House of Commons
CANADA

Standing Committee on Finance

FINA • NUMBER 021 • 1st SESSION • 39th PARLIAMENT

EVIDENCE

Monday, September 25, 2006

Chair

Mr. Brian Pallister

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

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● (1530)

[*English*]

The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)): I call the meeting to order and invite our witnesses today to take the stand, so to speak.

The finance committee continues its hearings, as mandated by the House of Commons, on an annual basis, to consider and make reports on proposals regarding the budgetary policies of the government. This year the theme of our consultations is "Canada's place in a competitive world".

We appreciate our witnesses being here today. We appreciate the briefs you have submitted to us already.

We'll now invite your testimony before the committee. It will be followed by questions. I think you've been notified of the format. You have only five minutes, which we don't apologize for, and it is true that your remarks will be limited to that. I will endeavour to interrupt you as little as possible. We'll leave maximum time for questions thereafter.

Thank you all for being here.

We'll begin with the National Anti-Poverty Organization. Debbie Frost is president. You have five minutes.

Ms. Debbie Frost (President, National Anti-Poverty Organization): First, I'd like to thank you for the opportunity to participate in this consultation.

I'm the president of the National Anti-Poverty Organization, and I'm here from Saskatoon.

The National Anti-Poverty Organization is a non-profit, non-partisan organization that represents the interests of low-income people in Canada.

We would like to applaud the government for recognizing that if Canada is to have a meaningful place in the world of the future, then its citizens must prosper. I cannot emphasize enough that it is critical that this government work to ensure that all citizens prosper.

There are not two distinct groups of people living in poverty, welfare families and working families, but instead people who move from one group to the other. As well, many families listed on the welfare roles also receive some of their income from work.

We are going to emphasize a number of key points today, as we know that many of our national and local partners will also be providing important input into your deliberations.

People who rely on welfare in Canada are not just falling behind, they're also falling into despair and hopelessness. The cuts to and reforms of the welfare systems in Canada have created unprecedented suffering and have reduced mobility for both recipients and low-wage workers, persons with disabilities, and single mothers who fall into the welfare trap that they have little hope of escaping from.

For many low-wage workers in Canada, simply suffering from a serious bout of the flu is enough for them to lose their jobs, fall behind on the rent, lose their housing, become homeless, and end up on the welfare system. That is going to work against them returning to the workforce by providing an income that does not allow them to obtain and maintain secure housing, have enough food to eat without lining up at the food bank or soup kitchens, or provide the absolute necessities for their children to participate in school.

For many people, obtaining the basic necessities becomes a consuming daily struggle. Increasingly, people who fall onto welfare are staying longer and are unable to bounce back into the workforce. Canada has always been proud of and enjoyed a high level of mobility out of poverty. With the changes to the EI system, the increases in precarious employment, and the reduction in the real benefits that welfare systems provide, we have reduced mobility and have created a welfare trap.

We take exception with this government's belief that citizens need appropriate incentives to work and save. Speaking for people living in poverty, including those who fall into welfare, we know that the number one goal that is close to all recipients is to obtain a secure job that will allow them to obtain the basic necessities for themselves and their families. We believe that citizens need supports to go to work.

At NAPO we have just started to work on what we are calling "unclaimed benefits". We are very concerned that most disadvantaged citizens are not receiving the government benefits they are entitled to. We don't feel this is fair.

We are hoping that your government will support our work in two key ways. First, we believe the government needs to provide financial contributions toward groups such as ours to provide tools and workshops for front-line workers. Secondly, we would like government officials from the various departments to work with us in simplifying the process of applying for and obtaining benefits.

Finally, we are happy that the government is interested in citizens saving for the future. This is an area the federal government could support, with funding for financial literacy programming and regulations against predatory lending, as well as ensuring that the banks are providing access to services without excess fees.

Thank you.

● (1535)

The Chair: Thank you very much for your presentation.

We'll continue with the Canadian Renewable Fuels Association, and Mr. Teneycke. Welcome, sir. You have five minutes.

Mr. Kory Teneycke (Executive Director, Canadian Renewable Fuels Association): Thank you very much.

Let me make this very quick.

Members of the committee, thank you for the opportunity to appear as part of your pre-budget consultations. I'm here today to make a case for reducing the tax burden of the ethanol and biodiesel industry to a level that is competitive with that of other countries, most notably the United States. In addition to creating new economic opportunities by fostering the growth of the renewal fuels industry, these tax cuts would provide substantial benefits to primary agricultural producers and reduce greenhouse gas emissions in the transportation sector.

Before going any further, allow me to say a few quick words about our industry and our association. The Canadian Renewable Fuels Association represents a full-value chain for both the ethanol and biodiesel industry. Our industry is relatively new in Canada, with only 575 million litres of ethanol production today and 100 million litres of biodiesel production, but the industry is quite mature elsewhere in the world, including the United States, Brazil, and western Europe. All around the globe countries are rapidly expanding their production capacity for renewables as a way of reducing greenhouse gas emissions, expanding markets for agricultural production, and enhancing energy security.

During the last federal election the Conservative Party of Canada committed to a 5% average renewable content in gasoline and diesel fuel by 2010. This commitment was also advanced by two of the federal opposition parties and is consistent with policies of a number of provincial governments. In speaking about this commitment to increase the use of renewable fuels, the government has consistently spoken about the benefits associated with producing these renewable fuels domestically: benefits for agriculture, benefits for rural communities, benefits for the environment, and benefits for consumers.

It is relatively straightforward for the government to meet its commitment to require renewable content. Existing legislation allows for such a regulation to be implemented quite easily. However, to have the production of these fuels take place domestically in a country whose markets are integrated with a major established renewable fuels producer is more challenging.

In order to domestically produce ethanol and biodiesel needed for the 5% requirement, we require competitive tax rates for the production and sale of renewable fuels. Canadian producers cannot compete with producers in neighbouring jurisdictions that pay tax rates that are two to four times lower than those paid in Canada.

In the United States, blender tax credits for ethanol are the equivalent to 15¢ a litre, and for biodiesel they are 30¢ per litre. In addition to these blender tax credits, there are income tax programs for small producers and commodity inputs. These are not short-term initiatives to spark the growth of the U.S. industry. Rather, they are stable long-term tax policies designed to enhance energy security, reduce greenhouse gas emissions, and reduce the need for farm income support payments.

It is important to note that Canada has a number of natural advantages in its ability to produce ethanol and biodiesel. It is one of the world's largest agricultural exporters and has vast untapped pools of agricultural commodities like wheat and canola that are currently shipped abroad for processing. For example, we currently export over 70% of our wheat production for processing abroad. That's over 15 million tonnes, or enough to produce five billion litres of ethanol, twice the amount required for the government's 5% commitment.

My point is simply this. We're not looking to the government to mask some inherent inefficiency in the production of ethanol and biodiesel. We're asking the government to implement a series of tax credits that parallel successful tax policies that have existed in the United States since the 1970s.

I've tabled a series of charts that outline what these tax cuts would look like and what the associated costs are. I'd be happy in the question and answer period to go through some of the benefits as well, because I think it's important that we look not only at the costs but at the benefits as well.

Very briefly, if you look at the number of jobs and economic activity, you're talking in excess of 9,000 jobs and $1.8 billion in annual economic activity, which is really unprecedented and unparalleled in terms of the scope of what it could mean for rural Canada, and it could potentially offset some expenditures in agricultural support payments, as well as in greenhouse gas emission reduction programs.

With that, I'll move on. Thank you.

● (1540)

The Chair: Thanks very much for your presentation, sir.

We'll continue with the Canadian Labour Congress representative, Andrew Jackson, national director. Welcome, Andrew, and please proceed. Five minutes.

Mr. Andrew Jackson (Senior Economist, Canadian Labour Congress): Thanks, Chair. I'm sorry that President Georgetti couldn't be here.

Because time is short, I'll try to speak very briefly to two or three key points.

The first point we'd like to make is that we would hope that there will be some sort of public process to look at the reductions in expenditures flowing out of program review. As we all know, there was a commitment in the last budget that there would be $1 billion in spending cuts, some of the fiscal room that was being provided by the previous government through expenditure review. Frankly, the rumour mill I hear was talking about very large cuts in all kinds of grants and contribution programs, some to areas that we would see as very important areas of activity by the federal government.

I ask you, if you cast your minds back to when the Mulroney government came into power, there was a major review of government spending that was chaired by Mr. Nielsen. I think it's quite appropriate for a new government to scrutinize areas of government spending, the need for focus, but I think there is a need for public input in the results of that process as it unfolds.

The second point I'd like to make is with respect to the issue of corporate taxation. The CLC at the moment is very seized with the scale of the economic restructuring that's going on in our manufacturing sector in particular. We're seeing thousands of jobs lost every month in manufacturing, and it's quite serious. I think if we were to see a turndown in the resources boom, a slowdown in our economy, those jobs would not be easy to get back.

We do agree with many people in the business community who have rightly pointed to the importance of incentives for new investment in the manufacturing sector at the moment. Because of the high dollar, the reality is many companies are looking at the stark alternative of also closing down or restructuring through new investment.

● (1545)

However, our preferred instrument would not be another cut to the general corporate income tax rate, but much more targeted measures. I draw to your attention the recent TD economics report, “The Economists' Manifesto for Curing Ailing Canadian Productivity”. It's not that I'd endorse every word in it, but I note that Don Drummond is calling for much more targeted measures, such as an investment tax credit that would go specifically to new companies making major new investments.

The problem with cutting the general corporate tax rate is that a huge amount of the benefit goes to the energy sector and the financial sector, which really don't need it. It's of no use to companies that aren't making a profit. We feel a much more targeted measure to deal with the crisis in the manufacturing sector is needed.

I want to say a few words about the importance of the skills agenda. To be blunt, what we fear at the moment is that the federal government might be inclined to take a very narrow view of its jurisdiction in this area and withdraw from what we would see as some very important areas of programming, everything from support for apprenticeship training to literacy training to settlement programs for new immigrants. Frankly, we thought we were on the right route with the previous government, with the conclusion of labour market partnership agreements with three provinces. It was going to roll out to more. There was a lot of flexibility in there to accommodate provincial priorities.

What parliamentarians really have to bear very much in mind is that Canada has a national labour market. We're seeing skills shortages in specific parts of the country and major adjustment challenges in other parts of the country. There really is a major role for the federal government in terms of training for national skills shortages, in promoting labour mobility across Canada, credential recognition, and recognition and upgrading of the skills of recent immigrants. I would hope that in this budget we don't see a major federal withdrawal from a very important area.

I would point to the importance of the employment insurance program. We're seeing many workers at the moment who have paid into that program all their lives and made very little use of it. The scale of assistance people get from the program in cases of layoffs and plant closures now is very limited. If you want an unemployed forest worker from northern Ontario to make the trek to Alberta, frankly you don't want a program that's going bludgeon them into taking the first available job just to keep an income stream going. You really have to support people through a period of reasonable job search and enable them to move across the country if that's their choice. I hope the committee looks carefully at that as well.

I'll wind up with that.

The Chair: Thank you very much, Mr. Jackson.

We'll move along to the presentation from the Juvenile Diabetes Research Foundation of Canada. That would be by Robert Hindle.

Welcome. You have five minutes, sir.

Mr. Robert Hindle (Member of the Board of Directors, Juvenile Diabetes Research Foundation of Canada): Thank you, Mr. Chair, for the opportunity. I address you today as a member of the boards of both JDRF Canada and JDRF International.

As an organization with a proud history in Canada and a global reputation for excellence in medical research, accountability for research dollars, and strong advocacy for investments in human capital, it is our privilege to appear before you today and take our place in this committee's deliberations on Canada's place in a competitive world.

Type 1 diabetes is different from type 2, otherwise known as adult-onset diabetes. Type 2 can be treated and in most cases prevented with diet, exercise, and sometimes drugs. Juvenile or type 1 diabetes is an autoimmune disease, which means it cannot be prevented, and it is the most severe form of diabetes, striking infants, children, and young adults, leaving them insulin-dependent for life. The constant threat of developing devastating complications is unavoidable.

Type 1 diabetes is an extremely urgent public health issue in Canada. If we fail to deal with this problem now, it will only continue to worsen. Diabetes is one of the most costly chronic diseases, with a price tag of over $13 billion a year in health care costs to Canadian taxpayers. Yet Canada has one of the lowest rates of government support for diabetes research among the largest countries doing such research. If a solution can be found—and we are close to that point—then a significant portion of that cost to all Canadians will be greatly reduced and eventually eliminated.

Canada's future is dependent on ensuring our citizens are healthy. Canadian expertise in diabetes research is world-renowned. Type 1 diabetes research was very recently recognized in the *Globe and Mail* series of the top 10 things Canadians do best. Since the discovery of insulin more than 80 years ago by Doctors Banting and Best at the University of Toronto, Canadian researchers have continued to make outstanding advances.

The well-publicized major breakthrough in 2000 in islet cell transplantation was engineered by a Canadian team of researchers at the University of Alberta led by Dr. James Shapiro. This procedure is now known throughout the world as the Edmonton Protocol. I might say that I have heard researchers and other people in other countries who do not have a wonderful grasp of English say very clearly the words “Edmonton Protocol”.

Another major breakthrough was in 2004 when Dr. Derek Van der Kooy, with a collaborative team of researchers located all across Canada from the Atlantic to the Pacific, discovered the existence of a pancreatic precursor cell.

Since its inception, JDRF has funded over $1 billion U.S. in research around the world. Over the past ten years, JDRF International has each year funded our Canadian researchers significantly in excess of the net research funds raised in Canada. This is directly due to the achievements and excellence of Canadian researchers as demonstrated over the past 85 years. Our researchers have shown us that “Made in Canada” cure therapeutics are within reach.

JDRF has for years now been a research organization run on a business model. Our research review, funding, and monitoring processes are widely recognized as being among the best in the world. To accelerate the research agenda, JDRF has adopted a proactive, goal-driven approach to research management. At the core of this approach is our commitment to quicken the pace of translating basic scientific discoveries into clinical applications called cure therapeutics. We identify gaps in research, fill those gaps by creating a pipeline of therapeutic candidates for Phase 1 clinical trials, and aggressively fund those innovative, high-risk/high-reward research projects. JDRF demands accountability, measuring progress in months, not years.

We propose a unique, innovative, and focused research partnership with the Government of Canada. JDRF is asking the government to specifically fund research for type 1 diabetes by dedicating $25 million a year over the next five years. This funding should be directly targeted towards JDRF-identified priorities, which have been carefully designed to produce tangible results over that same five years. This will support Canadian researchers in their quest, and in turn Canada's international competitiveness, for generations to come. To do this, direct investments in our country's human capital are vital, to create synergistic economic returns across the board.

● (1550)

I'd be happy to answer anything at Q and A. Thank you.

The Chair: Thank you very much, Mr. Hindle.

We'll continue with the Police Association of Ontario, represented by Bruce Miller. Welcome, Mr. Miller. Five minutes, sir.

[*Translation*]

Mr. Bruce Miller (Administrator, Police Association of Ontario): Thank you.

My name is Bruce Miller and I am the Chief Administrator of the Police Association of Ontario. I was a police officer for over 20 years before accepting my current responsibilities.

I apologize to the francophone members of the committee, because I will be making my presentation in English.

[*English*]

The Police Association of Ontario, or PAO, is a professional organization representing over 30,000 police and civilian members from every municipal association and the Ontario Provincial Police Association. The PAO has a history of working with government and community partners to ensure safe communities.

Safe communities are key to ensuring Canada's place in a competitive world. Canadians have a right to feel safe in their homes, on their streets, while at play, and in their schools. Safe communities create trust and comfort and attract investment, and can only lead to a stronger Canada.

We strongly agree with the government's position that Canada needs more front-line police officers and that many provincial and municipal police forces are seriously underfunded. We support the statement that it's time to reinvest in front-line law enforcement.

The PAO would urge the government to move forward with their commitment to put at least 2,500 new police officers on the beat in our cities and communities, and that sufficient funds be budgeted for that purpose. While appreciative that there are many demands for funding, we believe that safe communities are a priority for the citizens we serve.

Last November we commissioned a public opinion poll across Ontario from Innovative Research Group; here are some of the results: over half of Ontarians expect that they or a family member will have property stolen as a result of a break-in within the next five years; more Ontario residents than a year and a half ago feel that they or a family member will be physically attacked in the next five years; an overwhelming majority, 80%, say that gun violence is worse than in the past five years.

We've been fortunate in Ontario that two successive governments have recognized the need for additional officers and have acted to put 2,000 new officers on the street. The challenges faced by policing remain, and an additional influx of officers is urgently needed. We also need to ensure that police services are continuously rejuvenated with the front-line police personnel who possess the youth and the physical ability to do their required duties.

To their credit, the Harper government has moved forward with a number of important community safety issues. They are taking very needed steps to ensure an effective justice system. It is interesting to note that our recent Innovative Research Group poll showed that 93% of Ontarians felt that Canadian laws and eligibility for parole should be toughened to make persons convicted of crimes of violence and gun crimes more accountable for their actions. However, the bottom line is that community safety depends on an effective judicial system coupled with adequate levels of professionally trained and resourced police personnel.

We would make the following recommendations:

First, we believe that the upcoming budget is an opportunity to demonstrate the government's commitment to policing and community safety. We would urge you to make the 2,500 new officers a priority.

We would also urge that Ontario be given its share of the funding for new officers based on its population base, and that those officers be distributed to municipal police services and the Ontario Provincial Police.

Finally, we recommend that consultations take place with the federal government, the Province of Ontario, and the policing community to ensure that the goals of the program are realized.

Safe communities will attract business and growth. We need to ensure that Canadian communities continue to be safe and to prosper, and 2,500 new police officers could only add to that sense of prosperity. We would urge the government to move forward on this investment in both community safety and prosperity.

We appreciate the opportunity to participate in this important process and would like to thank all of you for your support and interest in community safety.

Thank you.

● (1555)

The Chair: Thanks very much, Mr. Miller.

Now the presentation of the American Federation of Musicians of the United States and Canada, Paul Sharpe. Welcome, sir. Five minutes is yours.

Mr. Paul Sharpe (Director, Freelance Services Division, American Federation of Musicians of the United States and Canada): Thank you very much to the chairman and to all members of the committee for allowing me an opportunity to speak to you about self-employed artists making registered pension plan contributions.

My name is Paul Sharpe. I am a 55-year-old musician who has been a member of the AF of M in Canada for 40 years, and have practised as a full-time musician for approximately 38 of those 40 years. Throughout that time, I had no eligibility to enlist in a wonderful fund called AFM-EPW Fund (Canada), a registered pension plan that is of course, by its nature, under federal jurisdiction. I would only be eligible under an employee-employer relationship, and only rarely over my 38 years of performance did I enjoy that situation. That opportunity might have come through working with the CBC or as a studio musician by the session, but most of my gigs were for corporations, weddings, casinos, clubs, parties, etc., all freelance, self-employed work. I therefore feel very qualified to speak on the subject of asking that the Income Tax Act and the regulations thereto be amended to allow self-employed artists to participate, or to participate in RPPs.

Self-employment in Canada in all sectors, but particularly in the cultural sector, is on the rise and continues to be. This is a subject that I really urge you to consider, first, because it's something we can do that we don't believe entails a cost to the government. Secondly, we need to modernize the way this particular sector in Canada is engaged in the market.

What the impact on myself and generations after me would be only became apparent to me when I became employed by the AF of M. Every paycheque that I get now shows that there is a contribution made on my behalf, but up until then, 38 years of working, did not vest me in a pension plan.

This is something that, in my capacity as director of freelance services of 13,000 members of the AF of M in Canada, I would like to see made available. Our members are distributed among 28 local associations throughout Canada in each and every province and territory. They very, very much need to plan better for their retirement. This is something the government can do to assist them to improve their retirement life. Speaking with those freelance musicians across the country as I travel, there is a lot of support for this. We hope you will support it.

Once again, I thank you for the opportunity to address you. We believe this is a no-cost situation to the government, and because this is my second trip before this esteemed committee in two years, we hope we can work together to get the job done this time. Thank you very much.

● (1600)

The Chair: Thank you very much, Mr. Sharpe.

Next, from the Provincial Building and Construction Trades Council of Ontario, Brett McKenzie. Welcome.

Mr. Brett McKenzie (Executive Chairman, IBEW Construction Council of Ontario, Provincial Building and Construction Trades Council of Ontario): Thank you, Mr. Chairman and committee members. I appreciate the opportunity to speak before you today.

To try to be consistent with the pre-budget theme the government has mandated to ensure we have the needed skills in Canada and to make certain that our tax regimes allow us to attract workers, I want to talk a little bit about an amendment to the Income Tax Act for construction workers with regard to travel and room and board. The issue I want to talk about is worker mobility and the deduction for travel and living expenses.

I'm a construction electrician, and the problem I see in the construction industry is unique in Canada. It's one where employment typically requires laid-off workers to travel beyond their metropolitan areas to obtain new or temporary jobs. However, once they go to those areas, they are unable to deduct any reasonable expenses for travel and living that are incurred with those employment opportunities. At the same time, they have to maintain their principal residences. Consequently, construction workers have a double financial burden when it comes to working.

There is some limited tax relief for employees when they're directed by their employers to work at remote or special sites, whereby payments of travel allowances are not included in their income. However, once again, no tax relief is available to the unemployed person who is seeking employment in another region or territory. The denial of such deductions has a negative effect on workers, the EI program, and Canada's economy. Without such tax relief, the worker has two choices. He or she must either incur high travel and living expenses without tax relief, or decline the job and collect EI.

Ladies and gentlemen, construction workers are proud of what they do. They want to work, but they need some incentive. They need some help from the government to do that. The construction industry is cyclical. In one region it will be booming, and in another region it will be quiet.

The rationale for policies to promote temporary inter-regional movement of labour.... In the absence of this movement there are two perverse consequences. First, labour shortages will emerge in some regions concurrent with unemployment in others. Second, unemployment causes apprentices who have not completed their training to leave the trade, thereby wasting the training investments and eroding future skill bases needed in that region. This results in workers being less productive, which is in nobody's best interest.

Ironically, if these construction workers became self-employed or independent contractors, they would be allowed to deduct many of their expenses for travelling abroad to work. It should be kept in mind that under the Income Tax Act, transport workers already enjoy tax deductions for meals and lodging. Performing artists are also entitled to a maximum of $1,000 in deductions for expenses. Therefore, as I see it, tax fairness demands that the inequity be remedied.

What I want to talk about today is that we have a solution to the problem: amend the Income Tax Act to allow construction workers to deduct costs incurred in taking temporary jobs away from home. However, those should be subject to and limited by the same requirements that apply to the special worksite exemption in the Income Tax Act. We're asking for relief, but we're also stating that there should be a mechanism in place to make sure everybody plays by the same rules.

In a nutshell, in the end, one of the key things we have to look at is the net cost-benefit. Is this going to cost the government or the citizens of Canada any money? No, it's not. Using the numbers we looked at, allowing the deduction for worker expenses, the estimated net benefit to the public purse would be approximately $95 million.

What I'm bringing forward here today would actually add money to the government's purse. This takes into consideration the expenditure for allowing the mobile worker deductions, which are approximately $71 million, less the benefits to the public purse from EI savings—because people will no longer be collecting EI—of $81 million, and adding the additional income tax generated, which would be approximately $85 million. However, the estimated net benefit does not take into consideration any additional EI contributions.

Thank you.

The Chair: Thank you very much, sir, and thank you all for your presentations.

We'll begin the first round with Mr. McKay. Seven minutes, Mr. McKay.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Chair, and thank you, each one of you, for your excellent presentations.

I have a series of relatively small questions and maybe I'll just go around the table in the order of presentation.

The first is to the Canadian Petroleum Products Institute with respect to biofuel requirements. Is the *Globe and Mail* article correct that effectively says that when you add ethanol to gasoline you would get less mileage for that litre of ethanol?

● (1605)

Mr. Kory Teneycke: Yes, depending on what rate you blend it at. Ethanol has a lower energy value than petroleum. That's not to be mistaken for energy balance, which is how much energy you get out of it versus how much it takes to produce it; that's positive, at about twice as much energy out. But there's a lower BTU value, so at higher concentration blends—the article was correct in referencing 85% ethanol—you would see about a 25% reduction in gas mileage associated with that.

Hon. John McKay: So is the optimum blend around 15%?

Mr. Kory Teneycke: It's 10%, and at 10% you don't have any change. It's not that 10% is 2.5% because 85% is 25%; it doesn't work like that. Because of the higher octane level of ethanol, at 113, it boosts the octane level of the rest of the gasoline. That offsets the energy loss when you're looking at 10% blends, and 10% blends are what we use in our gas today. One-third of the fuel in the United States is 10% ethanol blend.

Literally billions of kilometres driven, with lots of testing and no energy loss or mileage loss at that rate—

Hon. John McKay: I apologize for interrupting, but I have only seven minutes here.

Mr. Kory Teneycke: All right.

Hon. John McKay: My second question, again directed to you, is with respect to your tax credits. What I understand about the current system is that you can't find enough ethanol. You can't get enough product in order to meet even the 5% mandated requirement. So why would the government be suggesting a series of tax credits, etc., for an industry that has a huge demand?

Mr. Kory Teneycke: You'll notice that those plants aren't being built in Canada. There are about two plants a month being built in the United States right now, with countless plants in Brazil and other countries. Despite the past government's ethanol expansion program, which found 14 projects that were eligible to receive federal money, we've had only two of those plants built. Another two are under construction.

So it looks like the vast majority of that money won't end up going towards projects, because they're not being built. The reason for this is that we're not competitive in terms of our tax treatment of this industry in Canada. You'll see those plants continue to be built in jurisdictions where it's most profitable to do so.

Hon. John McKay: That's what I wanted to get to, the point that they're not competitive with that tax treatment.

Mr. Kory Teneycke: That's right.

Hon. John McKay: So it's just a matter of tax treatment, not location of raw materials and so on.

Okay, thank you.

My next question is for the Canadian Labour Congress. I think you have every right to be worried and to have concerns about this commitment to finding $2 billion in savings. I think “without consultation” seems to be a favourite way to do things around here.

I agree with your issue of no more tax cuts. In the previous government, we went from 28% to 21%. We had a commitment to go down to 19%, and a number of surtaxes removed, a number of CCA accelerations, and yet we have no productivity bang for the buck. In fact, our productivity numbers appear to be worse than they were in years gone by.

Can you give me the Coles notes answer, if you will, on why it appears our productivity is not being enhanced by the corporate tax treatment we've been giving corporations?

Mr. Andrew Jackson: I guess the short answer would be that what is crucially important to productivity growth is real business investment in new machinery and equipment, as well as in skills. The link from a general corporate tax cut to higher levels of real corporate investment is fairly tenuous.

If you take the energy sector, for example, parts of the resource sector are doing very well, and are very profitable. They are investing. Just a cut in the corporate tax rate makes no real difference to their investment rate. When companies are struggling, often the corporate tax rate is irrelevant to the real investment decisions.

A lot of the manufacturers that are now going out of business because they're not earning profits or are very close to losing money just don't benefit from that measure. I think a much more effective way to spend money that would go on a general corporate tax cut would be to take much more targeted measures.

● (1610)

Hon. John McKay: You seem to like grants but you don't seem to like the capital cost allowance.

Mr. Andrew Jackson: Certainly there's a case for aligning the capital cost allowance with real rates of depreciation.

Hon. John McKay: So is there an argument to be made that it would be a useful—

Mr. Andrew Jackson: As I mentioned in the brief, I'd be open at the moment to the notion of some investment tax credit.

I think the key point is that right now we're at a window where a lot of companies in the manufacturing sector really are contemplating shutting their doors, closing down. We really need something that will kick in right now.

Hon. John McKay: I'm running out of time, but I'd appreciate exploring that.

The irony of the last two presenters is that one wants to be self-employed for the purposes of a certain deduction, and the other wants to be employed for the purposes of pension.

My fundamental question to the artists is this: why should you be treated any differently from farmers or construction workers or small-business owners or used car salesmen—

The Chair: Fortunately, you're going to have the chance to reflect on how you might answer that question, in the hope that someone else asks it, because the time has elapsed for Mr. McKay. If no one does ask the question, I'll make sure to ask it at the end.

[*Translation*]

I will now give the floor to Mr. Paquette.

You have seven minutes.

Mr. Pierre Paquette (Joliette, BQ): Thank you, Mr. Chairman.

I would like to thank our witnesses for their presentations.

I'm always surprised to find that particularly in the area of social affairs, which comes under provincial jurisdiction, Ottawa groups such as the Canadian Labour Congress and the National Anti-Poverty Organization have undue confidence in the federal government.

From your brief, I must of course conclude that we will not agree about the fiscal imbalance. I doubt that the FTQ agrees with the CLC's brief on this issue either.

At the end of your brief, for example, you say this:

> “The fiscal imbalance” issue should not be addressed through a withdrawal of the federal government from its major areas of direct and indirect social responsibility nor by a transfer of “tax room” to the provinces.

You also say on page 16:

> The reality of reduced fiscal capacity due to tax competition between the provinces could be countered by the provinces ceding to the federal government sole responsibility for corporate income and capital taxes, in return for a proportionate increase in federal transfers. ”

That flies in the face of the consensus that exists in Quebec. We want to have more revenues of our own so that we are not subject to fluctuations in the federal government's willingness to invest in social programs.

My question is to these two gentlemen.

You talk about a disability grant, an income support program for people with significant disabilities, a pharma-care program and a dental care program. All of this comes under provincial jurisdiction.

Of course, we do agree on other matters. However, I would ask you the following question, Mr. Jackson. What makes you think that the federal government will be more inclined to assume its responsibilities? We need only think of what happened in the case of employment insurance. As you know, probably better than I, the coverage has been reduced considerably. Now only one person in four who pays into the plan is entitled to benefits.

During the 90s, Mr. Martin slashed health care transfers unilaterally, despite the Canada Health Act. We have often heard that there must be federal standards, an education act, an so on. There are in fact even some new laws that I was not even familiar with. How can we be sure that the federal government will maintain its investments?

For example, the federal government had announced a child care program. Two years later, it was abolished because a new government came to power. Let us suppose that the program had been in force for six or seven years, that child care centres had been built, that child care providers had been hired, that the children had already been attending school and that the government would withdraw from the program. In such a case the responsibility reverts to the provinces, including Quebec.

For this reason, contrary to your proposal, we think that the only way of ensuring the sustainability of social programs is to ensure that Quebec and the other provinces can afford to take them over. In this way, the provinces are not the hostages of the federal government's decisions.

In closing, you talk about fiscal competition. Reducing the GST by one point is not a response by the federal government to North American tax competition. I would like you to explain for me, since this is implicit in your presentation, how the federal government is a better guarantee of sustainable social programs than is the Government of Quebec, for example.

● (1615)

[*English*]

Mr. Andrew Jackson: First of all, just to be clear, the CLC has always taken the position that the FTQ speaks for Quebec workers on constitutional issues.

Second, in the paper on the fiscal imbalance it says very explicitly that a national framework for programs must recognize the need of Quebec, in particular, to control the levers of social development within its own jurisdiction. So we accept that Quebec has a particular need to develop programs within its own jurisdiction.

I'm not sure if I understood correctly that you want a transfer of tax room as a way of resolving the fiscal imbalance. At present, Quebec benefits quite significantly from having equal per capita transfers, as opposed to a transfer of tax room, just because the fiscal capacity of Quebec is below average. From a fiscal point of view, Quebec is much better off getting equal per capita transfers through the Canada social transfer, the health transfer, than through a transfer of tax room.

I absolutely agree with you that the provinces should know that federal transfers to the provinces for social programs are insecure. In the submission we call for at least a ten-year planning horizon so that provinces can count on their planning for that.

The other point I would make is that in many ways Quebec is different from other provinces. Through the 1990s, even when the federal government cut back its own social transfers quite significantly, Quebec was really the only province that maintained and increased social expenditures over that period, notably on the child care program and others. But while the federal government was cutting transfers, the Government of Ontario and the Government of Alberta were cutting provincial taxes, as opposed to making up for that room. So the experience of other provinces has been that there's a lot of political pressure to cut taxes rather than maintain social programs. The dynamic in Quebec has been different for that.

We are prepared to recognize that Quebec is different on many dimensions. But I think you're unwise to push for a transfer of tax room as a way of addressing the fiscal imbalance issue.

[*Translation*]

Mr. Pierre Paquette: I simply want to say on that, that the consensus in Quebec, wether one is a federalist or a souvereignist, is as follows: the GST must be returned along with a certain number of tax points to replace the transfers. As long as we are a part of Canada, equalization is something that is provided for in the Constitution. Its purpose is specifically to make up for the lack of tax in Quebec. No one can't tamper with that.

Ms. Frost, I ask you essentially the same question. Do you have any comments?

The Chair: I am sorry, madam, but time is up.

We will now go to Dean Del Mastro.

You have seven minutes, sir.

[*English*]

Mr. Dean Del Mastro (Peterborough, CPC): Thank you, Mr. Chair.

Mr. Miller, thank you very much for your presentation. I support a lot of what you're saying. I do believe that prosperity is built from a sense of security, and safe streets and communities are certainly something I'm working toward for my community.

I noticed a couple of statistics in your report that are really quite interesting. One was that we're now down to about 189 police officers per 100,000 population. You've compared that with a number of other countries, such as the United States, Australia, and England, where it gets as high as 262 officers per 100,000.

Wasn't there a number the Police Association of Ontario felt we should be at? Do you have a number you think is correct, with respect to number of officers per 100,000 people?

● (1620)

Mr. Bruce Miller: It's difficult for me to give you an answer right across Canada and also in Ontario, with such a diverse population, but we think that 1,000 new officers coming into Ontario through the 2,500 new officer program would make a huge difference in terms of community safety. Certainly, as I mentioned earlier, with two successive governments in Ontario, we've been very fortunate to have all-party support in Ontario on community safety issues, and it really has made a big impact.

Policing has changed so much over the last 20, 25, or 30 years, when I started. It is a labour-intensive job, and 90% of police budgets go toward personnel. The amount of work for such things as search warrants and preparing crown briefs takes up a great deal of time.

We think that, certainly, if Ontario can get its share based on a population base, it is going to help in allowing Ontario to continue to be a safe province.

Mr. Dean Del Mastro: That's great.

I was disturbed by your survey. I hope that in three or four years' time we can do the same survey and see that people feel much more secure. I also feel that we're moving in the right direction.

Mr. Sharpe, I'd like to pose Mr. McKay's question to you again, because I feel it's a good one. I'd like to hear your response on that.

Mr. Paul Sharpe: Do you want to pose that question, or should I just...?

Mr. Dean Del Mastro: I'd be happy to.

What would make self-employed musicians any different from, say, small-business owners, farmers, or other self-employed groups? Why do you think you should qualify for that program?

Mr. Paul Sharpe: First of all, on behalf of the American Federation of Musicians of the United States and Canada, we're here to advocate specifically for artist musicians. We see no reason self-employed people in all sectors, regardless.... We're not asking for different treatment; we're just here advocating for musicians in particular.

We think that the growth in the self-employed sector is going to have to be addressed in all kinds of different things, and we're here trying to take a positive and active role in servicing the members we advocate for.

One other thing I think I should bring to your attention is that the American Federation of Musicians of the United States and Canada, as I mentioned earlier, has the AFM-EPW Fund (Canada). It is an employer pension fund, of course, a registered RRP. It has current assets of more than $550 million. We have many members in our association who are actively invested in that program, but the vast majority of the 13,000 members we represent in Canada are self-employed and are not eligible. It's not really trying to get different treatment. We're doing the same work under the same types of conditions in our self-employment as those who are in employee-employer relationships.

Mr. Dean Del Mastro: I just don't hear this from a lot of other small-business owners, specifically.

Mr. McKenzie, I think you've made a very insightful recommendation, actually, in providing opportunity for mobility of labour, particularly to areas where labour is needed, and also in providing opportunity for families where income can be expanded.

Perhaps you could underscore this again. You've actually pointed out that this is a no-cost opportunity for the government, and in fact a gain to the treasury. Am I understanding your numbers correctly?

Mr. Brett McKenzie: Yes. Running through the numbers that should be in the brief we put together, it would be a net benefit, based on soft numbers of $95 million to the public purse.

Mr. Dean Del Mastro: Thank you.

Mr. Hindle, just incidentally, I was running over some numbers on the weekend. About 1.3% of our health care spending goes into health care research. Maybe you might give us an opinion. Obviously, I feel it should be more. I think we should be a little bit more forward-thinking in health care. I think we should move away a little bit from illness care and move towards illness prevention. Maybe you could give us some ideas as to what you think a better ratio might be for health care spending, in terms of illness care and innovation.

Mr. Robert Hindle: That is probably difficult for me to address as an answer to your question. We are strictly focused on research. We know the health care costs and we're making the correlation of an investment into research in order to prevent the complications that run up the cost. Only with respect to our cause of diabetes can we look at a number like $13 billion, because of the survey commissioned about two and a half years ago by CTV; our discussions with Health Canada people and various members of the government lead us to believe that's a fairly well-accepted number.

● (1625)

Mr. Dean Del Mastro: Investment into research would in fact lead to savings in the overall health care portfolio over time.

Mr. Robert Hindle: There is a very direct line there, yes.

Mr. Dean Del Mastro: Thank you.

Mr. Jackson, I just reviewed some of your numbers there. I actually agree with you with respect to Quebec and transfer payments. I do, however, take a little bit of issue with the GST deduction that was made. I do think the GST deduction actually does directly affect the fiscal imbalance. Are you aware of that?

Mr. Andrew Jackson: Thank you, but I don't know the answer to that.

The Chair: Madam Wasylycia-Leis, you have seven minutes. Please proceed.

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

Thank you all for your presentations.

As we're meeting here with a very useful discussion, the Minister of Public Works and the Minister of Finance are busy announcing major cutbacks. We've just learned, in fact, that the full surplus of $13.2 billion for this past budget year is all going against the debt. There is not a penny to program spending or to meet any of the concerns we've been hearing about for years. Also, $2 billion in program cuts has been announced, covering just about every department. We're probably looking at hundreds of programs and hundreds of jobs.

Following Andrew Jackson's reminder that the government in the past had decried Liberals for daring to make these kinds of decisions without public consultation, were any of you consulted? Andrew, were you consulted? Was anyone consulted on these cuts?

No one was consulted. That's interesting. I remember sitting here and hearing nothing but outcry from members of the Conservatives, suggesting that these kinds of decisions should be brought to Parliament and that the people of Canada should have voice through their members of Parliament and that there should be some element of democracy when such dramatic decisions are made.

Let me start with you, Andrew. Although we're all interested in paying down the debt, what does this full allocation of the surplus of $13.2 billion to the debt mean in terms of some of the dire situations you have outlined, the concerns of workers, and our economy as a whole?

Mr. Andrew Jackson: As you know, once you run a surplus, it does apply against the debt. It can't be spent retroactively. It underscores, I think, the need for careful fiscal planning. It prompts to me the question about the process from here on in.

I suspect, going into the next budget, that the books are much closer to being balanced than they were before the last budget, given the tax cuts that were announced on top of the previous Liberal tax cuts. I'm not sure we're going to see those kinds of surpluses again moving forward. I think we're probably much more into a world in which we're going to have to choose between tax cuts and social investments. I think we're pretty clear where we stand on that.

Ms. Judy Wasylycia-Leis: Thank you. That's a valuable point.

Putting that in context, when the Conservatives were in opposition, they suggested that when there is a surplus, Parliament should have a role in deciding how it should be divvied up. There was a suggestion made that in fact we should have a balanced approach: that we should put some money against the debt, that we should make sure there's some money for some very important program needs, and that we should put some money against tax cuts—although I don't necessarily agree, given your comments and others about tax cuts. Do you think it's possible for Parliament to play that kind of role, the kind of role the Conservatives used to talk about and are failing to follow today?

● (1630)

Mr. Andrew Jackson: I'm trying to recollect where the committee came down previously on this. I mean, there have been calls—which I would certainly share—for sources of fiscal information to go to the committee, rather than just having information from the Department of Finance. I guess the committee has been hearing directly from economists about the budget projections. I'm repeating myself, but it's my perception that those days of large structural surpluses are behind us and that we're going to have to face the—

Ms. Judy Wasylycia-Leis: Right, but it points to the need for some sort of input into the budget process, especially when dollars are scarce.

Let me ask Debbie Frost, who has given a very compelling case about the depth of poverty in this country. I think by now folks around this table should see that as a national disgrace.

It must just gall you to hear how the government is making decisions, especially at a time when international studies put us at 14th out of 26 industrialized countries in terms of child poverty, and when a study has come out, just as it did this week from the Canadian Association of Social Workers, showing that poor Canadians die earlier than wealthy ones, and that poor women in Canada have only a 73% likelihood of reaching the age of 75, whereas rich Canadian women have almost an 80% chance of doing so.

What advice do you have you for us as we try to get this government to practise some sort of balance in its fiscal policies and budgeting practices?

Ms. Debbie Frost: I'm not sure I can answer this as clearly as you would like.

I think my first piece of advice—I did have some recommendations, but I forgot to read them—would be to develop a national anti-poverty program.

If there were more funding put into social programs, for instance, if we took social programs and indexed them to the cost of living, it would decrease government costs in other ways. But the federal government also has to make the provincial governments more accountable for the transfer payments, because right now the provincial governments are not accountable enough as to what they're doing with these payments.

If funding is put into social programs and it's indexed to the cost of living, people are going to be able to meet their needs, they're going to have their necessities, and they're going to be able to cover their health care costs. Right now, health care costs are being covered by the provinces because people can't afford it. So that's going to cut costs in that area.

Poverty is a big issue, and until we develop a national strategy.... Quebec has an anti-poverty strategy, and Newfoundland has one. It's something the federal government could help push towards the other provinces, with Quebec possibly being used as a model. I've seen the Quebec model and it's very good. It has a child care program. It has child tax programs. It has programs that are suitable for other people. Their people are able to live and to meet their needs, whereas in the other provinces we're not.

That's where the federal government needs to take responsibility and start pushing the provinces to be a lot more accountable as to where these social dollars are going, how they're being put into programs, and how can they be put more effectively into programs. If we do this, it's also going to provide incentives and more people will come off the system. People on the system need the supports to get off the system. With the money they get in the system now, the supports just aren't there. If we start—

The Chair: Thank you, Madam—

Ms. Debbie Frost: Sorry. I could go on forever.

The Chair: That's okay. We appreciate your answer, but I have to be the referee here. I also occasionally get to ask a question, so I'll do that at this point.

Mr. Jackson, speaking of people on the system who need to be encouraged to get off the system, you spoke about—and your submission again this year talks about—fattening up employment insurance benefits, reducing the number of qualifying hours to 360, increasing the level of weekly benefits to two-thirds of the best 12 weeks, and extending the benefit period up to 50 weeks.

First of all, have you costed this? What are we talking about as a percentage increase in premiums if these benefits are made a reality?

● (1635)

Mr. Andrew Jackson: I can get back to you with a more detailed answer.

I do know there were some estimates of those costs that were presented to the human resources committee.

The Chair: If you would do that, I know the committee would appreciate it.

Mr. Andrew Jackson: I don't want to throw out a guess. It's difficult to estimate, because there's some sort of interaction between them. It depends on the unemployment rate as well, which is a variable.

I'll get back to you with a number. It's not as big as you would think.

The Chair: Okay, we'll be interested. I'll cut you off, because I don't want to use too much of the other committee members' time. I know there are many committee members who follow this inter-relationship between benefit programs, for example worker mobility, and who will be very interested in knowing what the data is.

The second part of that question is, given that worker mobility is one of the issues we're all wrestling with right now, have you examined—because it is pretty well understood, as OECD has done numerous studies on this issue—the perverse possibilities of employment insurance programs or the like, and their negative impact on worker mobility? Has your organization done any work on that? Do you have any research or any data that would educate us as far as how increasing employment insurance benefits in the way you have proposed might encourage or discourage worker mobility?

Mr. Andrew Jackson: In the past, there has been a view that regionally extended benefits create an incentive for employees to stay in their own regions, even though they're not able to find full-year work. I would say that the rates of labour mobility out of Atlantic Canada are at such high levels as to suggest that this is not much of an issue at the present time.

The Chair: But of course you're talking about—

Mr. Andrew Jackson: My understanding—and actually I'm going to Newfoundland in a couple of weeks—is that Newfoundland is looking at some skill shortages now just because rates of mobility out of skilled work have been so high.

If you go too far the other way, what you run into—and I'll send you the reference, a recent research study that was done for Human Resources and Social Development Canada—is the fact that study pointed to, that if all you're giving a worker as a benefit is 55% of maximum insurable earnings of $38,000 or $39,000 a year, basically it's a poverty-line benefit. There is a question certainly for higher skilled workers, but really, do you run a danger of bludgeoning somebody into taking the first available job rather than taking the time to look around for better employment, to consider a move geographically?

I would suggest that we are in that situation now where—and I agree with colleagues down the table—at a time when presumably we want skill shortages in some parts of the country to be filled, in part, through labour mobility, how might we use the unemployment insurance program as a means of facilitating that movement? Really, the traditional approach has been all sticks and no carrots, if I could put it that way. We used to have mobility assistance directly under the unemployment insurance program. We used to have programs that took unemployed workers out so they could have a period of job search in another part of the country. It's worth revisiting.

The Chair: I'll cut you off there. We have another member who wishes to ask questions, but I do look forward to the data that you've assured us you will provide. We are interested in what leads to the recommendations our witnesses make.

Mr. Pacetti, you have five minutes.

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

I have a few quick questions.

To Ms. Frost from the National Anti-Poverty Organization, all we have is a one-page brief, but your second recommendation is that we introduce, through the tax system, a new national refundable tax credit and working income supplement. Do you have any calculations or numbers you could provide us with? Do you have something you can submit to the committee?

Ms. Debbie Frost: We can submit a copy of the recommendations. We have that at the office, so I can make sure that's submitted.

● (1640)

Mr. Massimo Pacetti: Thank you.

Further down you say you'd like to add a national pharmacare program and national basic dental care. What is your opinion, or your organization's opinion, as to those types of services? Do they not belong to a provincial jurisdiction? Should they not be part of medicare if the province chooses to include that as part of their services?

Ms. Debbie Frost: I think the responsibility for them is provincial, but federal programs are needed that are sustainable for everybody, that are consistent for all provinces, all children, and all adults.

Mr. Massimo Pacetti: That's fair enough. Thank you.

I have a quick question for Mr. Teneycke, for the Canadian Renewable Fuels Association. There is a lot of talk about the different types of fuels that are available out there. I think you mentioned, or your brief mentions, ethanol and biodiesel. I think Mr. McKay asked you a similar question, but what is the supply and demand, especially here in Canada? How much supply is there and how much demand is there? Is there really an industry for ethanol and biodiesel, or do we have to create it? You've talked about tax incentives or tax credits, but I'm not sure what comes first, the horse or the buggy.

Mr. Kory Teneycke: I guess it depends what outcome you want.

In terms of creating a market for the fuels, that's quite easy to do in terms of passing a regulation requiring renewable fuel content, as the government has proposed. We have more renewable fuel production today than we did a few years ago. By early 2007, we think we'll be at around 800 million litres of ethanol production. That's up from about 230 million litres a year ago. So we're seeing quite significant growth in renewable fuel production here. That's as a result of provincial requirements being brought in by three provinces—Ontario, Manitoba, and Saskatchewan. So I think we're seeing growth.

Worldwide, you're seeing massive growth in the industry. It's doubling about every two and a half years. That's as a result of increased demand—

Mr. Massimo Pacetti: Sorry, time is limited and I don't want to interrupt, but this is just a natural evolution of what's going to happen: the supply is going to increase if there's demand—

Mr. Kory Teneycke: Yes.

Mr. Massimo Pacetti: I'm not sure what the government can really add to it by just throwing money at it. If the demand is there, supply is going to be there, is it not?

Mr. Kory Teneycke: Yes, but will the supply be made in Canada? That is the question. These are NAFTA products and they'll travel freely across the Canada-U.S. border. The fact remains that if you pay less tax, less than half the tax to produce that fuel in the United States than you do in Canada, you're going to make a lot more money producing it in the U.S. and shipping it to Canada than by producing it in Canada.

So I would submit that having a lower tax rate on an industry that does exist in Canada is better fiscal policy than a conceptually higher tax rate on an industry that will never be based here.

Mr. Massimo Pacetti: The tax rate on the actual fuel?

Mr. Kory Teneycke: Yes.

Mr. Massimo Pacetti: Okay, thank you.

Mr. Hindle, I know there was some other money dedicated to juvenile diabetes. Was that another type: type 2 or type 3?

Mr. Robert Hindle: There are two parts to that answer. There was almost $6 million spent through CIHR on diabetes research, of which very little went to type 1. Basically, type 1 is an auto-immune disease that is not preventable. Type 2, the one we're most familiar with, is preventable and treatable. Type 3, which occurs much less often, is called gestational diabetes, during pregnancy.

As for the money for research on type 1 diabetes, not very much of it comes from the Government of Canada.

Mr. Massimo Pacetti: But when money does come from CHIR, is the money dedicated to a certain type?

Mr. Robert Hindle: Type 2.

Mr. Massimo Pacetti: So it is dedicated—it's not up to the Juvenile Diabetes Foundation to decide?

Mr. Robert Hindle: No. There are two particular institutes that direct most of that money because of their connection to it, and the vast majority of it goes to type 2.

Mr. Massimo Pacetti: Okay. Your organization—

[*Translation*]

The Chair: Thank you, sir.

Next up is Mr. Carrier.

You have five minutes.

Mr. Robert Carrier (Alfred-Pellan, BQ): Thank you, Mr. Chairman.

My question is for Ms. Frost, who represents the National Anti-poverty Organization.

In your third recommendation, you talk about “insure access to banking.” That was part of your recommendation. Could you tell us exactly what you mean by “access to banking”? Does it mean physical access or being able to open up an account?

● (1645)

[*English*]

Ms. Debbie Frost: What we mean by that is low-income citizens in a lot of our banks are not allowed to open accounts. A lot of people don't have proper ID. A lot of banks ask for a $5 deposit. People don't have that. So banks are turning people away.

We actually did a survey about that in Saskatoon and we had people go into the banks simply to see how many banks would turn them away. Royal was one of them, CIBC and....

I don't know what can be done about that, but it is a big problem. And it's not only in Saskatchewan; it's all over Canada. If you're low-income people, if you're on welfare, the banks will refuse to serve you if you don't have that $5 to put in, or if you don't have proper ID. People on welfare can't afford ID if they don't have it, because there's a cost to getting your ID.

[*Translation*]

Mr. Robert Carrier: Thank you.

I would like to ask another question.

The Chair: Certainly.

Mr. Robert Carrier: My question deals with self-employed artists and it is addressed to Mr. Sharpe, from the American Federation of Musicians of the United States and Canada.

When you say that the Income Tax Act should allow self-employed artists to contribute to registered pension plans, are you asking for a change which would apply to all self-employed workers or just self-employed artists?

[*English*]

Mr. Paul Sharpe: Our proposal is limited to self-employed artists, but as to the previous question—I don't know whether you heard that or not—we don't feel there should be any differentiation between it. We feel this is something that would benefit all self-employed workers, but we are advocating for our members in the arts sector for self-employed artists. We think it's possible and very beneficial to have some type of system that would work for all self-employed and would be a great idea.

[*Translation*]

Mr. Robert Carrier: Thank you.

The Chair: Do you have any other questions?

Mr. Robert Carrier: Non.

[*English*]

The Chair: Okay. Thank you.

Mr. Turner, you have five minutes, sir.

Hon. Garth Turner (Halton, CPC): Thanks.

Mr. Jackson, the government has just announced its expenditure reduction of $1 billion per year and a debt reduction of $13.2 billion a year. As an economist, do you feel that is an appropriate and correct measure for a government to take? Do you think that will increase our competitiveness and our fiscal situation?

Mr. Andrew Jackson: Well, I guess it came to what we said in our advice to this committee in the fiscal year before that surplus was run. Our focus would have been on social investments. I think there are many areas of expenditure, including training, infrastructure investment, where there's a direct sort of link between that investment and long-term growth and productivity. So my preference wouldn't have been to run a surplus of that size. That said, I wouldn't argue that there are no benefits from that. I mean, clearly, it does have some benefits moving forward in terms of the effect.

Hon. Garth Turner: But as an economist, do you feel that a $13-billion debt pay-down is a good move, a bad move, or no opinion? Given the size of our debt, the implications of the debt on the economy, debt-servicing costs as a proportion of program expenditures, do you feel that this is an appropriate move?

Mr. Andrew Jackson: I guess I find it hard to answer the question when we're talking about a period of time. I mean, clearly, that means we have come through a period in the past when the rate of taxation was excessive relative to the current spending—

Hon. Garth Turner: It's a pretty simple question, though. It's about debt reduction. Is that, in your opinion, a good expenditure of surplus funds?

Mr. Andrew Jackson: I think it's inferior to the alternative of increasing government expenditure.

Hon. Garth Turner: So we should have spent it instead?

● (1650)

Mr. Andrew Jackson: Yes.

Hon. Garth Turner: All right. Interesting.

Now, you talk about the—

Mr. Andrew Jackson: I was only surprised by the size of the number. I think—

Hon. Garth Turner: You answered your question. Next question. The impact—

Mr. Andrew Jackson: Well, just wait. With respect, I said I could only have answered the question of how a likely surplus should have been allocated in the advanced discussion. In my world, there would still have been this—

Hon. Garth Turner: In your world you'd spend it. I heard that.

Mr. Andrew Jackson: No, in my world there would still have been a surplus and it would have been paid down to the debt, because it would have been an unanticipated surplus.

Hon. Garth Turner: Thank you.

Next question. You talked about the problems we're having in manufacturing, companies shutting down. The only thing I see you attribute this to is the high dollar value. Surely, if we're uncompetitive in terms of manufacturing, losing manufacturing jobs, is there not a high labour component involved there? Is there not a high government overhead component involved there, and also a lack of productivity? How can you blame it all on the exchange rate? I mean, you're a smart guy; you're an economist.

Mr. Andrew Jackson: We're going to be putting out a paper shortly and you will find that it addresses a wide range of issues. I certainly wouldn't say the dollar is the only factor, but when you go from a 64¢ dollar to an 89¢ dollar, that's a pretty huge adjustment for companies to go through.

Hon. Garth Turner: Yes, but it's the only factor in your brief. It's the only one you referred to. Why did you refer to just one? As I said, you're a smart guy; you know all these other factors. Why did you ignore them?

Mr. Andrew Jackson: The limit on the length of a brief is what, ten pages? I was endeavouring to flag some important issues. I have several papers on productivity that we've produced, which I'd be happy to send to you. I absolutely agree that the exchange rate is by no means the only factor. I would argue, with respect to the productivity issue and sound use of funds, that investment in human capital is a big part of the piece, and public infrastructure—

Hon. Garth Turner: But I'm thinking, for example, of high labour costs. Are they not part of the component that makes our manufacturing sector uncompetitive? Is that not a factor?

Mr. Andrew Jackson: Our unit labour costs in manufacturing have been actually declining, if memory serves me, over the last year or two. Productivity growth has been quite rapid in Canadian manufacturing. An increase in labour cost is absolutely not a factor in the current situation.

Hon. Garth Turner: As a final question—

The Chair: You have twenty seconds.

Hon. Garth Turner: —as an economist would you not agree that our low exchange rate over the past few years has just masked problems in productivity, and that now that we're getting into a more historic balance in our exchange rate those problems are coming home to roost? And should we not be addressing them structurally?

Mr. Andrew Jackson: I would argue as an economist that probably the exchange rate now is overvalued. I would agree it was previously undervalued. I think there was a tipping point reached when we hit the high seventies- and eighty-cent level, which by the way would equalize unit labour costs between Canada and the U.S.

The other major factor that's very much in play here that we have to get our heads around is the competition from China, the surge in Asian exports to the North American market. I'm not sure the exchange rate alone lies behind that.

Hon. Garth Turner: That's at the heart of high labour costs again. We're a high valued-added country.

The Chair: Thank you, Mr. Turner; your time has elapsed.

Mr. Andrew Jackson: Our unit labour costs have been falling.

The Chair: Excuse me, gentlemen. I apologize for the intrusion, but we'll move on to Mr. Pacetti.

There are just about three minutes, sir. If you could get your preamble down a bit, that would be good.

Mr. Massimo Pacetti: Thank you. Yes, I'm not much of a preamble guy anyway.

I have two quick questions. Mr. Miller, out of curiosity I'm trying to understand the reason for the Ontario Police Association to make their brief. One of your recommendations is that you believe the government should commit to an additional 2,500 new officers. Is that just for the Ontario police? How would you propose the funding be channeled?

Mr. Bruce Miller: That commitment was across Canada, but certainly we would put forward that Ontario should get its fair share of new police officers based on Ontario's population as compared with the rest of the provinces. That money goes toward municipal and provincial levels.

Mr. Massimo Pacetti: How do we fund that, through what program? We don't fund the OPP or the QPP, from my understanding.

Mr. Bruce Miller: It was a commitment made by the government during the election campaign. I also have to point out that when we did our public opinion polling, it was interesting to note, talking about—

Mr. Massimo Pacetti: I'm just asking you how we would fund it. We don't fund, that I'm aware of, the provincial police forces. I'm just asking how we would fund it.

Mr. Bruce Miller: It would be a new funding program.

What I would like to point out concerning deficit situations is that it's interesting to note that when we surveyed Ontarians a couple of years ago—at the time there were concerns about government shortfalls—81% of Ontarians said the one area that should not be cut is police services, and 58% were willing to pay more for the policing.

Mr. Massimo Pacetti: I appreciate that. It's just a question about how, if we were interested in recommending it, we would do it.

My final question is for Mr. McKenzie, regarding your proposal. From my understanding there are a lot of other workers out there as well, the so-called undocumented workers. What's your situation on that? Would it be cheaper to put some money towards a program of regularizing or documenting the undocumented workers? Your trade association must have a position on that.

● (1655)

Mr. Brett McKenzie: When you refer to undocumented workers, are you talking about unqualified and unskilled workers working within the industry, or are you talking about foreign workers coming into Canada?

Mr. Massimo Pacetti: I'm not sure whether they're unskilled; let's say undocumented. They would probably be skilled but undocumented—or else I don't think they would be working.

Mr. Brett McKenzie: In Ontario right now there is a push on with the Ontario government, in the Ministry of Labour, looking into that situation and making sure people have the proper skills and credentials. I think there's an enormous number of unemployed qualified, skilled Canadians currently who cannot for fiscal reasons travel outside of their home location to go to work, because there's no incentive for them. If they cannot travel from here to Alberta and receive a tax incentive, common sense tells me someone will not leave home and leave their family to make less money than they would collect on the EI system.

I don't know whether I've addressed your question.

Mr. Massimo Pacetti: Not at all.

Thank you.

The Chair: On that unfortunate note, madam and gentlemen, we appreciate on behalf of the committee your time today and very much appreciate your comments and the briefs you previously submitted to us. Thank you.

We'll invite the next panel to make the exchange as quickly as possible. We will recommence momentarily.

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(Pause)

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● (1700)

The Chair: I invite our committee members to resume their positions and I will welcome our second panel.

I'd also encourage those who are not participating to take their conversations to another part of the building, and we'll move on with our meeting.

Thank you, panellists, for being here. We very much appreciate your taking the time, and we look forward to your presentations.

Five minutes is what you're limited to. I'll give you an indication when one minute remains. We'll try to keep it on track so that we leave time for the exchanges that are so important in this process, which you just witnessed taking place in the previous panel.

To start us off, we have the International Association of Fire Fighters. The representative is Mr. Lee. Would you like to commence, sir?

Mr. Jim Lee (Assistant to the General President, Canadian Operations, International Association of Fire Fighters): Thank you very much, Mr. Chairman.

Once again, I appreciate the opportunity to be here today on behalf of the 20,000 professional firefighters we represent across Canada.

The national compensation benefit for the families of fallen firefighters and other public safety officers such as police is long overdue in Canada. It's a matter of equity. It's a matter of dignity for the family and it's a matter of ensuring that never again does the family of a fallen firefighter have to face financial hardship. Yes, it has happened, and it will happen again unless there is a national standard in place, a minimum amount of compensation covering all Canadian firefighters.

What currently exists is a patchwork of provisions. A small handful of these provide a meaningful benefit but the vast majority do not. What the family will receive depends upon where they live. It depends upon what province they're from or what city they live in. Should the dignity of a fallen firefighter's family depend upon which city or province they live in? I believe that an overwhelming majority of Canadians would want the federal government to establish a national benefit, and I urge you to recommend that the next budget include the funding necessary for the federal government to establish a national public safety officer compensation benefit here in Canada.

We propose that this benefit would be in the form of a one-time payment to the surviving family in the amount of $300,000. I ask you in your deliberations to recognize the essence of motion number 153, which stated that the federal government should establish a national compensation benefit for fallen firefighters. Motion 153 was adopted in the House of Commons in October 2005 by a vote of 161 to 112. We believe that was a clear indication that the majority of MPs, representing the view of the majority of Canadian citizens, believe that the government should establish this benefit.

With regard to funding for national hazardous materials and chemical, biological, radiological, and nuclear response training, five years have now passed since 9/11 and billions of dollars have been allocated toward national security here in Canada, but still not enough front-line first responders have received the training they need to respond safely and effectively to these kinds of emergencies. In 2005 the Auditor General identified problems in design aspects and in the pace of delivery of the federal government's CBRN training initiatives for the first responders. We note there have been improvements since then, but we assert that more needs to be done, and it has to be done immediately. Last year we surveyed 170 of our local affiliates to find out how many felt they had the training to respond safely and effectively to CBRN incidents. To our alarm, we found that only 19% of our local affiliates had any members trained to respond to a CBRN incident in their city. A full 75% had little or in fact no training at all.

A shocking number of Canada's first responders don't even have basic hazardous materials training. Just four days ago, fire chiefs in northern British Columbia told the meeting that fire departments throughout their region, and I quote, “were under-equipped and not prepared” and have “no protection of any kind” against hazardous materials emergencies. We propose that for $500,000 annually the federal government could solve this problem in all parts of Canada by funding the IAFF hazardous materials training for first responders program and our emergency response to terrorism operation programs.

Our programs could train 1,600 first responders every year to a recognized level of CBRN response. Our programs are not just for firefighters. They're also for police officers, paramedics, utility workers, and part-time firefighters, for example.

We can arrange a demonstration of our program for the federal government for something in the range of $8,000, but this should not be about money. It's about ensuring that all Canadians are protected against the aftermath of a CBRN incident.

I note that the public safety minister in a recent letter copied to our affiliate in Victoria, B.C., has indicated he wants to meet with the IAFF to discuss our programs, and we look forward to those discussions. In the meantime, I would urge this committee to recommend that this important national security item be reflected in the next budget.

Thank you.

● (1705)

The Chair: Thank you, sir.

We move on with the Canadian Home Builders' Association, David Wassmansdorf. Please proceed, sir.

Mr. David Wassmansdorf (Immediate Past President, Canadian Home Builders' Association): Good afternoon, Mr. Chair. Thank you for the opportunity to speak to the committee.

The Canadian Home Builders' Association represents the Canadian residential housing industry of builders, developers, trade contractors, and the like. I'm a home builder and land developer based in Burlington, Ontario, and with me today is Richard Lind, a renovator from Bridgewater, Nova Scotia.

We hope that you've had the opportunity to read our submission. I must say that it does touch on a broad range of topics. In our introduction we note that government mandated costs, regulatory burden, and skilled labour shortages are amongst our greatest challenges. In the context of those challenges we'd like to concentrate our remarks today on four key areas: the indexation of the GST rebate for new home buyers, skilled labour shortages, infrastructure investment, and the underground economy.

Turning first to the GST indexation, I must point out that as an industry we are pleased about the reduction of the GST from 7% to 6%, and we look forward to a further cut. Certainly this is a step in the right direction. But in 1991, when the GST was introduced, the government made a commitment that the GST rebate would be indexed, and this has not occurred. Over time, since 1991, prices have risen significantly and the rebates need to keep pace with those price increases. More and more home buyers are unable to receive the rebate.

In page 10 of our brief, we have a chart that gives you an indication of the significance of the problem. It's not just in major markets, although, of course, that's where the biggest jumps are occurring. As an example, in Vancouver in 1991, only 24% of the houses being purchased were priced at above $350,000. Today, in 2006, 97.6% of the houses were priced higher than $350,000. As a reminder for the committee, the GST rebate was a sliding scale between $350,000 and $400,000, so the effective tax over that $100,000 would eventually hit 7%. Just as another example, in Ottawa—taking this municipality—in 1991, 6.1% of all homes purchased were greater than $350,000; today 47.1% are greater than $350,000.

I should note, though, that it's not only new home buyers who are affected by this, because of course resale or used homes will keep pace with new home prices. So whether people are buying new or used, they are affected by this.

With respect to skilled labour shortages, all Canadians now understand the serious nature of the problem in all sectors of our economy. Of course, our industry is no exception, and we've made representations to this committee in the past in this regard. It's time to move past research and discussion and take real action.

Our industry has developed a human resource development action plan, and in this plan it calls for the federal government to play a key leadership role and to take forward action across the country to address the development and delivery of training in the residential trades through Canada's existing education and training system. This is all about capacity building. It's time to get on with doing the work.

Of course, related to this is the need to address immigration issues as a way of helping to address skilled labour shortages in the short term. Specific actions there would include changing the language and the range of employment requirements to remove barriers to ensure that skilled residential construction trades are included in the list of temporary foreign worker programs and to resolve the issue of undocumented workers without recourse to deportation.

● (1710)

Mr. Richard Lind (First Vice-President, Canadian Home Builders' Association): Moving quickly on to the infrastructure and underground economy, we're very appreciative of the indication the government has towards commitments in the infrastructure and we would want to see that the money is invested in the priority areas of clean air, clean water, clean land, and efficient public transportation; also that this money is added to, not a substitute for, a clawback from existing provincial-municipal projects; and that indeed, as the government has indicated, there will be mechanisms in place to ensure transparency and accountability.

In regard to the underground economy, that of course is flourishing very nicely. One instrument the government has had in place in trying to address this is the contract payment reporting system, which by its own admission is not achieving the results it was looking for. It was seeking to identify the areas in which the underground cash economy was operating so as to give a focus on the mechanisms for addressing that through various charges and so forth in the legal system. It's not working that way. What it's doing is putting an additional burden on those people who are already trying to meet their obligations with regard to tax payments. Also, instead of creating a level playing field, it has steepened the angle between the legitimate economy and the underground economy.

Thank you.

The Chair: Thank you very much, gentlemen, for your presentation.

We'll continue with Intuit Canada, Yves Millette, president and CEO. You have five minutes, sir.

Mr. Yves Millette (President & CEO, Intuit Canada): Thank you, Mr. Chairman and honourable members.

Intuit Canada appreciates the opportunity to present to the finance committee and to contribute to the current public debate led by the committee on what Canada needs to do in order to have a meaningful place in a very competitive world.

Intuit Canada, which is based in Edmonton and Calgary, serves approximately half of the small businesses in Canada, playing a significant role in our country's small-business agenda by reducing the paper burden through our accounting payroll and tax solutions. Our tax preparation software, such as QuickTax and ImpôtRapide, is used by millions of Canadians, supporting the Canada Revenue Agency in its objectives.

There are a number of issues you are looking at in your pre-budget consultations that are of interest to us. As you can imagine, ensuring that Canadians have the right skills to be competitive is something that is quite important to us as a technology company.

Intuit Canada has been consistently recognized as one of Canada's top employers. This is something we are proud of and work hard to maintain, given the challenge of recruiting, developing, and retaining knowledge workers in today's economy, especially in the west.

We are much more than a branch office of a multinational. We employ Canadians who are developing software solutions for Canadians, from nuts to bolts. Our Canadian innovation centre also works extensively on developing new products and technologies. We are in constant need of highly skilled workers.

We have been working with the Minister of Western Economic Diversification and the Software Human Resource Council to play our part in addressing the skills deficit. The skills deficit is an issue we are already solving with great outcomes for the public sector and taxpayers.

However, it is the fourth question in the outline for these consultations where I believe Intuit Canada can make its greatest contribution to public policy: What action should the federal government take so that it can afford measures needed to enable Canadians and businesses to prosper in the future?

Today, millions of Canadians use our solutions to prepare and file taxes and manage their businesses.

We have worked hard to become a partner of the Government of Canada, particularly with the CRA and those departments supporting small business. For example, our understanding is that the CRA's objectives are to increase the number of electronically filed returns and ensure universal access. Here's what we've done to deliver on that.

Our innovative products and services have enabled the CRA to be on track for its goal of having 70% of all returns filed electronically by 2010. In fact, 55% of all electronic returns submitted to the CRA were created using one of our products. It means that half of our 300 employees had a hand in almost nine million tax returns.

We've encouraged universal access by giving QuickTax and ImpôtRapide away to those who cannot afford it. It's free to anyone with an income of less than $25,000. Last year 170,000 Canadians took advantage of that offer.

We're pleased that the 2005 tax year was the first time that electronically filed returns exceeded paper returns. More than 12 million electronic returns were received by the CRA this year.

These results, which have strengthened service to Canadians while achieving significant government savings and improving business productivity, could not happen without private-public partnerships among our organizations. But we feel much more can be achieved by strengthening the line of sight between government and its partners. Private industry knows how to make an impact when they know the outcomes. If the 360 Canadians my company employs can have such an impact, think about the potential if we encourage more effective partnerships by clearly articulating line of sight and specific outcomes.

There is a need to encourage new and creative ways to combine the skills and knowledge of government and the technology sector to execute public policy objectives. The current government, and indeed the Clerk of the Privy Council, Kevin Lynch, have made much of the need for better delivery by the federal government.

So, for us, rather than specific tax measures, new incentives or programs, we think we need to raise the bar for public-private partnership outcomes, such as the examples that I've shared here today.

In addressing the four questions that we've laid out for consultations, this is what we think you should consider spending your money on.

● (1715)

We recommend that under a central leadership agency, the government undertake an examination of how a federal department agency can use partnerships with the private sector to further the delivery of federal government programs with a specific focus on outcomes.

We suggest that the scope of the work include a review of agencies and departments to identify best practices and features that characterize effective partnership.

We suggest that we provide practical suggestions as to how to dramatically expand these kinds of arrangements across the entire federal government.

We also propose that this work include both private and public sector executives with practical experience in the development and execution of public-private partnership.

Intuit Canada is ready to assist in this initiative.

[*Translation*]

Thank you.

I will be pleased to answer your questions.

[*English*]

The Chair: Merci, Monsieur.

We'll continue with the Canadian Institute of Chartered Accountants, Kevin Dancey, president and CEO. Welcome. You have five minutes.

Mr. Kevin Dancey (President and Chief Executive Officer, Canadian Institute of Chartered Accountants): On behalf of Canada's 71,000 chartered accountants, thank you, Mr. Chairman, for the opportunity to speak to you today.

Our analysis, comments, and recommendations are contained in the written submission, which was provided to you. We wish to highlight certain areas that we consider particularly important. These are debt reduction and reducing our debt-to-GDP ratio faster to strengthen Canada's future, and corporate tax relief to make Canada more competitive and productive.

Let me begin with the first item: strengthening Canada's future.

Despite recent surpluses, the federal debt still remains high at $500 billion. This amounts to approximately $15,500 per Canadian, which is well above the debt level of provincial governments. Lower debt would enable the government to permanently address the problem of tax rates that are uncompetitive with the U.S., our major trading partner, and with the G-7 average.

The recent trend in federal program spending also concerns us. In 2004-05, federal spending reached a record level of about $200 billion, an increase of 15.1%. Continued increases in spending at this level will threaten debt reduction and make tax relief more difficult to achieve.

Aside from a growing economy, the only reason to date that the government has been able to maintain surpluses and reduce taxes is because of low interest rates and declining debt charges. Indeed, had the government kept program spending at the rate of inflation since it began posting surpluses in 1997, we would see very different results today. The surplus for 2004-05 would be almost $45 billion, instead of the current $1.6 billion. This figure adjusts program spending since 1997 to core inflation and interest charges to declining debt. The actual federal debt would be $406 billion, down $93 billion from the 2004-05 level. And finally, the government would be only one year away—instead of seven—from meeting its debt-to-GDP ratio of 25%. With potential savings like these, we could then make Canada a more productive and competitive place in which to live and work.

Therefore we recommend that the government increase the amount to pay down the debt from $3 billion to $5 billion annually. We also recommend that government aim to reduce the debt-to-GDP ratio to 20% by or before the 2013-14 fiscal year.

The second area is creating a more competitive and productive Canada. An uncompetitive tax system is one of the biggest barriers to economic growth. Ireland is an excellent example. It has succeeded by making itself one of the most hospitable countries in the world for trade and commerce, with a corporate tax rate of 12.5%. Its GDP rate per person now ranks higher than Canada's and a full 40% higher than the European average.

What about Canada? While personal tax has remained virtually unchanged over the past decade as a percentage of budgetary revenue, corporate income tax has risen steadily. It is now 1.5% above its 10-year average. Lower corporate taxes would encourage firms to locate in Canada and spur economic activity.

Furthermore, as a recent article in *The Economist* pointed out, high corporate taxes also hurt individual citizens. When corporate taxes are high, workers shoulder some of the tax burden levied on companies.

It is a fallacy to think that companies bear the burden of the taxes they pay. The burden falls on real people, real citizens. In turn people save less and invest less. This results in a smaller capital stock, less capital per worker, and hence lower wages. This pattern is intensified in a global economy, where capital moves easily from high tax to low tax countries.

The C.D. Howe Institute also supports this. I quote: “Taxes on capital investments have the most powerful effect on Canada's productivity—the ability to produce more with the same resources—compared to all other taxes.”

Therefore, we recommend that the federal government immediately eliminate the corporate surtax and accelerate planned reductions to corporate tax rates. We also recommend that after this is done, the government commit to further reductions in general corporate tax rates to bring them closer to the rate for small business.

● (1720)

One final comment relates to compliance with our tax system and the stress it is under. In part this is due to the failure by trusts and other entities to deliver information such as T3s and T5013s to taxpayers by March 31. Over a thousand firms have recently raised significant concerns over this matter with us. The problem is, many of these slips are not getting to taxpayers until the second or third week of April and are often amended thereafter. This puts a huge burden on the filing of all returns, especially personal returns, which must be filed by April 30. I am not proposing extending the April 30 deadline. However, I am asking CRA and/or the Department of Finance to look at ways to ensure taxpayers get this information by March 31, the date in the existing law.

Mr. Chairman, this concludes our overview comments in support of our written submission. Thank you for the opportunity to speak to you today.

The Chair: Thank you, sir.

We continue with the Canadian Teachers' Federation. Harvey Weiner is here. Welcome again, sir. Five minutes is yours.

[*Translation*]

Mr. Harvey Weiner (Policy Advisor, Government and External Relations, Canadian Teachers' Federation): Thank you, Mr. Chairman.

The Canadian Teachers Federation coordinates and facilitates the sharing of ideas, knowledge and skills among its 17 provincial and territorial member organizations, which collectively represent over 215 000 teachers in primary and secondary schools across Canada.

[*English*]

In the brief that we presented, we decided to focus on two priorities outlined by the government, in particular. Those are, first, the promotion of measures to ensure Canadians are healthy and have the proper skills and appropriate incentives to work and save, and secondly, that Canada has the infrastructure required so that every Canadian can aspire to and achieve a high quality of life.

Our view, in particular, is that this budget should focus primarily on children and youth. We see this as the means to break a cycle that has accumulated over decades of non-discretionary expenditures that government has to make in order to redeem, rather than prevent, problems from occurring. I can refer specifically to enormous expenditures in terms of our justice system, our health care system, when measures designed to focus on prevention could have resulted and can still, for future generations, cut tremendous amounts of non-discretionary expenditures. We believe that there should be increased focus on learning initiatives at the level of government. I refer to an OECD study on page six of the English version, in which the OECD indicates that, on average, every year of education that a country adds to its citizenry accomplishments would increase per capita GDP anywhere from 4% to 7%, all other factors remaining equal.

We're particularly looking at the work the National Literacy Secretariat is doing to try to increase literacy levels in Canada. We believe that the secretariat requires additional support. We're looking at the modifications that should be made to the Copyright Act, to ensure more and easier access for students and teachers to publicly available Internet materials for which creators do not require payment. We're looking for an expanded federal role on particular elements of our population—I'm talking about aboriginal children and youth; I'm talking about immigrant and refugee children and youth. We feel that the current focus, particularly on immigrants and refugees, is on job training and language training. This is fine for adults, but there are many, many family-related issues. I think the government has indicated that family is a priority, and certainly in dealing with family issues there is much work that can be done that is not only individually applicable to the families themselves but to the collective responsibility that our country has to ensure that services are made available.

We believe that the publicly funded and regulated child care system that was embryonic in terms of development over a period of years is something that should be restored. There are multiple studies, in Europe in particular, that indicate the importance of this in terms of the learning process and in preventing problems that require heavier expenditures in the future.

Those are the areas, Chair, that we cover in our brief.

I must also express on behalf of our organization some concern about the timing of the announcement that came from the Department of Finance about the disposition of the $13 billion accumulated surplus. Regardless of the merits of that particular decision, it would seem to me that in the consultation process, which is ongoing and will be continuing for a period of months, it would have been important and interesting for government to at least listen to the stakeholders and the views they have on how that surplus should be dispensed.

I'll stop there. I would be more than happy to answer any questions that committee members may have on any aspect of our brief.

● (1725)

The Chair: Thank you, sir.

The Canadian Construction Association representative is Michael Atkinson. Welcome, sir. You have five minutes.

Mr. Michael Atkinson (President, Canadian Construction Association): Thank you, Mr. Chairman.

The Canadian Construction Association welcomes this opportunity to present its views and recommendations. CCA is the national voice of the non-residential construction industry, representing some 20,000 individual member firms located in every region of Canada.

I guess the simplest way to demarcate the Canadian Construction Association from my colleagues from the Canadian Homebuilders' Association is perhaps simply to say that while housing starts are music to their ears, it's building permits that make our world.

Mr. Chairman, our submission and comments here today directly respond to the committee's request for specific measures to ensure a skilled and healthy workforce, a competitive economy, and state-of-the-art infrastructure—all within a prudent fiscal environment. The details are in our written brief, so I will simply highlight a few of the recommendations therein. They are grouped primarily under four main areas, and indeed most are building on announcements that were made in the previous budget. In five minutes before this committee we tend to be critical and come forward with what might be termed negative criticism. In many cases we would applaud the government for its last budget, but I don't want to take all my five minutes just to speak about what you've done, but would prefer to speak about where we think you can go further.

First of all, with respect to infrastructure investment, while the federal government has committed to impressive investments in Canada's key physical infrastructure, we are concerned that the investment timeframe is too long and will result in additional costs and further deteriorating infrastructure. We recommend that the ramping-up period, the phase-in period, for three programs in particular be accelerated by at least two to three years, so that by 2008-09 the new deal for communities will be in full swing along with the new highway and border infrastructure fund and the municipal rural infrastructure fund. We also urge the federal government to establish a minimum threshold for continuing investment in these programs, and that certainly will be part of the current discussions ongoing with the provincial and territorial governments on the fiscal imbalance where infrastructure is a key part of those discussions.

The second category is meeting Canada's human resource needs. We are facing unprecedented demand in our industry but at the same time a dwindling workforce, primarily due to an aging and retiring workforce. Our preference is to grow our workforce within Canada. We do that by promoting construction as a career of choice to youth, under-represented groups such as women and first nations peoples, and removing barriers to labour mobility so that unemployed workers can get to where the work is. We also do this by strengthening proven training systems in our industry, such as the apprenticeship system. We were very pleased with the measures announced in the last federal budget that recognize the importance of the apprenticeship training system in our industry and others, but we must go further. The current measures are restricted to red seal trades. This should be expanded as quickly as possible to all construction trades.

There are barriers to apprenticeship training built into our current employment insurance system. Removing the two-week waiting period and allowing apprentices while at school to supplement their income by working in high unemployment areas such as Alberta without risk of losing their EI eligibility would be great improvements to addressing a labour shortage and ensuring that EI does not operate as a barrier to apprenticeship. Look at measures to assist EI recipients in relocating on a temporary basis to seek employment in high demand regions of the country. Alternatively, look at tax incentives for prospective employers. We had mobility provisions in the EI some time ago. Unfortunately, those provisions only dealt with permanent relocation of EI recipients. In our industry we need a mobile workforce that can move from province to province to meet our demands, and in many cases those workers do return to their home province.

The third grouping is the need for strategic tax reform. There are a number of specific measures in the brief, and I'd like to highlight some quickly.

With respect to the small-business deduction, great strides were taken in increasing the threshold in reducing the rate, but that is perhaps one of the most underrated and underutilized tax measures, levers, that we have to increase technology integration and productivity, for who knows better where to invest in their company, in their business, to achieve greater productivity and competitiveness than the entrepreneurs themselves. And this measure when it was introduced was introduced to ensure and to provide an incentive for business owners to reinvest in their firms.

● (1730)

Finally, take a look at employer-provided vehicles. It is a terrible inequity that is occurring when we have the Tax Court of Canada finding for taxpayers with respect to the use of employer-provided vehicles, and CRA and Finance Canada turning a blind eye.

There are also measures in there on environmental incentives for reducing diesel emissions that we would like you to look at.

Thank you for the opportunity to express our views.

The Chair: Thank you very much, sir.

Sally Brown is here from the Heart and Stroke Foundation of Canada. Welcome. You have five minutes.

[*Translation*]

Ms. Sally Brown (Chief Executive Officer, Heart and Stroke Foundation of Canada): Thank you, Mr. Chairman. Good afternoon.

[*English*]

The Heart and Stroke Foundation of Canada is one of Canada's leading health charities, and we're pleased to be celebrating our fiftieth anniversary this year. Over those fifty years we have invested about a billion dollars in research, raised from donors twenty bucks at a time.

Thanks for inviting us to speak to you today to address some of the questions you've put to us. I want to thank you as well for a number of recent initiatives that came out of this committee, I believe. Investments in a strategy for chronic disease and healthy living couldn't have been more timely, and there were tax incentive measures in the last federal budget for children and youth involved in organized sports, and the purchase of public transit passes. In addition, there was the capital gains elimination on gifts of listed securities to charities. So we do appreciate that progress has been made.

The good news is that mortality and hospitalization rates due to cardiovascular disease have been dropping for a number of years. You have a graph in your notes. The bad news is the burden is still enormous. Heart disease and stroke represent the leading cause of death, the leading cause of hospitalizations, the leading disease-based cost driver in the economy, and the leading cause of drug prescriptions. It has become the leading cause of death world-wide. It's a huge burden on the health system, driving costs upwards, and we need to focus on prevention.

More bad news is that obesity, a major risk factor for heart disease, has increased over the past 25 years across all age groups. Our children are not only not immune; they are proving to be the most susceptible. We must ask ourselves, if obesity rates are projected to increase, will 60 become the new 70, and 30 the new 50? Rising obesity rates could have the effect of undoing much of our progress in tobacco reduction.

The increasing rate of type 2 diabetes is truly shocking. We are at risk of turning back the clock in our fight against cardiovascular disease. We're coming to you to say that we need to use the lessons learned from the tobacco control to fight this epidemic. Education is important, but it's far from sufficient. To truly tackle the obesity epidemic, a wide variety of public policy interventions are needed, including federal tax incentives and program spending measures. So I want to speak to the first question you have put to us.

The HSFC recommends that the federal government continue to utilize tax incentives to promote physical activity and healthy living. You should increase the tax credit for children and youth participating in organized sports from $500 to $1,000. You should extend the organized sports tax credit to adults. You should provide tax credits to all Canadians for participation in non-organized sports, and you should remove the GST from products that promote physical activity, such as bicycles and skates.

We also need the government to remove a disincentive that has been created by a recent federal government program. As I mentioned, health charities invest $150 million a year in health research. The federal government now pays 24 cents on the dollar to universities for every dollar that CIHR spends on health research, for the indirect costs of research, such as heating and lighting in our universities.

The federal government needs to remove the disincentive this has established against health charity-funded research—which the universities are now beginning to say they don't wish—or ask the health charities to pay it. The result will be that though we've been the leading funder of health research in this country for many years, we will have to take money from our life-saving research to fund the heating and lighting in universities. This means that the government will be competing with charities and communities that are trying to support themselves. It will hinder Canadians who are trying to lighten the load on the federal government, in terms of health research funding, by funding it themselves, and it will lead to double-taxing Canadians.

The HSFC therefore recommends that the federal government look at this program in terms of its disincentive.

You also asked us about infrastructure. HSFC recommends that the federal government allocate at least seven percent of transportation-related infrastructure toward the development of community infrastructure that promotes the use of active modes of transportation, and includes social infrastructure that facilitates physical activity, such as parks and community recreation centres, as an eligible expense under the gas tax program.

● (1735)

Finally, in addition to physical infrastructure, this government needs to better support data infrastructure. Health surveillance data is appallingly lacking in Canada. We cannot support health research, program development, health practice, and program evaluation with the level of health surveillance we have in this country. It's a huge issue.

Thank you very much.

● (1740)

The Chair: Thank you very much, Madam Brown.

Thank you all for your presentations.

We'll move to questions now, and we'll begin with Mr. McKay. You have seven minutes, sir.

Hon. John McKay: Thank you, Chair; thank you, presenters.

I wanted to engage Mr. Weiner and Mr. Dancey in a bit of a conversation here. Mr. Dancey, you're a cut the taxes and reduce the debt kind of guy, and Mr. Weiner, in your proposal you say:

> Furthermore, we challenge proponents of tax and debt reduction to demonstrate, even in strictly economic terms, that their proposals would produce over the long term a rate of return that would even remotely approach what would be gained by investing in programs geared to prevention.

The argument is put forward in the body of your paper to the effect that investments in education will in fact increase the GDP by 4% to 7% per capita.

So what's your answer to Mr. Weiner's challenge, Mr. Dancey?

Mr. Kevin Dancey: I would answer that in a couple of ways. One is that federal spending is about $200 billion right now. So the way I come at the issue is saying that's a large amount of money, and in terms of looking at your spending going forward keep it within that framework and make sure it does not grow by more than the rate of inflation adjusted for population growth.

All kinds of businesses, all families, have to live within their means, and the government is no different. In terms of using the surplus to the extent we can to pay down the debt and get corporate tax rates down, that just will allow us to be more productive going forward. We won't have to spend as much of our money in terms of paying debt in terms of interest payments going forward. And in terms of getting corporate rates down, that should, hopefully, generate a lot of activity, a lot of economic activity, which creates wealth, and through that wealth creation will allow for—

Hon. John McKay: I don't want you to repeat your entire speech all over again.

Mr. Kevin Dancey: —what could pay for a lot of these programs.

Hon. John McKay: Let me get to the point here. You're happy then with the level of education in this country; you're satisfied with the work that you're getting, etc.

Mr. Weiner, let me give you some opportunity—

Mr. Kevin Dancey: No, I'm not saying that. I'm saying within the means, you can decide these priorities.

Hon. John McKay: You can't do it both ways.

Mr. Weiner, let's hear it.

Mr. Harvey Weiner: The first comment I would make, and unfortunately I don't have the data—and I'm going back to Ms. Brown's point—is that we should be researching how much of the $200 billion we're spending is on redemptive measures. How much are we spending on our prison system? How much are we spending on broken people who need fixing, in terms of all sorts of issues, social dysfunction, health care as opposed to health prevention? If we're going to break that particular cycle, it seems to me that we have to invest in prevention.

That OECD study I referred to is there to be looked at. There's also a study by Cleveland and Krashinsky, two Canadian economists, that was done about 10 to 15 years ago, in which they've indicated that over a generation we would be talking about billions of dollars of savings. Certainly our level of education is good in comparison with education internationally, but it could be even better.

Our debt-to-GDP ratio has come down and it continues to come down. We've even been complimented by the OECD in terms of the extent to which that ratio has come down. When we're talking about a $13 billion surplus and the amount of good that could be done by investing at least a part of that surplus in some of these programs and services, and not even giving an opportunity to the various organizations that are in fact appearing before this committee to at least discuss that particular issue by having a pre-emptive statement made by the finance minister saying this is the way it's going, it's certainly not the route to follow.

Hon. John McKay: I take it, Mr. Weiner, that you're not overly thrilled with the GST cut, which takes about $5 billion out of government revenues on an annual basis. But you're not thrilled because you think it's a misapplication of funds.

I take it, Mr. Dancey, however, you wouldn't be thrilled with the GST cut only because you think it's a wasted tax cut, that in fact a much smarter tax cut would be either corporate or CCA rates, or something of that nature.

Is that a fair statement for both of you?

Mr. Kevin Dancey: In terms of the issue of where I would like the tax cuts, my preference would be on the corporate side, to reduce corporate taxes and capital taxes to make a more productive country.

● (1745)

Hon. John McKay: So of your panoply of tax cuts, your GST one would be the last one you'd do.

Mr. Weiner, what's your reaction to that?

Mr. Harvey Weiner: Look, it's a chicken and the egg argument, and obviously we differ 100% in terms of the approach. We have some very, very serious problems that are endemic to our society, and the only way we're going to break that cycle is by starting with children and youth and working on the prevention aspect. That requires investment. It's going to pay dividends in the long term by reducing substantially our non-discretionary expenditures.

If you look at the prison system alone, it takes somewhere between $60,000 and $80,000 a year to incarcerate a person. How does that compare with an average salary that somebody's earning in Canada?

Hon. John McKay: But you need to make your argument based upon the actual increase in the GDP. It makes everybody happy when the GDP increases. Then Mr. Dancey can get more revenue and the government's happy all the way around.

One final question to the Canadian Construction Association, and that's with respect to your yearly basic exemption. I happen to think this is actually a good idea, that in fact rather than doing a rate reduction, where every cent costs $100 million, you raise the yearly basic exemption. What's your reaction? If your choice is between one cent or two cents or three cents off versus upping the threshold, what would your choice be?

Mr. Michael Atkinson: Well, if that's my only choice, I'd like to see it also with the elimination of the employer multiple, which, for some reason, people believe came over with the ark. A while ago employers and employees were sharing the cost of that program. I'd like to see that first.

I'd also like to see the YBE, because it's fair to employees, particularly the employees in our industry who are working for more than one employer, and also the refund of employer over-contributions, which this committee, I understand, if not the House of Commons sitting committee on HR, have also recommended, along with the YBE.

I think a number of those go together, but the YBE makes a lot of sense. We basically have that for our CPP. So it does make a lot of sense, but we'd like to see other reforms as well, in that area.

[*Translation*]

The Chair: Thank you, Mr. McKay.

We go next to Mr. Carrier.

Mr. Robert Carrier: Thank you, Mr. Chairman. My first question is for Mr. Lee.

I have a great deal of sympathy for firefighters across this country, given the nature of their work and their dedication. However, my sympathy is smaller for the budget allowance that you are recommending that the government should give to firefighters, and I know from my research and my own experience that every association of firefighters negotiates with its respective municipality to come up with collective agreements, and many of them often provide very good benefits. Municipalities, of course, come under provincial jurisdiction. So it is not clear to me what role the federal government could play here.

[*English*]

Mr. Jim Lee: Well, you're quite right, the firefighters' associations do negotiate their own collective agreements and try to negotiate benefits for firefighters who pass away in the line of duty, but as I said in my presentation, it's a very patchwork benefit across Canada. Some have been able to negotiate two times their salary, which is normal and which isn't all that much money.

We think it's time that the federal government did something very similar to what's been going on in the U.S. since 1976—that the federal government recognize first responders when they pay the ultimate sacrifice and die in the line of duty. And they can't hide behind jurisdiction every time we come forward on this. It's time that they moved forward and recognized those who pay the ultimate sacrifice and leave behind a widow and children.

[*Translation*]

Mr. Robert Carrier: My second question is for Mr. Dancey, who represents the chartered accountants.

In your presentation, you talked a great deal about reducing the public debt through its revenues. You also talked about improving revenue sources. However, you did not get into the whole issue of revenues in Canada as a whole, which you surely must have heard about. Right now, there is a lot of talk about the problem of federal surplus.

Do you not think that the first thing to do would be to resolve the fiscal imbalance before making any decisions about how to reduce the debt?

[*English*]

Mr. Kevin Dancey: That's a good question. I think in our brief we did point out that the level of federal debt is actually in excess of the level of provincial debt, and that's why we still think there has to be a keen focus on paying down the federal debt. The federal debt, per person, is in the neighbourhood of about $15,500 per Canadian, but the aggregate level of provincial debt is around the level of about $10,000 per Canadian. So the level of the actual federal debt is still very high and needs to be a key focus.

● (1750)

[*Translation*]

Mr. Robert Carrier: My next question is for Mr. Millette. In your presentation, you talked a lot about tax collection and mentioned that you were specialist in that area. When I look at your recommendations, it seems to me that you are looking for opportunities to help the government with his work, in other words, business opportunities. Most taxpayers already find it difficult enough to deal with the complexity of their tax return.

Based on your experience, could you make a recommendation on how to improve the tax collection systems that apply to all taxpayers?

[*English*]

Mr. Yves Millette: In terms of what Intuit Canada was proposing, what we're looking at was really improving our relationship with the government agencies and government agencies with the private sector.

In our specific case, with the CRA, we've moved forward several objectives. The reality of taxation in Canada is that it is complicated. You need to be very innovative and very fast in order to be able to respond to changes in legislation and changes in the tax act.

In terms of recommendations on how to simplify the tax act, I don't think we have the expertise to make it easier. I'd have to defer to the honourable member.

[*Translation*]

The Chair: You still have one minute left.

Mr. Robert Carrier: I have no more questions, thank you.

[*English*]

The Chair: Monsieur Dykstra. You have seven minutes, sir.

Mr. Rick Dykstra (St. Catharines, CPC): Thank you, Mr. Chair.

I'd like to begin by asking Mr. Lee a couple of questions with respect to the whole aspect of emergency response training and the relatively low cost that you've indicated, $500,000 to implement a nation-wide program. I wouldn't mind you expanding on that a little bit as to how we'd be able to do that.

Mr. Jim Lee: The cost is a question that has been raised time and time again. The reason we can do it as cheaply as we can is that there is a program there ready to go that is fully funded by the federal government in the U.S. Our problem is that we can't bring it to Canada without having to fund it. We don't have to reinvent the wheel here. That's why we can keep the cost down: we can bring it in, get it in place, and start training first responders right away. And we do it in a way that our trainers go out to the municipalities, so there is no cost to the municipality other than supplying a classroom. That's the reason.

We've been told time and time again that we're flying under the radar at $500,000. We should have added a zero to that and said it was $5 million and the government probably would have jumped on it, but we can't honestly do that. We think for $500,000 we can start training.

Mr. Rick Dykstra: You pointed out about $8,000 for a pilot project. I'm assuming that would just mean in one community you would implement the program once to show the benefit.

Mr. Jim Lee: Yes. We've done that in the past. We've done it in border communities. Actually, in Niagara Falls, Ontario, we did a pilot program with regard to train incidents, and that's why we thought maybe it would work there, so let's try it with our hazardous materials and our CBRN training. We're proposing that.

Mr. Rick Dykstra: Thank you.

This is to either Mr. Wassmansdorf or Mr. Lind.

One of the earlier questions when we met in the spring that we had asked the finance department was how could we track that the GST cut was actually being passed on to consumers. One of the points that was brought up was of course that in the home-building industry it may be easy for trades and also suppliers to be able to use that one percent as an opportunity to increase the costs of their goods, versus passing on that savings. I would appreciate you commenting on whether that suspicion is true or whether in fact in this country the construction industry is indeed passing on that saving.

● (1755)

Mr. David Wassmansdorf: Richard does a lot of renovations and jobs, so maybe we could start with Richard's experience.

Mr. Richard Lind: Thank you.

Mr. Chair, each contractor has a different way of pricing the jobs and whether or not they include the HST or, in our case, the GST nationally in the price of their projects. So, indeed, for those who have kept the tax as a separate item, it showed up immediately on July 1 as being 14% in Nova Scotia instead of 15%.

On the extent to which other trades and suppliers and other contractors in the new home construction have been able to pass that on to the consumer, in one fashion or another it did get passed on to the consumer. The important thing is that each of those businesses does have to take a regular analysis of what its costs are and what its overheads are running at and what level of profit is feasible. So I'm sure that 1% reduction was included in those recalculations, which some businesses do on a monthly basis and others less frequently. It does go into the calculation.

Mr. David Wassmansdorf: I don't think that builders, for example, all of a sudden saw that one percent as a grab. It will find its way into the economy one way or another. In some cases builders held off on price increases on their houses in anticipation, so it would have worked its way in.

Mr. Rick Dykstra: One of the other comments you made was in respect to the CMHC's capital uses for others and your concern around whether that was going to be usurped for other reasons than a potential homeowner being able to access the funds. Within the context of the budget, recently we have been looking to expand the potential of funds available within that framework. I just wondered at your comment on “for other uses” and whether or not you agree with the implementation of expanding the current use of that.

Mr. David Wassmansdorf: In terms of using CMHC's capital or doing different things with CMHC in terms of improving the mortgage-backed security program or eliminating surcharges, whatever CMHC has been doing in terms of their business planning that may have affected mortgage insurance cost would be reflected in what's left with moneys left. At the end of the day, CMHC has actuarial studies that they have to do. They have to make sure that they meet OSFI requirements, and we want to make sure that levelling of the playing field between CMHC and the private sector continues.

If I could go one step further, we would look to continuing to see the support for the notion of more competitors in the marketplace as well as with respect to mortgage insurance.

In terms of taking the money and putting it towards other things, I don't necessarily see that as a good thing.

Mr. Rick Dykstra: Thanks.

In the presentation that was made, a call to action recommending a review of current policies, I thought the way we could do that would certainly make lots of sense in terms of trying to find accountability and savings. I just wonder what your thoughts are on this being viewed as whether it was only one company coming in to do it versus the government looking out to make sure they are using proper procurement practices.

Mr. Yves Millette: The government should look to many companies for expertise.

The government, just like private industry, is faced with a severe skills shortage, and as we think about being competitive in the future we need to look not only at our own made-at-home solutions but also at partnership and looking at different ways to bring services to Canadians.

The one thing that private enterprise does is it excels well when it understands clearly what the outcomes are you are driving for. For us, often it's that dialogue of understanding clearly what the objective is you're trying to drive for, what you would like us to do. That's what I'm encouraging government in general to do with all private sector companies.

● (1800)

The Chair: Thanks, Mr. Dykstra.

We will move to Madam Wasylycia-Leis, for seven minutes.

Ms. Judy Wasylycia-Leis: Thank you very much, and thank you to all of you for your presentations.

Clearly today, at our table, we have a dichotomy, a real polarization of views. On the one hand, there's a message from business suggesting that more corporate tax breaks will actually spur the economy and the benefits will trickle down. Others, like the teachers and health professionals, and probably the firefighters, suggest that an investment by government in certain targeted areas actually can grow the economy and deal with inequities at the same time.

The problem with the business argument on the trickle-down stuff is that we haven't seen any of that happen. We've been trying corporate tax breaks for a long time. Right now we're in a situation where the corporate tax rate, relative to GDP, has dropped from about 3.2% to 1.6%, and profits are higher than ever—we have a 14.6% profit rate, the highest in the country ever. We've seen government revenue from the corporate sector drop from about 15% to 11%, whereas personal income tax is now growing from about 45% to 65%. Contrary to what Mr. Dancey and others have said, the opposite is the case. The burden has shifted to individuals, and inequities are growing.

What I think we have to do now is listen to the voices of teachers, nurses, health care professionals, trade unionists, and firefighters and say that it's time to try something else.

I'm going to start by asking Harvey and Sally how we make this case, especially given today's context, where we've just heard that millions more dollars are being cut from health research—everything you talked about, Sally, in terms of having a database that's reliable and useful—gone, millions are lost in terms of literacy, youth employment, skills development, and crime prevention. How are we ever going to build a productive economy that's competitive if we keep going in that direction?

That's the first question.

Ms. Sally Brown: Thank you. We welcome the question.

How do we make it happen? We've been struggling with that for a while. At first, the focus on prevention and the need to invest in that was pooh-poohed, because there was no evidence that it worked. That is now profoundly untrue; there is evidence everywhere, so it's not based on lack of evidence.

Secondly, I think there's been a huge misunderstanding that people can just change their behaviour without help, that if you just excoriate people to stay in school or eat better, this will work. It won't work. The government has accepted that in certain areas, regulation and interventions and exceptions are needed. When they have done that, through a comprehensive approach, it has always worked. I guess what we're saying is, let's become evidence-informed as governments and do what obviously will work and where the downstream benefits will result in economic benefits over the longer term.

Does it take a bit of a leap of faith, because it's not going to happen in two years, it's going to happen in twenty years? Absolutely. But all the evidence is in, and it's time we accepted it and moved on.

Mr. Harvey Weiner: Just to add to that, it seems to me that one step that can be taken, and I've referenced it before, is to try to break down the $200 billion that are currently being spent by government in terms of what is being spent percentage-wise on prevention and what is being spent on redemption for, in many cases, non-discretionary expenditures. No one is suggesting that the old and the sick should not receive proper health care. No one is suggesting that those who've committed crimes should be let go and put on the street to commit more crimes, etc. I think if we do that kind of analysis and we look at studies done by organizations that in no way, shape, or form could be considered as being, shall we say, anti-corporate, such as the OECD, you have studies that demonstrate that, all other factors being equal, by increasing the average education level of adults in society, you will increase the GDP from 4% to 7%, which it seems to me is the objective in terms of productivity.

The other issue we have to take into account is we have a continuing cycle and the only way to break the cycle is by starting with children and youth. Children and youth don't vote—at least they don't until they're age 18. Politicians naturally gravitate to where they can see the votes. We're not going to break the cycle unless we start at that level.

It would seem to me—and Sally has made the point—that there's plenty of evidence there, but none who are blind can see, or none who don't wish to see, etc. Let's take that evidence. I think a good step would be to do an analysis of current expenditures. I am convinced we would find that a disproportionate amount of that $200 billion is being spent to redeem certain things that could have been prevented by appropriate intervention.

● (1805)

The Chair: Mr. Wassmansdorf, you've been trying to get in on Madam Wasylycia-Leis' response. If it's all right with her, we'll give you time to respond, but not much.

Mr. David Wassmansdorf: Thank you, Mr. Chair.

In the four or five times that I've been before this committee, the member and I have had some conversations in this regard. I'll speak specifically to housing as a particular measure.

We believe as an industry that a way.... Well, I can give a quick anecdote. This morning when we met in a hotel, the waiter came into the room—and he knows who we are—and he said, “You know what? There are two things you guys need to worry about: putting roofs over people's heads and making people know that there is food on the table.” It's an anecdote, but it gets to the point.

With respect to housing, we've suggested that one of the major issues is that it tends to be an income problem. There are places, and we talked about Winnipeg as an example, where there are specific issues we need to deal with, where we need to build new housing. But in other parts of the country a portable housing allowance would help to deal with that and an expenditure in that regard would be an effective way of getting people good housing that is available right now. That would be an effective way of dealing with a part of the social issue happening in this country.

The Chair: Thank you.

Mr. Weiner, I think it would be fair to observe that you made the comment about politicians in reference to children not voting. But I think it would be fair to say there might not be $600 billion of debt in the country if children could vote too. We could look at spending in a couple of different ways in that respect.

My questions are for you, Jim. You have a very interesting brief here. I want to address, just more for information, your proposal on the compensation benefit. To be clear, it's an at-work-only benefit you're asking for. Is that correct?

Mr. Jim Lee: That's correct.

The Chair: Hazard benefit for death or disability occurring in the line of duty.

Mr. Jim Lee: That's correct.

The Chair: And $6 million all in is what you're....

Mr. Jim Lee: What we're saying is for every line-of-duty death, there would be a cash payment of—

The Chair: $300,000?

Mr. Jim Lee: Yes, $300,000.

The Chair: And your estimated cost is $6 million?

Mr. Jim Lee: We lose about ten firefighters a year in the line of duty and the police lose about seven, so that's in around just over $5 million.

The Chair: Just for my personal interest, although it may interest the committee, I'm always concerned with benefits, as a former chartered financial consultant who's now actively involved in another world. I still carry some residual interest in this. I'm always concerned when there are sometimes benefits brought into play. In other words, whether a firefighter dies at work or not makes no difference to the hardship on a family. The hardship is the same financially, and this is why I ask this question.

Firefighters can get their own personal life insurance. They negotiate life insurance benefits through their collective bargaining process, and so on. That's a fact.

● (1810)

Mr. Jim Lee: If they're able to, yes.

The Chair: Yes, and it varies. You're saying there's a hodgepodge. I believe that was the word you used. The benefits vary, depending on the bargaining unit and what have you.

Mr. Jim Lee: That's correct.

The Chair: I'm soliciting your organization's assistance here. I know that a number of associations across the country make association life insurance available to their members and encourage that. Has your organization done something like that? Do you do that?

Mr. Jim Lee: Yes, we do. The International Association of Fire Fighters has a financial corporation.

The Chair: I really commend you on that. Because you yourself say in the brief that even with this benefit in place, it may still be inadequate for the families of younger firefighters in the event of their death or disability, I offer this entreaty: it's critical that we understand the need for planning and personal preparedness. Of all the people in this country, you should understand that. Your members, I'm sure, understand that, so—

Mr. Jim Lee: I couldn't agree with you more. What we've looked at is the average age of a firefighter who dies in the line of duty, which is 43. If he had been able to work until age 60, 17 years of lost income works out to about $1.1 million. We think that if the federal government stepped into the breach and offered $300,000, actually, that it and life insurance and what they may be able to negotiate at the bargaining table would allow the family to stay in the family home that much longer.

What I find interesting is that the entire Conservative caucus endorsed motion 153, so I feel the Conservatives have got it. They know what needs to be there.

The Chair: Well, of course, as a non-partisan chair I couldn't respond to that, but I appreciate your response and all your responses.

We'll continue now with Mr. Pacetti. You have five minutes, sir.

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

Mr. Lee, I had this same question for the person prior. Even if we recommend the $500,000—because we're not the ones giving it—on your second recommendation regarding the retraining for Canada's first responders, how do we do it? How do we recommend, and through what organization? How would it be done on a national level? Do we have that kind of organization in place?

Mr. Jim Lee: I think that through the public safety ministry, we have the Canadian Emergency Preparedness College and we could work in conjunction with the Emergency Preparedness College here in Canada to enhance what they currently have in place.

We get this all the time. Everybody's saying that the clock is ticking here. It's not whether something is going to happen, it's when. Five years after the fact, we're still no further ahead, or we're very little ahead of the curve on training. It's going to be a huge problem with the next event.

We know the military has been in training, but it won't be the military that will be there. They are days and days away from deployment. We're there in four minutes.

Mr. Massimo Pacetti: The question was basically to see if additional costs would have to be incurred to implement this type of national program.

Mr. Jim Lee: No.

Mr. Massimo Pacetti: Okay, thank you, Mr. Lee.

Mr. Atkinson, in relation to your yearly basic exemption for unemployment, do you have any costs related to that?

Mr. Michael Atkinson: No, we have not done any cost computations on that. However, I think the research people both for this committee and for the standing committee on human resources have done something, because both committees have recommended.

Mr. Massimo Pacetti: The group that had recommended it to us was the restaurant group. They had come up with the costs, but in your industry are there really a lot of part-time workers who would be affected?

Mr. Michael Atkinson: There would be an effect when employees were working for multiple employers during the same period. That often happens in our industry, particularly in the unionized sector.

Mr. Massimo Pacetti: Thank you.

Ms. Brown, is the Heart and Stroke Foundation a funding organization, a research organization?

Ms. Sally Brown: It's a health charity, so we raise donor dollars. We fund research and, by and large, health promotion and health public awareness programs. Our website is our big knowledge translation tool, so people go there for health information.

● (1815)

Mr. Massimo Pacetti: Do you have a research arm?

Ms. Sally Brown: We do indeed. We fund ourselves about $55 million worth of research a year.

Mr. Massimo Pacetti: Thank you, Ms. Brown.

The Chair: Thank you, Mr. Pacetti.

We're continuing with Mr. Paquette.

[*Translation*]

Mr. Pierre Paquette: Thank you, Mr. Chairman. I apologize for missing your presentations, but I had to give a speech in the House on the softwood lumber treaty bill.

I will begin with the Canadian Institute of Chartered Accountants. I did look at your publication. A number of your proposals are very interesting. I want to ask you some questions. I simply want to emphasize that your presentation is biased to some extent. Take, for example, government revenues as a percentage of GDP. If we look at the various G7 countries, Canada is in the middle. Japan is at the top, followed by the United States, then Canada and Great-Britain at the same level, followed by Germany, etc. Look at G7 averages makes no sense from an economic standpoint, since no one is average. I find that argument a bit weak and unconvincing. Government revenues are used for programs spending. What we need to look at — and this is what an accountant normally does — what are the liabilities and the assets. That money is used for spending, which can be questioned, of course. However, the fact that our government revenues are low does not necessarily guarantee that productivity will increase.

To make the situation clearer, you should have indicated the various countries debt levels. The United States and Japan have lower revenues, but their debts are growing up exponentially. Down the line, that will cause problems.

As I said, I agree in part with the measures that you are proposing, in particular your suggestion that the government bring the capital cost allowance, the CCA more in line with the economic useful life of assets. I would like to hear what you have to say about that. We hear various opinions. Some people have told us that the current level is actually based on the useful life, but it should actually goes faster. I would like you to explain a bit more about what you mean when you say that the capital cost allowance should be increased.

[*English*]

Mr. Kevin Dancey: There are a lot of questions there. Let me deal with a couple of them.

You talked about the fact that Canada's rate was about the average of the G-7. That's a fair comment on where we are right now. Look at a lot of the emerging economies around the world—where India is, and where China is—in terms of where the world's going to be five to ten years down the road. Look at what Ireland has done. That's why I talked about Ireland today. Its tax rate is 12.5%. It's markedly lower than the rates of these other countries, and it has had exponential growth. It's been a Celtic tiger, and there's no reason why we shouldn't be a northern tiger in our hemisphere right now. So that deals with the particular issue around the corporate rate.

I go back to the point that federal spending is around $200 billion, so there's a lot of money on the table. It's really just about living within your means, as I talked about earlier. Families have to live within their means. Companies have to live within their means. So it's about looking at that big expenditure. I don't disagree with the comment made earlier that what those priorities are and where that money is spent are key.

On the question about the CCA, I used to be the ADM of tax policy at the Department of Finance, so it's something that just needs updating on a regular basis. It needs to be looked at to make sure that the write-offs companies get for the assets they buy reflect the economic life of those assets. It could be around technology assets; it could be around in various degrees in various areas. It's just something that needs a regular focus to make sure that the CCA they can claim is in line with the economic life of the asset.

[*Translation*]

Mr. Pierre Paquette: I would like to make a comment. I am just curious. Ms. Brown, you are calling for the GST to be abolished on healthy food purchases from retail stores and restaurants.

Is wine considered a healthy food? If so, I would agree with your proposal.

● (1820)

[*English*]

Ms. Sally Brown: We're not suggesting that, although it is helpful.

[*Translation*]

Mr. Pierre Paquette: Generally speaking, how do you feel that it should be decided whether a given food is healthy or not?

[*English*]

Ms. Sally Brown: Oh, there are very many ways. In particular, Health Canada has....

For instance, anything with trans fat in it is unhealthy these days, particularly with regard to manufactured trans fat, not naturally produced. We know what constitutes junk food in terms of what proportion of the fat in the food is saturated.

So there are all sorts of measures. We know what they are. We know what the calorie counts are per serving. It's not from a lack of information that we can't define it.

[*Translation*]

The Chair: Thank you.

Mr. Pierre Paquette: I did not get an answer, Mr. Chairman.

The Chair: It was a good question.

Mr. Pierre Paquette: I do not agree if wine is not included.

[*English*]

The Chair: Mr. Dancey, you mentioned that you were an ADM of tax policy at the Department of Finance. How long have you been in the real world?

Mr. Kevin Dancey: I was ADM of tax policy here from 1993 to 1995.

The Chair: Very good, very interesting. Thank you, sir.

Madam Ablonczy, for five minutes.

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

Thank you to the presenters. We know that you went to a lot of work to put this material in front of us, and we do appreciate it very much.

Ms. Brown, one of your recommendations was for transportation infrastructure funds to be allocated to promote the active use of transportation. I just want to tell you a little story. I have a friend from Holland, and of course people in Holland bicycle almost everywhere. When she came here, she and her husband bicycled everywhere. But they ran into some snags. Our terrain is quite hilly, so there they were in the thick of traffic, labouring up hills. They also found that at certain times of the year—about eight months of the year—it was pretty damn cold on their bicycles.

So I'm just curious to know, given our topography and given our climate, what you would expect to achieve by this allocation of funds.

Ms. Sally Brown: What would we expect to achieve? We think if more of the funds from the transportation infrastructure were put into transport like buses, like better bicycle routes, like the equipment on buses where you could bring your bike and, if there was freezing rain when you wanted to go home, you could take the bus and not be penalized.... There are a number of measures.

The United States puts 10% of their infrastructure funds into what we call “healthy” infrastructure. There's no reason why we couldn't put in a lesser percentage that would allow us to encourage people—and that's all you're doing, you're encouraging people—with an incentive to take other modes of transportation, including walking.

Ms. Diane Ablonczy: That's interesting. Thank you for that response.

I wanted to ask Mr. Dancey something. It's not often we have a former official here who can answer some questions.

As you know, today the government, which had forecast that the surplus in this budget would be less than $1 billion—it in fact turned out to be quite a bit more than that—has been able to put $13.2 billion into debt reduction, to pay down the national debt. I wonder if you can give me and the committee some idea of what this is really going to mean in terms of funds that are freed up that currently have to go to debt reduction, and whether you think there will be other benefits from this in the long term, benefits other than just a fiscal dividend from paying down the debt.

Mr. Kevin Dancey: I think there is the benefit of the fiscal dividend in terms of paying down the debt. There's also the actual benefit that it kind of sets the tone in the sense that debt reduction is still important, and reducing that debt-to-GDP ratio as fast as possible is very important.

I think that's a very important tone to set for the long-term benefit in terms of where this country goes in the next 10, 20, to 30 years as the baby boom moves through and as the demographics mean that we're going to have an older population going forward. It's just a very important statement to make in terms of getting the fiscal framework in order.

The other statement it certainly says to me is that federal spending in and of itself today is relatively high, and this government is going to live within its priorities, or is going to live within its means and set its priorities within that amount. I think that's an important statement to make as well in terms of fiscal health in the long run.

● (1825)

Ms. Diane Ablonczy: One of the federal taxes that's paid by low-income people is commodity tax. It makes sense to look at ways of reducing commodity taxes, because they fall disproportionately on low-income people. The National Anti-Poverty Organization put out a study in 2004 and said the easiest route to reducing taxes on low-income people would be to simply cut the rate of the GST.

Would you agree with that study by the anti-poverty association?

Mr. Kevin Dancey: I haven't seen the actual study, so it's hard for me to comment on it. What I would say is that yes, I do agree that commodity taxes generally fall on low-income people. There are various ways of dealing with that. One is cutting the tax. One is increasing the actual GST credit that goes to low-income people.

Also, reducing the GST may be one way of helping to facilitate harmonization with the provinces on the GST, which would be a very important fiscal step going forward in terms of simplifying our system.

The Chair: Sorry, Madam Ablonczy, but your time has elapsed.

We have two minutes available for Madam Wasylycia-Leis before we wind it up. My advice would be don't waste it on a preamble.

Ms. Judy Wasylycia-Leis: I'll try not to.

I want to go to Jim Lee, further to your question, Mr. Chairperson, about training for first responders in the event of a chemical or hazardous materials problem with terrorism involved, etc.

You've been at this for five years. I've written to three different ministers—John McCallum, Jim Manley, Anne McLellan. Each time, they said, “Don't worry. It's all being looked after.” Five years later it looks like we've spent $7 billion in this whole area, but nobody's really been trained in terms of what you think is needed.

You've come forward with a cost-effective proposal, $500,000 a year. Am I missing something? It just seems so logical that this should be immediately acted upon. What do we do?

Mr. Jim Lee: Every time I either come to the finance committee or meet with the ministers, I think it seems very positive. I come out of the meeting thinking, “This thing is moving forward; I can just feel it.” Then it seems to get caught up somewhere in the bureaucracy and it just doesn't happen. As early as three months ago I had a meeting with the Emergency Preparedness College, and I figured, “Well, that was positive.” But here it's three months later, and I hear nothing. The clock is ticking on this one, and it's going to be a sad state of affairs when we have an incident and our firefighters, our first responders, aren't trained. And we agree that with $500,000—let's not reinvent the wheel here, let's move this process forward—we can start training.

And it wasn't just us saying nothing's happening here. The auditor said it too, and she made it very clear in her report that nothing is happening in this area. So it's not good.

The Chair: Just 30 seconds, Madam.

Ms. Judy Wasylycia-Leis: Thank you.

I would assume, then, that if this committee does anything, we need to reiterate this recommendation that you've been making for five years, and perhaps even try to pre-empt the budget process and get the minister responsible, Stockwell Day, moving on this immediately.

Mr. Jim Lee: I would agree 100%. And I think the Prime Minister is onside now, because we actually dressed him up like a firefighter and took him into the smokehouse and put him under those circumstances. So the Prime Minister of Canada actually knows what firefighters do for a living now.

Ms. Judy Wasylycia-Leis: Hear, hear.

The Chair: Thank you very much to our panel. It was a most stimulating discussion. I appreciate your time here today and the time you put into your presentations and briefs.

To our committee members, we will see you tomorrow morning at 10 o'clock.

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

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