



House of Commons
CANADA

Standing Committee on Finance

FINA • NUMBER 008 • 1st SESSION • 39th PARLIAMENT

EVIDENCE

Wednesday, May 31, 2006

—
Chair

Mr. Brian Pallister

Also available on the Parliament of Canada Web Site at the following address:

<http://www.parl.gc.ca>

Standing Committee on Finance

Wednesday, May 31, 2006

• (1535)

[English]

The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)): Welcome, committee members. Welcome to our guests today.

Pursuant to the order of reference of Friday, May 19, 2006, we're dealing today with Bill C-13, an act to implement certain provisions of the budget tabled in Parliament on May 2, 2006. We are going to hear some presentations from our guests today, and we'll follow that up with questions till approximately 4:30 p.m., when a second panel will come forward for further presentations.

We'll begin with a representative from the Canadian Cancer Society, I believe, Mr. Cunningham.

[Translation]

Mr. Rob Cunningham (Senior Policy Analyst, Canadian Cancer Society): Thank you, Mr. Chairman, for this opportunity to testify here today.

[English]

First, let me express our support for a measure not included in this bill, and that was the budget announcement of significant funding for the Canadian strategy for cancer control. The Canadian Cancer Society has been extremely supportive of this initiative.

With respect to the bill, today is World No Tobacco Day, organized by the World Health Organization, and it is appropriate for us to express our support once again for the increase in tobacco taxes included in the bill to adjust for the 1% GST reduction. Had it not been for that measure, there would have been a decrease in cigarette prices across Canada. Given that higher prices are the most effective measure to reduce smoking among children, this would not have been a good thing. I urge all members to support that.

At the same time, national health organizations have called for a further increase of \$10 per carton of cigarettes and the elimination of the loophole that allows lower taxes for roll-your-own cigarettes as measures to increase government revenue and protect public health.

There are a series of contraband prevention measures that could be implemented that would be beneficial, including asking U.S. authorities to shut down illicit manufacturing in St. Regis, New York, next to the Canadian border; to increase the minimum bond to \$2 million for tobacco manufacturers; to revoke federal tobacco manufacturers' licences if a manufacturer does not have a provincial manufacturer's licence required in Quebec and Ontario; to prohibit the supply of raw materials to those manufacturers that do not have a

federal licence; and to improve tax-paid markings on cigarette packages, as has been successfully implemented in California.

In conclusion, let me thank the government for introducing the tobacco tax measure included in the bill. Thank you.

The Chair: *Merci, monsieur.*

We'll continue with a representative from the Canadian Federation of Students, Mr. Boyko.

Mr. Ian Boyko (Government Relations Coordinator, Canadian Federation of Students): Good afternoon.

The Canadian Federation of Students unites over 80 student unions in all provinces, and in all we bring together more than one-half million students at public institutions, big and small institutions, urban and rural.

Thank you, of course, for the opportunity to be here today to present some feedback on the 2006 federal budget.

Despite a healthy surplus, Budget 2006 made no headway on restoring transfers to the provinces for post-secondary education. By most estimates, these transfers fall short of 1993 levels by at least 20% on a per capita basis. Other federal initiatives such as the funding for indirect costs of research and the new infrastructure fund are not a substitute for core funding through transfers to the provinces. A budget amendment from one year ago was a promising step in the right direction. Bill C-48 was an important acknowledgment of the role of the federal government in improving access to post-secondary education.

However, the finance minister's answer to a question posed by Michael Savage during yesterday's hearings gives students and their families some cause for concern about the future of the Bill C-48 moneys. I think the minister is under the mistaken impression that a fund for infrastructure meets the objectives originally laid out for Bill C-48—it does not. The physical condition of our campuses is a distinct and pressing issue but should not be pitted as a priority against access to post-secondary education.

Budget 2006 also introduced a tax credit for textbook purchases. Let me be as clear as possible: this measure will not improve access to post-secondary education; in fact, it's unclear whether or not this public expenditure will achieve anything whatsoever. Tax credits are not available at the time when students and their families need money to pay for textbooks, or tuition fees for that matter, and tax credits' net benefit to students in real dollars is, quite frankly, insignificant.

Most importantly, tax credits are the worst way to allocate student financial assistance. They're blind to need and are useless to the vast majority of students, who aren't even on the income tax rolls.

The Canadian Federation of Students recommends that the federal government redirect moneys allocated to textbook, education, and tuition fee-related tax credits towards a national system of needs-based grants.

Thank you again for the opportunity to be here to express our opinions, and we look forward to your questions.

The Chair: Thank you, Mr. Boyko.

We'll go to Monica Lysack, who is with the Child Care Advocacy Association of Canada.

Welcome. Please proceed.

Ms. Monica Lysack (Executive Director, Child Care Advocacy Association of Canada): Thank you.

My apologies for being late.

I, too, appreciate the opportunity to be here.

The new federal Conservative government says it developed this year's budget much like a typical Canadian family would approach their own budget. Canada is currently the economic equivalent of a family that has a steady income, a decent home, pays its bills on time, and holds a reasonable mortgage that is regularly paid down. Given these financial strengths, we at the Child Care Advocacy Association of Canada believe that as a key investment priority, a typical Canadian family would now ensure that all of its children are well cared for and educated.

Canadian families know that such an investment provides the best start for children now while it pays dividends for the future. So why is this federal government cutting funds that were specifically dedicated to developing quality early learning and child care services in communities across Canada? It's not because our country can't afford child care. As everyone knows, it provides a positive and prompt return on our investment. It's not because Canada already has a decent system in place, because study after study shows that outside of Quebec, Canada's inability to ensure families access to high-quality early learning and child care is an international embarrassment.

The federal Conservatives have made it clear that they believe there is little role for their government to support the care and education of our nation's greatest asset. This federal government is cutting funds that would support community-based child care because they think someone else should do it. The message seems to be that businesses and provincial and territorial governments, child care workers, and volunteers all need to do much more for

families with much less support from the federal government. They're telling Canadian businesses that it's now their responsibility to deliver child care programs that meet all of their employees' child care needs—an idea that businesses, incidentally, are strongly objecting to.

Finally, by eliminating provinces and territories from the equation, the federal Conservatives are undermining provincial-territorial responsibility for ensuring that quality child care services are developed according to their communities' needs and priorities. Ironically, the provinces and territories are also being set up as the inevitable go-to guys when reality sinks in and businesses realize they can't build and sustain child care on their own.

The provincial and territorial ministers for child care who met here in Ottawa earlier this week expressed a united position on this issue. They have agreements that work, and they want the current funding commitment to continue.

It's not only the \$1 billion cut that frustrates them. They're also frustrated by the lack of understanding from this government of how child care operates, as well as the inadequacy of a program whose aim is nothing more than to create empty spaces that will probably close because of the lack of operational funding.

In effect, the new federal government's approach to child care in this year's budget is akin to our equivalent moderate-income family's saying, "Sure, we can afford to fund our children's care and education, but we think someone else should do it for free".

Risking their children's future is hardly the approach of the typical Canadian families that we talk to every day. Families recognize the important role that early learning and child care plays in supporting young families in their important role of raising our youngest citizens. Families are counting on our federal government to support parents and children by maintaining and building on the existing investments for early learning and child care services in communities across Canada.

Thank you.

• (1540)

The Chair: Thank you.

From the Mining Association of Canada, Paul Stothart.

Please proceed.

Mr. Paul Stothart (Vice-President, Economic Affairs, Mining Association of Canada): Thank you, Mr. Chair.

I'm the vice-president of economic affairs for the Mining Association of Canada. MAC members account for most of Canada's production of base and precious metals, diamonds, and oil from oil sands.

With respect to the recent federal budget, there are three areas where we see very good progress having been made. There are also a couple of areas where we would like to see further progress and where we will be focusing our efforts in the coming year. I would be pleased to expand on these areas during the question and answer session.

The first positive relates to the changes made to the business tax regime. We welcome the reduction in the corporate income tax rate from 21% to 19% by 2010, and we welcome the elimination of the corporate surtax by 2008. If there's room to accelerate this timetable in a future budget, we would certainly welcome this as well. We also obviously support the elimination of the federal capital tax.

A second positive relates to what is in effect a two-year extension of the super flow-through share initiative aimed at mineral exploration. I'm now in the process of compiling statistics for our industry's annual facts and figures report. It's interesting to note that junior mining companies have increased exploration spending from \$284 million in 2003 to \$790 million in 2005, partly in response to this flow-through tax treatment.

A third positive of the recent budget relates to the issue of a common securities regulator and rests in the commitment of the finance minister to engage with provinces and territories on this issue on a priority basis. While this issue mainly affects our small and medium-sized companies, it is an issue that MAC also supports on behalf of our larger companies. Canadian companies face added costs, paper work, and time commitments because of the balkanized securities regulation structure that we have in Canada.

Thank you, and I look forward to further discussion on these issues.

The Chair: Thank you, Mr. Stothart.

From the Wellesley Institute, we now have Michael Shapcott.

Mr. Michael Shapcott (Senior Fellow in Residence, Public Policy, Wellesley Institute): Thank you very much for the opportunity to appear today.

My name is Michael Shapcott. I'm a senior fellow at the Wellesley Institute, which is a research and policy institute. Our focus is on the social determinants of health, those factors that help people to become healthy and to remain healthy, and much of my work focuses on housing and homelessness in particular.

Of course, budgets are about priorities. The Wellesley Institute believes the most important priority for the Government of Canada is to build a healthy Canada. We're concerned that this priority is not reflected in the 2006 budget, nor is it listed as one of the five priorities for the federal government in its fiscal discussions with the provinces and territories.

The federal government has obligations to the people of Canada. One expression of those obligations is the international covenant on economic, social, and cultural rights, which was ratified by Canada about three decades ago.

A committee of the United Nations reviews Canada's compliance with this international obligation every five years. The most recent review was released on May 22, 2006, in Geneva, which was about eight days ago, and I've asked for a copy of this to be tabled with the

committee. Considering the normally restrained language of international diplomacy, this latest review was powerful and it was direct. In 73 detailed paragraphs, the UN committee found that the Government of Canada has failed in its obligations to women, aboriginal people, children, and low-income people generally.

In paragraph 62, in particular, the committee found that Canada's affordable housing crisis is "a national emergency". In the face of what the United Nations is calling a national housing emergency in Canada, this federal budget of 2006 offers to the people no new spending and no new programs. The government has promised to finally allocate \$1.4 billion of the \$1.6 billion in housing spending authorized by Parliament last year in Bill C-48. That's welcome news, but it's not new spending.

Budget 2006 contains no commitment to renew and enhance the vitally important federal homelessness program, which provides services and shelter for more than 250,000 Canadians who experience homelessness annually. Budget 2006 contains no commitment to renew and enhance the equally important federal housing rehabilitation program that helps upgrade substandard or abandoned housing. Budget 2006 contains no commitment to renew and enhance the federal-provincial-territorial affordable housing initiative that was launched in 2001.

This program has been painfully slow to roll out, especially in Ontario and the Atlantic provinces, but it does offer some hope to the 1.5 million Canadians who are trapped in the nation-wide affordable housing crisis.

In addition, the federal government has said it's going to cancel the EnerGuide for the low-income housing program. This would have cost the government about \$550 million, but it would have saved at least \$1 billion in energy costs, which is good for low-income people and for the environment. It would have leveraged countless millions in additional housing spending, which is a great investment in local communities.

The federal government can finance a significant portion of its housing obligations through prudent reinvestment of the federal government's own massive housing surplus. The Wellesley Institute prepared a submission to the finance committee on this matter earlier this week, and I'd be pleased to provide further information for committee members.

I'd also be pleased during question time to speak more about the UN decision that came out last week and to speak about our recommendations on housing priorities for Canadians.

Thank you.

● (1545)

The Chair: Thank you, sir.

And now, from Imagine Canada, we have Teri Kirk.

[*Translation*]

Ms. Teri Kirk (Vice-President, Public Policy and Government Relations, Imagine Canada): Good afternoon, Mr. Chairman, members.

My name is Teri Kirk, and I am Vice-President for Public Policy and Government Relations at Imagine Canada.

[*English*]

Imagine Canada is the largest intermediary organization working in what is sometimes called the community non-profit sector and sometimes called the voluntary or charitable sector. The sector is larger and more diverse than often people realize. There are about 160,000 incorporated non-profit organizations in Canada, of which about half are registered charities. There are about 750,000 unincorporated community non-profit organizations and about six and a half million volunteers in Canada.

We would like to comment today on subclauses (1) to (3) of clause 51 under part 2 of the bill, which are the provisions eliminating capital gains tax on gifts of listed stock and environmentally sensitive lands to registered charities. The sector is very supportive of these tax measures, which both supplement government financial support for the sector without the need to increase taxes and of course spur taxpayers' willingness to give. There have been some very high-profile examples in the media of the sort of giving that has been unleashed since these measures were announced.

When the capital gains tax was cut to 50% in 1997, Revenue Canada found that donations increased from \$69 million a year to \$200 million a year, about a threefold increase over a three-year period. It is anticipated that donations into the community non-profit sector will increase by about \$250 million to \$300 million per year as a result of the measure. It is therefore our recommendation that the provisions proceed.

There was provision in budget plan 2006 that if certain obstacles could be addressed, the measures would also be extended to private foundations. We are working in the sector to address those obstacles to ensure that private foundations can be included the next time around.

Thank you.

• (1550)

The Chair: Thank you to each of our witnesses for their presentations.

Before we move to questions, I will quickly remind members of the standing orders we've agreed to, the purpose of which is to make sure that all or as many members of committee as possible are able to get a chance to ask questions. We have time limits that I would ask members to respectfully observe.

I will begin now with questions from Mr. Savage. You have seven minutes, sir.

Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.): Thank you very much, Chair.

Thank you to all of you for taking the time. I know some of you on short notice have come to discuss the budget and its implications.

I'd like to start with Mr. Boyko. You mentioned the questioning we had yesterday with the minister. I've had the chance to meet you over the past year as chair of the government caucus on post-secondary education and research. While we don't agree on everything, I think in general we're looking for the same kinds of things.

I want to talk about Bill C-48, because I think there is a significant question of where the money is going that is allegedly Bill C-48 money. I would remind members that Bill C-48, specifically on post-secondary education, indicated that the money was for:

supporting training programs and enhancing access to post-secondary education, to benefit, among others, aboriginal Canadians, an amount not exceeding \$1.5 billion.

Those are the direct words from Bill C-48. But there seems to be confusion, because when I spoke about Bill C-48 with Finance officials some weeks ago, their first thought was, "I think it was a billion." Well, it wasn't a billion; it was \$1.5 billion. The minister's initial reaction yesterday was that it was \$1 billion. The confusion I think is coming from the fact that they're putting \$1 billion into infrastructure for universities.

The question is, is that enhancing access? We've come a long way in the last number of years in Canada in putting money into research and innovation and into infrastructure. It's been very important, and we need to make sure we keep that going. But it seems to me that in Canada the issue now, more than ever, and in fact the primary issue for universities—post-secondary, including community college and skills upgrading—is the issue of access. In the last number of years, we have in fact put a lot of money into research and infrastructure, but I don't think we've increased access for students, particularly the lowest-income students.

I'd like to ask you your view, because I suspect you were probably involved and very closely watching, at least, the Bill C-48 discussions between the New Democrats and the Liberals a year or so ago. I'm wondering what your thoughts are about the Bill C-48 money and how it's being allocated.

Mr. Ian Boyko: Thank you for the question, because it's a good one.

If the finance minister wants to allocate funds for infrastructure, then that's great. There is a problem on our campuses in terms of the physical infrastructure, but the finance minister shouldn't say he's fulfilling the obligations under Bill C-48, because you read it out and it's crystal clear that it's about enhancing access. So we would like to see the federal government sit down with provincial premiers who are clamouring for this increased funding that can go towards improving access.

It's stalled in some provinces, but there's a movement in Canada—and I might add, led by Quebec—to keep tuition fees low, to reduce them and to freeze them. That can only be done I think with the support of the federal government. The infrastructure fund included in the federal budget in 2006 will do nothing to support that. We're looking for the federal government to meet its obligations both within existing legislation, Bill C-48, but also to just get us back to where we were at the beginning of the 1990s in terms of core funding to the provinces.

Mr. Michael Savage: Would you agree that there is information that indicates that in spite of the increased money that has gone into research and innovation, and even infrastructure, it has actually been more difficult for low-income students to access post-secondary education?

Mr. Ian Boyko: There is a substantial gap between the participation rates of students from low-income households and middle- and high-income households. That gap is a substantial one, and it's not going to be closed by building a new classroom here and there. It's going to be closed by making a substantial and ongoing year-after-year annual investment in transfers to the provinces and by building the best possible student financial aid program, founded on grants. Unfortunately, there's nothing within this budget that points us in that direction.

• (1555)

Mr. Michael Savage: What the minister actually said yesterday was that by creating more infrastructure, one creates more access. I don't think that's correct. I think you agree that's not necessarily the case.

Mr. Ian Boyko: No.

Mr. Michael Savage: First of all, are you familiar with the economic update in the fall, which the Liberal government brought in, the fall update?

Mr. Ian Boyko: The economic and fiscal update, yes.

Mr. Michael Savage: Are you familiar with some of the benefits that were in there for low-income students, persons with disabilities, and aboriginal Canadians?

Mr. Ian Boyko: The expansion of the existing grant, yes.

Mr. Michael Savage: The Canada access grant.

I'm just trying to put a comparator between what we had proposed in November and what the government is proposing now.

I think Canadians care, and in answer to Mr. Turner's sarcastic question, I think students care, because the issue is access and there's nothing in this budget that addresses access.

Can you talk a little bit more about the tax credit and how wonderful that will be in enhancing access for low-income Canadians?

Mr. Ian Boyko: Again—and I'm not suggesting you are—we don't have to pit infrastructure support against access. I think Canada is in the position to do both, invest in infrastructure maintenance and improvements and enhance access.

Frankly, I think there were a number of measures in the fall economic and fiscal update that should and could have been maintained. I'm thinking primarily of the expansion of the low-

income grant that you're referring to. But there was also a substantial increase in the number of scholarships available to graduate students that has disappeared. We would like to see that find its way back into the framework.

Mr. Michael Savage: Maybe you've done some work on this: what is the actual financial benefit of the textbook tax credit, about \$80?

Mr. Ian Boyko: At the most, yes, for full-time students who qualify.

Mr. Michael Savage: What would it be for the tax measures on scholarships? Are you aware of that? If you're not, that's fine.

Mr. Ian Boyko: It's a bit more substantial, mainly for graduate students who are already in receipt of grants, but it doesn't do anything to increase the number of graduate students who are being supported federally through the granting council. Again, it's not going to hurt anybody, but as we testified to the minister earlier this year, it's not a top priority.

Mr. Michael Savage: Just very quickly, if the money that was allocated under the enabling legislation of Bill C-48 goes towards post-secondary university infrastructure, is that fulfilling the obligation of Bill C-48, in your view?

Mr. Ian Boyko: In nobody's view that I know of.

The Chair: Thank you, sir.

We'll move now to Monsieur St-Cyr for his round of questions.

[Translation]

Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ): Good afternoon, and thanks for coming.

I'd like to have Ms. Lysack's comments on the universal child care benefit. In your view, there's something absurd in the way it is currently allocated. This allowance is taxable in the hands of the person who has the lowest income in the family. As an example, I'll give you the figures that were provided by the Department of Finance, which show the amount of money remaining in the family's pocket after tax, based on family type.

In all cases, regardless of family income, it is always the single-parent family that winds up with the least money, while the two-income family gets the most. Lastly, the family that receives the greatest benefit is a single-income family. I find that strange. One might think, first of all, that it should be the reverse, in that those who need the child care benefit the least are couples in which one of the members remains at home, followed by two-income couples; lastly, those who are definitely in the greatest need of government support are single-parent families.

In this area, the Bloc québécois had proposed a tax credit that would be implemented gradually based on family income, not the lowest income in the family. Thus, the least well-off would have received the full allowance, and it would have declined gradually as income increased, to a universal threshold of \$700. However, that's not the arrangement adopted by the government. In view of your knowledge of the field, do you believe this arrangement would have been better for families than the one proposed by the government in its budget?

•(1600)

[English]

Ms. Monica Lysack: First, my apologies for my inability to speak to you in French.

I'm not even sure where to start. Sometimes I feel like I've fallen down the rabbit hole, because suddenly we're in a position where we have income supplement programs that benefit those who need them least, and we are calling them something different than they are. We're calling this child care, when in fact it has nothing to do with child care. It's not unlike the national child benefit that's currently in place. If we want to compare income programs with income programs, then we could talk about those two programs together.

So in answering your question, I would certainly suggest that an income program like the national child benefit, or like the proposal the Bloc introduced as an alternative, certainly makes sense to me. I think it makes sense to most Canadians. I'm not sure there are very many people in the country who would agree that a greater income benefit should go to parents with the least need. It does, of course, seem very backward to me.

But the point I really wanted to make is that while income supports are an important part of a family support policy, overall this is not child care, and it can't be seen as replacing child care. We hear this government comparing numbers and saying they're spending twice as much on child care; no, they're spending some more on income supports, and that's important. They're actually cutting investment in child care by \$1 billion or \$1.2 billion a year.

Of course, we at the CCAAC look to Quebec as an international leader in child care, and we would hope that the Government of Canada would follow that model in the start that it has made.

[Translation]

Mr. Thierry St-Cyr: My second question concerns the child care program itself. The government told us a lot, both during the election campaign and since it was elected, about respecting parents' choices, but, in the Bloc québécois, we also talk about respecting the choice of society, of the provinces to establish child care systems.

In Quebec, for a number of years now, we have had a child care system which, as you say, is exemplary. We've made that choice as a society, and we're paying for it out of our taxes. That saves the federal government approximately \$200 million a year, since Quebecers, who have already paid for their child care system through their taxes, can't request the same tax credit as other Canadians on their federal income tax returns.

Do you think it would be legitimate and fair to respect the choice of Quebec society and for the federal government to remit to the Government of Quebec the money it has thus saved so that it can invest it in its own child care system?

[English]

Ms. Monica Lysack: Absolutely. The position of the Child Care Advocacy Association of Canada—and working with our partner, the Quebec child care coalition, we're respectful partners and not always with exactly the same position.... But we do recognize Quebec's leadership in this area, and we recognize that Quebec is entitled to its share of the commitment, although now I'm not sure

with this current budget, looking forward to \$250 million in tax credits—I don't know....

This week, I think the ministers were saying, is it a free-for-all? I don't know. Quebec will be in the lineup with others, I suppose, looking for grants for empty spaces.

The Chair: You have 30 seconds, sir.

[Translation]

Mr. Thierry St-Cyr: Mr. Boyko, at what figure do you estimate the demands you're making for federal education transfers to the provinces?

[English]

Mr. Ian Boyko: Our demands are very close to the provincial premiers' demands, which are that there needs to be an immediate infusion of about \$2.2 billion into the provinces for post-secondary education. That's the bare minimum. There is about a \$6 billion gap that has crept up since 1993, and \$2.2 billion will just get us back to what we were spending in 1993.

Quite frankly, we think there needs to be dialogue between the provinces and the federal government in terms of making sure there are common objectives and goals for how that money would be implemented. Of course, Quebec is the best-case scenario, in terms of fees. But in other provinces, we need to see some sort of agreement at least on what direction fees are going to go—and of course the chair agrees with me...downwards.

•(1605)

The Chair: Thank you, Mr. Boyko.

Madam Ablonczy, you have seven minutes.

Ms. Diane Ablonczy (Calgary—Nose Hill, CPC): Thank you, Mr. Chairman.

We do appreciate the submissions. As you know, there are other budgets to come. Some of the points you're making will be very helpful, not only now, as we're considering Budget 2006, but regarding subsequent budgets.

I was interested in hearing from Mr. Shapcott about the housing concern. One of the benefits that was proposed to flow from the opening up of contributions to charitable institutions—particularly through capital-gains-free contributions of securities—would allow some of these institutions to better address the work they do in the areas you mentioned. I'm wondering whether you anticipate that this will be the result—whether homeless foundations and some of the organizations that work with you on the issues of concern will be able to step up their involvement.

Mr. Michael Shapcott: Thank you very much for the question.

It's true that the charitable sector does good work. I mention a few at the risk of not mentioning others. There's Habitat for Humanity, for instance, that does good work. There are other groups in Alberta, such as the Calgary Homeless Foundation, a charitable group that pulls together a lot of resources from the private and community sectors to achieve good for the people of Calgary. I think the universal view—if I could speak on behalf of those groups, and I speak with them on a regular basis—is that while they do good work and want to do more, and they appreciate the tools that allow them to do that, this still doesn't address the scale of the problem.

For instance, Fort McMurray is a boom town by any reckoning, and yet it has a very serious housing and homelessness problem. In fact, in many parts of Alberta, the homelessness problem is caused by... Half or more of the people in homeless shelters are working at good jobs, or jobs that would be good in most other parts of the country, but because of the lack of affordable housing, they simply can't get access. So while the measures you're mentioning are important and will allow charitable institutions to do a better job, they don't address the scale of the problem. That's why we've said that the government needs to address it.

In reviewing Canada's compliance, the UN committee did say that Canada needs to have a national program, in partnership with the provinces, territories, municipalities, and private and community sectors. We're calling for that as well.

Ms. Diane Ablonczy: It's interesting. I was just in London for a couple of days visiting a family member, and I certainly had an eye-opener about not only the scarcity of housing there but also the incredible cost of housing. We certainly see in other countries the pressures that are put on working people in not being able to find affordable housing, and I think we can learn some things from other countries as well.

I just want to talk a little with Mr. Stothart about the mining sector, because I know when Mr. Stothart made a submission before to the minister he mentioned our commodity reserves. Our metal reserves are dropping, and of course this has implications for our wealth creators, our manufacturing sector, and for jobs in this country. I just wonder if you could tell us what you see in the budget to alleviate that, if anything, and then, again, what more you think we need to do to make sure that our reserves of metals and of commodities continue to be strong.

Mr. Paul Stothart: Thank you.

Yes, it an issue that certainly is facing our industry. There's been a decline over about the last 25 years in the level of reserves, and quite significant in some instances. Zinc reserves, for example, have fallen from 28 million tonnes in 1980 to 5 million tonnes today, and it's a similar story in other minerals.

One problem with that is there's a whole industry that rests on top of this. There are smelting and refining companies. There are financing companies, engineering firms. Some 60% of the rail freight in this country is from mineral transportation, so there's a lot of industry that rests on top of that base infrastructure.

I guess one of the issues that we're looking for—and it wasn't addressed in this year's budget, because it's not a big ticket item, but we certainly will be trying to push for it in next year's—is an

increased federal investment in geoscience, in basic mapping. For example, in Nunavut about 73% of the territory is unmapped, and there's a lot of interest in northern Canada, a lot of mineral exploration interest. Companies can find the needle in the haystack, but basic mapping allows them to find where the haystacks are, and that's traditionally a federal government responsibility right back to pre-Confederation, with the geological survey. So we would like to see an increase in that basic mapping, as one important ingredient in addressing this problem of declining reserves.

Certainly, the extension of the flow-through share allows a lot of exploration companies to raise money, and the amount of exploration taking place is increasing. If we keep that up for the next decade, that will certainly pay dividends, there's no doubt about it.

It does take a long time in this country to bring a mine into existence. To get approvals to get it built and to get it opened and operating, it can take about 10 years. We are working on that issue as well to try to get more timeliness and discipline to the whole approval process for new mines. So that's another issue.

I think all of these issues come together, and the sense I get from geological experts, of which I'm not one, is that Canada is still, arguably, the best country in the world for geology. There's a lot of wealth out there. It's a case of more mapping, more intelligent exploration, more timely approval processes, and a combination of those issues over a period of time will help address this problem.

● (1610)

Ms. Diane Ablonczy: Thank you, Mr. Chairman.

The Chair: Madam Wasylycia-Leis, seven minutes.

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

I have lots of questions. I'll start with child care.

Monica, we just received some numbers we asked for from the department about this so-called child care benefit, which is really a euphemism for baby allowance and it's nothing to do with child care. It shows that in every single income category, it's the one-earner couple who benefits, and the single parent, who's usually a single-parent woman, gets the least amount from this benefit. So it seems to me this just reinforces my belief that the Conservatives would like to take us back to the cave.

I don't think they have any understanding about women wanting to work or having to work, and I think it's important for you, Monica, to use a minute or so to tell Conservatives about what a disservice they are doing to women in this country, to productive workers, to our business economy, to the marketplace, because of the fact that they cannot simply recognize that child care is supposed to be about providing real choice to women, to families, to parents, who have to work or want to work.

Ms. Monica Lysack: Thank you. That's a very important question.

While it's true that when parents are asked about child care and who is the best person to look after their children, we are, of course, all going to say, "I am". Who would say, "Someone else; I had this baby so I could have someone else raise them"?"

The reality is, though, that all of us have to function in a society that is filled with demands. Even for women who are not employed outside the home, there are demands and expectations to be caregivers to other family members who are ill or who need care for some other reason. There is an expectation for them to be involved in their communities, to volunteer and contribute in so many different capacities in the voluntary sector. All of this is putting demands on them so they can't stay at home all of the time with their children, nor should that be a choice that's imposed on them.

When we talk about choice, what we know is that in Quebec, when the child care system was introduced—when they introduced high-quality, affordable child care centres—nobody had to choose it, but parents chose it in droves. They voted by going to it. And Quebec had to very quickly ramp up their program, much in advance of what they anticipated.

I'll just close this comment with the acknowledgment that what we're seeing in Quebec in terms of productivity is incredibly important. We're seeing increased participation in the labour force. We're seeing a much greater return. There's actually a report on the Quebec child care system that the C.D. Howe Institute released that shows there's already a 40% return because of this increased productivity. So while our economists from the University of Toronto predicted a couple of years ago a 2:1 return, we're actually now seeing that in Quebec. We're seeing a return of 40% on their investment already, and they're far from a universal program.

• (1615)

Ms. Judy Wasylcia-Leis: I'm wondering if you would agree that we should send every Conservative member on a field trip to a real child care facility so that they can finally put to bed the silliness of suggesting that this is institutionalized care—government-controlled, state-run, big-box child care—without any idea of what child care professionals offer this country and what loving, nurturing care is provided to the children of this land.

Ms. Monica Lysack: I came into this position as a child care advocate from the field. I worked as a partner with parents in caring for their children in a child care centre. I can assure you that I would invite all members from all parties to go to those community-based child care centres. My children go to an institution; they go to a school. "Institution" sounds like such a horrible word. It's not. It's a community-based school. It's full of wonderful, caring teachers. Child care is the very same.

In the meeting with members from the Prime Minister's Office and from Minister Finley's office, the example that was provided to us when we asked for clarification around this institutionalized care was the Andrew Fleck child care centre here in Ottawa. I have to say that of all of the examples to be provided, Andrew Fleck is a very old, well-established, community-based program that offers all kinds of services, for example, programs to children with autism and supports for families who may or may not be employed. It's not about their employability; it's what those families identify as their own needs.

So I would urge everyone to go. I mean, how can you be opposed to child care when you go out and see it and see the wonderful opportunities for young children and their families?

Ms. Judy Wasylcia-Leis: Thank you very much.

I have two more questions, quickly. One is to Michael Shapcott, who was kind enough to present a brief to this committee on the mortgage insurance issue even though he couldn't appear.

I would like for you to give just a short message to committee members about the dangers of opening up mortgage insurance to private competition before we do the final vote tomorrow.

Then we'll go to Ian Boyko, on education. I think we all agree that the money going into infrastructure is not money going to access. But I think we all have to acknowledge that at least the Conservatives are trying to spend the Bill C-48 money—something the Liberals refused to do. They had to be dragged, pushing and screaming, just to put in place some money for access after 13 years of no money for access—in fact, after taking \$6 billion out of transfers, to the point where the federal share of education is probably less than 10% in most provinces.

So I wonder if Michael and Ian can each give a quick comment on those two issues.

The Chair: They'll have about 15 seconds each.

Mr. Shapcott.

Mr. Michael Shapcott: In my brief, I said about mortgage insurance that, one, it's good for the people who get it. It helps low-income Canadians get access to housing. Two, it's good for the Government of Canada. It generates a significant revenue pool. And three, that revenue pool can prudently be invested in new housing, which again is good.

So we think mortgage insurance should remain as one of the responsibilities of Canada Mortgage and Housing Corporation.

The Chair: A quick response, Mr. Boyko.

Mr. Ian Boyko: The history of transfer payments is a matter of public record, and that's clear. We need to go forward. We need to recognize that Canada almost couldn't be in a healthier economic and fiscal position. We need to train our young workers, looking forward to the future.

The Chair: Thanks, Mr. Boyko.

To Mr. Cunningham, Canadians were saddened by the tragic passing of Heather Crowe these last few days. She was of course an advocate for no smoking in the public workplace. Fortunately, smoking bans are occurring now in our two largest provinces; unfortunately, these smoking bans are uneven across the country.

My particular concern is the fact that on our aboriginal reserves, they have been excluded by certain provinces' smoking bans, certainly by my home province of Manitoba, where Madam Wasylycia-Leis is from as well. People working on reserves in public buildings aren't protected the way the rest of Canadians are. That's one example. The previous government also got in the habit of having the Indian Affairs minister sign off on band council resolutions that allowed smoking in such places as aboriginally owned casinos and on reserve generally.

I'd like you to tell us if your organization has a position on this. I believe it's important that we know your organization's position on this. You know mine.

• (1620)

Mr. Rob Cunningham: We believe all Canadians should be fully protected from the health hazards of second-hand smoke in all enclosed workplaces and public places. Only one province, Manitoba, has specifically excluded public places on reserves from provincial law. Normally provincial laws for occupational health and safety do apply on reserves. If it's a federally regulated sector—broadcasting, communications, grain elevators, banks, RCMP—that's not covered by provincial laws.

Second, a handful of band bylaws has been adopted to override provincial laws. As a lawyer, my respectful view is that those bylaws are illegal. Reserves have authority to adopt bylaws to protect the health of residents on reserves. When a bylaw says that a casino must have a smoking section, even if the casino management doesn't want one, that's not protecting the health of residents. Those bylaws should not be signed off, because there's no authority for those bylaws to be adopted.

The Non-smokers' Health Act applies to the federally regulated sector, but that has not been updated since 1989. So you may be a worker, in a federally regulated sector, in an office on the same floor, and all of the other provincially regulated employers are covered 100% smoke-free, but you may be exposed to second-hand smoke. It's time for an update by amending the act, amending the Canada Labour Code, or amending the regulations so that all workers are fully protected. That's something that members of Parliament from all parties I think could easily endorse.

The Chair: Thank you, sir.

Mr. McCallum, over to you, sir.

Mr. John McCallum (Markham—Unionville, Lib.): Thank you, Mr. Chair.

I have just one question for Mr. Shapcott, and after that I'd like to share my time with Mr. McKay.

Your comments about the housing situation and homelessness are, if anything, in one sense over-optimistic, I think. The budget makes it pretty clear that both of those activities are endangered species for the federal government in the section of the budget that talks about activities that perhaps should not be in the federal domain at all, not to mention the finance minister's previous life, in which he advocated that homelessness be made a criminal offence.

My question to you is, how important is the contribution of the federal government to homelessness and social housing today, and

what would be the implications if the federal government simply withdrew from these areas?

Mr. Michael Shapcott: The federal government's contribution is critically important—and has been so. The federal government has taken leadership on the issue of housing going back to the 1930s. I can quote former prime ministers: Prime Minister Pearson recognized the need for a federal role, and Prime Minister Trudeau put that recognition into law. So the federal role is absolutely critical.

I do want to say that in Geneva in May, when the UN committee was listening to both Canadian government representatives and representatives from non-governmental organizations, one of the questions asked of the Canadian government representatives was—to paraphrase it—do you intend to hide behind federalism by downloading, in effect, Canada's obligations to safely house its citizens? The federal representative said, no, they weren't going to hide behind federalism. But I think with respect to some of the issues you've raised, the federal government is intending to abrogate its responsibility.

This will be very, very serious. We've seen a rising housing crisis in the 1990s in Canada, not just in our big cities, but also in small towns and remote, rural, and northern communities. We've seen that crisis emerge as the federal government has withdrawn from housing. In 1993 the federal government stopped funding new affordable housing. In 1996 the federal government in its budget announced plans to transfer existing federal social housing programs to provinces and territories. That withdrawal had a significant impact; you can track in Canada the increase in homelessness to those decisions.

So the federal government plays an absolutely critical role as a partner with other governments. We were encouraged that there were some small steps in the right direction in recent years, but they could all be undone if the federal government intends to leave its responsibilities.

Incidentally, from my reading of the Constitution—and I'm not a constitutional lawyer—it doesn't say that housing is assigned to the provinces. In fact, it seems to be silent. If you look at the history of Canada, the federal government has played a leading role to the great benefit of Canadians.

• (1625)

Hon. John McCallum: Thank you.

The Chair: You have just a bit of time for a quick question.

Hon. John McKay (Scarborough—Guildwood, Lib.): I'm going to address my question to both Ms. Lysack and Mr. Stothart. The question is with respect to the value to business of a child care system.

To draw an analogy with the health care system and the competitive advantage that Canadian industry gets by virtue of a universal health care system—and in the auto industry, the worth is something in the order of about \$2,000 per vehicle—have you given any thought to the value of a universal day care system to industry and what competitive advantage it might actually give to Canadian industry?

The Chair: We have time for a couple of brief responses, if both of you would like to respond.

Mr. Paul Stothart: I would say it's a very interesting question. We haven't really given a lot of thought to that. Certainly, our industry faces a huge human resource challenge in the next decade, with something like 81,000 jobs having to be replaced over the next decade, just at a steady state. Anything that would help companies get new employees and improve their ability to attract employees is something we should consider.

Certainly the industry is known for having hundreds of sites in small communities across the country, so there is the issue of employing fair numbers of people in small communities across the country. How that interacts with your question, I guess, is another issue we should think about.

The Chair: I'm sorry, but we've used up the time for that question.

I'm going to ask for the cooperation of committee members. We have three other committee members who would like to ask questions. I'll go to three-minute rounds now.

Mr. St-Cyr.

[Translation]

Mr. Thierry St-Cyr: I'd like to question Mr. Boyko again on student demands in education transfers.

When the last federation council meeting was held, nearly everyone in Quebec, student associations, unions, education executives and most political parties, agreed that the government should immediately restore \$4.9 billion to the provinces in the form of transfers. That in fact represented only the level where we were in 1995, adjusting, of course, for inflation. We're living in a world where prices are constantly rising.

You didn't mention that figure in your answer. Does that mean that the demands of Canadian students are different from those of Quebec students?

[English]

Mr. Ian Boyko: No, in fact we don't, and we work on a very close basis with the university and CEGEP associations in Quebec.

Part of the problem of coming up with a scientific number on what students and their families are owed in transfer payments is the fact that between 1996 and 2004 we had a block transfer payment, where some provinces spent differing levels on social services. So that number is a bit of a piece of fiction to begin with.

I think the premier's number of \$4.9 billion refers to the entire Canadian social transfer, so for post-secondary education and associated program funding. Again, there are other estimates out there that put the number well beyond that in terms of what is owed when it comes to inflation and population growth. Suffice to say, I

don't think there's anybody out there who can make the claim credibly that our institutions are getting anywhere near the level of federal support on a year-over-year basis that they were 10 years ago.

• (1630)

The Chair: You have approximately one minute, Mr. St-Cyr.

[Translation]

Mr. Thierry St-Cyr: I'd like to come back to what was discussed earlier with Ms. Lysack.

With regard to Quebec's choice to fund its own child care service, you answered by telling me about funds that were originally provided under the agreement, the share owed to Quebec. The present government said it would not comply with that agreement, but that it would include that in the settlement of the fiscal imbalance. We'll be watching it on that point.

For my part, I referred to the savings the federal government is enjoying as a result of the fact that Quebec parents claim smaller tax credits. They claim \$7 per child per day, instead of \$25, \$30, \$40 or \$50. That's a saving.

One wonders whether, in a federation, the federal government should respect the choice of that province and turn the savings it makes over to it or, on the contrary, whether it should simply pocket that money.

[English]

The Chair: Unfortunately, Mr. St-Cyr has used his time with a preamble.

Mr. Dykstra, you have three minutes, sir.

Mr. Rick Dykstra (St. Catharines, CPC): Great.

The questions are for Monica, if you wouldn't mind.

You raised a point in both your introduction and in some responses, and I wanted to make sure this was clear: do you know the five priorities that the current government has listed as ones they are focusing on in the 39th Parliament?

Ms. Monica Lysack: Yes.

Mr. Rick Dykstra: Would you agree or not agree that child care is one of those priorities?

Ms. Monica Lysack: I agree that it's been identified as a priority, but I don't necessarily agree that it's been acted on as a priority.

Mr. Rick Dykstra: Thank you.

I was actually going to ask you that. You may not agree with the development of what this program is, but you would acknowledge that it is a priority?

Ms. Monica Lysack: Yes, it's been identified as a priority. I don't agree that it's been made a priority.

Mr. Rick Dykstra: Sorry, you're saying two different things. It's acknowledged as a priority or it is not?

Ms. Monica Lysack: I know you've stated that it is one of your priorities, but you have not made it your priority. So I don't agree that it is one of your priorities. It is through your actions.

Mr. Rick Dykstra: I appreciate that you have an opinion on it. That's fine.

How many phases do we have and do you think there are going to be in this program? Maybe I'll just ask the question: how many phases do you think there are in the child care program that's being put forward?

Ms. Monica Lysack: How many phases in your child care program? Two phases, as they've been positioned.

Mr. Rick Dykstra: And what are they? What would the second one be?

Ms. Monica Lysack: The first one, as I've stated, is something that I don't think is child care. It's been called child care, but it isn't child care; it's a family allowance.

The second one is a vague reference to a commitment through tax incentives, or perhaps grants or something, that may generate some spaces.

Mr. Rick Dykstra: It's good that you hear things. I think you need to know that it's \$250 million a year to support the creation of new child care spaces, and the goal is to create 25,000 additional spaces each year. I don't know if that helps at all, but it certainly indicates—

Ms. Monica Lysack: Yes, actually that's really helpful because here's how I understand it, and I would really appreciate it if you could correct me if I'm wrong on this. My understanding of it, if we wanted to use the health care analogy, is that it's like creating hospital beds. It's like saying we'll create 125,000 hospital beds. We won't hire doctors and nurses, or buy machines or anything, but we'll just create 125,000 hospital beds. Is that what you're saying about the tax incentives?

Mr. Rick Dykstra: Maybe I can clear it up a little further. This is a response that the Prime Minister had to this question, and he stated it, and it's in *Hansard*:

The leader of the New Democratic Party expresses reservations about whether we will achieve our objective of creating 125,000 child care spaces. Let me just be clear that this is the intention of this government and we will make whatever modifications are necessary to ensure that we reach that goal.

Ms. Monica Lysack: But there's no operational money there, right? I just want to be clear about this.

Mr. Rick Dykstra: There's \$250 million a year in operational money.

Ms. Monica Lysack: No, no. That's for the creation of spaces. It's a tax incentive to create spaces.

Mr. Rick Dykstra: I don't know where you get this idea that there's—

Ms. Monica Lysack: This is what your minister talked about on Monday when I attended a press conference after she met with the ministers. The way she positioned it was that this was capital money—much like creating beds for hospitals, this is creating some kind of child care space in a business—but that the operational funds were absolutely not coming from this government; that they would be coming maybe from businesses or community groups or parents or somebody, but not from the government. She was very clear on that. If you're telling me something different, it would be really helpful to have it clarified.

•(1635)

The Chair: Thank you, Madam Lysack.

Mr. Pacetti, you will conclude with a brief question, I understand.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Yes. Thank you, Mr. Chairman.

Just to remind the witnesses, we're here to look at Bill C-13 and at whether we're going to adopt it or not and whether there are going to be any amendments. So let me just quickly run through everybody to see whether or not they're in favour of Bill C-13. Should we vote for or against it? Or if you have any amendments to suggest, perhaps you can just tell me what clauses those are on.

Mr. Cunningham.

Mr. Rob Cunningham: With respect to tobacco taxes, we recommend that it be supported in its entirety, with the provisions.

Mr. Massimo Pacetti: Mr. Boyko.

Mr. Ian Boyko: Use the money that is currently slotted for tax credits to be—

Mr. Massimo Pacetti: We don't have that choice. It's either that we're going to vote for it or against or put forward an amendment.

Ms. Lysack.

Ms. Monica Lysack: There is nothing for child care, so against it.

Mr. Massimo Pacetti: Thank you.

Mr. Stothart.

Mr. Paul Stothart: We think there is still a bit of unfinished business for future budgets, but we're comfortable with what's in this budget.

Mr. Massimo Pacetti: Thank you.

Mr. Shapcott.

Mr. Michael Shapcott: In our view, there need to be some amendments in particular to extend and enhance the federal homeless program and the federal housing rehabilitation program. Those are the two biggest priorities that need to be addressed that aren't in Bill C-13.

Mr. Massimo Pacetti: Thank you. I appreciate that.

Ms. Kirk.

Ms. Teri Kirk: Yes. We support clause 51 as currently drafted.

Mr. Massimo Pacetti: Okay, thank you. And thank you, Mr. Chairman.

The Chair: Thank you, Mr. Pacetti. Thank you, committee members. Thank you very much to our witnesses for your presentations and responses to the questions. We appreciate them.

We'll invite the second panel to play musical chairs with the first panel, if they would.

Mr. Turner has a point of order.

Hon. Garth Turner (Halton, CPC): We've just heard from seven witnesses representing six organizations. We have 11 members, and you took it upon yourself to ask questions as well, making it 12. I think the format is wholly unsatisfactory to many members who would like to ask questions and are not able to. I wonder if there is agreement around the table, when we have multiple witnesses and so many different topics—we had six completely different topics here, on different sections of the budget, and I certainly had questions for these witnesses, as did my colleagues—can we not change the format from seven minutes?

Would there not be agreement around the table for us to go to a different line of questioning, when we have so many topics and so many witnesses and there are so many members and we all have something we want to ask? Would there be agreement around the table for us to have a standard three minutes of questions from members? That would allow more participation.

The Chair: Are there any other committee members who wish to offer their comments?

Mr. Pacetti, you're first.

Mr. Massimo Pacetti: Mr. Turner, that's why I suggested last week when we met that perhaps, when we have more than five or six witnesses, we at least, at a minimum, request that meetings last an hour and a half. And perhaps the first round should be five minutes instead of seven minutes. That's the best suggestion I could make.

The Chair: Mr. Del Mastro, sir.

Mr. Dean Del Mastro (Peterborough, CPC): Thank you, Mr. Chair. I'd like to support what Mr. Turner is saying. I'm disappointed I didn't get an opportunity to ask some questions. I thought I had some value to add to the debate and to the committee and I didn't have that opportunity. So I would support a motion that would allow everybody to have an opportunity, if they wish.

The Chair: We're going to entertain motions. Please frame the motion as quickly as possible, out of respect for our witnesses, and then we'll be able to discuss the motion.

Hon. Garth Turner: Then let's just do it.

The Chair: Do what?

Hon. Garth Turner: When we have multiple witnesses, let's restrict the questioning to three minutes per member.

The Chair: Mr. St-Cyr.

[*Translation*]

Mr. Thierry St-Cyr: As Mr. Pacetti said, we could do a first round of five minutes. Each of the members of the committee and of the parties would then be responsible for disciplining themselves by restricting themselves to speeches on the most important subjects. I believe it is preferable to have enough time to obtain the answers we really want rather than to ask a host of questions that witnesses can't answer, for lack of time.

[*English*]

The Chair: Thank you.

Mr. Savage.

Mr. Michael Savage: It's unfortunate that a couple of members didn't get to ask questions. I'm not suggesting that we change all the rules of the committee that we voted on before, but for the purpose

of the rest of this meeting, I'd be prepared to sacrifice some time in order to allow them to have questions or allow them to go first, or something like that.

It's not for us here; we should discuss this at a different time if we're going to change the permanent rules.

• (1640)

The Chair: Right.

Well, as you know, I'm the servant of the committee, so I have to follow the standing orders we agreed upon earlier. However, if I could suggest this change in format, and I hope the committee members would abide with this: if we had reduced the lead round by two minutes each, that would have left enough time, in retrospect, for a couple more questions.

I couldn't guarantee, given our formula, that both of you gentlemen would have been able to get questions under that change, but it would give time for at least two more questioners.

Would that meet with the approval of the committee members?

Hon. Garth Turner: In this last round, of the four Liberal members, three asked questions. Of the two Bloc members, both asked questions—okay, Mr. St-Cyr had two questions—and the NDP as well, and we had two questioners.

The Chair: Yes, three of you, including myself.

Hon. Garth Turner: You're up there; you're not here. We had two out of four.

So I think there has to be a better way to do this, completely. When we have seven witnesses and six different organizations, the format we have is somewhat ridiculous.

The Chair: Okay, but perhaps, Mr. Turner, you can respond to that suggestion of reducing the first round by two minutes or come up with a better idea.

Hon. Garth Turner: I already had a better idea. When we have multiple witnesses, we should have no more than three minutes per member to ask questions.

The Chair: I'm sorry, you should have what?

Hon. Garth Turner: Three minutes. That's the only way everyone is going to participate.

The Chair: If we can get consensus from the committee on that, we'll proceed in that manner. If not, then we have to stand by the standing orders. That's why they're there.

[*Translation*]

Mr. Thierry St-Cyr: I don't agree. For the moment, in view of the witnesses who are present, we should proceed as usual. If there's any reason to change our procedure, that should be done in the steering committee or later during our proceedings.

[*English*]

The Chair: Fair enough. We'll proceed under the standing orders that we had adopted, and we'll make time for a discussion at a future meeting.

Mr. Massimo Pacetti: Mr. Chair, on a point of order, I think you have consensus that everybody is willing to participate on this round, just for the next hour, to share time. We already see the numbers dwindling, so if you can maybe ask, once the witnesses are done, that we share the time evenly, I think you'll see there's a bit of consensus.

The Chair: How am I to proceed, then? We don't have consensus. Mr. St-Cyr disagrees.

Mr. Massimo Pacetti: He said he'd be willing to go down to five minutes on his first round, if I understood him correctly.

The Chair: So will we then proceed with the five minutes for the first round? Is that acceptable to all members?

Some hon. members: Agreed.

The Chair: Very good. Thank you.

Thank you for your patience, witnesses. We appreciate you being here today.

I understand we have Mr. Peacock here, from the Association of Fundraising Professionals.

Mr. Peacock, would you like to commence?

Mr. Rob Peacock (President, Association of Fundraising Professionals): Yes, sir. Terrific. Thank you, Mr. Chairman.

Good afternoon, everybody.

I am pleased to discuss Bill C-13, an act to implement certain provisions of the budget, on behalf of the Association of Fundraising Professionals.

The Association of Fundraising Professionals, AFP, represents over 28,000 individual professionals across 180 chapters throughout the world. In Canada we have 2,700 registered association professionals, of which I am the past chair of the association.

We are extremely pleased with the changes in the tax treatment of the gifts to charities proposed in the recent budget, and AFP applauds the federal government's leadership and all parties for the commitment to eliminate the capital gains exemption on marketable securities. AFP has championed this particular proposal over the course of the last nine years, and to see it through this year was very gratifying.

In a recent report from TD Economics, it was estimated that this type of giving might increase by as much as 50%. As you recall, the Prime Minister noted in a recent address made on May 24 that this tax incentive has already sparked a \$50 million charitable gift to a foundation in Ontario. In fact, the *Globe and Mail* covered another gift yesterday for \$37 million, given this particular provision in terms of building capacity.

There are major donors across the country who have been waiting for this type of incentive so they can also make their gifts to all different levels and types of charities. The opportunity for charities to build their capacity and expand the programs has now multiplied, thanks to all of you from all parties in agreeing to this particular provision.

It is important for the government to show that it supports the charitable sector because non-profits play such a significant part in our economy. In 1999 Statistics Canada estimated that the economic contribution of the sector was 6.8% of gross domestic product, greater than some business sectors, including both agriculture and automotive manufacturing.

There are more than 81,000 registered non-profits in Canada that receive approximately \$10 billion in contributions annually, according to Statistics Canada. In a recent *Cornerstone of Community: Highlights of the National Survey of Non-profit and Voluntary Organizations* study, the non-profit sector posted \$112 billion in revenues in 2003 and employed more than two million. In addition, these organizations draw in two-billion volunteer hours across our country and the equivalent of one-million full-time jobs.

AFP strongly urges the federal government and all parties for your support to pass Bill S-204, recently introduced, that would create a government-recognized national philanthropy day. It is important to note that government recognition would require no funding for this particular bill. Supporting the national charitable sector through such a national day is important for several reasons: giving to charities can help both the provinces and the federal government; and national philanthropy day is a special day to set aside, on November 15, to recognize and pay tribute to the great contributions in philanthropy each day.

Thank you very much for your time today. I appreciate it.

• (1645)

The Chair: Thank you, Mr. Peacock.

I'll apologize to the witnesses for having to restrict you in your comments, but as you can tell, our committee members are anxious to ask you questions and we are limited in our time.

Would any of you object to our carrying on perhaps for 10 or 15 minutes longer? Does any committee member have a problem with that? We used up 10 minutes of our discussion time.

Some hon. members: No.

The Chair: Do any of the witnesses have a problem with our continuing longer than our scheduled time?

A witness: No.

The Chair: Very good.

Then, Mr. Battle from the Caledon Institute of Social Policy, please proceed.

Mr. Ken Battle (President, Caledon Institute of Social Policy): Thank you, Mr. Chair.

I'm going to try to explain a very complicated program as simply and as quickly as I can. I passed out a simple graph—there's a French version beneath it—that says "Net Universal Childcare Benefit". I'm going to speak to that graph.

As you know, the universal child care benefit is the showcase of the government's social policy agenda in the last budget, and it's certainly the largest part of its child care plans. I know in the previous session you talked about other aspects.

I want to focus on the child care benefit itself. There are basically three major flaws with it that I want to bring to your attention, and then I want to propose a practicable alternative.

It's an unfair program in three ways. First of all, it's devilishly complicated in terms of looking at the actual amount of benefit that families are going to end up with at the end of the year. They're all going to receive \$100 a month for each child aged five and under, but that benefit is going to be taxable and is going to be financed in part through the elimination of the young child supplement, which is part of the existing Canada child tax benefit. What it means is that you would literally need to be a tax accountant or a social policy wonk to figure out the actual amount of benefit you will end up with at the end of the year. This graph shows you how bizarre the distribution of benefits actually is.

There are reasons for this. The taxability is not based on family income in the way the Canada child tax benefit, GST credit, and other income-tested benefits—the guaranteed income supplement—are based. It's based on individual income. It's the individual income of the lower-income parent in the case of couples; in the case of a single parent, it's the single parent.

That means that the amount of tax that each family type is going to pay on the new benefit is going to vary considerably. It also means they're going to lose the \$249-a-year young child supplement, which mainly benefits low- and middle-income families. We end up with a distribution of benefits where the largest net benefit is going to go to one-income families at \$250,000 a year. They're going to get more net benefit than welfare families.

Welfare families are going to get more net benefit than working poor families, which is going to raise the welfare wall higher again. We tried to get rid of that through the national child benefit. It means that different kinds of families, whether they're single-parent or two-earner couples or one-earner couples of the same income levels, are going to end up with different amounts of benefits.

One final point, Mr. Chair. There's a simple way to solve this. Deliver the \$1,200 benefit through the existing Canada child tax benefit. That's a transparent, fair benefit that we give virtually every family. It's really \$1,200 a year, not a pretend \$1,200 a year.

• (1650)

The Chair: Thank you, Mr. Battle. I'm sure there will be questions on your issue.

Mr. White, please, from the Canadian Alliance of Student Associations.

Mr. Toby White (Government Relations Officer, Canadian Alliance of Student Associations): Thank you for having me here today to speak about the bill.

The recent federal budget contains several positive measures for students, but there is still much to be done. If scholarships and bursaries are made tax exempt, then students will be able to use their awards as intended, to cover the growing costs of post-secondary education. This is a particularly significant benefit for graduate students who receive research funding.

One concern we often hear from students regarding student financial assistance is that their parents' income is unfairly assessed.

By lowering the amount of expected parental contribution, the government will ensure that thousands of students who previously could not get financial aid will now qualify.

Lifelong learning is important for all Canadians. This budget makes important steps towards providing assistance and opportunities for those who choose apprenticeship training.

There are some problems with this budget, however. While the government is well intentioned in acknowledging the costs of textbooks and supplies, a tax credit is not the way to go. Tax credits are an ineffective method of assisting students. Yet 40% of our student aid budget is already spent in this way. The best way to improve access is through targeted grants, such as the proposed apprenticeship incentive grant.

Students are tremendously disappointed that this budget does not echo the previous commitment to extend the Canada access grant. This denies thousands of students from low-income families of much needed assistance.

The creation of a PSE infrastructure trust, which has already been talked about a lot today, is important for colleges and universities. We're concerned that this does not follow the spirit of Bill C-48, the intention of which was to improve access.

Our colleges and universities need a new funding arrangement. The government campaigned on a promise of a dedicated education and training transfer. We look forward to further development on that and hopefully seeing that in a future budget.

Finally, what our post-secondary education system needs most is leadership. The council of the federation has been working to make this a priority, and it's time for the federal government to join a national dialogue on higher education. The Prime Minister should call a first ministers conference on the matter and lead the way towards a truly pan-Canadian vision for post-secondary education.

The Chair: Thank you, Mr. White.

Andrew Van Iterson, from the Green Budget Coalition, thank you for being here. Please proceed.

Mr. Andrew Van Iterson (Program Manager, Green Budget Coalition): Thank you.

Good afternoon, everyone. Thank you for inviting me here today.

The Green Budget Coalition represents 21 of Canada's leading conservation and environmental organizations, which collectively represent over 500,000 individual Canadians as active volunteers and paying members.

We believe that Canada's future prosperity depends on the effective integration of environmental, economic, and human health objectives, and we advocate the internalization of social and environmental costs into market prices through revenue-neutral fiscal reform.

The 2006 federal budget and Bill C-13, as they stand, do very little for the environment. The greatest impact of the budget really lies in what was omitted. It really left those of us within the environmental community with faith that comprehensive action to preserve clean air, clean water, a stable climate, and our cherished nature is still to come.

Today I want to highlight one prime missed opportunity for this budget to create greater long-term economic, environmental, and human health benefits at no net additional cost and that could instead cut spending.

This budget should start to phase out the over \$1.6 billion in annual subsidies to the oil and gas, nuclear, and mining sectors. These subsidies, in the form of tax expenditures, tax exemptions, and direct subsidies, contribute to industrial inefficiency, unsustainable energy consumption, and unnecessary pollution and health damage. In particular, subsidies to the oil and gas sector cost the federal government about \$1.4 billion per year.

The accelerated capital cost allowance, ACCA, for oil sands development is a prime example. It was established at a time when costs were higher for industry and fuel prices were lower. But the oil and gas sector is now one of the most profitable industries in the world, and the ACCA for oil sands development is now outdated and unnecessary.

The funds freed up through phasing out these tax subsidies would be more wisely used for other purposes, be they tax cuts or advancing Canada towards cleaner air and a more secure energy future by investing in energy efficiency in clean, renewable energy.

In a similar spirit, the Green Budget Coalition urges the government and committee members to support amending Bill C-13 to reverse the announced renewal of the investment tax credit for exploration, the so-called super flow-through share program to subsidize mining exploration.

This program was introduced as a temporary measure in October 2000, but is no longer necessary, again due to higher commodity prices.

We want to commend the government for amending the Income Tax Act to reduce the capital gains inclusion rate on ecological gifts from 25% to zero. This was long in coming and a good choice.

To summarize—

- (1655)

The Chair: I hate to cut you off on that point, sir, but I'm sorry. Thank you for your presentation, Mr. Van Iterson.

We now have Leslie Wilson, from Wee Watch.

Ms. Leslie Wilson (Vice-President, Wee Watch Enriched Home Child Care): Thank you.

My name is Leslie Wilson, and I'm with a company called Wee Watch Enriched Home Child Care.

We have licensed private home child care agencies in Ontario and in B.C. We have been around for almost 20 years, and we would have over 3,000 children in care in around 1,200 homes on a daily basis.

At this time, we are very pleased with the initiatives set forth by the Harper government. We feel that the best place for children to be raised is in their own homes, by their own parents. This government has recognized this and is prepared to reward parents who are able to stay at home.

For many reasons, it is obviously not practical for all families to allow a stay-at-home parent. We feel that our system best replicates a child being at home.

The \$1,200 allowance being suggested will help to close the gap between unregulated, unlicensed care and a licensed setting. Parents may now be able to afford this type of spot versus a private individual. Under the old proposed system, spots were going to be created, but it was unclear if parents were going to be able to afford these spots.

However, there needs to be some stipulation put on this money. We need to make sure it is being used for day care. We feel this money should be directed to parents towards licensed care, whether in a situation like ours or in a licensed centre.

The ultimate goal is for the well-being of the children and to ensure they receive the proper programming and stimulation required during their early years. Perhaps tax incentives could be used for this. For instance, it would be tax free if it was used in a licensed setting.

The added consideration that needs to be looked at is the individual who is already receiving subsidized care. Should they receive this money if they are already receiving licensed care for less than \$100 a month? Can this money be redirected to bring in more children from the waiting lists?

We would also like to comment on the \$250 million being allocated to new day care spots. Our information tells us that the cost to create a spot in a day care centre is approximately \$5,000. In a licensed home setting, the cost is well under \$1,000, with very little infrastructure required.

Consideration needs to be given to all scenarios. The large city centres traditionally ignore licensed home care in any of their expansion plans. Ours is by far the most efficient model and would allow parents access to far more licensed spaces at affordable cost. In addition to this, licensing regulations favour the individual providing day care in an unlicensed setting versus someone working for an agency.

It is our hope through this budget process that we will be able to close the gap and help parents afford quality licensed care for their children.

Thank you.

The Chair: Thank you, Madam Wilson.

We have with us today the Honourable Andrew Thomson, finance minister from the province of Saskatchewan.

Welcome, sir. Please proceed.

Hon. Andrew Thomson (Minister of Finance, Government of Saskatchewan): Thank you very much, Mr. Chairman.

I appreciate the opportunity to appear before the committee today.

I understand it is somewhat unusual for provinces to appear before parliamentary committees, but I think given that we have a new government in place and taking office after a very active period of federal-provincial engagement, and that government being a minority one, it is important to make sure Parliament stays abreast of key federal-provincial issues.

The federal budget marks a change in direction, obviously, in terms of federal-provincial agreements that have been in place, notably with the end of the previous child care agreements that were in place, the end of the labour market agreements that had been signed, and a number of other changes that appear to be in the works.

I believe it is important to make sure Parliament continues to watch closely several key issues in the budget as it moves forward both this year and in future years. Key issues we would identify from a western Canadian perspective and Saskatchewan's perspective would include encouraging Parliament to support the federal government as it moves forward with the renewal of the agricultural programs, both in terms of the renewal of CAIS and the development of a true, stable, long-term national farm program.

We are encouraged by what we are hearing from the federal finance minister pertaining to equalization and the renewed dialogue around the fiscal imbalance. I think it will be extremely important that parliamentarians bring themselves up to speed on the issues pertaining to equalization and our ability both to resolve the historic imbalance in the equalization formula, while at the same time moving forward to address the fiscal imbalance issues that have been difficult for the high-population provinces of B.C., Quebec, and Ontario.

We need to do a great deal of work as provinces, as a federal government, and as legislators across this country on the issues affecting aboriginal people. There is a great deal of concern in the country today about what will come forward as a result of the decision not to proceed with Kelowna and about what will replace it

by way of a new set of programs to deal with the problems facing first nations aboriginal, Métis, and Inuit people.

It is our view that the direction the federal government has taken, given its election commitments, is on balance worth supporting. We are obviously concerned about a number of the issues I've outlined pertaining to early learning and child care agreements. We have yet to fully comprehend what the departure on the climate change policy will be. We have yet to see what the impact on the renewed infrastructure agreements will be. And there is a growing concern, as all members will know, across the country about exactly what the pressure on provincial budgets will be as a result of the changes in the agenda from the so-called "tough on crime" initiative. We'll need to be mindful of that.

Certainly from Saskatchewan's perspective, we look forward to working with the federal government and Parliament on these issues.

• (1700)

The Chair: Thank you, sir.

Mr. Savage, you have five minutes.

Mr. Michael Savage: Thank you, Mr. Chair.

The first thing I'd like to do is congratulate the government. I agree with Mr. Peacock that the elimination of the capital gains tax on donations to charitable foundations is a very positive step. I think it's good.

I also want to indicate support for the national philanthropy day centre. Terry Mercer, who's a big proponent of it, has already got me on that, as has Teresa MacNeil from Nova Scotia, and others.

That's it, in terms of compliments for the budget from me.

I'd like to ask Mr. White about Bill C-48. You referred to Bill C-48. In your view, is the \$1 billion of money in this budget going to post-secondary infrastructure aligned with what Bill C-48 intended?

Mr. Toby White: I would say no. Infrastructure is very important to our post-secondary institutions. You would know that, coming from Atlantic Canada; there are some serious infrastructure problems there. But if you look at the language of Bill C-48, it was clearly intended to improve access.

I would disagree with the minister's comments of yesterday that infrastructure funding naturally leads to improved access. I don't think that would be the case, and I think we do need to have some focus on improving accessibility as well as looking at funding infrastructure.

Mr. Michael Savage: You referred to previous commitments to expand the Canada access grant. Were you talking about the fall economic update?

Mr. Toby White: Yes. There was a commitment in the economic update to expand the Canada access grant. Currently, it's only for the first year of studies for students from low-income families. There was a commitment to expand it to four years of study, which is something we would support.

Mr. Michael Savage: So if we had passed it, it would have put money into access for low-income Canadians.

Mr. Toby White: Yes. That's something we're looking at hopefully seeing come from the government, an expansion not just to a full four years of study but also to look at covering a more comprehensive portion of students' expenses.

Mr. Michael Savage: I'd like to ask Mr. Battle something. I had the opportunity to be at a meeting where he presented, some time ago, on the universal child care benefit, and I've seen some of the statistics and I think frankly they're startling in terms of who gets to keep the money and who doesn't.

I'll give you the opportunity to comment on that as much as you would like to, but—and this may seem harsh—my view of this budget is that it's very mean and that in Canada in the last number of years, under both Progressive Conservative and Liberal governments, even in difficult economic times there has been an effort to at least try to equalize the difference between the richest and the poorest. This has not always been done successfully, not always well enough, but the child tax benefit, for example, has in fact reduced child poverty significantly, I believe.

I'd like to get your view on this budget. Is this a change in terms of the way Canadian governments of all political stripes have viewed budget making?

Mr. Ken Battle: There are aspects in the budget, particularly things like some of the measures for disability policy, that I think are actually sensible and progressive, and I would commend the government on this, so I'm not condemning the whole budget.

You're absolutely right, though, the trend in recent years in the area of child care and child benefit has been to improve and increase benefits for low-income families, as you've said. The Canada child tax benefit, the federal benefit, reduces the rate of child poverty by about one-quarter, which is a phenomenal success.

When we look at the distribution of income in Canada over time there has been, particularly after recessions, a widening gap between rich and poor in terms of market income. The government programs like child benefits remarkably reduce that gap; in fact, we don't take enough credit for that kind of thing.

The difficulty I have with this particular measure is that it turns the clock back on progress that we've been making. The Canada child tax benefit and the national child benefit had all-party support, in fact all-governmental support, when those reforms were being implemented. Yet this program takes us back to the child benefit system we had in the early 1980s with its bizarre distributional consequences. The tragic thing is that it would have been so simple and such a win-win for this government to deliver it through the existing Canada child tax benefit. Not only could that have given a larger benefit to families, but it would have further closed the gap between where we want to get to in child benefits and where we're going to be.

In fact, the new program is going to be implemented through the existing Canada child tax benefit machinery, so I find it really hard to understand why we would turn the clock back when there's absolutely no need to do so.

● (1705)

[*Translation*]

The Chair: The next speaker will be Mr. St-Cyr.

Mr. Thierry St-Cyr: I'd also like to speak with Mr. Battle.

I really liked the chart that you presented to us, in which we see the more or less unusual changes in the net benefit to individuals based on their income, depending whether they belong to a single-parent family, a family with only one person working or a family in which both parents work.

The Bloc québécois proposed that the government grant a progressive tax credit. Although I don't have the exact figures, in Ontario, it could amount to a maximum of \$1,200, for incomes up to \$35,000. Then the figure would gradually decline to a universal floor of \$700. That would be based on family income, whether it be for a single-parent family or for a two-parent family. Do you think this solution would be fair and more effective in helping parents who need it and who want to send their children to a child care service?

[*English*]

Mr. Ken Battle: Absolutely. I think the concept you're sketching out is exactly the same as the concept and proposal that we've made.

We've mentioned using the Canada child tax benefit because it's a \$9.5 billion program; it's one of the largest anti-poverty weapons at the Canadian government's disposal. That program is already being used to deliver a number of provincial child benefits, it delivers the child disability benefit. It is a geared-to-income program like you're suggesting the Bloc is proposing—the amount you get depends upon your level of net family income.

For all intents and purposes, our proposal is actually the same as yours, except that we're saying to deliver it through an existing program, which is a refundable credit.

[*Translation*]

Mr. Thierry St-Cyr: All right.

I'd also like to have Ms. Wilson's opinion on the Bloc québécois proposal to assist those who are in the greatest need, who have lower family incomes, rather than to wind up in a situation in which, as would be currently the case, a family with an income of \$200,000 or more would get the full benefit where one of the two spouses doesn't work.

Wouldn't the Bloc's proposal have been fairer?

[English]

Ms. Leslie Wilson: I'm not 100% sure of all the tax implications, but I'm also somewhat confused, because most of the provinces already have assistance for lower-income families, especially Ontario, which I can speak mostly about. We have a great number of customers who do not pay anything for day care right now, and that's with two parents working.

So I don't know if I can accurately answer the tax consequences of that. I'm sorry.

• (1710)

[Translation]

Mr. Thierry St-Cyr: Another one of the reasons we proposed a refundable tax credit was respect for the jurisdictions of Quebec and the provinces. Mr. Battle may have an opinion on that subject. Is a child care service support program a social program, and thus a program that essentially comes under provincial jurisdiction? If that is the case, the present allowance is an interference in areas of provincial jurisdiction.

[English]

The Chair: Mr. Battle.

Mr. Ken Battle: The universal child care benefit is an interference with provincial jurisdiction in the sense that it affects provincial revenues. It's a benign interference; the provinces actually collect more tax revenue from the new benefit.

The difference with a refundable credit, as you probably know, is that there are no interference effects at all, because it's a purely federal transfer. What you see is what you get. It's a non-taxable benefit, and we think that's the way to go. It doesn't interfere with provincial competence, it's a transparent program, and people can actually see what they're getting.

The Chair: Mr. Del Mastro, it's your round.

Mr. Dean Del Mastro: Thank you.

I guess I'll start with Mr. Van Iterson.

I listened intently to what you had to say. One of the things you highlighted in your discussion was the \$1.6 billion that you indicated is going as subsidies to the oil companies for exploration, which actually extends the industry.

I'm just wondering if you have any idea how much we receive in tax dollars from the oil companies in Canada, into the federal coffers.

Mr. Andrew Van Iterson: I don't have a specific number on that. It was \$1.4 billion, on average, for oil, about \$100 million for nuclear, and about another \$100 million for mining exploration.

Mr. Dean Del Mastro: Right. That's actually a tax incentive that we're giving for exploration that will extend the industry.

I'd just like to indicate to you that I've heard this argument from one of the opposition parties in the House. It is a one-sided argument that fails to take into account exactly how much money we receive from this industry, and it's a lot. You might want to look into it.

Ms. Wilson, with respect to day care, first of all, I appreciate that you did refer to it a couple of times as "day care", because I would make the contention that child care actually is much broader than

day care is. It can involve lots of things, such as looking after your children in forms of ensuring that they have food and clothing. This child care benefit the parents can use for whatever they wish. It's not strictly for the purposes of day care.

You did make one comment, and I was going to ask if you are aware that day care expenditures are tax deductible already for federal tax. So the fact that they would be receiving receipts from an organization like yours, which would then be tax deductible, would pretty well be a wash. You had indicated that you'd like to see the benefit tax-free if it was used for day care.

Ms. Leslie Wilson: I think I would like to see that the \$1,200 be used as an incentive for parents to go to a regulated setting.

There are still too many parents who are uneducated in day care, and sometimes they make the wrong choices based on cost. So I think if we are starting to supplement their day care costs, let's move them towards a regulated, licensed setting.

Again, is it fair to double supplement somebody whose day care is already being paid for? There should be an incentive for people to use licensed care.

Also, the federal tax credit for day care isn't enough any more. With average day care costs upwards of \$200 a week, it's lagging behind.

Mr. Dean Del Mastro: All right, thank you.

Mr. Thomson, thank you for attending; it's a long way to come.

I have a couple of questions.

You mentioned the CAIS program, which I have to tell you is so incredibly unpopular in my riding. One of the big problems with CAIS is that it unfairly distributes money. Certainly it's not getting to the ground-level producer in the way it was intended. There are some big companies getting a lot of money; even the Saskatchewan wheat board gets quite a bit of money from CAIS. We have indicated that we would like to move towards a fairer income stability program. I'm wondering, would you be supporting a look at the CAIS program, in making it a much fairer program for producers?

Hon. Andrew Thomson: We certainly believe that CAIS is a fundamentally flawed program. It doesn't work in the best interests of producers, it's overly bureaucratic in its approach, and I suspect it's probably been better for the accounting industry than the farming industry. It's something we need to look at.

One of the big issues that remains—as all of us recognize, I think—is the unpopular, and many of us would argue unfair, 60-40 split that was put forward in agricultural financing by the former Liberal government. There remain concerns about that.

• (1715)

Mr. Dean Del Mastro: Thank you.

Mr. White, I have a couple of quick questions for you. Are you aware that Budget 2006 allows students to earn up to \$19,000 pure tax-free.

Mr. Toby White: Sorry, could you repeat that?

Mr. Dean Del Mastro: Budget 2006 has a provision allowing students to earn up to \$19,000 pure tax-free.

Mr. Toby White: Yes, I am aware.

Mr. Dean Del Mastro: It's a major step forward. I know when I was a student I worked two jobs in the summer and one while I was at school. I would have liked that.

As well, Bonnie Patterson, the president of the association of Canadian universities, hailed the budget for keeping its promise on infrastructure investment.

I'm sorry; I'll get to your comment on this.

I would argue that what the minister was indicating was that if the universities don't have to invest in the infrastructure, because there's support there, in theory they would have resources they could apply towards the cost of tuition. Would you agree with that?

Mr. Toby White: Yes, and obviously there would be the possibility that institutions would use infrastructure money to pay for projects that otherwise would come from other sources. So there is the possibility that you would be displacing tuition income.

The Chair: Thanks, Mr. White.

Madam Wasylycia-Leis.

Ms. Judy Wasylycia-Leis: Thank you very much.

I'd like to speak with the minister from Saskatchewan, Mr. Thomson. One of the issues we know is looming on the horizon is the fiscal imbalance and equalization. Some of us are worried that the federal government might simply be using the language of fiscal imbalance and announcing an intention to redress it, as well as correct the equalization formula, as a way to dump and run: to offload federal responsibilities and get out of as much government as possible, suggesting that it belongs in the hands of the provinces.

I'm wondering what we can do to find the right balance between addressing the inequities in the system now and not allowing the federal government any licence to abdicate responsibility in key national public policy areas?

Hon. Andrew Thomson: Certainly we would agree with the need to make sure that there still is a strong set of national social programs and that those need to be maintained. The difficulty we have today—which I think we all recognize from our home constituencies—is that provinces are bearing a lot more responsibility for the cost of the social programs that are being delivered. In order to simply maintain the programs that we have across the country today, we are going to need to make sure that there is more funding available, whether it's for health care, social services, or education costs. That can be addressed through the fiscal imbalance issue.

There are two other issues that need to be addressed. One is the fiscal imbalance issue as it pertains to more funding through the Canada social transfer and the Canada health transfer, and then there is the issue of equalization, which speaks to the general fiscal capacity of the provinces. Both issues will need to be dealt with. But I would agree that Parliament will need to be cautious to make sure that this is not an exercise in offloading.

Ms. Judy Wasylycia-Leis: From the papers today, it sounds like you're somewhat encouraged by talks with the federal minister in terms of equalization. I know that Saskatchewan has supported the idea of a 10-province standard but is concerned about the inclusion of natural resource revenue in the formula. The rumour is that the expert panel that's coming down soon will suggest that 50% of oil revenue be included. Is that a compromise that Saskatchewan can live with, or what advice would you offer at this point in terms of an appropriate equalization formula?

Hon. Andrew Thomson: We believe the equalization formula itself should revert to a 10-province standard, and all provinces, the wealth of all provinces, should be included. The natural resources should be excluded as those are clearly a provincial jurisdiction. This is consistent with the election promise of the Conservative government, and we would encourage that it be implemented.

At the same time, however, we recognize that there are issues about the pace of growth within equalization that will need to be addressed.

It is equally important to make sure that the CHT and the CST are increased, so that the populous provinces that are holding a great deal of the responsibility for these programs have appropriate financing. We essentially have provinces that are required to do more, without the resources available to them. We need to correct that imbalance.

● (1720)

Ms. Judy Wasylycia-Leis: I'm also a little worried that the federal government may try to use this opportunity to push the agenda of tax points versus increased cash transfers. What is your feeling on that?

Hon. Andrew Thomson: I think the concept around the tax points, going back to the Trudeau days, has really muddied the water in terms of equalization and in terms of the fiscal balance within the country. We would be reluctant to move to a tax point transfer program again.

We believe the solution really lies in a renewed funding formula for equalization and an improved level of funding through the social and health transfers.

The Chair: You have 30 seconds.

Ms. Judy Wasylycia-Leis: Oh, shoot. Well, what can I do in 30 seconds? I'm almost using it up.

Let me ask Andrew this. Since we're talking about oil revenue, how in the world does any government, Liberal or Conservative, justify the millions and millions of dollars in subsidies to these multinational oil companies that are not doing anything to protect us from greenhouse gas emissions or to lead us towards renewable energy sources?

The Chair: You have time for a brief response, sir.

Mr. Andrew Van Iterson: It's obviously a very short-sighted perspective. These companies are making record profits and they don't need our help in making more money.

But there are responsible oil companies, like Shell, that are doing good things by moving towards wind and solar power. We can put our money into that.

If we care about clean air—and I expect we may have a clean air act this fall—it makes no sense to subsidize pollution and the advance of polluting energy at the same time that we're trying to clean the air and save our kids from what we're subsidizing.

Ms. Judy Wasylycia-Leis: Thank you.

The Chair: Thank you, sir.

Mr. Pacetti.

Mr. Massimo Pacetti: Thank you, Mr. Chair.

I have a quick question for the panellists.

Again, we're here to look at whether or not we're going to implement Bill C-13. I guess my question is going to be to all the witnesses. Do we accept it as is or do you have any suggested amendments? Could you basically give a yes or no, or tell us what you would suggest we should amend in the budget, which is Bill C-13?

If I can start with Mr. Peacock, what are your comments?

If I have additional time, I'll share my time with Mr. Savage.

Thank you, Mr. Chairman.

Mr. Rob Peacock: Sir, I'm sorry...

Mr. Massimo Pacetti: We're here to look at whether we're going to adopt Bill C-13 or whether we're going to amend it. Do you have any comments about Bill C-13?

This is not the prebudget consultation. It's a little vague as to what some of the groups here are asking for. We're here to adopt Bill C-13. Are you for it or against it?

Mr. Rob Peacock: Well, given what I'm representing here, I'm absolutely for it. It has literally transformed our sector, not only this week, but it will literally transform the charitable sector as we know it. That's why I'm here.

Mr. Massimo Pacetti: That's fine. Fair enough. Thank you.

Mr. Battle.

Mr. Ken Battle: The delivery mechanism for the universal child care benefits should be through the existing Canada child tax benefit.

Mr. Massimo Pacetti: Thank you.

Mr. White.

Mr. Toby White: I would recommend using the money set aside by Bill C-48 for an access fund and also an expansion to the Canada access grant.

Mr. Massimo Pacetti: That's not the option. The option is whether we accept Bill C-13. Do we adopt it? Are there any amendments?

We're not debating Bill C-48, so the question is on Bill C-13.

Mr. Toby White: Yes. I would suggest, vis-à-vis an amendment, that there be some provision for access put into the section about the fund that uses the money from Bill C-48.

Mr. Massimo Pacetti: That's fine. Thank you.

Mr. Van Iterson.

Mr. Andrew Van Iterson: I would recommend two amendments.

First of all, we should allow the investment tax credit for exploration to end, as it was set to. When it appeared this would expire, *The Northern Miner* magazine said to let it rest in peace. There aren't a lot of reasons to keep it going.

Secondly, there should be an announcement of the phase-out of oil and gas subsidies.

Mr. Massimo Pacetti: Thank you.

Ms. Wilson.

Ms. Leslie Wilson: We would recommend accepting it, with a slight change that the moneys be directed towards licensed care.

Mr. Massimo Pacetti: Fair enough.

Mr. Thomson.

Hon. Andrew Thomson: On balance, we believe the budget is a sound one, although there is no doubt you'll hear from almost every province in the country that there is a grave concern about the approach that's being taken as it pertains to child care. More work will need to be done on the child care file, and a great deal of work done as we understand what the impact of cuts is on the environment.

Mr. Massimo Pacetti: Thank you. And the Kelowna accord as well, I believe?

• (1725)

Hon. Andrew Thomson: And Kelowna, yes. I was trying to keep my answer brief. There's a long list of things we would pursue. Certainly Kelowna is one of them.

Mr. Massimo Pacetti: I'm used to long lists.

The Chair: Mr. Savage will continue.

Mr. Michael Savage: The day after the budget came out, there was a great piece in the *Globe and Mail* that talked about Canada's economy being a world-beater. It spoke quite glowingly of the management of the economy, which I must credit.... The government also in its books talked about how well the economy has been managed. But the article also talked about how to keep it that way, and it said the two priorities are education and the environment. These seem to be two areas that were neglected.

Mr. Van Iterson, I would ask you, are you familiar with the EnerGuide program?

Mr. Andrew Van Iterson: Yes.

Mr. Michael Savage: One of the things we've heard concerning the cancellation, which I think is unfortunate—and I had some experience in this area in a past life, working at Nova Scotia Power and being the administrator of EnerGuide in Nova Scotia.... One of the things we heard from the Minister of Natural Resources quite often was that 50% of the program went to administration. I think he was including in that the actual assessments, where people go into houses and do the work. If you include that, all the work of members of Parliament is administration, I suspect, because we don't contribute much else.

Could you comment on the cancellation of the EnerGuide program?

Mr. Andrew Van Iterson: I think it was a really sad occurrence. It was a very good, well-functioning program. It was well set up so that people could get advice, but it was also monitored to make sure the work was done and that finances were saved.

I was on a flight a couple of weeks ago with Mr. Yakabuski, who's the Conservative energy critic in Ontario. He was quite disappointed that we were making cuts to programs that helped low-income Canadians insulate their homes, because obviously it's hard for them to afford to do it otherwise.

Mr. Michael Savage: Thank you, Mr. Chair.

The Chair: Mr. Dykstra.

Mr. Rick Dykstra: Mr. Battle, the chart you provided speaks to income, but it doesn't speak to the needs of parents and children in the country. For example, you haven't incorporated anything the provinces are doing.

Do you think child care is a federal responsibility or a provincial one?

Mr. Ken Battle: It's a provincial responsibility in terms of designing and operating child care, but the federal government historically has played a role in helping finance it.

Mr. Rick Dykstra: When you create charts, don't you think you should really tell the full story—what the provinces actually do as well, not just what might be a means test from a federal perspective?

Mr. Ken Battle: The analysis we did looked at—this has been brought up a couple of times already—the new program as a child benefit. It's not a child care program at all.

Mr. Rick Dykstra: No one said it was a child care program, sir. You've said it today a number of times.

Mr. Ken Battle: It's called the universal child care benefit.

Mr. Rick Dykstra: It's a benefit, not a program.

Mr. Ken Battle: It's a major program.

Mr. Rick Dykstra: Is it a benefit or is it a program? It says in the document there's \$3.7 billion over two years for the “universal child care benefit”, the UCCB.

Mr. Ken Battle: I'm using “benefit” and “program” as synonymous.

Mr. Rick Dykstra: Okay. Have you done analysis that actually integrates provincial contributions to how the functions of child care are actually delivered in the country?

The finance minister is sitting four seats down from you. I don't know whether you've had a chance to see how Saskatchewan augments the program, in terms of how they deliver child care in their province.

Mr. Ken Battle: Well, the difficulty is that this is not a child care benefit or program. It has nothing to do with child care. It's a child benefit, which families can use for whatever they want, whatever their needs are. In terms of child care, this is replacing the bilateral agreements that were negotiated under the federal government, which my organization actually proposed and worked on. Meeting child care needs I think has to be done through developing a child care system.

So I see these as two different parts: a child benefit on one side and child care separately. They're related, but they're different.

Mr. Rick Dykstra: Do you think in the last 13 years we have actually made any progress with respect to a program such as you spoke about?

Mr. Ken Battle: I think we've made progress on the child benefit side. On child care itself, it's been incredibly slow and arduous; it's taken decades.

In 2000 the federal government did start flowing some moneys, part of which had been cut before, to the provinces. But by cutting the bilateral agreements, which got us on the road to creating a medicare-like child care system, we're not going to be able to build a child care system. So progress is going to come to a crashing halt.

• (1730)

Mr. Rick Dykstra: So you don't have any faith that there is the potential to build a program that hasn't existed in the last 15 years?

Mr. Ken Battle: Well, I'm skeptical, but I'm hoping that the other part of the government's child care plan, which is increasing child care spaces through grants—and we don't know the details yet, of course—will do something to increase the supply.

But I'm skeptical. I don't think that's the approach to take. I think it should go through the provinces.

Mr. Rick Dykstra: Well, I can see, based on history, why you'd be somewhat skeptical if nothing was implemented before. At least it's only been 100 days. So give us a chance to keep working on it, and I think we'll do just that.

Mr. Peacock, you mentioned in response to Mr. Pacetti's question that it would really change the environment in terms of being able to raise money. Would you perhaps comment in a little more detail on the benefit?

Mr. Rob Peacock: Well, the benefit is that we're going to see a prolific growth in building both capacity and communities. Most communities and most of the 81,000 charities across this country know where the needs are. In fact, having the ability to have that capacity strengthened with, if you will, voluntary action for the common good by philanthropists from all walks, whether they're individuals, corporations or private foundations—and in this case we're obviously just dealing with individuals—provides a greater leverage.

We all would like to think that giving is altruistic, but the fact of the matter is that increasing the gifts of marketable securities through the capital gains exemption has increased philanthropy over the course of the last nine years. And this huge change in the last budget has allowed many philanthropists to think further about what their actions are going to be.

There are other provisions down the road that both the government and all parties can think about. One would be a capital gains exemption for private foundations. Another would be the capital gains for property as well. We're not yet ready for that because there are some issues.

Both the U.K. and the United States are already there. We need to be there too. In due course it will occur, I'm sure.

The Chair: Thank you, Mr. Dykstra.

I'm just going to continue with a brief line of questioning on this same topic, if I could.

We had Finance officials at committee yesterday, and I was asking them about the dialogue in respect of extending the capital gains exemption for publicly listed securities to donations to private foundations, and of course they alluded to this dialogue proceeding "in due course". That's code for "who knows when", as everyone who's dealt with public agencies knows.

Your organization represents professional fundraisers who work with both public charities and private foundations and so on, yes?

Mr. Rob Peacock: Correct.

The Chair: So you're going to be pushing hard, then, for this to be extended to private charities? Is that an understatement?

Mr. Rob Peacock: That is an understatement, although there are two organizations that are going to champion it. The first organization is Philanthropic Foundations Canada. In fact, they have several meetings in place already over the course of the next two weeks with all kinds of individuals in anticipation of the next budget.

I think the government would have liked to have incorporated it, but they had only 90 days to prepare a budget, and they wanted to make sure...because we are in the era of accountability. Once we make sure we have the accountability right for private foundations, the Association of Fundraising Professionals, the Canadian Association of Gift Planners, and Philanthropic Foundations Canada will all be championing the cause as a coalition. We hope to have all-party agreement, as we did with the capital gains exemption on marketable securities.

In a similar fashion, Mr. Chair, we'd like to be able to have a national philanthropy day. I know that's not your question, but it's very important, because we need to lead, as other countries have, because of the explosion of growth in philanthropy. This is just the beginning.

The Chair: Thank you.

I can't help but throw out a supportive comment your way, in the sense that I think we are all aware here of the demographic reality of an aging population. We're also aware of the potential for inherited wealth and for philanthropy to really boom in this country. We are behind a number of other countries in respect of the way we have embraced the culture of encouraging this kind of giving. So I guess I'll lobby you to lobby us in respect of expanding this.

Thank you very much to each of you for being here. We very much appreciate your taking the time, and we appreciate your presentations and answers to our questions.

We are adjourned.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

**Also available on the Parliament of Canada Web Site at the following address:
Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante :
<http://www.parl.gc.ca>**

The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.

Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.