged by this committee's work on this issue and by public statements from the finance minister, following the budget's release, that more can be done in this area.

The committee should also consider recommending that the current refundable tax rate for retirement compensation arrangements be reduced from 50% to a tax-neutral level of 30% to 35%. As a result of reductions in corporate and personal income tax rates, the current RCA tax rate provides a strong disincentive for employers to properly fund supplemental pension benefits.

Encouraging greater self-reliance towards retirement savings also reduces future reliance on government-sponsored income support programs.

Finally, a few words on income trusts. Two months ago, the Department of Finance issued a consultation paper regarding investments in income trusts and limited partnerships. While the ACPM welcomes the government's consultation process on these important issues, the association continues to oppose any measures that would discriminate against pension fund investments in business income trusts; otherwise we risk jeopardizing the funding security of retirement benefits for millions of Canadians.

The Department of Finance refers, in its consultation paper, to pension funds as tax exempt investors in the capital markets, which would include pension fund investments in income trusts and infrastructure, among other things. Noticeably absent, however, is the fact that registered pension plans in Canada pay out billions of dollars annually, effectively converting dividends and capital gains from pension fund investments into pension and other income that is taxed in the hands of Canadians at personal tax rates.

Tax deferred saving toward retirement is sacrosanct. Any direct or indirect imposition of taxes, particularly against registered pension plans alone, would violate this longstanding and successful public policy. Canadians should continue to be encouraged, not penalized, to save for retirement.

In conclusion, I return to the proposition I left you with one year ago. Unless the government takes some significant steps now, there won't be the tax base from which to properly fund the health care and income needs of tomorrow's pensioners, given demographic trends and the aging of the boomer generation.

It is not too late to reverse the trend toward lower DB plan coverage. That is why the ACPM chose the somewhat more optimistic title for its funding report, “Back From the Brink”, although some would argue that we're at the brink, or even worse.

● (0845)

The Chair: Thank you, Mr. Perkin.

I'm sorry, but I have to cut you off.

Mr. Scott Perkin: Thank you, Mr. Chair.

The Chair: Your words, “finally” and “in conclusion”, threw me off. I'm sorry.

From the duty-free shops, Mr. Bergeron.

Mr. André Bergeron (Executive Director, Canadian Association of Airport Duty Free Stores, Duty-Free Shops): Thank you, Mr. Chair and committee members. I'd like to introduce my colleague, Chuck Loewen, from the land border duty-free association, who will be presenting with me. I represent the airport duty-free retailers.

It is a pleasure to be with you today on behalf of the Canadian duty-free retail industry. The representatives of our industry before you today represent all land and airport retail outlets in Canada. Also present are our colleagues representing land border outlets in selected airports in the United States.

For your information, Canadian airport duty-free retailers also operate in selected American airports as well as in other regions in the world.

The Canadian duty-free airport and land border retail industry achieved sales in excess of $356 million in 2004. It still represents a loss of almost 5% over the year 2000, which is a benchmark year used in the industry as it represents the last full year prior to the Canadian tobacco export tax, SARS, the war in Iraq, the resurgence of terrorism, etc.

Along the Canadian-U.S. border alone we employ approximately 3,000 Canadians. Indeed, we are a focal point at community border crossings, both big and small, from coast to coast. On top of that, Mr. Chair, based on the latest numbers produced by the federal government, close to 50% of products sold in our stores are of Canadian origin.

Today we are pleased to engage this committee on matters important to our industry, something we have done for many years.

Mr. Chair, the recent challenges we have faced as an industry began with the government's imposition of an export tax on tobacco aimed at smugglers in April 2001. Although we were never linked to smuggling by the RCMP or the Department of Finance, the imposition was a near crippling blow on our industry. It created numerous negative and pervasive impacts on our industry. It attacked the basic foundation and nature of our business—tax and duty free. It eroded the travellers' confidence. It reduced our strategic advantage. It reduced penetration to the shops. It affected substantially our ability to pay rent to various authorities, and it reduced sales and increased our costs.

In terms of numbers, net domestic tobacco sales excluding taxes have decreased approximately 45% over the last five years. However, the issue for the Canadian duty-free industry is not only sales; it is the taxation.

For example, the current cost for a duty-free operator for a carton of cigarettes ranges from $21.50 to $28.50. Included in that cost is a $15 export tax. The result is that tax represents 53% to 70% of the tobacco cost to the tax and duty-free retailers. We believe this number is extremely high and unfairly penalizes our industry.

If you recall, at the beginning I mentioned that the industry was still 5% below the year 2000 level. As a matter of fact, when you exclude the tobacco tax, it is showing a 13% decline.

Mr. Chair, the challenges did not end and begin with the imposition of the tobacco tax. Over the last five years we have faced an important number of very significant challenges. To name a few: September 11, continued decline of Japanese travel, resurgence of terrorism worldwide, the war in Iraq, SARS, longer lines at border crossings and airport controls, and now the possible introduction of mandatory passports at land border crossings and airports when travelling to the U.S. Only 40% of Canadians and about 34% of Americans over the age of 18 possess a passport. This will create, once again, more confusion. As a matter of fact, the Conference Board of Canada expects a shortfall in tourism revenues of about $1.6 billion if these measures take place. We can also add in the future the threat of pandemics, fluctuations of currencies, and on and on.

As a result of these challenges, sales for the duty-free industry have decreased by approximately $20 million for land outlets from 2000 to 2004. Mr. Chair, that represents a lot of Canadian product and a lot of Canadian jobs. We are an industry in distress.

We understand that our industry, not unlike others, will continue to face challenges. We must adjust to better serve our changing customers, and we are always better prepared when operating within a dynamic industry.

Your committee agreed with our concerns and recognized our plight in its 2003 report. It urged the government to restore the principle of keeping duty free truly duty free, recognizing that the imposition of the tobacco tax had immediately begun eroding consumer perceptions of what duty free is.

● (0850)

Your report concluded that duty free has never been a vehicle for purchasing quantities of tobacco that could be interpreted as smuggling. We are thankful for the committee recommendations in these areas, but nothing has happened since its publication. I would like committee members to know the current statistics as reported by CCRA for the years 2001 to 2005. Note that these numbers include approximately 8% to 10% of our revenue, which is in fact the additional tax on tobacco.

We do not want, and we are not asking, the government to go back on its health commitments. As a matter of fact, it has been demonstrated many times in the past that duty-free retail is not a purchasing vehicle for new smokers.

Mr. Chuck Loewen (Past Chair, Board of Directors, Frontier Duty Free Association, Duty-Free Shops): Mr. Chair, we are here today because there is a solution to this problem.

As you may know, the Standing Senate Committee on National Security and Defence has recently concluded the following in its recent report entitled “Borderline Insecure”, and I quote:

> Canada needs a system within which personnel on the crossings are border officers first and clerks second – the reverse of the current situation.

There should be far less emphasis on the collection of duties and taxes at our border crossings. The emphasis placed on collecting them steals valuable time from the inspectors who should be provided with an improved opportunity to focus on their security responsibilities. Raising personal exemptions for travellers will help border officers better direct their attention to border security rather than revenue collection. We would also like to note for the committee that both the United States and Mexico have an allowance structure that is far more progressive than ours. Both of our North American partners allow for the pooling of family allowances. Mexico allows for the importation of three litres of spirits.

To this end, in 1997 the House of Representatives passed a resolution, and in 2003 the United States Senate passed a similar resolution, calling for discussions with officials of the governments of Canada and Mexico to achieve parity in harmonizing the personal exemption allowance structure of the three NAFTA countries at or above the United States exemption levels. As you can see, Mr. Chair, there is widespread support for the long-standing changes we have been recommending to both the government and your committee.

I would like to outline what we are currently doing as an industry. We continue to invest to keep up with the international environment in which we compete. We bring new programs and have added new stores, both on the land border as well as in airports. Our sales are still below year 2000 due to the numerous challenges we face, not the least the export tax. We continue to generate employment, pay corporate taxes, and generate through employment additional income tax. In the last four years we paid in excess of $120,000,000 of export taxes on tobacco. It may be pale when measured against the softwood lumber, but for the Canadian tax and duty-free industry, it is very significant in terms of the amount—$120,000,000, or almost 10% of total sales. And it's tax on a tax-free industry.

Please note that these statistics are all derived from—

The Chair: Mr. Loewen, I have your brief and I know you've got at least another two minutes. We're way over our time, so if you can go directly to your conclusion and recommendation, I'd appreciate it.

Mr. Chuck Loewen: Perfect.

Therefore, we are making the following recommendations that are not based on asking for a handout but a hand-up through the removal of certain obstacles to our growth by the creation of conditions enabling us to move forward in creating a dynamic environment. Our assessment shows that each of these measures will positively impact the Canadian economy and help to ensure a stable, long-term future.

One, immediately increase the 24- and 48-hour allowances to $250 and $500 respectively. Two, immediately remove the additional quantitative restrictions on tobacco and alcohol tied into the 24-hour allowance. Three, institute a combined approach to the quantitative limitations within the alcohol allowances. And, four, implement the Senate committee recommendations as published on June 15, 2005, insofar as duty-free shopping is concerned. Finally, in terms of looking forward to the future, we would like to see the government consider the institution of dual duty-free and tax-paid shops and duty free on arrival specifically at airports.

Once again, Mr. Chair, on behalf of the duty-free industry in distress, our workers, and the border communities we live in, we want to express our appreciation for being invited here today, and we look forward to your help.

The Chair: Mr. Loewen, I have a quick question.

If we change any of these limits, how will this benefit you? If somebody is coming from Europe, we're giving business to duty-free shops in Europe or even.... It only applies to the border shops, does it not?

● (0855)

Mr. André Bergeron: It would apply also to the airport shops, because, one, it would simplify the whole understanding of what duty free is. Two, it will also enable us to increase the penetration rate by making it a lot more interesting for the customers. At the same time, Canadians do purchase, although it may not be necessarily their preferred way, but they do purchase at departure in order to bring some of the goods back to Canada.

The Chair: Thank you.

From BIOTECanada, Mr. Brenders.

Mr. Peter Brenders (President and Chief Executive Officer, BIOTECanada): Thank you for the opportunity to appear before you today. My name is Peter Brenders. I'm the president and CEO of BIOTECanada. BIOTECanada is the national voice for Canada's biotechnology industry. We represent over 170 members who are working in the health care, agricultural, food, bio-products, industrial, environmental, and academic sectors—all working to improve the quality of life of Canadians through the development of innovative life sciences technology.

Joining me today is Dr. Tony Cruz, chairman, CEO, and one of the founders of Transition Therapeutics, a Canadian biotech company formed very recently in 1998. It's developing novel products to enhance the quality of life and survivability of patients with debilitating diseases. Dr. Cruz is a Canadian pioneer in growing our biotech industry and will share some insights in a few minutes.

Last year, this committee heard from BIOTECanada that the commercialization of biotech products requires innovation, testing, and refinement, a 10- to 12-year-long scientific journey against incredible odds requiring vast amounts of capital, capable of stomaching enormous risks for the promise of spectacular rewards. We're leaving you today with our revised financing policy paper, from which we've chosen to highlight a couple of key recommendations.

Canadian biotechnology companies are developing new vaccines against killer diseases, finding ways to successfully diagnose and treat cancers and rare and orphan disorders, and investing in new ways to extract value from agricultural crops. Biotechnology, as the government described it in the most recent Speech from the Throne, is an enabling technology for the 21st century. Our industry welcomes the government's commitment to developing policies that foster Canada's capabilities in biotechnology. Based on a recent Pollara poll commissioned by BIOTECanada in September, Canadians also support the development of the biotechnology industry. The results show that 81% of Canadians expect to see the benefits of biotechnology improve our environment—

The Chair: Sorry, Mr. Brenders, but for the sake of the translator, you're going to have to slow down. I really feel sorry for her. I know we're on a time limit, but is that okay?

Mr. Peter Brenders: I understand.

The results show that 81% of Canadians expect to see the benefits of biotechnology improve our environment, our health in general, and the Canadian economy. Canadians, however, are not the only ones excited about developing biotechnology as an industry. The recent Conference Board of Canada report entitled “Biotechnology in Canada: A Technology Platform for Growth”, noted that:

> World leaders are looking to biotechnology as a source of increased revenues, new companies, increased employment and a hedge against off-shoring. With human capital as its primary resource, nations do not have to be rich in natural resources to be players in biotechnology.

As the growth in scientific accomplishment, as seen by last week's announcement of the completion of the HapMap by Montreal scientists exemplifies, Canada is successfully playing on the global biotech stage. But we must not allow ourselves to become complacent. The race to capitalize on biotechnology is a global competition. Our companies struggle to attract adequate financing and struggle with regulatory delays. We're starting to see the potential to achieve our government's vision in 1998, “to enhance the quality of life of Canadians by positioning Canada as a responsible leader in biotechnology”, is becoming increasingly remote. And Canadians see this too. In the Pollara poll that I mentioned, respondents did not see Canada as a world leader in biotechnology. In fact, 15% of the respondents thought Canada was behind other nations.

This finding may be explained by the fact, highlighted in the Conference Board report, that most Canadian biotech companies are extremely small and 38% have less than one year of operating cash available. So the preservation and development of our sector requires improved access to capital.

The current Canadian policy towards U.S. venture capital entities, however, is putting the financial future of our biotech industry at risk. The lack of recognition by Canada of U.S. limited liability companies under the U.S.-Canada tax treaty means that U.S. LLCs are placed at a tax disadvantage when investing in Canada. The policy results in the U.S. capital simply not flowing to Canadian biotech companies, or, alternatively, causing Canadian companies to relocate to the United States simply for the need to attract financial resources.

We're recommending that the government recognize U.S.-based venture capital limited liability corporations under our Canada-U.S. tax treaty.

Once companies have access to capital to develop their technology, they need to operate in a predictable regulatory environment, and if our companies are going to compete in the global marketplace, they must face a smart regulatory system at home that conforms to international standards. BIOTECanada recommends that the government recognize the unique nature of bioscience inventions by adopting international standards and reviews in a regulatory practice.

International reviews, for example, could be used to immediately eliminate backlogs of new technologies pending review by our federal agencies. We could also look at joining developed countries in developing things such as an orphan product policy.

We also urge the government to adopt international standards of intellectual property protection by quickly implementing things like the pending regulations to establish 10 years of data protection on new, innovative biological therapeutics.

Thirdly, the government can also ensure a willing market for biotech products through a smart procurement and planning policy. For example, given the recent concern over pandemic and avian influenza, BIOTECanada recommends that the government continue its current $300 million funding commitment for ongoing immunization programs and ensure that there is a clear process in place to determine future vaccine needs.

I'd like to turn over the remainder of our time to Dr. Tony Cruz.

● (0900)

Mr. Tony Cruz (Chief Executive Officer, Transition Therapeutics, BIOTECanada): First of all, thank you very much for giving us the opportunity to speak to you.

As Peter noted, I was one of the founders of Transition Therapeutics. Apart from that, I was a co-founder and vice-president and director at Angiotech Pharmaceuticals, which is the third largest biotech company in Canada. I've been a senior scientist at Mount Sinai Hospital since 1995, and I've been a founder and CEO of one of the centres of excellence called the Canadian Arthritis Network. So I've been involved in biotech or development for a while.

I've been involved in a number of companies throughout the last 15 or 17 years, and there's one constant theme: you have to pick the right science, which I think we're great at in Canada; you have to finance the innovation, which is sometimes easy in the early stage but becomes very difficult in the later stage; and you have to have the right people to execute it, to bring that product through development—and I think we're very good at this in Canada as well.

We have brilliant scientists and a solid infrastructure, and that's really thanks to the last 10 years of strong investment by the government throughout the institutions, both to attract the best scientists and to build the infrastructure necessary to carry out their science. The challenge that I think we face today is how do you take this expertise built into these institutions and transfer it to Canada's entrepreneurs or small companies, who need access to develop those products? I think for this to happen, the government has to show leadership and clearly show a way or an environment for financing these very high-risk ventures. Therefore, it will take a strong, determined commitment to actually change the culture and also create an environment to finance biotechnology. As mentioned earlier, it's very high risk, so it's hard to get these institutional investors to come in and invest on such a high-risk and in such a long-term industry.

Now, Transition Therapeutics is no different from a lot of these companies. It's developing products in diabetes, multiple sclerosis, hepatitis, Alzheimer's disease. As you noted, it already took five years to get here. It's now in clinical development. The clinical success will determine basically the success of that company. One difference with this company is that it has multiple products because it's found a way to utilize university expertise to help facilitate that, but this is not always accessible to everyone.

The unique experience we have is no different from that of a lot of other companies. We're trying to bring products to the point where they reach the marketplace. And the marketplace does not mean the sale of a drug to a consumer; it actually means getting it transferred to somebody else, either a pharmaceutical company or a partner, that can develop the product further and has access to the cash necessary to do so. The question in Canada today is, can Canada sustain the development of technologies as they're developed through certain stages, and what do we do afterwards?

I've been involved in the industry in various capacities, and I've seen companies disappear and science succeed and fail. I've seen people come and go, and that's just the nature of biotech. It's a very high-risk area. Where I think Canada is in a unique position is in having a phenomenal infrastructure and expertise and accessibility to the U.S. financial institutions. It has a presence; therefore, I think it can be put in a position of making a choice whether or not to support the biotechnology sector in Canada. A lot of countries don't have this choice.

Biotech clearly is competing on a world stage, which means that a product doesn't have to originate in Canada for Canada to see the creation of value, wealth, and jobs. Many of our companies are being successful developing research that originated in other countries. The corollary is also true. All the downstream development of our innovations need not be done in Canada to benefit us, although there's often a misconception that we have to take it from the beginning to the end. That's simply not true.

The multi-billion-dollar success of Angiotech's drug-eluting stent, which we developed in Vancouver and sells about $3.8 billion a year, was extensively for—

● (0905)

The Chair: Mr. Cruz, I have to cut you off. I'm sorry. I've given you two or three signals.

Mr. Tony Cruz: No problem.

The Chair: From the Family Service Association of Toronto, Ms. Lupa.

Ms. Michele Lupa (Coordinator, Growing Up Healthy Downtown, Family Service Association of Toronto): Good morning. Thanks for giving us this opportunity to come to talk to you about a program called Growing Up Healthy Downtown, a family service association that is funded by the federal government.

I'm going to talk to you a bit about the work we do, and then I'm going to turn things over to my friend Farah. She is a parent who attends our programs, and she's going to talk to you about how the programs are impacting her and her family first-hand.

If there's one key message that I want to leave with the committee today, it is that the federal government must maintain and enhance its ongoing funding commitment to the community action program for children and the Canada prenatal nutrition program through the Public Health Agency of Canada. Let me tell you why.

Since 1993, GUHD has delivered CAPSI programs to vulnerable families living in downtown Toronto. We run parenting courses, drop-in programs, nutrition workshops, music and movement programs, parent relief, and school readiness. We're involved with community coalitions to help their local capacity around the issues affecting families, and we coordinate service delivery so community needs are met. We do this work through the Public Health Agency of Canada within a social determinant of health framework.

To refresh your memory, Brenda Clarke, my colleague from northern Ontario, made a presentation yesterday to all of you on behalf of the provincial CAPSI and CPNP projects. We work specifically with families who have children under the age of six and who are living in conditions of risk. That means we run programs for families who are dealing with complex and challenging life issues, such as poverty, isolation, language and literacy barriers, settlement issues, violence, and lone parenthood, to name only a few. We're having an impact, though, thanks to the investment by the federal government.

This past September, Growing Up Healthy Downtown released the interim findings of a two-year program evaluation process we've been engaged in with our program participants. I'd like to share with the committee now some of the highlights from our report so you get a better sense of what we do, who we do it with, and why it's an excellent investment of federal resources.

First I'll give you a snapshot of who comes to our programs. Over 90% of our participants are women. Close to 70% were born outside of Canada. Over one-half, or 57%, of our participants who were born outside of Canada have been in the country less than five years. More than one-third of our participants are parenting their children on their own, and one-half—this is a startling number—of our participants have an annual family income of less than $20,000, despite the fact that 45% of them have completed college or university. So that gives you a sense of who we work with on behalf of the federal government.

For the evaluation we conducted quantitative and qualitative research to find out whether or not our programs were having their desired impact. The interim results showed, when we released them in September, that we were. Parents and caregivers reported that they had improved social supports and reduced isolation. They felt more confident in their parenting and coping skills, as a result of Growing Up Healthy Downtown programs. Their knowledge of other resources available to them in the community had increased because of these programs.

Last year over 1,000 families attended our programs in downtown Toronto. We receive about $468,000 annually from the Public Health Agency to deliver our programs. That means the cost to the public purse to deliver these programs is approximately $467 per family per year. It's a pretty cheap and cost-effective method of improving the lives of children at risk, if you ask me. But that's not even the full picture.

Because we are mandated through FAC to develop linkages and partnerships with the broader community, we are able to leverage our federal funding into even more services for our families. In fact, last year GUHD was able to turn its annual funding into an additional $533,000 worth of programming through in-kind donations of space, staffing, and materials. In other words, for every $1 of federal money we received, we were able to deliver $2.14 worth of services to the community. This was despite the fact that our funding remained at the same level in the 12 years that we have been delivering the programs. So withdrawal or reduction of this funding would have a tremendous effect in our community in downtown Toronto, and it would go well beyond the actual investment of federal dollars.

● (0910)

With this information we are asking the committee to recognize the important role the federal government has and must continue to play in the lives of children, and we are recommending that the commitment to CAPC and CPNP be continued. We are urging the committee to go one step further, though, and actually recommend an increase to these highly effective and much needed programs for families. It is money well spent.

I'm going to turn it over to Sarah now to speak for a couple of minutes about how it has affected her directly.

Ms. Farah Montadher (Program Participant, Growing Up Healthy Downtown, Family Service Association of Toronto): Good morning. My name is Farah. I immigrated to Canada from Iraq in 1997 and I have a two-and-a-half-year-old son, Sami. We both attend the Growing Up Healthy Downtown program at the 519 Church Street Community Centre in downtown Toronto.

I first learned about the Growing Up Healthy Downtown program when Sami was three months old. One day I found myself actually standing in the middle of the street with my baby, crying, because I was overwhelmed with parenthood and suffering from post-partum depression. I knew something wasn't right, but I didn't know what to do or who to ask for help. I felt lost, and thankfully, I met one woman on the street who told me about this wonderful program, the Growing Up Healthy Downtown program. She said they would help me. And thank goodness I did go. They helped me find treatment and support for my depression.

They help me with all the questions I have about parenting. They help me to deal with challenges raising a child. Sami and I have made a lot of friends, and I have found mentors and people I can turn to for advice. I'm so grateful to that woman I met on the street.

Two years later, Sami and I still go to the program regularly. I have to, because if I don't, he'll ask me to go. He loves to interact with children, and it's so important for physical and social development that kids interact with children their own age in a beautiful space. I attended programs through the healthy downtown program and learned about parenting style. I have taken courses, like Nobody's Perfect, and I have been able to connect with other moms and share experiences and ideas. The staff there is very helpful, and thanks to everyone in the program, I feel less isolated and alone.

I live with my husband and my son in downtown Toronto in a small house, and there's no space for a full-of-energy toddler to run around. So going to these drop-in centres is great because he can experiment and use their equipment. We had a great summer. In winter, where is there to go? Where else to go? It's a fun place and it's safe.

Raising a human being is the hardest job ever, as everybody knows. I have no family here, and sometimes I'm so overwhelmed. I come from a culture where they believe spanking is good for disciplining a child, and I do not agree with that. I learned from the mothers' program that there are other ways, and I'm able to share situations with other parents. The staff at the program come up with solutions that don't involve hitting my child. I've learned so much from these wonderful people in the last two years, and I know that I will continue to learn even more. Now I can honestly say that I'm more confident as a parent because of these programs. I know that the people at Growing Up Healthy Downtown are there for me and for other parents. They have become my family in Canada, and I feel very lucky to be living in this wonderful country.

Thank you for giving me this chance.

The Chair: Thank you, Ms. Montadher.

From the Ontario Council of Agencies Serving Immigrants, Ms. Casipullai.

● (0915)

Ms. Amy Casipullai (Coordinator, Policy and Public Education, Ontario Council of Agencies Serving Immigrants): Thank you, Mr. Chair, and good morning, members. I appreciate this opportunity to talk to you and present to you some of the things that we think are very important to our sector.

I am with the Ontario Council of Agencies Serving Immigrants. It's the provincial umbrella organization for immigrant- and refugee-serving agencies in Ontario. I am also the vice-president of the Canadian Council for Refugees, which is a national organization. So in the eight minutes I have, I am going to talk both about the importance of investment in immigrant settlement as well as some of the challenges we're seeing with family reunification for refugees.

First, I want to talk to you about the promises made in the 2005 budget. The context is that funding for immigration settlement has been approximately $173.3 million for about 10 years now, I guess—almost 10 years—and it hasn't changed, but as you know, service delivery costs always go up. The issues we're dealing with in helping immigrants to settle have become more complex, and that has made our work even more important. We are trying to do more work with the same amount of money. So it was actually very good news that the 2005 budget promised an increase, an investment of $298 million for immigration settlement. The problem, however, is that it's going to be spread out over the five years, and it's going to be back-ended. Given the situation that our sector is in now, it's urgent for us that the money start to flow right away.

In Ontario specifically we are facing additional challenges. As you know, Ontario gets the largest number of immigrants to Canada. We are also one of the few provinces that don't have an immigration settlement agreement. I know a letter of intent was signed more than a year ago. It's more than a year later and we still don't have an agreement. I understand part of the problem is because the money hasn't started to flow from the federal government. So we want to bring this to your attention as one of the critical challenges we are facing.

The other issue I want to talk to you about briefly is that both the Voluntary Sector Forum and the Canadian Council on Social Development, in their briefs to you for this pre-budget consultation, have pointed out that core funding for the voluntary sector is absolutely important for this sector to be able to survive—not for its own sake, but for the work they do. A lot of the work the sector is doing really addresses the gap in programming and services between federal, provincial, and municipal governments, and without this work, organizations like the Family Service Association would not be able to sustain the important work they do.

The Voluntary Sector Forum has recommended in their brief to you to develop and implement smart, effective, and dependable sector funding mechanisms and relevant and appropriate reporting measures. As you know, a few years ago we went through this whole exercise of looking at how this would work. There were two documents that came out: the code of good funding practice and the code of good policy development. We urge you to pay attention to the recommendations that came out of that so that this sector is able to sustain itself.

I think particularly for immigrant- and refugee-serving organizations it has been a challenge, because they've been depending on a patchwork of funding to sustain the services.

I also want to move on to what's happening with professional development. A lot of attention has been paid to accreditation programs for immigrants, which is crucial, but I don't think as much attention has been paid to people actually getting jobs in their field and actually getting decent wages. So that's a gap we are seeing, and we think it's important that this committee pay attention to that.

I'll rush through this very quickly.

With family reunification for refugees, one of the challenges we're seeing is that even though the bureaucrats at Citizenship and Immigration Canada are doing their best to process applications, part of the challenge is that visa posts don't have the resources they need to have staffing to process these applications. One of the biggest problems is in the Abidjan visa post, which has significant populations that speak French rather than English. So these communities are facing longer delays in family reunification, and obviously that's going to have an impact on how they settle in Canada.

With regard to employment, Statistics Canada has reported that immigrants are poorer than they were 10 years ago, they have more disadvantages in entering the labour market, and many immigrants find employment in contingent work. Now, with the changes to EI, they're not eligible for EI benefits even though they pay into the plan. So they're paying into the plan, but they cannot apply for benefits through the plan because the nature of the work they're in disqualifies them. So we're asking that the EI plan be reviewed and that changes be made so that these immigrants can also qualify for the money they pay in.

I want to tell you very quickly about education. I know my colleagues are here from the Canadian Federation of Students.

● (0920)

I was thinking, when Dr. Cruz from BIOTECanada was speaking, that if poor students don't get the support they need for post-secondary education, we might lose a scientist, someone like Dr. Cruz. There might be someone in that pool who would need the support to go to university and learn what he or she needs to do and make sure that Canada is a world leader in biotechnology and other fields. But we stand the risk of losing that.

With regard to child poverty, we work with Campaign 2000. They have found that four out of ten immigrant children live in poverty. Compare that to two out of ten children in the general Canadian population. So immigrant children are twice as poor as children from any other communities. Of course, this is going to have an impact on how immigrant families settle, because if they are living in poverty, it's going to be a greater challenge for them to try to take care of their children's needs.

I know you have our written brief, but there's just one thing I'd like to add, because it's something we learned recently. That is, even though the money for immigration settlement was promised in the federal budget, this might not be committed, probably because of our current political climate and the concerns there about how moneys are being spent and how they are allocated to NGOs. But I think it's unfortunate that any time there are concerns about accountability and reporting, the sector that serves immigrants and refugees and racialized communities seems to bear the brunt of that. So we would like you to give serious thought to that.

Thank you.

The Chair: Thank you.

From the Canadian Association of Food Banks, Mr. Seiden.

Mr. Charles Seiden (Executive Director, Canadian Association of Food Banks): Hello, Mr. Chairman. I would like to thank you for allowing the Canadian Association of Food Banks to take part in the finance committee's pre-budget hearings again.

I've had an opportunity to work in a number of different environments, including a children's mental health centre out of a hospital, at the Mount Sinai Foundation fundraising department, and in a number of other different settings. I find myself in very unique circumstances now because I find myself on the front lines of a war against poverty.

CAFB is the national voice of food banks in Canada. Our 250 members and their agencies serve approximately 90% of people who use emergency food programs nationwide. In addition to coordinating the shipment of food donations to member food banks throughout the country, CAFB conducts the annual HungerCount study. Since HungerCount is the only national survey of emergency food programs in Canada, it's the leading barometer of hunger in the country. Our latest HungerCount findings show that more than 800,000 Canadians, including more than 300,000 children, visited a food bank in 2004. The majority of food bank clients receive social assistance. Those with jobs make up the second largest group of recipients—those with jobs. Although there is an increasing diversity among groups of food bank clients, they all share a fundamental experience: income security.

Food banks are also experiencing a crisis in terms of withering resources to meet the continued high demand.

Since this year the Standing Committee on Finance is emphasizing national productivity performance, CAFB will highlight the important role of human capital.

Hunger in Canada has less to do with food and more to do with poverty in its many dimensions. Building a strong social safety net is an important part of human capital investment because it will enable greater social inclusion. A more socially inclusive Canada will help to narrow the nation's growing income gap between the rich and the poor. This has been well established in many other briefs.

Based on this argument, CAFB recommends that the Canada social transfer, which is a critical feature of the social policy landscape, receive increased federal funding and that it be split into two separate envelopes for post-secondary education and social programs and services. The CST has lost an estimated $3 billion in federal funding as a result of government cutbacks between 1995 and 1998. CAFB recommends that this amount be restored to the Canada social transfer as a first measure.

Second, there's a funding disparity between the health and social transfers. Now that the health care funding is almost restored, with an increase of $10 billion over the next three years, we recommend that the CST be at least equal to transfers in the Canada health transfer.

Finally, with regard to the block funding to the provinces, which consists of cash and tax points, there are no conditions nor national standards attached to this large fund. Block funding prevents the transparency and accountability that's necessary for the CST to promote real and lasting social inclusion. Therefore, CAFB recommends that the government split the present CST into a post-secondary education transfer and a social transfer, and that a CST monitoring body be set up similar to the Canadian health council.

Canada does have the physical capacity to increase its social spending. For example, now that the deficit has been eliminated, the contingency reserve of $3 billion would be used to restore CST funding to the levels before the government began its program spending cuts. Another monetary source would come from ending tax cuts to the wealthiest groups.

Recently the government has made some positive strides in policy areas that directly impact hunger and poverty in the country. A renewed federal presence in affordable housing programs and the bilateral agreements and principles toward a national child care program are some important examples.

There are also examples of how Ottawa, through the CST as a funding channel, can influence the effectiveness of programs and services for poor Canadians at the provincial level. Raising the base of the CST would also encourage provinces to take further steps to improving the income and income security of poor Canadians. With increased funding to their social transfer envelopes, along with appropriate standards, provinces could be encouraged to end the clawback of the national child benefit supplement for families with children on welfare, raise minimum wages, and develop income supplements for the working poor and employment benefits for non-standard type of work.

● (0925)

The recession of the 1980s and 1990s, followed by the drastic cuts in federal program spending, have eroded Canada's venerated social safety net to a deplorable state. It is now time that Canada starts to rebuild this system for a more inclusive, healthier, and, ultimately, a more productive nation.

I've provided the committee with an annual report to show you a very heroic story of people surviving in unbelievably difficult circumstances, of front-line workers at food banks finding they are fighting a war they weren't supposed to fight in the long term, and of volunteers and corporations donating large amounts of money and time to fight this battle. An estimate is that about $175 million in donated revenue is going into fighting this battle on Canada's behalf.

I've just been approached by the U.S. about our unique partnership between the Food and Consumer Products Manufacturers of Canada and the food banks of Canada—so we are a leader in many areas.

What I'm talking about is a very human story of people surviving, people who've worked all their lives to experience some level of comfort but who find themselves in a situation where they're not managing.

I really think this is integral. I'm really talking about a set of values that we have to look at in terms of what Canada wants. I guess that is the last and biggest message I need to leave with you and the committee. I was here last year, and I was actually shocked by the recommendations that came out of the committee. I wish I could invite all of you to come to the food bank today and see what we're dealing with. It really has to do with the central core of what Canadian society is going to be in the long term, and we need to deal with it from a holistic perspective of income supports, supports to families, housing, and child care.

We're losing the war. We weren't designed to do what we're doing and we weren't designed for a long-term commitment. We've developed some amazing partnerships and we will continue to work with those partnerships. In fact, some of the food banks are beginning to explore very creative partnerships that provide support to the largest groups of marginalized people coming to their doors. So there are some unique programs going on, but we need help.

Thank you for allowing me to present.

The Chair: Thank you, Mr. Seiden.

From the Canadian Federation of Students, Mr. Greener.

Mr. Jesse Greener (Chairperson, Ontario, Canadian Federation of Students): Thank you.

Thank you for the opportunity to present before the Standing Committee on Finance. My name is Jesse Greener. I'm the Ontario chairperson for the Canadian Federation of Students. I have with me Pam Frache, government relations coordinator.

The Canadian Federation of Students represents approximately 250,000 post-secondary education students in Ontario and about half a million post-secondary education students across Canada.

On October 7, 2005, federal Human Resources Minister Belinda Stronach announced the government's intention to release the $1.5 billion for post-secondary education funding. This allocation is a product of a budget amendment that was adopted in June 2005 and negotiated with the intent of reducing tuition fees for students across Canada. The $1.5 billion should be provided directly to provinces with the instruction to reduce tuition fees, respecting, of course, the special funding mechanisms that accommodate Quebec's unique relationship with the federal government.

While we welcome the federal government's intention to release the $1.5 billion, we also caution against any move to funnel this money through unaccountable foundations such as the Millennium Scholarship Foundation. Auditor General Sheila Fraser has highlighted the fact that foundations provide virtually no accountability whatsoever using public dollars. The money in the scholarship foundation has utterly failed to accomplish the mandate it was given at its outset, and given the current events, we trust that this government will want to ensure that public dollars are spent responsibly and accountably.

We concur with the recommendations of the Auditor General and urge the government not to allocate any more public dollars to this unaccountable foundation. In fact, it's our continued position that the Millennium Scholarship Foundation should be wound up immediately and the remaining dollars should be redistributed to expand needs-based grants and improve tuition fee reduction programs.

Regarding Bill C-48, we would like to state categorically that simply channelling money into the federal government's Canada access grants without implementing measures to ensure that tuition fees are reduced for students across the country would also be unacceptable. To use funds in this way would be to ensure that tuition fees become even more expensive for the vast majority of Canadian families, since only a sliver of the current student population qualifies for the Canada access grant.

For families not desperately poor enough for these grants and not wealthy enough to be in the upper quintile of income brackets, raising fees would mean only one thing: expanding debt. To put it bluntly, a family with children with a combined income of just $39,000 a year would have to fund tuition fee increases exclusively through debt.

High tuition fees have ensured that enrolment rates among low-income families have not increased significantly, despite the fact that higher education is more critical today than ever before, and this is just to secure average earnings.

Today, wealthy families are twice as likely as low-income families to access higher education. Many of you would also be aware that the latest information from Statistics Canada demonstrates declining enrolment rates in high-fee programs among middle- and modest-income families. This trend need not continue.

The $1.5 billion allocated in the last budget has the potential to make education more affordable for all students. Moreover, if Prime Minister Paul Martin were to honour the pledge he made during the last provincial election and increase post-secondary education funding by $4 billion, there would be more than enough money, not only to maintain our existing system, but to expand access and improve quality of education.

Statistics Canada reports that tuition fees increased at four times the rate of inflation over the last 15 years. In Ontario we have calculated that tuition fees would need to remain frozen until the year 2043 just to compensate for the unconscionable increases since 1990.

Over the same period, real wages either fell, in the case of recent immigrants, or were stagnant. According to Statistics Canada, between 1991 and 1998, the real income and buying power of Canadians with the lowest 20% of after-tax income declined. Moreover, recent immigrants to Canada have experienced a 24% decline in real dollar earnings over the past 30 years. Yet the unrelenting demands of the market to acquire some form of post-secondary education simply as a basic prerequisite for employment have meant that families have gone to extraordinary lengths to ensure their children have access to college or university.

In Ontario, rising tuition fees have had a particularly devastating impact on families. In college programs, where tuition fees were deregulated in 1998, some fees skyrocketed over 800%. Computer animation, just for example, increased from $1,400 to over $11,000 in just three years.

● (0930)

Tuition fees for graduate students in Ontario are the highest in Canada, yet no graduate student is eligible for the Canadian access grants. By releasing the $1.5 billion to reduce tuition fees directly to the provinces as quickly as possible, by restoring post-secondary education funding by at least $4 billion a year, and finally, by establishing a dedicated transfer for post-secondary education, as was discussed earlier today, the federal government has the opportunity to resume its role on the national stage to shape the future of higher education. We urge this government to seize the opportunity at hand.

Thank you.

● (0935)

The Chair: Thank you, Mr. Greener.

Okay, members, we'll go for five minutes.

I want to remind the witnesses that the members have only five minutes, and this includes questions and answers. If you can keep your answers to a brief intervention, I think the members would appreciate it, so they can ask more questions. Thank you.

Mr. Solberg.

Mr. Monte Solberg (Medicine Hat, CPC): Thanks very much, Mr. Chairman.

Thank you to all of you for your presentations.

I'd like to ask a lot of questions, but we have very little time.

Ms. Lupa, in your presentation you talk about half of the participants in the program being immigrants—45% of whom have college or university degrees—yet they have annual incomes under $20,000. By the way, this is a recurring theme through these hearings. We hear it far too often. In a sense, this is not really germane to your presentation, but I wonder if you could tell us what kinds of challenges people face? Is it a situation where their credentials are not recognized? Can you elaborate on that?

Ms. Michele Lupa: It's a combination of things. That's one issue. In fact, I can share with you that we have several parents' groups we work with, and we did an informal survey recently in one of them in the west end of Toronto. It's a group in which 95% of the parents are immigrants, and we asked them what is their background, their experience, and the challenges they are facing. It blew me away, quite frankly. They were engineers, doctors, teachers, professors—we're talking with lots of experience. The issues they raised were the credential recognition, and even for those who have gone through the process, it's getting employers to recognize their experience. Many of them had 10 to 15 years' experience in their home country, and they can't get a job in their field. So it's a combination.

Mr. Monte Solberg: Sorry, time is so short.

Mr. Perkin, I want to ask you a question. I looked at your presentation, and you're recommending that the Income Tax Act be changed to allow someone to go back to work part-time and have their pension paid out at the same time. Now, it strikes me that as the population ages, of course, this is a way to ensure that we have enough people to get out there and provide the labour we're going to need. Do you want to expand on that a bit? Is this something you're hearing from employers? Are they starting to ask for this? Or where does this come from?

Mr. Scott Perkin: This is referred to in the industry as phased retirement. Very simply, it's a way for employers—who wish to—to retain skilled workers who no longer want to work full-time and want to start drawing their pension, but who want to continue to supplement that pension income with additional employment income.

Mr. Monte Solberg: It's not allowed under the law now?

Mr. Scott Perkin: There are restrictions within the Income Tax Act that make this a very difficult, very complicated process for employers to go through to get there, yes.

Mr. Monte Solberg: Okay.

I have a final comment, because time is running out. Here's a frustration I have. Since 1999, program spending in Canada has gone up about 52%, and we have groups here saying we need to spend more, and I appreciate that. But help me out here, Mr. Seiden and others. You know there's this big increase in spending, but why aren't we seeing it borne out in some results? It seems like social outcomes are getting worse in many cases, according to some of the witnesses here. Why is this happening?

Mr. Charles Seiden: I would answer that question...and I don't mean to be disrespectful.

I was in a meeting in the U.S. with America's Second Harvest, which is our counterpart, and someone came up to me and asked me a question about Canada. They said, “Why does Canada have food banks? I thought you had a social safety net. I thought there was employment insurance. I thought there were social benefits.”

For the last number of years, way past 1999, there have been substantial cuts, and this is not news. The impact we're seeing now is unfortunately an expansion of the need for food banks on the part of people who are working and people who are on social benefits and can't get by.

You're an experienced politician. You know the amount of money that's going out and how much people are trying to live on with social benefits.

I have a problem with EI. There may have been increases since 1999, but the damage was done prior to that and we don't have the social safety net. We don't have it like we did.

● (0940)

The Chair: Thank you, Mr. Seiden.

Mr. Loubier.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Chairman, I have several questions that I would like to ask, but I will limit myself to putting questions to three groups. I want to thank my colleague for asking some of the questions I had in mind to the other groups.

First of all, I'd like to congratulate Ms. Montadher on her testimony.

[*English*]

It was a very great pleasure to listen to your declaration. Thank you very much.

[*Translation*]

I have a question for the Canadian Federation of Students.

Can you give us a breakdown, by province, of college and tuition fees? Also, do you have any figures on the average debt load of students in each province?

We were in Moncton on Monday and heard testimony from representatives of your federation. They called for lower tuition fees, the elimination of millennium scholarships and an increase in federal transfers for post-secondary education. It's rather astonishing to hear witnesses in Moncton and in Toronto say the exact opposite of what I'm hearing in Quebec.

There is a growing movement in Quebec to lift the freeze on tuition fees. We're hearing people say that tuition fees should be increased, that the status quo makes no sense. The situation in the rest of Canada is always used as a basis for comparison. The argument advanced is that tuition fees have increased elsewhere and that fees in Quebec should match the national level. Increasing tuition fees to that level would mean an additional $400 million in revenue, but that money would come out of the pockets of students.

Witnesses in Moncton hold Quebec up as an example, while the reverse is true in Quebec. I think we need to put things into perspective.

I'd appreciate it if you could provide us with these figures. This might help us to shed light on the debate in Quebec. It's too easy to say that tuition fees should be increased, whereas here in this forum, witnesses are telling us that they should be lowered. Who is right? I think we need to weigh both sides of the issue.

I'd be very happy if you could provide me with these figures, if you have them.

[*English*]

Mr. Jesse Greener: Thank you very much for your comments.

I'll respond in English.

I'm most familiar with the Ontario situation, of course, being the Ontario chairperson, but I can say that the data that exists is somewhat sparse. We know that on average student debt across the country is $25,000. That number is growing older by the day; I think it was 2002-03 when that data was fresh. Tuition and debt information by province is certainly not the easiest to come by.

I'll just say this with respect to your question on whether there is a difference of opinion in Quebec of students and Quebec families versus the rest of the country. I'm curious to know who you're talking to who is advocating for higher fees. I think people here know that the largest student demonstration in Canadian history occurred March 16 in Quebec because the government in that province tried to move towards a loan system by taking away from the grant system. I think the issue of affordability in Quebec is as front and centre, if not more so perhaps, than in other jurisdictions in the country.

I would also just like to say that Quebec does provide a model for many provinces, Ontario included. Their CEGEP program is something I think we should look to. Even Alberta is contemplating now two years of free post-secondary education, something similar to a CEGEP program.

● (0945)

Ms. Pam Frache (Coordinator, Ontario Campaigns and Government Relations, Canadian Federation of Students): Actually, we know that accumulated student debt is lowest in Quebec, where tuitions fees have actually been kept low. It's significantly lower than in other provinces in Canada.

It should be noted that within CEGEPs there are no tuition fees applied. CEGEPs are the equivalent of the first two years of post-secondary education, like a community college system, and the participation rate of college students in Quebec is anywhere from double to quadruple the rate of participation in the rest of Canada. That's been consistently so for more than thirty years. I think that's worth noting, most definitely.

The Chair: Sorry, I have to interject, being from Quebec. If you can, give me those stats, because that's not what we're hearing. It's a problem. I don't want to take up any of Mr. Loubier's time, but if you can, get us some of those stats.

[*Translation*]

Please continue, Mr. Loubier.

Mr. Yvan Loubier: Indeed, we need to have these figures.

I have a question for BIOTECanada. You recommend first of all that the government recognize US-based limited liability corporations under the US-Canada Tax Treaty as one way to increase the flow of early-stage capital to the Canadian biotechnology industry. I'd like you to explain this recommendation to me. I'm familiar with the US-Canada Tax Treaty and this is the first I've heard of the possibility of a biotechnology firm being involved in a limited liability arrangement.

[*English*]

Mr. Peter Brenders: On the Canada-U.S. Tax Treaty and LLCs, the question is that our Canadian biotech companies are struggling to find additional sources of financing. Canada's venture capital market is not investing in our companies; it's not large enough. Our companies need additional sources of capital. We're looking for international sources to invest and grow our industries. It is all about that sort of financing innovation Dr. Cruz mentioned.

The taxation law that doesn't recognize LLCs is a barrier. When you talk to U.S. venture capitalists, which are a source of funding—there are many other sources of funding, but they're one major source—they will basically tell you that's just a hurdle for them. It's a difficulty for them. There is a workaround available in our law, and what that involves is getting our Canadian companies to set up offices in the U.S., to incorporate in the United States.

So our law, basically, is encouraging our companies to move to the U.S. or to set up corporate structures there. Removing this barrier would allow for easier investment into our companies in Canada.

[*Translation*]

Mr. Yvan Loubier: When is meant by limited liability in the case of biotechnology firms? What would it mean if limited liability corporations were recognized under the tax treaty?

[*English*]

Mr. Peter Brenders: The only thing with LLCs is that they're an investment vehicle. Biotech companies are looking for investors, whether you're a high net worth individual or a venture capitalist. The VCs, the venture capitalists, in the United States are by and large set up as limited liability companies. So we're not saying biotech is that one; we are saying the investors are LLCs. Because they are this corporate entity that is not recognized by our tax system, it makes it difficult for them to invest in Canada, and basically what they do is they simply don't invest.

They will evaluate a lot of companies around the world—and there are a lot of biotech companies around the world. Because of our tax law, we have a disincentive; it's just another reason for them not to come to Canada. We just want to remove that and put ourselves on a level playing field.

It's a non-cost for us on that one as well, because, first, we're not getting the investments, so there's an opportunity to get more investment, and then when the money does come in, by recognizing the LLCs as corporate entities we'll still have our tax treaty to be able to make sure our fair tax is collected on that. It's just another mechanism to allow for easy investment.

The Chair: Thank you, Mr. Brenders.

[*Translation*]

Mr. Yvan Loubier: Mr. Seiden, I have only one short question.

The Chair: Please keep it short.

Mr. Yvan Loubier: Thank you, Mr. Chairman.

Regarding the value of the products you distribute, can you tell me what the federal government's share of the funding represents? Earlier, you mentioned that you distribute $173 million worth of food. What percentage of this total comes from the federal government?

● (0950)

[*English*]

Mr. Charles Seiden: About 90% of the money for running food banks actually comes from private donations.

Food banks are in a crisis, and one of the reasons we are in a crisis is because the way the system was historically set up, food banks didn't want to ask for revenue. Very little money comes from any level of government, and the programs cannot be sustained. There is a people crisis, a food crisis, and a financial crisis. In some cases, food banks are now getting a little support from the municipal or provincial governments, but it is just beginning at the federal level.

Food banks did not want to ask. They didn't think they would be around long enough. But we're now realizing that we've got a huge organization, with a large infrastructure, and we're delivering millions of pounds of food for free. It's CN and CP, and the biggest manufacturers donate the food. It's all donations, and the system is stressed.

The Chair: Thank you.

Merci, Monsieur Loubier.

Ms. Wasylycia-Leis and Ms. Minna, I am going to give you five minutes each or we are going to go over the time limit.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Thank you, Mr. Chairperson.

Thanks to everyone here this morning for the wonderful presentations.

I wish we had more time for a dialogue, but because we have to focus, I will start with Monte's question.

When people like Monte ask a question on how this can be, when spending has gone up by 30%, or whatever, in the last number of years, he doesn't say, and others don't say, that this is not spending in the areas of health, education, and social policy. It could be spending on tax breaks or benefit packages for corporate heads. When you consider the fact that the average salary and benefit package for corporate heads was $1.8 million this year, according to the *Globe and Mail*, we might have a better sense of where the distortions are.

I think we need to hear from folks about the right balance in this budget.

I'll start with the Canadian Federation of Students for a comment in response to this issue of spending gone haywire, because I don't think we've in fact even put the money back in that was taken out of education in 1995.

Secondly, for CFS, I'd like to know this. On the $1.5 billion that was negotiated between the NDP and the Liberals in the last budget—which didn't have the support of the other opposition parties, by the way—where would you like to see that money go? We specified that it must go to student access; it must go towards improving access for students. How would you like to see that happen? What are the pitfalls in terms of where the Liberal government might put that money and it wouldn't ensure student access?

To Farah, Michele, and Amy, what would you do?

First of all, to Farah, CAPC is a program that has been with us for a while. We are suddenly getting a huge outburst of concern from groups across this country, and the implication is that there are rumours of a cutback, never mind an increase. I'm hearing that it might be part of this reorganization under the Public Health Agency of Canada. We need to know this. Is there is a real threat of cuts to this important program that helps children at risk and plays an incredible role in building a more productive society?

To Scott, in the context of these priorities and balancing that, how is it that we need to create a better tax environment for corporations in order to guarantee pension security in the future, when corporate profits have in fact gone up and at the same time corporations have moved away from defined contribution programs to defined benefit plans? I would argue that it's because it's a cost saving for them.

I'd like to know why you wouldn't recommend stronger regulatory changes. I know you recommend some regulatory changes, but you also focus on the tax system and the tax structure as the be-all and end-all. I just don't see that.

● (0955)

The Chair: I know you want answers, so let me help.

Michele, could you take 30 seconds; then Amy, 30 seconds; and then Mr. Perkin, 30 seconds?

Go ahead.

Ms. Michele Lupa: To Mr. Solberg's question, I'll just respond by saying we haven't seen any increase in federal funding for 12 years. So wherever the new money is going, it isn't coming to vulnerable children.

As to your question about the future of CAPC—you being inundated with information from all of us—we are feeling very much at risk. We are a program that has been around for some time and doing quiet work with families who have been on the edges for some time. With the shift in the government to the Public Health Agency of Canada, a focus on SARS and flu epidemics, and all that kind of stuff, we feel like we're being lost in the shuffle. The children of the country need these programs, and families need these programs. So we are really trying to make everyone more aware of our existence.

Ms. Judy Wasylycia-Leis: And the Canadian Federation of Students...?

Mr. Jesse Greener: Thank you.

First of all, we'd like to congratulate your party for working responsibly to secure that amendment to the federal budget with the Liberal government.

Our position is simply that there must be tuition fee protection as a primary component to an overall framework of affordability for students and their families. Any kind of targeted grant program outside of that context would simply be clawed back, and year by year, that grants program initiative would be whittled away and made less useful.

The people who do not qualify for grants, which are the majority of students of families in this country, are going to be hit by either higher debt or full-on tuition fee increases by themselves.

We think the best way for the $1.5 billion to be allocated, the most responsible way, the way that would actually directly target its intended purpose, is to be a direct transfer to the provinces such that those provinces can, and with mechanisms to ensure that the provinces will, use that money to engage in tuition fee reductions.

The Chair: I'm going to go to Amy because Judy wanted her to address the question.

Ms. Amy Casipullai: Thank you.

Ms. Pam Frache: Can I just take up the second question?

The Chair: No, thank you, because we're over the time.

Amy, go ahead.

Ms. Amy Casipullai: We didn't see any increases for almost 10 years. It has not come to immigration settlement, certainly in Ontario, so I'm not sure where the money is going. We're not getting it.

We do know that the infrastructure support of core funding is important, because a lot of the smaller organizations, especially in smaller communities, cannot sustain themselves through the kind of structure that currently exists, so they're folding. That means the immigrants who are going to smaller communities have no services—none.

The Chair: Thank you.

Mr. Perkin, just 30 seconds, please.

Mr. Scott Perkin: I think what's happened is that with increasing complexity and regulation we've seen a shift away from defined benefit to defined contribution, where the investment risk is borne more by the plan member, obviously.

With the low interest rates and the poor market returns over the last few years, both the DC and DB plans are under increasing stress. Historically low interest rates right now are driving up the cost of liabilities much faster. As a result, Canadians have seen in their pension plans and their RRSPs no real returns over the last significant time period.

What we're advocating are changes to the system that would make the system more balanced, we think more fair, and would make the rules more clear and consistent. We're hoping that all of that means employers would be encouraged to not only maintain the DB plans they currently have, but establish new ones, which is not happening.

The Chair: Thank you, Mr. Perkin.

Thank you, Ms. Wasylycia-Leis.

Ms. Minna, please.

Hon. Maria Minna (Beaches—East York, Lib.): Thank you, Mr. Chairman.

I'm going to try to be as quick as I can—one after the other, so I can get answers. Maybe you can work with me, because I have a few areas I want to cover.

I'll start with Ms. Lupa.

The CAPC program was something I worked on very hard 12 years ago, as some of you recall, to make sure it got more money and was enhanced. I don't think it's in danger, because there's no indication I hear from inside my caucus that's going to happen.

But from a long-term point of view—not immediately, because obviously right now it needs to be enhanced and have more funding—we have in Ontario the early years education now, with in-care, which I believe we need to increase quite rapidly in the next number of years to really make it viable. We have in Ontario the early years program that exists, and then there's CAPC. Do you see those three components coming together in an integrated program for children rather than maintaining separate streams and structures?

● (1000)

Ms. Michele Lupa: There are a couple of things. The landscape certainly has changed in the last 12 years, but we're all doing very different work. The fact that the federal government has a presence in that landscape is key, especially when you look at some of the demographics in the areas of vulnerability. What we hear from program participants is that they see it as vitally important that Canada plays a role in the lives of families. It's not just the provinces, not just the municipalities.

So there is a place for all three, and we do work toward integration. What makes us unique is that we have a mandate to focus on vulnerable families, unlike all of the other initiatives, which are universal in nature.

Hon. Maria Minna: I understand that. You have my support, because I think it's good. I don't see you as—

Ms. Michele Lupa: Thank you. That's reassuring.

Hon. Maria Minna: I agree with you 100%.

I just want to go to OCASI, if I could. I understand the issues 100%. It's not spending money, it's investment in people. I don't see spending as a negative.

I was involved in immigrant settlement for 20 years with OCASI. Some of you know my history there, so I'm not going to go into it.

Funding has not gone up—you're absolutely right—in Ontario especially. My understanding is that although there were some negotiations with the province, the most recent estimates that went to committee did include—I haven't actually seen those estimates—some increases in dollars. Those estimates failed at committee, which is something that needs to be addressed. It was the opposition that knocked those down.

Core funding for the sector is absolutely fundamental. I used to advocate for that when I was on your side of the table, and I still continue to do that, as well as the EI for immigrants who have contingent work. It's a must. I agree with you 100% again.

I wanted to ask you one quick question. The issue of credentials is a major problem that needs to be addressed. At different levels, we're desperately trying to address it, but there's still the barrier to employment. I think the barrier is racial to some degree, and to some degree it has to do with not having Canadian experience or whatever. The employers are not taking chances.

I believe we should have a bridging program like we had for youths back in the early nineties. Basically, the Government of Canada would co-fund the first six months' salary or six weeks' salary of an employee, so the employer would take the chance and bridge.

Would you support something like that? I have a list of things I'm pushing, but that's one of the things I'm pushing.

Ms. Amy Casipullai: I believe you should send it to organizations that are trying to help immigrants find jobs. It's something they would certainly welcome.

And you're absolutely right. Having that piece of paper hasn't made a difference in whether people can get a job or not, and it hasn't made a difference in their rate of pay. For example, some of my colleagues here were talking about people who have degrees or who do not. Still living below the poverty line is the reality they are seeing, and it really has to do with entrance to the local market.

The federal government has a role to play in working with employers, the business sector, the business organizations, to make sure people actually get jobs and are paid what they need to be paid.

Hon. Maria Minna: Thank you. I agree. That's why I raised that, because I think that's what we have to do. We have to be much more aggressive and proactive in the field, and businesses have to open up. They keep screaming about how they don't have skilled labour in this country, but then they don't hire people. Brain waste is really economic waste. It's a very sad commentary.

To the food bank, if I could very briefly, I agree with you on splitting the social transfer and education and putting stronger accountability parameters around both of them, because I think it's important for what we do to be transparent, not just for us, but for Canadian citizens. It's important that Canadians see transparency in how governments spend their money and invest, actually, in human capital. So I agree with you on that. In fact, a lot of my colleagues do as well.

As chair of the social policy committee of the Liberal caucus, I have been putting forward a number of things. I'm looking at a package. One part of it is to make $15,000, at least to start, the level under which you just don't pay taxes. You don't have to. That's to start assisting with the lower income.

Another is to increase the child tax benefit, which I was involved with getting established in the first place, to $4,900. Eliminate the clawback, increase child care rapidly, and ramp that up on a much faster base.

And then, of course, there's housing.

To me, those components seem to be the major factors that have contributed to poverty and child poverty in our society.

I think you would agree with $4,900 for the child care, but on the $15,000, I just want to see if you have an answer to that one. I would prefer $20,000, but I'm not sure I could get there right now.

● (1005)

Mr. Charles Seiden: I love the initiatives you're talking about. Kudos to the committee, and certainly to the federal government, for moving in that direction, because these are areas that a number of agencies and a number of organizations have talked about over the years.

I just want to re-emphasize that we've submitted this brief—and I know you're inundated with paper—and it says here, “There has been a decline of more than $5 billion in cash transfers for social services and post-secondary to the provinces since 1992-93”, since the taking away of the CAP, the social assistance plan that was eliminated in 1996.

Hon. Maria Minna: I apologize, but if I can interrupt, I agree with you on that. I think we have no discrepancy. My question to you was whether or not you agree that, at the minimum, we should get to where the income tax level starts at $15,000 in earnings per year, and below that you do not pay taxes. I would go to $20,000, but I would even start at $15,000 at this point.

Mr. Charles Seiden: It's a difficult question to answer. I would say off the top that it would be wonderful and great stuff. But in the long term, the poverty line in Toronto for a family trying to get by is much higher than $15,000, so it has to be in combination with a whole bunch of other initiatives.

Hon. Maria Minna: Oh, I agree—with child care, with the child tax benefit being increased to $4,900, and with all of the other things that were mentioned earlier.

The Chair: Thank you, Ms. Minna. I don't think anybody would argue with $15,000.

Go ahead, Mr. Penson, for 30 seconds, please.

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

Just as a question for the Association of Canadian Pension Management, during our hearings we've heard from quite a few self-employed people, mostly artists, who want to have their own registered retirement plan for self-employed people. I'm just wondering how you would view that. Do you see difficulties with it? Is it something that can be put into place? How should we react to this suggestion that it be set up?

Mr. Scott Perkin: I think the only opportunity right now for self-employed people in the country is through RRSPs, and that's why we continue to encourage increasing limits on contributions that can be made. Quite frankly, if I were self-employed and I looked at the regulatory regime here in Canada right now, I'd probably be nuts to set up my own pension plan for myself, because from a cost perspective and from a liability perspective, I just don't think it's worth going through. That's certainly what we're seeing with existing defined benefit plans, and that's certainly the problem we're trying to address in our current funding report.

Mr. Charlie Penson: Thank you.

The Chair: Thank you, Mr. Perkin.

Thank you, Mr. Penson.

Thank you to the witnesses.

I have a few questions, and one of those comments is for you, Mr. Brenders, if you can. I think the question Mr. Loubier asked is technical. If you could send us a one-pager on the treaty, we'd appreciate that.

Mr. Peter Brenders: Okay, will do.

The Chair: Thanks.

It's a tough group. There are different spectrums and different issues, and there's never enough time. So, again, thank you. It's our job to try to decipher all this information. But this is a tough panel, in that you're already making me go over and it's going to be a long day.

If members have to speak to some of the witnesses, please do so outside, because we have to get the next panel set up.

Thank you. The meeting is adjourned.

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