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Mr. Brian Pallister

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● (1530)

[*English*]

The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)): I invite the witnesses to step to the plate, as it were, and we welcome you.

The finance committee is 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 our theme is Canada's place in a competitive world.

As you know, because you've presented your briefs to us already, we are appreciative of those, but we also ask that you hold your presentation today to five minutes so that we can get into the exchange with committee members.

Again, thank you for taking the time to be here.

Let's get under way. Who are we starting with today?

It is Ducks Unlimited. Cynthia Edwards, welcome. You have five minutes. Please proceed.

Ms. Cynthia Edwards (National Manager, Industry and Government Relations, Ducks Unlimited Canada): On behalf of Ducks Unlimited Canada, thank you to the standing committee for the opportunity to provide input into these important consultations.

As a private, non-profit organization dedicated to the conservation of Canada's wetlands and uplands for the benefit of waterfowl, wildlife, and people, we appreciate being able to share some of our experiences in conserving Canada's natural capital.

Our written submission focuses on how natural capital conservation and restoration can help improve Canada's competitive advantage. As indicated, Ducks Unlimited Canada has a long history of working in this country and has committed our own resources to helping determine the true value of natural areas through pilot projects, research with Agriculture and Agri-Food Canada, and commissioned works such as Dr. Olewiler's report on the value of natural capital in the settled areas of Canada.

In the interests of brevity, I am only going to discuss two of the ten recommendations we submitted.

First, the health of Canada's citizens depends in part on the health of our surroundings. DUC recommends that the federal government establish financial disincentives, potentially through tax reform, to discourage the further destruction or degradation of our natural capital. This country was built in part through the use of government incentives to encourage breaking, clearing, and developing land for cities, agriculture, and industry. But it's not 1905 any more, and our country has reached a maturity level that requires a new approach to maintaining that competitive advantage. We've lost or degraded the majority of our natural assets in the settled areas of this country, yet we still see government incentives to encourage further loss of areas such as wetlands. The time has come to recognize the true value of what remains and invest in it accordingly, such as enhancing the next generation of the agricultural policy framework and Greencover Canada.

Secondly, no one in our organization is naive enough to believe that development and expansion of our cities, industry, and infrastructure will stop, nor should it. However, we can grow our economy while increasing the value of the natural areas and their contribution to Canada's wealth. To start, federal taxation and spending programs related to infrastructure should require mitigation for the loss of natural capital on all projects that receive federal funding or are conducted on crown lands. It is only through the application of a mitigation sequence that includes avoidance, minimization, and compensation that Canada will be able to balance its growing economy with the conservation of the very assets that our country was built upon and that improve our quality of life.

Natural capital is important to Canadians. Society needs to invest in and encourage the conservation, restoration, and stewardship of that capital. There are numerous instruments that are available to do so, to facilitate this important investment in our future, several of which are expanded upon in our written submission and all of which deserve more attention from a sustained competitiveness point of view.

Thank you for your time, and I welcome any questions.

● (1535)

[*Translation*]

The Chair: Thank you for your presentation.

[*English*]

We will continue with the Canadian Coalition for Immunization Awareness and Promotion, Ian Gemmill.

Proceed, Dr. Gemmill, for five minutes.

Dr. Ian Gemmill (Co-Chair, Canadian Coalition for Immunization Awareness and Promotion): Mr. Chair, members of the Standing Committee on Finance, thank you very much for allowing us to speak today on the importance of investing in vaccines for our children.

I'm the medical officer of health for the Kingston area. I'd like to acknowledge my colleague from the coalition, Mary Appleton, who is the director of the program. I'm the co-chair of the coalition.

We've given you a written submission, and we have three points we'd like to make today orally: that vaccines are a good investment; that the national immunization strategy needs to be continued; and that there must be equal access to vaccines for our children across Canada.

Immunization is one of the most cost-effective medical interventions because it prevents disease. It's the safest and most effective way to protect Canadians, especially our children, from the preventable complications of communicable diseases.

In the past, vaccines have prevented millions of cases of illnesses and many disabilities and deaths. They have a proven track record of improving the health of our population.

Can you imagine the immense burden on our health system if there were still mass outbreaks of polio, measles, meningitis, or diphtheria? The large outbreaks of these diseases are now mercifully a distant memory, because vaccines work and governments have invested in them. That investment needs to be maintained and expanded to ensure continued protection with the current vaccines and access to the new vaccines that are becoming available to reduce illness in Canadians.

The investment in vaccines is far less costly than the potential cost of treatment, rehabilitation, and long-term care and the disruption to individuals, families, and communities. The federal government and the Parliament of Canada can play a critical leadership role to ensure that vaccines are equitably available to Canadians, regardless of where they live.

The national immunization strategy forms an essential support for vaccine programs in Canada. It paves the way for more coordination across this country, but it needs continued financial support. We are strongly urging that the national immunization strategy be supported and made permanent, as it is in other advanced countries.

The other two recommendations we're making refer to the need for federal government leadership to ensure equitable access to vaccines for all Canadians. The current provincial and territorial decision-making process for determining publicly funded vaccine programs results in inequitable access.

Here's a local example. Just two years ago, families in Ottawa had to pay for a new meningococcal vaccine—a meningitis vaccine—while across the river in Quebec it was publicly funded. The phenomenon happened right across the country as jurisdictions considered these vaccines, but with very little coordination.

There are many other examples. It took 10 years for us to implement hepatitis B vaccine for all Canadian children. It took seven years for the new pertussis vaccine for adolescents to be publicly funded in all provinces. While the provinces took their time to decide whether their children would enjoy the benefit of these preventive measures, thousands of individuals and families suffered unnecessarily from preventable disease, and the diagnostic and treatment costs accumulated. This scenario was repeated with the chicken pox, meningococcal, and pneumococcal vaccines. It will happen again with future vaccines that are coming down for use in our country.

Only in March 2004, when the federal government created a specific fund of $300 million for provinces and territories to buy vaccines, did all jurisdictions implement these publicly funded programs for all Canadian children. Before that fund was created, Canadian children in the wealthier provinces had access to vaccines, while children in poorer provinces did not.

This fund ends on March 31, 2007. If federal funds intended for vaccines are included in the Canada health transfer, they may be lost to other programs, and again we will see inequitable access.

Clearly not all vaccines approved for use in this country should be publicly funded. We have our national advisory committee on immunization that recommends how a vaccine should be used and for which groups. If it does recommend the universal use of a vaccine for children, governments should consider public funding. But implementation and health priorities are variable across the country, and that's where our system is fractured, leaving Canadians with a patchwork of access.

Without leadership and funding for vaccines at the national level to ensure accessibility for all children, some children will benefit from vaccine programs and others will not. Immunization is an opportunity for the federal government, together with provinces and territories, to show leadership in the prevention of disease.

There is a precedent. Four decades ago, the Parliament of Canada began contributing to the treatment sector of the Canadian health system. It is time that it also contributes significantly and consistently to the preventive side of the system. Ensuring that all Canadian children have equal access to the preventive benefits of safe and effective vaccines is a good place to start. And it is consistent with one of the undisputed principles of our publicly funded health system: equal access to service.

This funding cannot wait. There are new vaccines already approved for use in Canada, and there are more new vaccines on the horizon, leaving funding decisions entirely to discretion. Again the fiscal priorities of provinces and territories will lead us inevitably to a patchwork.

● (1540)

Ladies and gentlemen, a separate, permanent fund to be used for vaccines for our children must be established in this country.

Thank you very much.

The Chair: Thank you, Mr. Gemmill.

We'll continue with the representative from the Canadian Association of Mutual Insurance Companies, Normand Lafrenière. Welcome. You have five minutes, sir.

Mr. Normand Lafrenière (President, Canadian Association of Mutual Insurance Companies): Thank you for allowing the Canadian Association of Mutual Insurance Companies to appear before this committee.

CAMIC represents 92 property and casualty mutual insurers in Canada, and as most Canadian-owned insurers are mutuals, CAMIC represents the majority of Canadian-owned insurers in Canada. In 2005 our member companies had approximately four million policyholders, employed in excess of 10,000 managers, employees, and agents, and underwrote 12% of the Canadian market.

We are owned by our policyholders. Each member is allowed to exercise one vote, even if the member has more than one insurance policy with the insurance company. The companies have a strong balance sheet and are involved in the development of their communities. As most of these companies were established by farmers, today they are still located in rural and semi-rural areas.

Over the long term, mutual insurance companies act as non-profit organizations. Profits are returned to members in many forms.

[*Translation*]

The federal government is also owned by the people it serves. It is elected under the one-person, one-vote principle and it provides its services at cost. Surpluses, if any, should be returned to the people it serves.

In your invitation to appear before this committee, you asked that a number of issues related to Canada's place in a competitive world be addressed. As made evident in your invitation's backgrounder, most government services impacting on the competitiveness of our nation fall under provincial responsibility.

CAMIC supports the notion that there is currently a vertical fiscal imbalance between the federal, provincial and municipal governments and that this imbalance does not serve the taxpayer well. The federal government currently raises money for which it has no use under the responsibilities provided for in the Canadian Constitution, while most provincial and municipal governments have too few resources to meet their own responsibilities.

My association commends the federal government for having initiated the process of rectifying the fiscal imbalance. CAMIC hopes that this review will lead to provincial and municipal governments raising most of their funds directly from their constituents and being accountable only to their constituents for the way they spend that money.

[*English*]

The Canadian population deserves and expects all levels of government to generate their revenue equitably and to spend responsibly. In this respect, CAMIC applauds the 2005 federal budget decision to hire additional Revenue Canada employees to monitor offshore investments by Canadian individuals and corporations in tax haven countries. According to a March 2005 report by Statistics Canada, offshore investments in tax haven countries, in particular those made by Canadian financial institutions, have grown substantially in the last decade.

The Canadian insurance industry has its own challenges. It needs to operate under a taxation regime that is conducive to fair competition. The federal financial services legislation is now in the process of being reviewed, and CAMIC commends the federal government for its recently announced intention not to change the insurance retailing powers afforded to the banking sector. Clearly, the additional insurance retailing powers sought by banks would create an unlevel playing field in which banks would be able to effectively eliminate the competition, just as they did in the mutual funds, securities, and trust industries.

The general insurance industry also needs tax changes to operate more efficiently and more fairly. Foreign-owned insurance companies doing business in Canada often benefit from taxation provisions in other countries that allow them to set aside, free from tax, reserves to meet their obligations in cases of large catastrophes.

The Canadian companies, on their side, in order to have the same treatment, set aside money or set up companies outside of Canada to benefit from tax haven countries. Mutual insurance companies do not do so. We hope the federal government will look at the possibility of setting up a tax-free reserve in Canada, similar to those in Europe and Japan, and similar to the U.S. system, the goal of which is provide compensation in the event of a catastrophe.

Thank you.

● (1545)

The Chair: Merci, monsieur.

We continue with the presentation from the Association of Labour Sponsored Investment Funds. Les Lyall, president, is here. You have five minutes, sir. Please proceed.

Mr. Les Lyall (President, Association of Labour Sponsored Investment Funds): Thank you.

Good afternoon. My name is Les Lyall and I am the president of the Association of Labour Sponsored Investment Funds. I'm also a senior vice-president of GrowthWorks Capital, based in Toronto. Thank you for the opportunity to speak to the committee today.

Today's presentation is specifically about three key items. Number one, I want to let you know how successful the retail venture capital program has been for Canada. Secondly, I'd like to then give you a brief update on the current market conditions and other factors that are leading to a serious gap in venture capital funding. Finally, I'm going to go over our recommendations to the committee to enhance their retail venture capital program in Canada.

Given the complexity of today's topic, at a later date we will also provide your offices with more detailed information on retail venture capital funds.

I'll provide a brief explanation of the funds and how they operate. We generate 70% of our capital from private sources; 15% of the remaining 30% is raised from tax credits, both from the provincial and federal government levels. We raise money to help high-tech and life science companies undertake research and development, commercialize innovative products, and expand operations to global markets. There are about 30 funds in Ontario, and together we have about $2.7 billion in assets under management in Ontario.

Ontario retail venture capital funds have exceeded their original policy objectives under the program. Ontario labour-sponsored funds add about $2.6 billion annually to the Canadian economy. Again, Ontario labour-sponsored funds have added about 30,000 jobs for the period 1997-2002—those are the most recent numbers available. Again, the Ontario program provides a 13-month payback for the federal government portion of the program, and that, I think, is mirrored across Canada in all other jurisdictions.

Investing companies exceed the national norm benchmarks when compared to traditional companies. These companies have doubled the amount of expected exports from $612 million to $1.2 billion; tripled the employment, based on the national norm, from 32,000 jobs versus 10,000; and quadrupled their R and D spending from $178 million before the ALSIF investment to $703 million after investments from the program.

Since the late 1990s and 2000, extraordinary circumstances have begun to shape our industry. The technology bust that most of us are familiar with, which occurred in 2000, occurred on a global basis. The effect has been that we've seen reduced merger and acquisition opportunities, a very limited IPO window for our exits from our investments, and longer investment horizons for the funds as a consequence. Finally, in Ontario we have faced the Ontario government's 2005 decision to phase out the program in Ontario by 2011.

As a result, Ontario is now experiencing dramatically reduced fundraising. In 2005 fundraising sales were down 19% compared to 2004; in 2006 our fundraising dropped a further 30% from the previous year. This means that virtually no new deals are taking place in Ontario. We can't invest in new start-ups because we may not have the funds available to take the company through to a profitable exit. Money we generate is reserved for follow-on investments for our current portfolio.

Retail venture capital represents 50% of Ontario's venture capital technology investing and about 80% of life science or biotech investing in the province of Ontario. Venture capital investing in Ontario is declining. Ontario alone experienced a decline of 37% in the second quarter of 2006. We need to stabilize the venture capital sector in Canada and ensure the government's return on investment for the tax credits is realized.

We have one key recommendation to the committee, and that is to increase the size of the ticket from the current $5,000 for individual investors to equal the maximum RRSP contribution.

Thank you for your patience.

● (1550)

The Chair: Thank you for your presentation.

The next speaker will be Richard Gauthier from the Canadian Automobile Dealers Association.

Welcome, sir.

Mr. Richard C. Gauthier (President, Canadian Automobile Dealers Association): Thank you, Mr. Chairman and committee members. I applaud your committee's commitment to finding ways to keep Canada competitive and prosperous in a changing world, and it is exactly competitiveness that I am here to speak to you about today.

Many of you may know that the Canadian Automobile Dealers Association represents over 3,000 active small and medium-sized businesses. Our members employ over 145,000 Canadians in every province, city, and town in the country. Canadian automobile dealers are in touch with the pulse of the nation. We are among the first to know when the mood in the country is buoyant and confident or when there is uncertainty or concern about the state of the Canadian economy. In that regard, CAD is constantly canvassing members to determine the areas where improvements can be made. While trade and regulatory reforms are frequently mentioned, the number one area where dealers need reform is in Canada's taxation policies.

Our written submission makes it clear that our industry was pleased with the many measures contained in the May 2006 federal budget. I invite you to review these comments in detail—they were handed out at the outset.

While we appreciate that the budget was focused on the five priorities highlighted in the 2005-06 election campaign, we believe the next budget should focus on specific tax policies that are currently restraining productivity as well as addressing inherent issues of fairness in the system.

Allow me to outline these priorities for you: one, establish fairness in the access to the small business deduction for automobile dealers; two, further reduce corporate income tax rates; three, establish equitable tax treatment on the sale of used vehicles; four, reduce capital gains taxes on the sale or transfer of dealerships under specific circumstances; and five, we would offer to work with CRA to improve the professionalism and efficiency of audits.

While our written submission deals with these items in great detail, I will highlight only two of these priorities during today's presentation.

The first deals with establishing fairness in the access to the small business deduction for automobile dealers. Most automobile dealers are small businesses run by entrepreneurs and family members. The small business deduction, or SBD, is a vital component to a reinvestment strategy. The SBD helps to defer income tax until such time as an owner withdraws profits. Unfortunately, the level of the SBD is inadequate to meet the requirements of most auto dealers. Not only is the deduction inadequate, but access is frequently and unfairly denied to auto dealers.

Automobile dealers begin to lose access to the SBD once their accumulated taxable capital exceeds $10 million and is completely eliminated at the $15 million threshold. This is unfair to capital-intensive industries like automobile dealerships. Other less capital-intensive businesses of similar size and profits enjoy far greater access to the SBD. Two issues compound the problem in the manner that capital is computed. First, a corporation's capital is defined to include all forms of indebtedness, including the lien notes, which is the method by which automobile dealers finance inventory. Most retailers finance the acquisition of their inventory through trade accounts payable, which are not included in the definition of capital. This discrimination against auto dealers is an unwarranted and unjustified tax penalty.

Second, capital includes assets or investments of other corporations with whom the dealer is associated. In these circumstances, the capital of different businesses is aggregated, which, if certain thresholds are met, will result in the loss of the SBD.

To alleviate this situation, CAD proposes the following options: one, eliminate the “grind” on the SBD for private business; two, redefine taxable capital to exclude lien notes—this unintended imposition has already been remedied in some of the provinces that levy taxes based on business capital; three, allow more flexibility in the definition of associated corporations for purposes of allocating the SBD; and four, increase the SBD to $1 million.

In closing, Mr. Chairman, I would like to highlight the issue of equitable treatment on the sale of used vehicles. There is an inherent and illogical inequity in the tax system as it pertains to the private sale versus dealer sale of used vehicles. Currently, dealers are required to charge GST on all vehicles sold while private individuals can sell GST exempt. Dealers can partially reduce the inequity on the trade-in of a used vehicle by charging GST only on the net difference. However, if a dealer buys a used car from an individual for resale, the full amount applies. If the individual sells the car to another individual, no GST applies.

● (1555)

There are a number of different approaches that would achieve a more equitable treatment in the sale of used cars involving automobile dealers versus individuals. One would be to eliminate GST on the sale of all used vehicles, whether they are sold by an individual or a business. Second, require that GST be applied on the sale of all used vehicles. This would require an administrative arrangement with provincial authorities so that GST could be applied at the time of transfer. The tax could be applied on the basis of a predetermined book value or the system for notional input tax credit to dealers could be restored.

Thank you very much, Mr. Chairman, for your time.

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

We'll conclude our presentations with Doug Reycraft, with the Association of Municipalities of Ontario.

Welcome.

Mr. Doug Reycraft (President, Association of Municipalities of Ontario): Thank you, Mr. Chairman and members of the committee.

I'm a mayor in the municipality of Southwest Middlesex, a councillor with Middlesex County, and president of the Association of Municipalities of Ontario.

AMO believes that all three orders of government must work together to build a strong and competitive nation. It's a shared responsibility that no one level of government can accomplish alone. Now is the time to act, and it's essential that all governments be present and accounted for as we move ahead to address key issues that we face.

As the providers of service, municipalities are where many issues of national importance intersect. These services include public transit, immigration settlement, environmental protection, public health, affordable housing, income support, child care, and public safety. In many cases, it's the municipal government that provides other orders of government with local service delivery capacity.

Municipalities recognize the tremendous progress that has been made in recent years on the GST rebate, affordable housing, transit investment, and the federal gas tax transfer, to name a few examples. We recognize that competing demands and limited fiscal resources are a reality for each order of government.

While Ontario's municipal governments are proud of our contributions across Canada, we believe Ontario should be treated fairly by the federal government. The federal-provincial fiscal imbalance in Ontario has a direct impact on municipal governments. The property tax base in Ontario is simply insufficient to meet all the needs of our communities and a growing country.

In Ontario, we have the compounding problem of the province's reliance on property taxes to fund a range of provincial health and social services. Fixing the federal-provincial fiscal imbalance will allow the Ontario government to end its reliance on municipal property taxes—a reliance that costs Ontario municipal property taxpayers more than $3 billion each year.

Over the past few months, more than 100 municipal governments in Ontario have passed resolutions that this committee should consider as part of its deliberations. Those resolutions support Premier McGuinty's position on the federal-provincial fiscal imbalance and his position that federal funding programs should be allocated to provinces and territories on a per capita basis.

Municipal infrastructure is the foundation of our local, provincial, and national economies. But in Ontario we face a massive and growing municipal infrastructure deficit, estimated at about $5 billion a year—one that limits our ability to provide safe, clean water, to protect the environment, and to provide reliable transit and efficient transportation networks. Municipalities are grappling with the needs to replace aging transit infrastructure while expanding municipal systems and integrating municipal commuter, intercity transit, and high-speed rail systems. Investment in transit is one of the best strategies for limiting congestion, for improving environmental outcomes, and for keeping our economy strong.

The availability of affordable housing is also critical to our country's economic competitiveness. High housing costs affect labour markets, labour mobility, and the successful integration of new Canadians. Lack of affordable housing and increasing homelessness affect the competitiveness of local communities and compromise the quality of life for our citizens. A national and long-term strategy to provide affordable housing and sustained funding to support homeless initiatives, including programs such as the Supporting Communities Partnership initiative, make good economic sense.

A great deal needs to be done if Ontario communities are to be livable, sustainable, and competitive in the national and global marketplace. The municipal sector must play a further part in determining infrastructure investment priorities. It must see a demonstrable commitment for a national, long-term, sustainable funding approach that will help us plan and budget infrastructure capital and maintenance and eliminate the municipal infrastructure deficit over time.

In Ontario we have gained an important role in guiding provincial and federal investment in local infrastructure through our memorandum of understanding with the province and through our role in helping to develop federal gas tax revenue sharing, an important new source of funding that must be made permanent.

The upcoming budget is an opportunity to renew the federal interest in strong communities. Ontario's communities provide an important foundation for the national economy. Strengthening that foundation begins at the local level.

● (1600)

Thank you, Mr. Chairman.

The Chair: Thank you very much, sir, and thank you to all of you for excellent presentations.

We will begin with Mr. McCallum, for seven minutes, sir.

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

Thank you all for your presentations. I won't have time to ask you all questions, but I do appreciate the time you've devoted to this.

My first question will be for Mr. Gemmill.

Obviously, the subject you're talking about is very important. As clarification, does anything you're talking about have to do with a risk of pandemic or anything of that nature? Perhaps not.

Dr. Ian Gemmill: The reason we're here today is to ensure that the routine immunizations that can protect all children are available to all children across Canada. When new vaccines become available, and there's been a flurry of them, and there will be more because the vaccine technology is exploding, there will be so many more preventive measures available to us.

What we observed was that there is a variable implementation and a variable uptake of these programs, especially for kids, and the two examples were hepatitis B, which took ten years to implement across the country—a very safe and effective vaccine that will reduce the long-term complications of that disease—and the seven years it took to get the new pertussis vaccine for adolescents.

There is a lot of investment in pandemic preparedness right now, at both the national level and also at the provincial level, at least in Ontario, where I live. So my comments are really directed much more towards the routine vaccines. We feel very strongly that this principle of equal access to services in our health system should be applied not only to treatment measures but also to prevention measures.

Hon. John McCallum: Well, I totally agree, and this was new to me, that this agreement was about to expire in March 2007. If it's not refinanced, I gather that people in poor provinces will not have access to these vaccines. So my question is, do you have any indication from the government of any decision or the timing of such a decision?

Dr. Ian Gemmill: That's the problem. As I understood it, this was a three-year trust fund that was set up. The governments could draw upon it to start implementing vaccine programs for chicken pox vaccine, for meningitis vaccine, for pneumococcal pneumonia vaccine, and for the new pertussis vaccine. They were able to draw upon it in proportion to population. Before that program was set up by the former Prime Minister and the former Minister of Public Health, we had provinces like Alberta, where all these vaccines were available to all children, and provinces and territories that were less able to afford these programs, with competing other priorities, so we ended up with kids who had different access.

Hon. John McCallum: I understand that point, and I totally support your case, but have you not heard any indication, however, of funding?

Dr. Ian Gemmill: I've not heard any indication. We have not heard any indication that there will be any continuation of it.

Hon. John McCallum: At least you weren't on yesterday's list of cuts. That's one good thing, I suppose.

Dr. Ian Gemmill: Well, I suppose. This is one of the issues. We don't know what's happening with it and—

Hon. John McCallum: Thank you. I don't want to cut you off, but I don't have much time.

Mr. Reycraft, the previous government had a major initiative in terms of its new deal for communities or cities, and I think there's a bit of a different philosophy between us and the new government in that we respect the provincial jurisdiction. We had a somewhat closer relationship between the federal government and the cities or communities than in the past. The new government seems less inclined. Does your association have a position on that issue?

● (1605)

Mr. Doug Reycraft: As I indicated in my opening comments, I think healthy communities are essential if we're going to have a prosperous nation. Municipal governments alone can't begin to fund the infrastructure programs that are required for a modern society, so we will continue to require support from both of the other orders of government, federal and provincial, in order to provide that infrastructure.

We were very pleased to be able to work directly with the federal government for the delivery of the federal gas tax to municipalities across Ontario. I think we're the only province in the nation that was able to do this. I think it is an excellent example of where municipalities can play a role in making financial resources that are made available to us by the other orders of government more efficient. Our AMO flows that money to our 445 municipalities in the province.

In order to do that, we require two staff and a little time from a couple of our other full-time staffers. So our delivery cost in that program amounts to about 1% of the total amount of money that's being flowed to municipalities. I think that's a case where a direct federal-municipal relationship has worked effectively for the good of all of our citizens.

Hon. John McCallum: Thank you very much.

Mr. Gauthier, two of us on this committee are former revenue ministers. I think I heard you questioning the professionalism of CCRA officials or auditors. When I was there, it was drummed into us how professional they are. I'm no longer here to defend them, not that I necessarily would before if I didn't think they were doing a good job, and I know there are many challenges. But are you basically saying that they're incompetent, that they don't know their business, that they don't know your business, and that they need to have a training course from your sector in order to carry out their function?

Mr. Richard C. Gauthier: That's a good point, Mr. McCallum.

I don't recall questioning the professionalism. The point we are making is that we believe there should be coordination between the various departments so that we end up having audits conducted that are efficient and to the point, as opposed to having what we're seeing among our membership constituency: three, four, or five different audits going on at any time during the year and none of those departments speaking to each other.

There is certainly a level of education we would like to help with, if that is possible. We would certainly be more than happy to work with CCRA in order to provide some insight, some background, some education, with regard to the specific issues that relate to our business. But mostly the point we are making—and which is contained in the white paper we presented this afternoon—is that we would like to be able to see if we could find a way to coordinate those various departments and have one streamlined, efficient audit process.

Hon. John McCallum: Thank you.

[*Translation*]

The Chair: Mr. Paquette, you have five minutes.

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

Firstly, I wish to thank all of our witnesses for their presentations. Many issues have been raised. Unfortunately, as my colleague said, we have little time.

My first question is for Mr. Lafrenière. In your presentation, which I found very interesting, you talked about the fiscal imbalance, which may have come as something of a surprise to my Liberal friends. They must be wondering why an association of mutual insurance companies would take a position on this issue.

Upon reading your presentation, I see that you have drawn a parallel between how mutual insurance companies return funds to their clients when they record a surplus, and how the federal government, when it has surpluses, should also return funds to the provinces concerned.

Would you please elaborate on this for the benefit of my Liberal and Conservative friends.

Mr. Normand Lafrenière: I believe that you have understood our submission very well. We fully respect the one-person, one-vote principle, along with all other Canadians who believe that this country should be governed according to this same principle.

Our goal is to turn a profit in the short term, not in the long term. Companies seeking to make a profit in the long term are non-profit companies. Therefore, the same applies to the federal government.

What the federal government must grasp is that taxes should not be levied for the sheer pleasure of it. Funds are raised for a specific objective, that is to provide a service. Our association's members tell us that this is what is needed to keep a company running. This is where we draw a comparison with the federal government.

The federal government seems to be posting a surplus year after year, at the same time that provinces and municipalities are lacking money to fully carry out the obligations set out for them in the Canadian Constitution. This position is not a biased one; we simply want the economy to work well. In fact, this lies at the heart of your questions: what can we do to make sure that the Canadian economy performs well?

In our opinion, one of the things that can be done would be to reduce duplication and put the money where it belongs. Our hope is to have municipalities and provinces raise their funds directly from their constituents and be directly accountable only to their constituents. The federal government would only be accountable for the actions it takes, as set out in the Canadian Constitution.

• (1610)

Mr. Pierre Paquette: Within their respective jurisdictions.

Mr. Normand Lafrenière: Exactly.

Mr. Pierre Paquette: In fact, yesterday there was an announcement of a $14-billion surplus. This is a recurring problem.

You also raised the issue of the number of additional agents needed at Revenue Canada, and drew a link between this and the issue of tax avoidance in tax havens. In fact, there have been recent reports on the huge tax amounts that certain Canadians can avoid paying by benefiting from these tax havens.

Do you truly believe that hiring additional agents will reduce tax evasion, or shouldn't legislative measures be taken to fill in the gaps?

Mr. Normand Lafrenière: That is a good question to which I do not have the answer. I assume that Revenue Canada employees are highly qualified and that it would be beneficial to have more agents working on this type of problem. We also confront the same problem in the world of insurance. We know that Canadian companies are forced to create offshore companies in order to receive the same tax treatment as foreign companies operating in Canada. Mutual insurance companies that do not have an offshore company are at a fiscal disadvantage, compared to their competitors.

Mr. Pierre Paquette: My last question for you is on your submission. You call for the creation of a contingency fund, one that would be somewhat similar to what the previous federal government used to hide its surpluses. But what you are calling for is a true and genuine contingency fund.

How much would the fund contain? Are we talking about 10% of general revenues?

Mr. Normand Lafrenière: No, it would be approximately 2 to 3% of sales.

Mr. Pierre Paquette: It would be approximately 2 to 3%.

Mr. Normand Lafrenière: Yes. We are talking about a contingency fund reserved for either natural or man-made catastrophes. We simply want to be better prepared to deal with such situations. Having such a reserve would prevent our companies from having to create offshore companies in order to benefit from the same fiscal status as our competitors.

Mr. Pierre Paquette: Thank you.

My next question is for Mr. Lyall, from the Association of Labour Sponsored Investment Funds. I am obviously very sensitive to your cause because I myself helped found the Development Fund for the CSN, la *Confédération des syndicats nationaux*. You are saying that workers' investment funds should allow individual investors to increase maximum investments to the same level as RRSP contribution limits. I find this to be entirely reasonable. However, as you said at the beginning of your presentation, government has tended to reduce benefits to workers' funds in recent years. Such is the case, at least, for Quebec provincial workers and federal workers.

Do you believe that the current economic situation gives us hope that the federal government will hear your demands? What makes you believe that the trend—which is currently one of restricting fund managers from collecting and increasing savings from their members—can be reversed?

[*English*]

Mr. Les Lyall: Thank you for the question. I think probably the last thing this committee wants to hear is that we're asking for an increase in expenditures related to an increase in the ticket size. By way of an explanation for some of the committee, the ticket size is the maximum contribution that an individual investor can make to the program in any one given year.

We need to find a basis of comparison, and I'll come to your question directly in a moment, but the fact of the matter is that the federal government tax credit on this program is 15%. When we compare it to other industries and the support that is given to other industries—and I'll pick the oil and gas industry as an example, where the federal government through taxation provides a 44% tax relief on flow-through shares—I think it's important that the industry be supported in equal measure to that industry and that the support be given to it.

What we're trying to accomplish is for the average investors to be able to increase their investment in the program. Right now, they're capped at $5,000 a year, and we think that amount is inefficient. It increases our costs. It doesn't allow a level of participation in keeping with the pace of the RRSP contributions over the years.

• (1615)

The Chair: Thanks, Mr. Lyall.

Merci, monsieur.

The next questioner will be Mr. Del Mastro, for seven minutes, sir.

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

Mr. Gauthier, I want to come back to a couple of issues you raised. One in particular that really troubles me is the inequity in the collection of GST, where actual licensed dealers are required to charge GST but it is not applied on private sales. This is creating a little bit of an insidious industry in Canada, isn't it? It's a bit of a black market for car sales.

Mr. Richard C. Gauthier: Absolutely, sir. You have a very good read of the situation. In fact, we believe it is one of the primary reasons why you have that whole curbsider effect, where people are purporting to be licensed auto dealers but in fact they are clandestine private sales, really. Of course, this is not only a disadvantage to the government, in the fact that it's not getting its fair share of the GST revenues, but it is disadvantageous to legitimate businesses who are collecting those taxes and remitting them. It also opens up the floodgates with regard to consumer protection. People are purchasing vehicles that are not warrantied, that have not been properly certified, and so on.

We believe this is more about eliminating that industry and moving in a fashion that would level the playing field.

Mr. Dean Del Mastro: And to protect consumers.

Thank you.

The other thing I was going to talk to you about was with respect to the CRA and audits. In the spring we were conducting a review of the CRA, and they indicated that their audits are occurring about twice as often and they're lasting about twice as long. They've gone from about six to eleven days, and they're auditing about twice as often, especially around the area of GST. Are your members experiencing this type of frequency, and so forth, in their businesses?

Mr. Richard C. Gauthier: Absolutely, sir. As part of the process that we utilized in order to be able to develop our white paper, which we tabled earlier, we reached out to all of our constituents across the country. We held a number of forums, focus groups, round table meetings—and that culminated with a national dealer survey. One of the things we found on this particular issue was that dealers were being audited on a more frequent basis, two to three times a year. I guess the frustration in part lay with the fact that, on a number of occasions, audits are started but not completed. The auditors get called away. They had asked the business owners and their staff to produce a variety of documentation, and so on, and then that documentation was literally left, in a number of instances that were reported to us, on a table somewhere for months and the auditor never returned. So the material was just filed away again.

I would think that corroborates some of the feedback we've been getting.

Mr. Dean Del Mastro: It sounds a little bit like either inconsistency or harassment, one or the other.

Mr. Richard C. Gauthier: I wouldn't go that far, sir, but it certainly is inconvenient and troublesome.

Mr. Dean Del Mastro: Very good.

Ms. Edwards, I appreciated your presentation. It sounds like Ducks Unlimited is coming about combating urban sprawl and really attacking what I see as poor developmental planning. Is that a fair assessment?

● (1620)

Ms. Cynthia Edwards: We haven't focused very much on the specific issue of urban sprawl, but some of the instruments that we've been using for decades to conserve natural areas, such as the use of conservation easements, which actually provide financial benefit to the landowner instead of just a pure regulation, could be used to help mitigate some of the urban sprawl issues. Although, as I said, we haven't focused on that area—we work a lot more in the rural landscapes—some of those same tools could certainly be used.

Mr. Dean Del Mastro: Thank you.

Mr. Reycraft, I have a couple of questions.

First of all, Mr. McCallum asked a question about the new spirit of cooperation that was fostered toward the end of the last government. I'd be remiss if I didn't point out that the social transfer cuts that occurred in the mid-1990s actually led to the decline of a lot of the infrastructure in our municipalities as the cuts were passed down to municipalities.

I want to ask a question specifically about the COMRIF program and whether you think that's a fair program or something we should be moving towards, towards perhaps more long-term, stable funding as opposed to lottery-type programs.

Mr. Doug Reycraft: I'll resist the urge to get into a discussion on the first point you made.

With respect to COMRIF—

Mr. Dean Del Mastro: You can comment on that if you like.

Mr. Doug Reycraft: I recognize the fact that transfers to the provinces were cut post-1993. As a result, most of the provinces had to reduce transfers to municipalities and most municipalities had to raise property taxes. The deficit that caused the reduction in transfer programs post-1993 has been eliminated, but municipalities across the nation are concerned that the federal government and the provincial governments are talking about cutting taxes, having eliminated their deficits, while we're left still paying higher property taxes that originated from that post-1993 reduction.

On municipal-rural infrastructure funding—COMRIF here in Ontario—it has certainly helped to meet the needs of municipalities in a number of communities. But of all the applications that have been submitted for funding through COMRIF, only one-third have been approved. So for every winner we've had through COMRIF in the first two phases, we've had two losers. We know there's a smaller allocation of funding to be made in the third round than was allocated in the first two, so I don't hold out any hope at all that the needs of municipalities, as expressed by those applications, are going to be met.

We have concerns about the kind of program COMRIF is. It's application-based and project-based. Many municipalities have to hire consulting engineers to prepare the applications for COMRIF, and that costs a lot of money. Those applications are submitted to the COMRIF bureaucracy, which costs both senior orders of government a lot of money.

So when we look at the way that program is structured, consider that it has more losers than winners and is very expensive to apply for and implement, and compare it to the federal gas tax program, which is basically an entitlement program administered directly by AMO for the federal government, we think entitlement programs are a much better way to go.

The Chair: Thank you, sir.

Our next questioner is Madam Wasylycia-Leis. You have seven minutes.

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

I'll start by asking Mr. Lafrenière a question about a concern we've had discussions on before, and that is the push by banks to get into the insurance industry.

I tend to agree with your paper, but one thing we've always heard is that there is much more involvement in the insurance business by the banks or credit unions in the province of Quebec. We're always told that this has not hurt competition. I'm just looking for some way to clarify that situation and what the real facts are.

● (1625)

Mr. Normand Lafrenière: In my view, it has hurt competition. When you go into a financial institution for a loan, they use that occasion to say they'd like you to meet the person next door, who just happens to be selling insurance. Of course, you can always say no, but it's difficult to say no when you're sitting there asking for a loan or just having your loan approved. You want to keep a good relationship with the person who just approved a loan for you. It's very difficult to say you don't want to meet the person next door. So that's the kind of advantage they have.

Another advantage they have is that whenever you have a loan with the financial institution, they know exactly when that loan becomes renewable and which company you're doing business with at the moment, so they can approach you at the right time of the year with the right information about you and say, “Hey, when your insurance comes due, why don't you do business with us? We have to meet anyway about that loan you have.” So it gives them a tremendous advantage over the competition, and we don't want those financial institutions to have that advantage over us.

When you say it provides more competition, when we look at the banks and the profits they make, I doubt there is much competition among them. If there were that much competition you would see higher profits and lower profits in given years, but you don't see that; they're always very high. So in our view, the competition is not there.

Ms. Judy Wasylycia-Leis: I'm not sure we've heard the end of this yet. I think the government has said it's not moving on it. But there's always the possibility that the pressure will mount and we'll see it reopened. In that case, I'm wondering if it wouldn't make sense for the finance committee of the Parliament of Canada to have wide-open consultations before any decision on that front by government.

Mr. Normand Lafrenière: The white paper that came out of the Department of Finance does not give additional insurance-retaining powers to the banks. But that may change. You will go to legislation, and you may hold consultations at that time. The same can happen at the Senate level. So there are still opportunities for the banks to provide their point of view. We want to make sure that our own point of view is listened to. So if you are to have consultations, we will be participants and we will encourage that.

Ms. Judy Wasylycia-Leis: Les, with respect to labour-sponsored investment funds, have there been any ramifications for the association, and this whole field generally, as a result of Crocus in Manitoba?

Mr. Les Lyall: We view Crocus as an isolated event. Unfortunately, these things happen periodically in business. But I don't think there has been a tremendous amount of fallout, particularly in Ontario, where almost all the funds belong to an association. This was one of the failings found by the Auditor General in Manitoba. So no, we don't see much fallout here. But it's caused us, as an industry and as an association, to take a serious view of the findings of the Auditor General, to take those to heart, and to make sure our members are abiding by good practices.

Ms. Judy Wasylycia-Leis: Thank you.

Let me just ask Cynthia and Barry.... Ducks Unlimited has a wonderful centre in Manitoba. You do great work in that province. I'm having a little trouble sorting out, through your brief, what would be.... You have four big areas you'd like to see changes in. What should we focus on if we had to choose? What would be the most important thing we could recommend in this budget process?

Ms. Cynthia Edwards: There are a couple of issues that could be addressed quickly, one of which is the disincentives I mentioned in my verbal remarks. Moving to a disincentive through taxes is essentially an incentive in reverse. If there were tax benefits to maintaining natural areas, this would encourage more retention of them.

Most of the area that we work in has to do with privately held lands, a lot of which is in the prairies. Tax incentives have worked there in the past in some of our pilot projects. That's a big area of focus, as well as the mitigation I mentioned in my verbal remarks.

Ms. Judy Wasylycia-Leis: I would like to ask Ian about immunization. You've made some recommendations that seem pretty modest. What we should have—and I think some provinces have raised this—is a national immunization program in which the federal government would provide the necessary funding right across this country, regardless of vaccine and province. Maybe that's the first place we should be stepping in, as opposed to a national pharmacare plan or a national home care plan. So I'd like your thoughts on that.

● (1630)

Dr. Ian Gemmill: An ounce of prevention is worth a pound of cure. We all believe that. So we should be investing in prevention. And it's worked. The data is unbelievable. In epidemic years, we had thousands of cases of measles and diphtheria, and now we have zero. It's remarkable.

We actually have a national immunization strategy. It is sunsetted—next year if I'm not mistaken. It's been helpful in trying to coordinate vaccine programs across the country. It involves such things as vaccine procurement for the provinces and vaccine safety. We strongly believe it has to be continued.

I don't really care how the vaccine is made accessible to kids, as long as it is. If the national government wanted to buy all the vaccine and give it to provinces, that would be just fine. If they wanted to do a trust fund like they've done before, that would be fine as well.

But you're right, it needs to be linked to a national immunization strategy and program. This would provide the underpinning. It would keep the discussions on track that are now going on among provinces' vaccine experts, so that we keep the coordination and no child in this country is lost through the cracks because of a bureaucratic set-up.

The Chair: Thank you.

Mr. Lyall, the labour-sponsored venture capital funds have been relatively ill-received by the financial journalist class of this country, as you well know. The Crocus Fund performance in Manitoba and the fact that thousands of small investors lost everything there has been an incredible black eye to your industry. I know you're here representing the Ontario branch, but you also know that this is not something we can create an interprovincial border around.

So I'm surprised to hear you say—I don't want to say dismissively—that yes, your group is learning and has taken the lessons of Crocus, and that's it. A number of people are calling for a full public inquiry of the Crocus investigation in Manitoba. The whole fund failure needs to be investigated in the minds of some. What is your view on that particular proposal?

Mr. Les Lyall: Thank you for the question.

I have to be straightforward and clear and declare that at the firm I work for, GrowthWorks, we're somewhat conflicted, because we're involved in a proposed transaction to take over the Crocus Fund. So if I may, I'll limit my remarks to things that would represent the industry and the industry's view.

The Crocus matter represented some failings in the nature of governance of that fund and the structure of that fund as a consequence. In Ontario, the structure is somewhat different, such that the manager and the fund are totally independent, the fund has a totally independent board that reports to the shareholders and the investors, and there's a contractual relationship with the manager. That, by and large, is the experience in Ontario.

While we heed the Auditor General's remarks—and indeed, it was my predecessor who wrote the report on behalf of the Auditor General making recommendations on how to correct the problem in the future—I think you'll find that in Ontario most, if not all, of those recommendations are a matter of practice in the industry, and we don't really encounter that issue.

The Chair: Thank you, sir.

Mr. Savage, you'll have five minutes.

Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.): Thank you, Chair, and thank you to our witnesses.

I'd like to talk to Mr. Lyall a little bit. Venture capital is always a tough business. It's particularly tough where I come from in Atlantic Canada. It's very hard to get. Small companies that go looking for VC from private investors often get asked where the government is on that file and what help they are getting.

Now, we have a magic bullet in the form of Tom Hayes in Atlantic Canada. He, as I'm sure you know, is with GrowthWorks in Atlantic Canada and has done a lot of work putting his team together.

The first question I have for you is this. New Brunswick has the New Brunswick Investment Management Corporation or something—and I realize you're Ontario, so you may not be able to answer this—where a certain percentage of publicly administered pension moneys go into venture capital; it seems to me it's a limit of 5% or something. The return has been pretty good. I don't know whether other provinces do that. I wonder whether you have a view about this being an effective way for government to seed new businesses.

● (1635)

Mr. Les Lyall: Thank you for the question. I am familiar with Atlantic Canada because I was responsible for a period of time until we started a new fund out there and Tom took it over. So thank you for that.

Venture capital sources in Canada generally, and in Ontario, as I mentioned earlier, come from two sources. One is retail venture capital, where we raise money from the retail public primarily through the labour-sponsored investment program. The other source of capital is pension funds. You referred to New Brunswick Investment Management Corporation as one example, where public institutions' pension money is managed and they allocate a certain percentage to venture capital.

Until a few years ago, and up until the tax act was changed, those allocations stayed in Canada and were invested in Canada and were managed by Canadian venture fund managers for investment in Canadian early-stage technology companies and so on. With the change in the foreign tax credits, those pension funds are now able to invest their money worldwide.

Their view of the world—and I think it's the right view—is that they ought to seek the best returns possible, and if that means investing in venture capital funds in the United States or in Europe or in Canada, or wherever it may be, it's their job to pursue the best returns.

The frank fact is that Canadian venture capital is a very young industry. It has barely gone one cycle in the investment cycle we live in, and our investment cycle runs anywhere from eight to twelve years. In the United States it's a 50-year-old industry, with a much better, well-developed track record and much more experienced managers, and therefore their performance has been better. So you find that those pension fund moneys, by and large, are invested in the United States now.

Mr. Michael Savage: First of all, I think Tom Hayes has done a great job, and I think there is a role. In fact, I think ACOA is actually involved in the fund in Atlantic Canada. It does even the playing field, because it's very hard to raise venture capital in Atlantic Canada. We have some great start-up companies that are looking for assistance. So thank you for that.

This is to Mr. Gemmill.

We've heard from other witnesses about the importance of the continuation of the national immunization program. That was $300 million, $100 million a year, starting in 2004.

Dr. Ian Gemmill: My understanding was that provinces could draw on this fund for new vaccine programs, based on their population, over a period of three years, yes.

Mr. Michael Savage: I think we all hope it will be continued, but I certainly hope we expand that.

When you hear stories, as I did the other day, about the human papillomavirus vaccine for cervical cancer, I think, there's some tremendous potential to further expand that vaccination program. I think the recommendation from somebody was for another $300 million over three years. That may be in your brief as well.

What is the potential for vaccines? Is it virtually unlimited? I mean, the payback is obviously very good, and you've monitored the payback as well as you can for some of these. But what is the potential for vaccines in Canada?

The Chair: Mr. Gemmill, you have approximately 30 seconds to respond.

Dr. Ian Gemmill: Thirty seconds, okay, thank you.

It varies from vaccine to vaccine and from time in history to time in history. I'm glad you raised the papillomavirus vaccine, because there's the chance of wiping out—virtually wiping out—cervical cancer using this vaccine and screening. That's a women's health issue and it needs to be addressed.

I think we need to have a set amount of money that can be used and perhaps reserved from year to year so that as new vaccines come along, if we don't spend it one year, it will be available for the next year. For example, there's a rotavirus vaccine against diarrhea, a childhood diarrhea that keeps kids out of day care and keeps parents out of work, that I think is going to be an important one for us to consider implementing across the country as well.

[*Translation*]

The Chair: Thank you, sir.

Mr. St-Cyr, you have five minutes.

● (1640)

Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ): Thank you very much, and thank you for appearing before us today.

My question is for Mr. Gauthier from the Canadian Automobile Dealers Association. I looked over your proposals on the GST as it is applied in used car sales. However, it is not charged when the seller is a retailer or an individual.

In one short paragraph, you say that the input tax credit system put in place in 1991 produced inequities when compared to the situation of unauthorized car sellers, and that the previous system is preferable to the one in place today.

I would like to hear a more detailed explanation of the input tax credit system, the inequities it produced, and who these unauthorized used car sellers are.

Mr. Richard C. Gauthier: Thank you for your question, Mr. St-Cyr.

When the GST was first brought in around 1990-1991, the government acknowledged the anomaly I referred to. It was then that the government introduced the national input tax credit. From then on, when a car dealer purchased a used car, the dealership could claim a credit, which on paper reduced the total cost of the vehicle. This practice aimed to balance out the market value of the car when resold, and the sales made by individuals, who at the time were not obliged to charge GST on the sale of a car. By having the possibility of claiming input tax credits, dealers were able to balance out, to a certain degree but not completely, the market value of the vehicle, which allowed them to compete with private sellers.

When GST regulations were revised a few years later, the input tax credit was completely eliminated, which gave rise to the situation we now find ourselves in today. You are referring to the unfortunate situation in which people are taking advantage of businesses by claiming to be licensed dealers, when an actual fact, the sales are between individuals, and are private, GST exempt transactions. As such, they are able to benefit from a 6% advantage, as compared to legitimate car dealerships that charge the GST.

As I said earlier to Mr. DelMastro, we are talking about bootleggers. These are people who operate from street corners or basements. The consumer is not protected, because he or she may be purchasing a car that is in poor condition, that has not been inspected, etc.

Mr. Thierry St-Cyr: You have put forward three mutually exclusive proposals: to eliminate the GST on all transactions, charge the GST on all transactions, or re-establish the input tax credit system you spoke about.

Are those proposals in order of preference or would you believe that these three measures are of equal importance in resolving this problem?

Mr. Richard C. Gauthier: That is a good question, Mr. St-Cyr. No, I would not say that all of the recommendations we have made are equivalent. If I were to make one single recommendation today, it would be to charge the GST on all sales, wether it be a sale by a dealer or an individual.

Mr. Thierry St-Cyr: I see. As regards your first recommendation, which is to eliminate the GST, do you know what the ensuring shortfall would be for the government?

Mr. Richard C. Gauthier: Yes. We have the figures, Mr. St-Cyr. Unfortunately, I do not have them here with me today, and I do not wish to make a statement on that.

Mr. Thierry St-Cyr: Surely...

The Chair: I am sorry, sir, your time is up.

● (1645)

[*English*]

The next questioner will be Madam Ablonczy for five minutes.

Ms. Diane Ablonczy (Calgary—Nose Hill, CPC): Thank you, Mr. Chairman. I would like to thank all of the presenters for excellent background information.

I want to start with Ducks Unlimited. I have two questions and I'll give them both. You have quite a complete brief with a number of recommendations. What I'd like to know are the top two concrete measures—and some of them are perhaps a bit conceptual—that the government could take, in your view, to assist in reaching your objectives.

Secondly, and this sounds like a mischievous question but it really isn't, how can the work you do and support for the work you do contribute to Canada's global competitiveness? I know that Canada's natural assets really are a factor in global competitiveness, and I think it would be helpful if you just elaborated on why that would be so.

Ms. Cynthia Edwards: Thank you for your question.

As I mentioned earlier, I think the top two concrete things are the financial disincentives that discourage the destruction of any further loss of our natural capital and the mitigation...if I had an option for a third, it would be to enhance some of the work that's already under way within the agricultural policy framework and incentive programs, such as Greencover Canada, and the beneficial management practices, which recognize some of the positive contributions land managers play in environmental issues. Those can be enhanced.

As mentioned in the brief, with respect to global competitiveness, Canada is the steward of about 25% of the world's remaining wetlands. That's an asset we enjoy that many other countries don't have the opportunity to enjoy. As we move into richer nations and more tourism opportunities, as water becomes an issue, we need to be good stewards of those assets to maintain some of that competitiveness. Especially on the water issue, where we get into agricultural issues or industries that require a large amount of water, we have those resources and we need to look after them.

Ms. Diane Ablonczy: Okay. Thank you for that.

With respect to the Association of Labour Sponsored Investment Funds, a lot of people will be wondering about your reference to ticket size for investments. Can you explain a little bit more about how that works, and why government measures to support that regime would benefit Canada's competitiveness on the commercialization side?

Mr. Les Lyall: Sure, and thank you for the question.

How will increasing the ticket size stabilize venture capital in Canada generally and in Ontario specifically? First, it will make the product more appealing to mid- and high-income investors. Right now, 50% of our shareholders have incomes of less than $60,000 a year. People with more money to invest simply aren't interested in a $5,000 investment. For them it's so-called “small potatoes”.

Second, more financial advisers and brokers will be interested in selling the product because their commission will increase, along with the ticket size. Right now, they can't be bothered to become licensed to sell the product because the small commission is not worthwhile. What we have witnessed over the last dozen years or so, since the inception of the program, is that commission structures have moved away from selling small-ticket items. In most cases, the investment advisers receive very little, if any, commission when selling those products. So we've lost their interest, and it greatly inhibits our ability to sell the product to the retail public.

Third, being able to move to a larger ticket size, we can attract larger investors, who have a larger appetite for high-risk investments such as these, and be able to find a place in their portfolio. When it's a $5,000 item, it's just not a large enough item to consider for their personal investment portfolio.

The Chair: Would you like to make a concluding comment? You have about 15 seconds.

Ms. Diane Ablonczy: A concluding comment?

That does help regular people to understand, which is good, because, as you pointed out, those are the kinds of people who make the investment you're talking about. So we appreciate that. Thank you.

● (1650)

The Chair: Regular people like you and me, Ms. Ablonczy.

Over here now to Mr. McKay for five minutes.

Hon. John McKay (Scarborough—Guildwood, Lib.): The quintessential regular MP.

The Chair: As opposed to the other.

Hon. John McKay: As opposed to the others, yes.

To the Canadian Association of Mutual Insurance Companies, as I understand mutual funds, the company is owned by its policyholders, and one of the ways in which it becomes a very attractive product is that there are sometimes profit distributions to the policyholders on a certain profit level. So I'm a little puzzled by your argument with the banks, who (a) want into retail insurance distribution and (b) are complaining that they have to set up offshore vehicles.

In your case, you don't have to set up an offshore vehicle for “tax purposes” because you're making your distribution directly to your policyholders. If you will, it's akin to an income trust. The revenues, the profits, are distributed directly to the policyholders; in income trust it's directly to the unitholders. So doesn't that give you, effectively, an enormous competitive advantage over other entities trying to sell insurance, whether it's demutualized insurance companies or banks?

Mr. Normand Lafrenière: Demutualized insurance companies are stock companies now, so the comparison between the stock companies and the mutuals is that at the end of the day these mutual insurance companies do not wish to make a profit over the long term. Over the short term, sure enough, we want that business to remain, and they pay taxes on the profits they make.

As to whether or not they would set up offshore companies in order to avoid paying taxes, they just don't do so. Other companies that we believe are doing it—and this is not only insurance companies but also the banks and other financial institutions—find an advantage in setting up offshore companies. Indeed, the study out of Statistics Canada came to the conclusion that there was an increase in those offshore companies and that the financial services sector was one of the prime areas responsible for that increase.

Hon. John McKay: Why would a mutual insurance company set up an offshore vehicle if it can control its revenues by either distributing to the policyholders on the back end or reducing premiums on the front end, because there is no real need that a mutual insurance company make money?

Mr. Normand Lafrenière: There's no real need. There is a need over the short term because we want those organizations to be continuous organizations over the long term, so we want to be there for the bad days. In order to do so we have to maintain reserves and we have to maintain surpluses within those companies in all of that. The surpluses of the companies have to be maintained on a tax-free basis, so there would be an advantage to setting up offshore companies, but we just don't resort to that avenue.

The Chair: Perhaps I could intervene, John. This won't count toward your time, of course.

Is this your point, then? The demutualized insurance companies and the other financial institutions that are able to set up offshore companies are getting some kind of competitive advantage versus the mutual companies that you represent. Is that the case?

Mr. Normand Lafrenière: That's right, but this is not to say that we're not able to set them up. We are able to set them up. We just don't resort to that.

What we're saying is that having offshore companies gives an advantage, obviously. It seems to be giving an advantage, and what we want you to do is take a look at that and see why there is an increase in those offshore companies and how we can avoid that in the future.

We suggest that one of the ways to do so is to have within Canada, just like they have in Europe and in Japan, a tax-free catastrophe reserve that would be there for both man-made and natural catastrophes.

The Chair: It's back to you, Mr. McKay.

Hon. John McKay: The issue isn't that you can't do it; it's that you don't do it. That is the issue.

My second point is for the car dealers. My recollection is that you're the first industry group that has said you were getting too audited by CRA. Your comments are fairly harsh toward the CRA, to say the least. As I recollect, you were the only industry group that has been quite so explicit.

I take it that you get not only CRA audits, but you also get PST audits. You get GST audits and the list goes on and on. There's no harmonization among the audits.

Would it be the view of your industry to support harmonization of sales tax then, if for no other reason than to reduce audits?

● (1655)

Mr. Richard C. Gauthier: Thank you, Mr. McKay, for bringing forward that point.

Yes, actually, we would support that. We have harmonization in the Atlantic provinces and something akin to that in the province of Quebec.

The Chair: Thank you.

Mr. Dykstra, to conclude.

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

Mr. Reycraft, a couple of your comments perked my interest. I guess my question revolves around infrastructure, when you were referring to investment in transit and investment in affordable housing.

Mr. Doug Reycraft: I'm not sure if I understand your question.

Mr. Rick Dykstra: I was trying to link the two. When you were speaking about transit, were you speaking about the actual infrastructure to get people from one place to the next, i.e., the bus or a train, or were you speaking to the infrastructure to be able to create it?

Mr. Doug Reycraft: No, my reference was to the capital that's required to expand infrastructure and to replace aging infrastructure.

Mr. Rick Dykstra: In terms of looking at this over the last few years and then looking into the future, what prevented municipalities from being able to make those investments over the last few years?

Mr. Doug Reycraft: Fundamentally, I think it's the lack of the resources to be able to do that. Property tax doesn't generate adequate revenue for us to be able to make the required capital investments in infrastructure. Here in Ontario we claim—and every study I've seen supports this—that we have the highest property taxes in the country. All municipalities have an interest in remaining competitive with other municipalities in the province and those across Canada. So to raise property taxes to a level that would generate that kind of revenue would make our communities unaffordable.

Now we've benefited from gas tax revenues for transit. We are doing so at the present time and will for the immediate future; we hope that becomes long-term.

Mr. Rick Dykstra: With respect to affordable housing, the investment that was in this budget was approximately $800 million. I wondered what AMO's position was on that. It's a pretty significant investment over the next 12 to 16 months.

Mr. Doug Reycraft: It is. That investment is certainly welcome. Much of the social housing that exists in Ontario is old infrastructure and requires large investments in roof replacements, balcony replacements, and so on. So the new investment in the 2006 budget is definitely welcome.

Mr. Rick Dykstra: If you're speaking on a per capita basis from the province of Ontario, for example, do you anticipate that the municipalities, and more specifically the provinces, would match this funding to be able to invest that much more?

Mr. Doug Reycraft: You're referring to the gas tax revenues?

Mr. Rick Dykstra: No, I'm referring to the $800 million investment in affordable housing.

The federal government is prepared to make that commitment. Shouldn't the provinces and municipalities do likewise?

Mr. Doug Reycraft: Certainly we're prepared to come to the table with a contribution. We would hope that the provincial government here in Ontario would do the same.

Mr. Rick Dykstra: Thank you.

The Chair: Thank you, Mr. Dykstra.

Thank you to all the panellists for your presentations and your responses to questions. We very much appreciate your time here today and in preparation for today.

We will dismiss you now and invite your replacements to come forward from the back.

I'd like to remind our committee that we'll reconvene tomorrow following this session at 3:30 sharp. I look forward—as you do, I know—to the presentations tomorrow.

● (1655)

(Pause)

● (1700)

The Chair: We're back in session here. I invite whoever wishes to testify to get to their seat and we'll recommence.

The House of Commons Standing Committee on Finance is mandated by the House on an annual basis to consider and make reports upon proposals regarding the budgetary policies of the government. Our theme this year is Canada's place in a competitive world. As part of our hearings, we'll be travelling across the country, but of course we're here today in Ottawa to hear your presentations.

I know that each of you received communication that let you prepare for this with the knowledge that you will have five minutes to present. I will indicate—or my replacement in the chair, if there is one, will indicate—one minute or less remaining, and we encourage you to conclude your presentations at that point to allow time for our committee to exchange questions and comments with you.

We thank you in advance for the time that you put into preparations and your briefs.

We'll begin today with five minutes for Mr. Stokes from the Canadian Activists for Pension Splitting.

Welcome, and the time is yours.

Mr. Frank Stokes (President, Canadian Activists for Pension Splitting): Thank you, Mr. Chairman.

We request the income tax option to allow senior couples to split pension benefits in general, not only CPP benefits, as is currently the case. By “splitting” we mean attributing the collective income of a couple in equal parts to the spouses for income tax purposes and “pension” in a general sense of retirement income. We consider CPP and spousal RRSPs precedence for this, though we do not necessarily consider the CPP as a model for splitting. Also, the CPP and spousal RRSPs themselves create a tax inequity between those unequal-income couples who are able to use them to lower their income tax in retirement and those who are not able to do so. This is a fairness issue.

Also respecting fairness, the current generation of seniors qualifies for special consideration in this regard. Many of them formed their marriage style and their career plans when single-income families were the norm. The work world discriminated against married women. Moreover, in 1988, changes to the income tax formula caused the now well-known tax penalty against unequal-income couples to increase significantly for many and caught many of them out with too little time to adapt their employment and investment patterns to minimize their tax penalty in retirement. For many current seniors, the splitting instruments, CPP and spousal RRSPs, came too late to make much difference in their post-retirement tax situation.

The former government, at least, by their own admission, justified allowing the tax penalty to remain to avoid discouraging married women from joining higher-paid husbands in the workforce. This policy is certainly not applicable to retirees, so they should not have to continue paying the tax penalty on that account.

As for cost, it is much cheaper and should certainly be feasible for the revenue department to allow splitting for seniors than for the general taxpaying population. This would not be exclusionary because every income earner can expect to eventually be a retiree. We know organizations who have been lobbying for general income splitting for decades, and they actively support us in the quest for pension splitting. A recent study by the Library of Parliament shows the cost of pension splitting to be $300 million per annum, one-tenth of the cost of general income splitting.

This tax reform is urgent because those who are already in their senior years are missing out if they are subject to this unfair tax situation, and they have limited time to wait for the reform.

In our full written brief we have answered as best we can all the questions posed by the committee in connection with the theme, Canada's place in a competitive world. Given the nature of our request—fairness in personal taxation—and the target segment of the population—retired persons rather than workers—the following is a summary of our answers.

The prospect of much greater fairness in the taxation of seniors, which pension splitting would create, would help the morale of workers who foresee their retirement years. Pension splitting would leave many seniors with more disposable income to remain independent and thus not be a burden on the economy.

Development and utilization of marketable skill can sometimes be maximized by married individuals if they can concentrate on that while their partner takes on household and child-raising duties. However, those people are all the less inclined to do that if they know the tax system is going to penalize them, even through all their senior years.

By their increasing numbers, seniors will become increasingly important as consumers to provide an economy of scale necessary for production, including new technology and perhaps especially medical technology. Their consumption of goods will foster business growth within Canada. But this consumption depends on disposable income not being significantly reduced by unfair taxation in retirement.

Saving by workers would be encouraged in the knowledge that they will be able to split pension income with their spouse, if necessary, to avoid high taxes due to unequal pension incomes.

We need to keep skilled Canadians from emigrating, as well as attract others to Canada. This would be aided by a personal tax system that does not punish them to their dying day for a family lifestyle. It is significant that there is no tax penalty in the U.S. for having unequal spousal incomes.

We refer the committee to our full written brief for more detail and more points of argument.

● (1705)

The Vice-Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Thank you, Mr. Stokes.

Here on an individual basis is Mr. Amott.

Mr. Jeremy Amott (Independent Insurance Broker, Life Insurance, As an Individual): Thank you.

Mr. Chairman and committee members, I am very pleased to have the opportunity to share with you my ideas on how the government can most effectively help young Canadians as they face the challenge of paying for their post-secondary education.

The rising cost of such education is a given in our society, and too many bright young Canadians with limited financial resources are either increasingly deterred from embarking on university or college studies in the first place or, having graduated, find themselves weighed down by the large student loans they are having to repay.

Caps on tuition fees, increased grants, and scholarship programs such as the millennium fund have not solved, and will not solve, this problem. As a result, these bright young Canadians are prevented from making full productive use of their skills and talents, and Canada loses much of the contribution they would have made to the country.

My approach provides a social safety net for those undertaking post-secondary programs. At the same time, it ends the heavy government costs inherent in traditional student aid programs.

The plan uses a group life insurance framework called the student insurance trust, or the SIT. It provides a platform enabling the government to do three important things: eliminate the losses it currently sustains as a result of irretrievably defaulted loans; extend a fair and cost-effective form of relief to defaulting ex-students with no prospects of repaying their loans; and generate substantial revenues over the long term for recovery of costs of the Canada student loans program and potentially investment in other government initiatives. In addition, the SIT can be easily structured to recover the costs of other programs and activities deemed strategic to Canada's well-being now and in the future.

As Canadian citizens reach the age of 24 to 27, they will be allowed, if they want, to participate in an insurance trust, the purpose of which is to throw a generational lifeline to debtors who cannot pay their bills, or to spur economic development in areas that sorely need developing. There are no fees or premiums to pay by Canadian citizens who decide to participate, and the insurance is placed in a random way, based on geographical, actuarial, and insurable interests. In return, these participating citizens will have a say in solving the economic and social problems that are a threat to the quality of life of not just Canadians but also the rest of the world.

This plan is about people helping other people, and the student insurance trust will allow the government to act as a facilitator of good deeds between generations, from municipal pollution problems tied up in endless litigation to third-world debt restructuring on the multilateral level, so that these poor countries can free up more money to spend on education and health care; to help provide clean water to all Canadians and to begin tackling the environmental problems in the world's oceans; to help solve poverty and hunger within our own borders and to help provide similar relief to those who need it around the world; to help solve the shortage of family doctors and other medical services so that Canadians can receive medical help in a timely way; to help spur the development of alternative energy that pollutes less; or to protect Canadian cultural and historical treasures using the cost-recovery provision.

Today l'm presenting a program development proposal. It is presented as a “learning by doing” opportunity for the government. l would be pleased to work with the Canadian government and the Canadian life insurance industry in order to take the SIT concept to the next level.

Canada's success in the world economy and our current prosperity owes much to hard-working and creative Canadians, but our future depends on forward-looking investments in education, infrastructure, and economic activity.

Mr. Chair, if possible, l would like to dedicate the remainder of my five minutes to addressing questions.

Thank you.

● (1710)

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Amott.

[*Translation*]

We now turn to Mr. McAvity, from the Association of Canadian Museums.

[*English*]

Mr. John McAvity (Executive Director, Canadian Museums Association): I'm actually the executive director.

I'm going to defer to the president of the association, who's the top elected officer. His name is Cal White. He is the director of the Toronto Zoo.

The Vice-Chair (Mr. Massimo Pacetti): You have five minutes, please.

● (1715)

Mr. Calvin White (Chairman, Canadian Museums Association): Thank you, Mr. Chair, and thank you to the finance committee for inviting the Canadian Museums Association to provide our views and recommendations for the 2007 budget. My name is Cal White and I'm president of the Canadian Museums Association, and I'm joined by executive director, John McAvity.

I had some speaking notes prepared for today, but I've thrown those out, given the results of yesterday's announced cuts. We were surprised by the federal cutback in the amount of $4.6 million to the museums assistance program, which was announced yesterday. We were surprised because this committee has consistently called for stable, long-term funding for Canadian museums in general and for the museums assistance program specifically. In the recent election campaign, all the political parties supported the development of a new museum policy, including the Conservative Party, which committed in writing to develop a new policy.

The Auditor General of Canada has called on the federal government to invest in its heritage programs. The provincial and territorial ministers of heritage have unanimously supported the development of a new policy. The CMA has been pleased to appear before this committee in years past, and we have been pleased that the committee has supported our recommendations, but we wonder what value comes from it when its recommendations are not taken seriously. The CMA has called consistently for a new museum policy to replace the outdated policy of the 1980s. Just last week, after studying museum issues in the spring, the House of Commons Standing Committee on Heritage released its report calling on the government to implement the new museums policy as soon as possible.

The reality facing Canadian museums is that public financial support, currently operating at 1972 funding levels, has not kept pace with rising costs. In recent years, museums have been diligent about decreasing the reliance on public funding; however, many still face critical shortfalls. When coupled with rising costs and a challenging operating environment, we're at a point today where many museums are unable to properly maintain facilities or preserve and display collections. One of the biggest challenges we face with the current outdated museum policy is the limited scope of one-year project funding. If we were to move to multi-year investments, it would enable museums to plan their development, research, and programming initiatives. This would result in better services, information, and programs for Canadians.

I'd like to make a couple of points about what museums contribute to the lives of Canadians and to our communities.

Culture plays an important role in the quality of Canada's community life. It is widely recognized that these quality-of-life factors directly affect decisions of businesses and individuals looking to relocate or invest. A creative and vibrant community attracts and retains talented people, and businesses want to go where talented people go, resulting in greater business investment. Museums are sources of inspiration, innovation, and knowledge creation. They create opportunities for lifelong learning for all of us: our children, our youth, new Canadians.

Museums contribute to building a strong national identity and secure for Canada a role of pride and influence in the world. We think of this international profile building in terms of our creative economy. Museums are a leading force in Canada's tourism promotion strategy, and, today, 60% of international tourists visit a Canadian museum during their stay. As a result, there is an economic spinoff from the cultural and museum sector, which helps to create employment in complementary sectors of regional economies, including tourism, hospitality, transportation, printing, and many more. Ensuring viable and strong cultural institutions is an investment that drives future investment.

So in conclusion, Mr. Chairman, our recommendations to the committee remain the same. One, it is now more critical than ever that the government make the new museum policy a priority and introduce it at the earliest opportunity. Second, we recommend that the committee support the need for more robust, predictable, long-term funding for national and community-based Canadian museums.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. White.

From the National Association of Friendship Centres, Mr. Dinsdale.

Mr. Peter Dinsdale (Executive Director, National Association of Friendship Centres): Thank you very much.

I'd like to thank the committee for the opportunity to present this evidence before you today. We have previously submitted our brief, which highlighted a variety of measures that we believe the committee could consider to address areas of early learning, justice, and housing. But with the brief time I have with you today, I'd like to highlight our core recommendation within that briefing, and that's funding provided to the aboriginal friendship centre program.

Of the questions you asked of us, the first one was, what specific federal tax or program spending measures should be implemented in the upcoming budget that will ensure that our citizens are healthy and have the right skills for their own benefit and for the benefit of their employers? I submit to this committee that enhanced funding for the aboriginal friendship centre program is one of those program spending areas you can look at. We know that the urban aboriginal population is rising, and the challenges are becoming more and more complex: 71% of all aboriginal people live off reserve; 50% of all aboriginal people live in urban areas; half of our people are under the age of 25; and half of our people do not graduate from high school.

Within Canada we have an emerging, growing racialized underclass: urban aboriginal youth. Friendship centres are on the front line of providing services to this population. There are currently 116 community agencies across Canada from coast to coast to coast, which are set up to provide services for this emerging population. These community agencies do so in a way we call status blind. We don't give consideration to whether an aboriginal person is a status Indian according to the Indian Act, a non-status Indian, a Métis person, or an Inuit person. You simply want to have and need services in the community for a friendship centre to be there for you.

Last year, through these 116 community agencies, we provided 1,260 programs across the country. We provided 1.1 million client contacts to people in communities requiring desperate services. The total friendship centre program revenue is $115 million. The Department of Canadian Heritage provides us with $16.1 million in core funding. That means for every dollar we receive in core funding, the friendship centre movement leverages $7 from other government and private-source areas to provide services for urban aboriginal people.

The aboriginal friendship centre program, the program I want to talk to you briefly about today, is the program that enables all of this work to happen in communities. If it wasn't for that core funding you provide for local friendship centres to hire their executive director, bookkeepers, and to keep their buildings open, none of these other activities would happen.

Like our museum brothers here, in 1993 we too were cut back after an expenditure review by 25%, and that funding hasn't been reinstated since. These community agencies today are spending 1993 dollars on 2006 problems.

The real question is, if it's an emerging population, the challenges are becoming more and more complex, and if we're able to serve an emerging population, it's time to reinvest in that capacity.

We recently went through an evaluation, which found the program to be effective, cost effective, relevant, with no other federal government overlaps or duplication in services. We are a unique program within the federal and provincial government jurisdictions, and we provide essential services.

More funds need to be reinvested. If we take into account the original 25% reduction in the early nineties, in real terms today that's a 40% reduction in spending power of these local community agencies. These are people in all of your ridings providing the most essential services. We would like the committee to consider recommending funding enhancements to this program.

On April 28 we met with Minister Oda, who is the minister responsible for our program, to discuss the current funding levels, and she has endorsed a joint review of our staff and the departmental staff to look at the appropriate funding levels for the program. We're pleased to say that we're about to bring a report back to the minister for her consideration.

We found a number of areas requiring reinvestment. The amount of money we provide local community agencies to provide their services needs to be increased. We need increased supports for training for local community members, for communication and policy supports, and for translation services of our documents and of our meetings.

We need to expand the friendship centre programs to new locations. There hasn't been a new friendship centre door open within the last decade anywhere across Canada, yet the need continues to grow.

So we believe additional funding of the program is merited. Additional investment will provide greater opportunity for aboriginal youth to access better and more diverse programming. It's going to improve the administration of existing centres and ensure continued federal stewardship of your investment. We're going to have improved service delivery standards with more training and better remuneration.

● (1720)

We're going to meet minimum federal government standards for official languages obligations, and we're going to service the growth of the urban aboriginal client base.

I'm just about done, sir.

The question is about the specific tax or spending program measures that should be contemplated. We believe the ASEP funding will ensure that urban aboriginal citizens have access to programs that will ensure they're healthy and that they have the skills and services they need.

Thank you.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Dinsdale.

[*Translation*]

We now turn to Mr. Ouellette, from the Canadian Alliance of Student Associations.

Sir, you have five minutes.

Mr. Phillippe Ouellette (National Director, Canadian Alliance of Student Associations): Good afternoon. Thank you for this opportunity to appear today.

The Canadian Alliance of Student Associations represents approximately 300,000 students enrolled in Canadian universities and colleges.

[*English*]

One must not look too far to appreciate the importance of post-secondary education within Canadian society. It develops an active, engaged, and productive citizenry, and it provides important career and monetary benefits to those who can access it.

Higher learning also has a central role in developing a healthy and prosperous economy. The role of higher learning in the Canadian economy will become increasingly prominent when Canada faces the impending labour crisis. In twenty years, the government forecasts that retirees will outnumber new workers by four to three. Although you have heard a lot of groups comment on research funding today, in order for Canada to compete in the global knowledge economy, the emphasis must be placed on the need for more highly educated graduates and skilled workers.

CASA believes that the federal government can effectively deal with the coming labour crunch if it fulfils two important roles. Number one would be to demonstrate government leadership by increasing federal funding, with the emphasis on access. The federal government cannot solve Canada's post-secondary problems without the collaboration of the provinces. This is why CASA believes that the federal government should work with the provincial and territorial leaders to build a pan-Canadian accord on post-secondary education.

Now is the time to build such an accord, as provincial and territorial leaders appear keen to do so. At the completion of the Council of the Federation's stakeholders summit in Ottawa in February, premiers agreed that post-secondary education is a national issue that requires a national will to address it.

The federal government should also demonstrate leadership in working with provinces and territories to review Canada's student financial aid system. The current system is doing a poor job of making education more affordable and accessible. In order for Canada to have a highly educated and skilled workforce, we cannot simply rely on educating those who traditionally go on to post-secondary. Those from low-income families and aboriginal Canadians are significantly underrepresented in our colleges and universities. This must change.

CASA is calling on the government to develop a plan to improve the participation of underrepresented students, especially aboriginal peoples, in post-secondary education. We need a student financial aid system that helps those who need it most. The problem with our current system is that there's a serious lack of cohesion and vision. The biggest expenditure on student financial aid in Canada is not loans or grants but untargeted initiatives such as tax credits and savings programs that are available to anyone, regardless of income or need.

The second role the federal government must fulfil in order to improve Canada's post-secondary system is increasing its fiscal contributions to the system. Our post-secondary system has been suffering from underfunding for over a decade. The province has been forced to cut support to colleges and universities. In turn, institutions have had to raise tuition, increase class sizes, and hold off on urgent maintenance. Tuition is now at an average of nearly $5,000, and the average student debt is over $35,000 when accounting for interest.

The government should make good on its election promise to create a dedicated Canada education and training transfer. In order to restore funding to the levels they were before the major cuts in the mid-1990s, CASA believes that such a dedicated transfer should be set at a minimum of $4 billion.

The federal government must also invest in targeted assistance to students who are underrepresented in our universities and colleges. CASA is calling on the government to expand the Canada access grant for students from low-income families. The current grant should provide assistance for all years of study instead of only the first year, and it should cover the realistic cost of the total cost of education.

Finally, for the past eight years, the Canada Millennium Scholarship Foundation has played an important role in improving the accessibility and affordability of post-secondary education. As you will hear before the conclusion of these committee sessions, the diverging positions of the many groups testifying will make it clear that the foundation is not without some controversy. Rest assured that the over 90,000 bursaries and $350 million that the foundation provides to students in high need each year is desperately needed in the system. Students of Canada worry that this assistance will disappear when the mandate of the foundation expires in 2009. CASA is calling on the federal government to renew the mandate of the foundation.

Canadians expect and deserve a high-quality post-secondary education system that allows all to have the opportunity to realize their full potential.

The Canadian Alliance of Student Associations believes that our suggestions today for the federal budget are reasonable and will help make this a reality.

Thank you.

● (1725)

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Ouellette.

From the Health Charities Coalition of Canada, Ms. Freiheit.

Ms. Deirdre Freiheit (Executive Director, Health Charities Coalition of Canada): Thank you, Mr. Chair, and good evening. Thank you for the opportunity to present to the committee tonight.

The HCCC represents the major health charities in Canada, in key areas that include research, information, surveillance, community and patient support, and public policy.

At some point in their lives, Canadians will bear extraordinary costs to maintain their health and well-being, usually as a result of what is commonly categorized as acute illness, chronic illness, and/or disability. The Income Tax Act needs to be reviewed in terms of its language with regard to how it delivers tax relief, to determine whether it is inclusive enough of those suffering from acute or chronic disease or disability. We have a number of recommendations for your consideration.

We first recommend that the qualifying expenses list within the disability supports deduction be replaced with a general statement of principle—namely, that eligible medical expenses would include all reasonable amounts paid for goods and services that are certified as medically necessary by a qualified medical practitioner. The narrow definition of disability supports devices in section 64 should be expanded. The current list is outdated. It can't keep up with new technologies, and some equipment on the current list is no longer being used, while new and more modern equipment is not on the list. We'd also like the committee to consider treating the medical expense tax credit as a deduction as opposed to a credit, to create fairness for those suffering from chronic illnesses.

Our second recommendation is that a taxpayer should be able to pay his or her spouse, common-law partner, or some other party who is not necessarily in the business of supplying attendant care. If the spouse leaves a paid position to care for his or her spouse, he or she should be given equal treatment under the act in order to provide that care. This change would enable Canadians to obtain help and assist them in being able to work and lead productive lives while coping with their diseases. Ultimately this would reduce the burden to the health system.

Third, we need more fairness in the administration of the credit for mental or physical impairment—formerly known as the disability tax credit—since current fairness provisions are extended only to certain types of assessments. We're asking to extend it so that taxpayers can informally challenge a ruling by a CRA assessor on their disability or the requirement for special devices. This would help taxpayers, or the charities that often assist them, make their case with an advisory committee. It would extend the fairness process to the disabled, who can be subject to arbitrary rulings under the current system.

We would also like the federal government to include national health charities in the federal indirect costs of research program. The current exclusion creates an unlevel playing field for the charities that invest in research. The program unfairly penalizes national health charities and the millions of Canadians who donate to them every year. It impedes charities' ability to fund research effectively by drawing an unfair distinction between funding from government and funding from national health charities. The charities rely on the prominent research and researchers that they fund to raise the charitable dollars needed to make health discoveries and generate cures. Donors rightfully expect that their donations will be put directly towards life-saving research, not to university indirect costs. Should the charities have to pay indirect costs from donor dollars, Canadians would effectively be double-taxed, once through their tax dollars and a second time through their donations to charities.

We'd like the government to also consider investing in a publicly accessible clinical trials registry. Registration of clinical trials promotes greater accountability, transparency, and research excellence. The cost to create a Canadian clinical trials registry would be prohibitive, but international registries currently do exist. We're recommending that all clinical trials be registered through an international registry that meets the WHO requirements.

We would like to recommend that the government implement the recommendations of the Senate Standing Committee on Banking, Trade and Commerce in their special study on charitable giving, completed in the 38th Parliament. Four areas have not been implemented. First, the requirement for charities to issue charitable receipts for donations of less than $250 should be unlimited, unless specifically requested by the donor. Second, eliminate the requirement for taxpayers to file charitable receipts if the charitable donations they are claiming do not exceed $250. Third, allow donors to make charitable contributions for 60 days beyond the end of the calendar year for inclusion in that year's income tax return. And fourth, allow donors to carry back unused charitable receipts for three years and to carry forward unused charitable receipts indefinitely.

We'd also like to recommend that the government institute a fair and equitable grants and contributions program for the voluntary sector. We supported Imagine Canada's submission to the blue ribbon panel, entitled “Investing in Citizens and Communities”, and we'd like you to consider the recommendations outlined in that submission.

Thank you for your time. We've submitted a full brief for your review. If you have any questions, we'd be happy to answer them.

● (1730)

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Ms. Freiheit.

We'll now allow the members to ask some questions. We'll go around the table, starting with Mr. Savage, then Monsieur Crête, and then Mr. Turner.

Mr. Savage.

Mr. Michael Savage: Thank you, Chair.

Thank you to all the witnesses.

I've got a few questions, so if it's at all possible to be brief, I would appreciate that.

Mr. White, I wasn't aware that the museum cuts were announced yesterday. Of course, there was quite a list of cuts, and I didn't get to all of them, I guess, but can you tell me how much notice you got of these cuts?

Mr. Calvin White: The cut to the museums assistance program was $4.6 million. The museums assistance program is an interesting program. There are dozens and dozens of projects across the country. Museums right across the country get assistance. It doesn't pay for everything, but it is assistance, and that ranges from a few thousand dollars to tens of thousands of dollars.

Mr. Michael Savage: When did you find out about the cut?

Mr. Calvin White: Yesterday.

Mr. Michael Savage: But you weren't involved in any discussions or—

Mr. Calvin White: There was no consultation.

Mr. Michael Savage: That seems a little harsh.

Mr. Calvin White: It does.

Mr. Michael Savage: So where do you go from here? What does that mean to you?

Mr. Calvin White: That's why we're here speaking with you.

Mr. Michael Savage: Well, on the off chance that the government doesn't have a sudden attack of generosity or common sense—and I wouldn't hold my breath—what do you do? What does that mean to you?

Mr. Calvin White: I'll let Mr. McAvity talk about our strategy.

Mr. John McAvity: I just wanted to add a key point, Mr. Savage. The cuts came right out of the blue, as it were, to us. We had been under the impression right up until then that museums were being considered a priority, both by the party and by the minister, and given the recommendations that have come from two standing parliamentary committees. So we were completely at a loss to explain these cuts.

That's about the best I can do. We were expecting to see a new investment and a new policy to meet the needs of today's institutions, museums, and the Canadian public.

● (1735)

Mr. Calvin White: We will be requesting a meeting with the heritage minister to discuss where they're going with museums policy.

Mr. Michael Savage: Okay, thank you. And good luck with that.

CASA gentlemen, it's nice to see you again. As usual, you've come well prepared, with some recommendations.

I recall meeting with you in my capacity as chair of our caucus on post-secondary education last year. I think the schedule was that CASA was meeting the week the economic update came down, and you came to see me with four recommendations. Two of them had really already been included in the economic update, and I think needs-based grants was one and a review of the student loans was another.

I want to go back, because the package that came in and was introduced in the fall, unfortunately, did not get adopted before the election. It was a pretty massive investment, specifically in students assisted in a needs-based system, for low-income Canadians, persons with disabilities, and aboriginal Canadians. It had followed on Bill C-48, which was much ballyhooed, but which in fact had a much lower investment in access, though it was specifically designed for access, as I recall. What has happened to that?

Mr. Phillippe Ouellette: Thank you, Mr. Savage.

From our understanding, all of these funds have been placed into an infrastructure trust, and the legislation on Bill C-48 read as follows:

> for supporting training programs and enhancing access to post-secondary education, to benefit, among others, aboriginal Canadians

So absolutely, we're still waiting to see. You saw in our brief that one of the things we're looking for is the improvement of access for underrepresented students, including aboriginal students, on whom those funds don't appear to be spent. They're spent on infrastructure, which is still important for the system but not necessarily what the bill had recommended.

Mr. Michael Savage: I think we all agree that infrastructure is important. The economic update had $1 billion for infrastructure, which was matched in the budget, but all the rest of it, which totalled some many billions of dollars, specifically for access for Canadians most in need, seems to be gone.

I've always been a fan of the dedicated transfer. You're asking for the dedicated transfer. You're also suggesting that the federal government does have a role in needs-based grants. My question on the transfer has become that it doesn't close the gap in my fiscal imbalance, which is between Alberta and Nova Scotia. I think that's the real fiscal imbalance in Canada. If the money goes out in a dedicated transfer, either on a per capita basis or even on a per student basis, which would help Nova Scotia.... I think Acadia and some other universities in Nova Scotia, where the tuition is close to $8,000 a year, are members of CASA. Isn't there a bigger role for the federal government to go directly to students, especially those most in need, so that we can, as an earlier panellist said, maximize the human potential of all Canadians?

Mr. Phillippe Ouellette: I think that's a really good question. I think there's a role for both. I believe this idea of trying to accomplish and solve the post-secondary education crisis without the collaboration of the provinces is obviously not the proper route. There needs to be an increased effort by government to come to the table with provincial government officials, to call a first ministers conference on post-secondary, and to go for it. These tax credits, for example, would be going directly to students.

Mr. Michael Savage: How much is the tax credit itself?

Mr. Phillippe Ouellette: I think it's a total of $2.5 billion.

Mr. Michael Savage: On an individual basis, I think it helps students, but it doesn't really help anybody get to university that otherwise isn't going to go. Is that a fair statement?

Mr. Phillippe Ouellette: Absolutely. I think it's not a front-end but a back-end issue. When individual students are looking into going to university or college, they're not going to be looking at the tax credits they're going to get; they're going to feel the sticker shock of the tuition.

I'd like to point out one more thing, which I think is really important here. There's an enormous lack of congruency between the provinces right now. You have provinces like Nova Scotia whose tuition is $2,000 more expensive than the average. This is where the federal government I think really has a role to come in and say, “Listen, let's build a national strategy”. And it's getting out of hand. There are debt loads that differ according to provincial tuition, and I think this is going to become a very large concern as the system stratifies itself even more.

Mr. Michael Savage: I couldn't have said that better myself. That's well said.

Ms. Freiheit, the HCCC, which I think is a great organization, has done a lot to bring the health charities together so that they can speak with a common voice to our government. I've spent a lot of time in the last number of years with the Heart and Stroke Foundation.

On the issue of indirect costs, I agree with you. In fact, it's almost that we have invested so much in research at the university level, whereas years ago we couldn't get grants from the MRC; there wasn't enough money federally. Now, in fact, the Heart and Stroke Foundation and others are having challenging times getting research, because it's going to universities, which get the 22%, and maybe eventually 40%, in indirect costs. I'd look for anything else you want to say on that.

The other thing is that you espouse a policy that I absolutely support, which is making donations to charitable organizations equal to those of political organizations. I think that's great.

● (1740)

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Savage.

Mr. Michael Savage: Thank you, Chair.

The Vice-Chair (Mr. Massimo Pacetti): *M. Crête, vous disposez de sept minutes, s'il vous plaît.*

[*Translation*]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup): Thank you, Mr. Chair.

We are just as surprised as you are, Mr. McAvity and Mr. White, with the government decision to cut back Canadian museums' budgets. Before me, I have the Conservative Party of Canada's answers to a questionnaire that you sent them, a questionnaire that was probably sent to all other parties as well, last December during the electoral campaign.

The third question reads as follows:

> 3. Do you, along with your party, support investing an additional $75 million per year as needed to implement these recommendations?

The Conservative Party answered the following:

> The Conservative Party of Canada supports stable and long term funding for Canadian museums. We believe that it is important to ensure continuity in programming and that stable and predictable funding is necessary to this effect.

Allow me to emphasize the words “stable and predictable”. Further along, it reads:

> Canadian museums [...] are increasingly crippled by underfunding [...] rest assured that a Conservative government would make generous funding of Canadian museums a priority.

When you compare the answers given here by the Conservative Party during the election with the announcement of budget cutbacks made yesterday, what is your reaction? I would like you to talk to us about the impact of these cutbacks. We are talking about a reduction of $4,630,000 over two years, which represents 25% this year and another 25% next year. Given that six months of this fiscal year have already lapsed, the effect of these cutbacks will be devastating.

[*English*]

Mr. Calvin White: We are surprised and shocked. We would have thought, because there were a lot of discussions over several years, that there would be some discussion with us so that they would have our feedback beforehand, and maybe we could have had some influence. It is a big surprise for us.

Mr. John McAvity: Another reaction our community has had is that we seem to be grouped with a number of organizations that are now considered to be wasteful, inefficient, and not delivering appropriate services. That, to us, is a complete surprise.

The general public certainly thinks, and I think most people believe, that museums—like libraries, like universities, like other public institutions—are important and fundamental to a well-civilized society. The kind of damage that can be done this way can have a long-term systemic impact on our fundraising ability as well.

I sincerely hope that label does not apply; I do not think it applies. I know the museum community. I've worked in this community for close to 30 years; I know virtually all the institutions in Canada and the people who work in them. These are good, honest people who work hard for very low salaries because they're committed to preserving our history, to sharing our history and our values to people in the communities and people in the world.

[*Translation*]

Mr. Paul Crête: Can you give us concrete examples of the repercussions of these cutbacks this year and next year? Mr. White talked about the money given to the association, obviously, but also about the money that is directly given to individual museums, amounts that vary considerably.

Do you have examples of choices that will need to be made over the next two years?

[*English*]

Mr. John McAvity: Quite simply, what will be happening is instead of having exhibit openings, we're going to have exhibit closings. Museums are going to close. We've already seen that. In Quebec City, le Musée d’art Inuit Brousseau closed last year. It was a terrific museum dedicated to Inuit art. President Chirac visited it when he was in Quebec City. We've seen this with other small communities across Canada.

We're going to see staff dwindling. We believe further cuts are coming in such areas as student employment. There is an excellent summer student employment program through museums, art galleries, art archives and libraries. We believe cuts are coming to that.

I think the bigger, longer-term question is really our commitment to our culture and our heritage. I think Canadians, and you as parliamentarians, need to ask that question. Is our culture, our heritage, important to us? If it is, at what price, and how do we finance it?

We believe our recommendations were well founded, were arrived at through wide consultation with our community, were widely accepted, and were for the most part very reasonable. We were not expecting the federal government to do everything. We see that we have a responsibility to be efficient and practical in what we do to raise attendance and raise our own revenues. Over 59 million visitors attend our museums each year or over half a million people who are card-carrying members of our institutions. These are very tangible results of success and of popularity. In one public opinion poll after another, 85% of people support the museums and want to see increased funding, and 65% of our international visitors visit our museums.

● (1745)

[*Translation*]

Mr. Paul Crête: For the government to have made such a decision, were you setting aside unused funds over the last three or five years? Did you receive a negative government assessment on the impact of museums?

[*English*]

Mr. John McAvity: The Department of Canadian Heritage did bring in a very innovative program that would help cultural institutions develop endowments. It was a very practical step. This was, I'm afraid to say, under a previous government. However, they excluded museums from that program, so we have not had the tools and mechanisms by which to develop long-term tools. These were matching components for endowment building.

Otherwise, in terms of developing our support, we've built gift shops. We've maximized on those. We charge admission. In the United Kingdom the government has withdrawn admission to the museums because it wants them to be free and accessible. We, on the other hand, are charging. Sometimes we have a free day so that people of low income can attend, but we want to make our museums open. We want to show things to people. We're not out being offensive. We support our first nations; we want to tell the story of our first nations. We want to tell the story of our communities across Canada, of the differences in this country, so that we can see the similarities between people. We want to show our artists and support our artists. We want to talk about minority groups—for example, the Muslim community in Vancouver. The Museum of Anthropology at the University of British Columbia was very successful—

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. McAvity.

Mr. John McAvity: There are bridges to be built. That's my point.

[*Translation*]

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Crête.

Mr. Paul Crête: Are my seven minutes up?

The Vice-Chair (Mr. Massimo Pacetti): Yes. Seven minutes go by quickly when you are invited to the finance committee.

Mr. Paul Crête: Thank you.

The Vice-Chair (Mr. Massimo Pacetti:) Mr. Turner, you have seven minutes.

[*English*]

Hon. Garth Turner (Halton, CPC): Mr. McAvity, apparently some announcement was made today with regard to funding for museums. We're just chasing right now to see what the particulars are, so before you sit there and ask, “What's our culture worth and are we willing to pay for it?”, I think you should temper your language a bit.

Mr. John McAvity: It would be most welcome to hear some good news. We haven't had any for quite a while.

Hon. Garth Turner: I hope you heap as much praise upon us as you have heaped crap in the last few days.

Mr. John McAvity: We work very closely with all political parties.

Hon. Garth Turner: Very good.

All right. Frank Stokes, we've worked together a little bit on the pension splitting issue. I'd like you to give some of my colleagues a little insight here. A coalition or an umbrella group has come together. You're one little piece of that, correct?

Mr. Frank Stokes: Yes, that's right.

Hon. Garth Turner: Fill us in on the bigger picture. Who's behind this?

Mr. Frank Stokes: Canadian Activists for Pension Splitting is only one of 16 organizations that have come together in a common front to advocate for pension income splitting. It's not a coalition. These organizations are all doing this independently, and I believe they represent about two million Canadian members.

Hon. Garth Turner: So how easily and quickly did this umbrella group come together? How widely spread in the pensioner community—if there is such a thing—is this issue right now?

● (1750)

Mr. Frank Stokes: Some years ago, I believe the Retired Teachers of Ontario were the first to take on this lobbying. They were joined next by the Georgian Bay chapter of CARP, and then CARP national. That's something of an early history of it. More and more organizations are joining all the time.

Hon. Garth Turner: I'm thinking about in the last few weeks. Right now, is this a big issue among people who are retired? Is it on the scale of things...?

Mr. Frank Stokes: Certainly. The amount of money it costs a Canadian pension couple to have widely unequal incomes can easily equal their property taxes. In my case, for example, the amount of money I pay in income tax yearly compared to any other couple of the same total household income, simply because my wife and I have widely different pension incomes, is equal to my property taxes of $2,400.

The largest percentage that unequal-income pension couples pay extra in income tax is about 45% to 46%, and that's in the $32,000 household income range. In other words, where spouses are getting $21,000 and $11,000 respectively, that couple is paying about $600 more income tax yearly than a couple of the same household income who are getting $16,000 each.

Hon. Garth Turner: Here's another question. You've heard all these presenters here this afternoon. We heard a very compelling case for the students of Canada. We heard a compelling case for the National Association of Friendship Centres. We heard compelling cases from a lot of people here. Some people say you're nothing but a bunch a high-income old retired people who are greedy. How do you respond, Frank, because it's something that comes up? Why should we be letting you off the tax hook? What's the justification?

Mr. Frank Stokes: It's an equity issue. This stems from a basic problem in Canada's income tax formula. That has been debated at least since the Carter commission in 1966, which recommended that income tax be based on family income. Canada's personal income tax system is based on taxation of the individual rather than the couple, family, or household. We also have a progressive tax rate system, where the greater an individual's income, the higher rate of tax he pays. Those two factors combined cause this very great difference in the income tax paid by very unequal-income couples and equal-income couples.

This basically discriminates against the traditional family lifestyle of the breadwinner and homemaker.

Hon. Garth Turner: Okay, Frank, thank you.

Jeremy, I was impressed by your plan. I think you have a tremendous kernel of an idea here that takes a problem for the federal government and essentially privatizes it, removes the risk, and gives some benefit to students.

Did you dream this up on your own?

Mr. Jeremy Amott: Yes, sir.

Hon. Garth Turner: Have you consulted within the industry on it? Have you talked to some actuarial people, some underwriters?

Mr. Jeremy Amott: Yes. As far as the insurance industry is concerned...before I got it to the level of trying to make it work for the federal government, I had some interesting conversations in legal offices in Toronto on the insurance side to make sure that insurable interest is present within the model, as it now exists. Basically the model can be adjusted and formulated to any kind of strategy you want, based on the math I'm using.

● (1755)

Hon. Garth Turner: I think it's a very good idea; there's a lot of substance there. Our committee and I think most people in the political system tend to put a little more weight on groups than individuals. Have you given some thought to taking this to the Canadian life insurance industry?

Mr. Jeremy Amott: I'm in the life insurance industry right now, Mr. Turner. I'm a licensed—

Hon. Garth Turner: Right, but I mean to your industry association? Can you get some backing? I'd like to see this given—

Mr. Jeremy Amott: I'll explain to you how it's working, and I understand what you're trying to do to give this thing some credibility. Since this is such a large task, essentially what I'm trying to do is sell life insurance to first world nations.

What I have to do first is think creatively of a way to sell first world nations life insurance. Then I think of a way that they might actually like it. But before I can actually go back to access the resources from the life insurance industry that normally become available to brokers when they're dealing with clients on a client basis, I have to take this to the level and get some kind of interest or some kind of nod—

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Amott.

If there's any information or additional information you can forward to the committee through the clerk, we'd appreciate it.

Mr. McAvity, I'd like to apologize, because I didn't hear the words until afterwards.

Mr. Turner, I don't accept that kind of language. That's not very parliamentary—

Hon. Garth Turner: I'm sorry.

The Vice-Chair (Mr. Massimo Pacetti): The witnesses are here to testify. If you don't agree with them, you can say so. But I don't think this committee is a forum to abuse them by using unparliamentary language.

I will go to the next MP, Mr. Bevington, for seven minutes.

Mr. Dennis Bevington (Western Arctic, NDP): Thank you.

My question would be for Mr. Dinsdale, or I'll start off with him.

In terms of some of the recommendations you have in here with the friendship centres, I'm interested in the advancement of aboriginal children in the head start program. Maybe you could clarify some of the details around that program.

Mr. Peter Dinsdale: Sure, the aboriginal head start program is obviously geared to aboriginal children aged zero to six in communities, basically to have access to pre-education programs, cultural programs, and to give them a better head start in the education system by addressing some of the challenges they're facing.

Currently it's not widely available in urban communities across Canada, which is a great challenge, in all honesty, because the majority of aboriginal people live in the cities.

So I would recommend the expansion of the head start program to the committee in order to have an impact on these young people, as they grow up and go to school, and make sure they finish high school and have an opportunity to engage in some of the benefits we're hearing about elsewhere in the post-secondary field. This is one obvious way of making sure that early learning is reaching people in urban aboriginal communities across Canada.

Mr. Dennis Bevington: Yes, I note in my community that there is an aboriginal head start program in action in the Northwest Territories. My grandchildren attend it, and they have made remarkable progress.

They're actually looking at how they can open it up to the whole community as well. Of course, early childhood education is a gift, and I certainly think you should work very hard to promote this part of your program and this effort.

In terms of the role of the native friendship centres within the hierarchy of aboriginal organizations, perhaps you could elaborate a bit more on that, so we can see where we could take it.

Mr. Peter Dinsdale: Sure. Do you mean with respect to the other national aboriginal organizations, sir?

Mr. Dennis Bevington: Yes.

Mr. Peter Dinsdale: We are not one of the five big national aboriginal organizations, which are kind of recognized....

Certainly under the previous government you saw that recognition through their inclusion in the first ministers process, in which we were not included.

There are five, and they purport to be representative bodies, representing certain segments of the aboriginal population.

Frankly, we try to steer clear of that debate entirely and serve people in communities where the needs are. We are not affiliated with any of the five political organizations in any structured and organized way. We are a service delivery body, and we do not purport to represent anyone.

That said, we're beginning to work on some relationship-building with the existing national aboriginal bodies. We've signed a memorandum of understanding with the Assembly of First Nations, the political voice for first nations citizens in this country. We're working on similar relationships with the Métis National Council, which is a representative body for Métis peoples, and the Inuit Tapiriit Kanatami, the Inuit organization.

But formally we are distinct organizations and don't purport to represent anyone. We're too busy serving people on the ground, sir.

● (1800)

Mr. Dennis Bevington: Are those relationships hindering you in achieving the kind of funding levels you require, especially in the urban communities?

Mr. Peter Dinsdale: Well, I think what has been hindering us is the relationship, frankly, we've had with the federal government and federal departments. Any time any aboriginal program or service delivery issue is contemplated, too often the response is, “Let's talk to the political people, to the exclusion of all others, about how we address the service needs of people in communities”.

For instance, the Kelowna accord on education talked about the need to increase standards to provincial levels, to have first nations school boards in urban areas, and to have Métis bursaries, all of which we naturally agree with. We would have argued the need for alternative schools in urban areas, for expanding the head start programs, and for finding a way to have young, single aboriginal women get back into school and to finish. They're just different approaches that we would have taken to the issue.

So have the representative bodies prevented us from actually accessing funding? Not formally, but I think the federal government's response to the aboriginal questions and its ignoring of the urban aboriginal challenge, broadly, has certainly been a huge barrier for us as an organization, sir.

Mr. Dennis Bevington: I have a question for Mr. McAvity. What's the total funding that the federal government now gives to the museums across Canada?

Mr. John McAvity: It's approximately $30 million per year, in total. That would include the museums assistance program, which is the one we've been largely referring to. It's the principal funding program. There are a variety of smaller programs. For example, there are programs on youth employment, there are technology programs—there's something called the Virtual Museum. Then there are services such as a conservation institute here in Ottawa and the Canadian Heritage Information Network.

Mr. Dennis Bevington: So this is really one of the main programs that reaches to the rest of the country.

Mr. John McAvity: It's the main program. This is the program that has been designed for museums to serve museums for being museums, as opposed to museums applying to other programs, which of course they do—you know, literacy development and other areas of that nature.

Mr. Dennis Bevington: And this program used to be used to fund museums on a multi-year basis.

Mr. John McAvity: Yes. It never provided operating support, much to our chagrin, but it did provide valuable project support.

I have a list here of grants that were made in the past year. I haven't actually calculated all of this, but on average, these are grants of $30,000, $40,000, to places such as the Nova Scotia Museum, various first nations groups in Nunavut, the Art Gallery of Hamilton, the Red Lake District Museum and Archives, Musée d'art de Joliette, and so on.

Mr. Dennis Bevington: Great.

So we see the overall nature of that across the country. Thank you.

The Vice-Chair (Mr. Massimo Pacetti): You have 20 seconds.

Mr. Dennis Bevington: Regarding the disability tax credit, I think you're on to something there, and I'd like you to elaborate a bit more on that.

Ms. Deirdre Freiheit: The disability tax credit is a fairness issue. We think it's just a matter of fairness. If you have single assessors, through the CRA, they may not be able to assess a person's disability in quite the same way as an advisory committee could. It wouldn't cost a lot of money to do that, but it might be more fair. For example, they might have a broader view, or knowledge provided by an advisory committee that would have broader expertise, and would presumably have knowledge about chronic diseases, because that's where the inequity comes into play.

The current reviews are subject to the assessor, and they follow the criteria that are outlined, and we believe the criteria are too narrow. So if there were a place they could go, like an advisory committee, it would save them from having to go to Tax Court.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Bevington.

We're going to five-minute rounds.

We'll have Mr. Savage, Monsieur St-Cyr, and then Mr. Dykstra.

Mr. Michael Savage: Thank you, Chair.

I want to go back to the HCCC. I threw something at you and then I didn't give you a chance to respond. You talk about equity. It seems to me that putting charitable donations on an equal footing with political donations would be an issue of equity. Certainly I think most people would agree that if people in the not-for-profit sector made the laws instead of the politicians, it would be reversed. And I think a lot of Canadians would think that might make sense.

I know you're just flagging that for us; you're not aggressively pushing that. But it seems to me it's something that has some merit. Do you have any early sense of what that might mean in terms of money for HCCC and their member associations?

● (1805)

Ms. Deirdre Freiheit: That's exactly why we're just flagging it, because we do need to do the research on that. It could be quite prohibitive, but I think we need to take a look at it. Certainly it has been raised by groups other than ourselves, and again, it's to take a look at it as a fairness issue. Really, the intention would be to help Canadians who want to invest their after-tax dollars in health charities, to give them the opportunity to do that and put that on a level playing field.

We are just in the early stages of looking at this. I'm sorry I can't provide you with more information at the moment.

Mr. Michael Savage: Thank you for the other recommendations. I think they're quite specific.

Let me go back to my friends at CASA for just a second.

I think we've covered a good discussion of the real need in Canada. This whole consultation that we're doing as a committee is really about competitiveness and taking advantage of the opportunities that Canada has in a rapidly changing world, and certainly maximizing our human potential has to be number one among that.

On the whole issue of post-secondary education—and I include community colleges, obviously—skills upgrading, training, and apprenticeships, there is a lot of work we need to do. I think the number one need is a needs-based system.

Beyond that, though, you mentioned the Canada millennium scholarship, and you indicated that not everybody would necessarily agree. I know there is another student organization in Canada that would basically say scrap it, but you have some reasoned points of view here and I appreciate that.

I'd like to talk about the whole area of student financing, over and above needs-based grants. We have student loans. We have an amalgam of programs across the country, provincial and federal. Do you have a sense of what we should do with student financing? Is there something innovative that you guys can recommend we do in handling student loans, and specifically the ever-increasing burden of student debt?

Mr. Toby White (Government Relations Officer, Canadian Alliance of Student Associations): First of all, what you need to do is focus on what you should not do, and that's this continual reliance on tax credits as a form of student financial aid. It's not just the federal government that's guilty of that; it's a lot of the provinces as well. You actually see more than half of the money that's budgeted right now for student assistance in Canada, both at the federal and provincial levels, being done through tax credits. That's money that is back-ended. It doesn't go into students' pockets when they need it, and a lot of the time it doesn't even go into students' pockets. So I think a change of strategy towards more concrete, upfront forms of student financial assistance is important.

There are two things you need to look at: getting the money to people who need it, so targeted funding to those from backgrounds who don't normally go to post-secondary education, and just general needs-based funding as well; and secondly, an increased focus on grants, because you mentioned that there is a significant problem with student debt right now.

There has been some new research come out in the past few months that says student debt is a big contributor to people actually dropping out of the system. There are many unfortunate cases where people spend a lot of money on post-secondary education and don't even get that credential because they're so concerned about their debt.

Mr. Michael Savage: I want to get one other point in.

I think what you're advocating is an entire overhaul of student financing, to bring it together and make it make sense.

I suspect that we as MPs have all met people in our communities, young people who may have some kind of disability, who have gone to high school and graduated with a real sense of momentum and worked with their classmates, and all of a sudden it's like they fall off a cliff. As a nation, we do a lousy job, in my view, regardless of government, of taking those people and allowing them to reach their maximum capacity.

Have you any thoughts as to what we might do to help persons with disabilities take their rightful place in Canada?

Mr. Toby White: First of all, what you said is correct. We do need to look at the system as a whole, overhaul the system and have a review. We can't just tinker with it. We can't just deal in small programs. I think it does need to be overhauled, and needs-based assistance is the way to go, so looking at different communities and not treating them all the same way. Obviously, disabled students, aboriginal students, and low-income students have different needs. In general, grants are the way to go, but you need to target those grants toward specific communities.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Savage.

Monsieur St-Cyr.

[*Translation*]

Mr. Thierry St-Cyr: Thank you, everyone. I have many questions to ask. I will try to be quick in order to talk to as many of you as possible.

I have a question for Mr. Stokes. In preparing your documents, did you come across a study that evaluated the costs and the number of couples who would be affected by this measure?

● (1810)

[*English*]

Mr. Frank Stokes: No, we don't know the number of couples affected at this time, but there was a study done by the parliamentary library that revealed the cost of pension splitting as $300 million a year, and that is contrasted to its finding on the cost of general income splitting, and that is $3 billion a year.

[*Translation*]

Mr. Thierry St-Cyr: Thank you very much.

My question is for Mr. McAvity, from the Association of Canadian Museums. I find it interesting to compare expenditures for cultural institutions, which have fallen by 4.5% for 2004-2005 and 2005-2006, to national defence expenditures, which have risen by 5% during that same period. It is quite eloquent as to our governments' current priorities. In more concrete terms, I would like to hear you comment on yesterday's announcement of the 25% budget reduction this year, for the remaining months. In concrete terms, what effect will these cutbacks have on museums?

[*English*]

Mr. John McAvity: We anticipate that there will be staff layoffs, that there will be closures, that there will be fewer exhibitions, and I think most importantly that our heritage will be simply neglected and will continue to crumble and disappear.

[*Translation*]

Mr. Thierry St-Cyr: Thank you very much.

I have kept my last question for Mr. Ouellette from the Canadian Alliance of Students Association. I was involved myself for a long time in some associations, not so long ago, as you can probably guess. I remember that at that time we were hearing about the Millennium Scholarships. Quebec had a good bursary system. So we asked for that money to be simply given to the Quebec government so that it could improve the existing system, rather than having another layer at the national level that would have different objectives.

If I understand your proposal correctly, you still want to see the federal government involved in improving scholarships and therefore involved in the education field.

Do you agree with the Quebec student movement, which is calling instead for a special status? If the rest of Canada wants to do things differently, it can choose to do so, but people are asking that the federal government not interfere with what is being done right now in Quebec, and that the money be given to the Quebec program.

Mr. Phillippe Ouellette: That is a good question. The Canada Millennium Scholarship Foundation negotiated a contract with the provinces. The foundation's representatives go to each province, develop a strategy and sign a contract with the province. That is what happened in Quebec. The same cannot be said for Human Resources and Social Development Canada. In that case, there were no negotiations with the Quebec government. I believe that the work of the Canada Millennium Scholarship Foundation reflects the kind of federalism that students in Quebec want to see. They want the kind of federalism where the federal government goes to each province and decides on the funding that will go to students that need it most. That it what was done in Quebec.

Mr. Thierry St-Cyr: A lot of student associations in Quebec have told me that the Canada Millennium Scholarship Foundation lacks transparency. I do not think that things have worked as smoothly as you say. There were major negotiations that were very difficult, and the Quebec government, in order to get the money, often had to give in, and accepted constraints.

Is it normal that the system governing loans and scholarships in Quebec should be determined by the board of directors of a foundation headed by unelected people, who are not accountable to Parliament and whose books are outside the auspices of Parliament, rather than elected officials in Quebec?

Mr. Phillippe Ouellette: I think that it is true. We do not claim that there are no problems with the Canada Millennium Scholarship Foundation. We do feel that its accounting practices should be improved. On the other hand, it works, and every province receives funding.

I want to point out something else, which is very important. The government changes every year. A foundation cannot change like a department or program. The mandate of the Canada Millennium Scholarship Foundation has not changed.

● (1815)

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. St-Cyr.

Mr. Dykstra, you have five minutes.

[*English*]

Mr. Rick Dykstra: Thank you. I do have one question for Mr. Amott in regard to the program and its concept, and following up a little bit on what Mr. Turner asked. The one issue I have that sits in my mind and makes it extremely difficult to get past the first hurdle is my sense that this is a connection between a student achieving or getting a particular loan from the government and the way in which he or she may pay back that loan by signing off an insurance. Could you take me through that to make sure that's not what it is?

Mr. Jeremy Amott: It doesn't act that way at all. There's no moral hazard with this plan. When a Canadian citizen between the ages of 24 and 27 sits down with their insurance representative of choice or perhaps walks into an office to talk about this idea, basically what's happening is they're going to sign off. It's a selfless act of kindness. The participating citizens are throwing out a lifeline in every direction except to themselves. And they'll fully understand that before they agree to be part of it.

Mr. Rick Dykstra: Okay.

One of the things that perhaps would help in terms of clarification, both to Mr. White and Mr. McAvity, is the point that the announcement that was made yesterday would not in fact affect smaller museums. It was more focused on the larger museums. In fact, smaller museums don't even fall under the funding program that was cut yesterday. I wanted to follow up on Mr. Turner's comments. In fact, there was a small announcement today of support for a museum in the north. I wanted to make you aware of that and perhaps do a little bit of follow-up over the next few days, if necessary.

I also want to follow up with both Mr. Ouellette and Mr. White. I have a university in my municipality. In fact, I think I'm developing a pretty good relationship with the student union there, which may not have occurred in the past, and I want to continue to do that.

I'm not sure if you guys have thought about this, but one of the questions that comes up—I know this is a broader point—is, where does our responsibility for students, or all of us who are going to attend university, start and where does the government's responsibility end?

Mr. Phillippe Ouellette: As we've stated in some of the discussion so far, obviously it's not only in the system. We first have to look at those who aren't accessing the system. It starts very early for both lifelong learners as well as people coming out of the K-to-12 system. How are we going to ensure that all can access the system? Obviously, there have to be some pathways to aid and facilitate that.

The second issue is obviously within the system, and that's what the current government has looked at with tax credits and has provided the appropriate funding to students for.

I think the third big one, which is one that is obviously a big concern for us because we're dealing with the student debts at the end of our studies, is the day after graduation. You have $35,000 worth of debt, so what's the next step? I think you really have to be there the whole way through the educational experience and higher learning.

Mr. Rick Dykstra: To follow up on that, one of the things...and I know the whole aspect of trying to tie the provinces to transparency and making sure that whatever dedicated moneys are there from the federal government to the provinces, you realize.... Maybe you will respond to this very briefly, if you could, that that type of transparency, obviously, will take quite a negotiation, and it isn't going to include only education. It's going to include health care, and further down the line try to hit a fiscal balance that has obviously been a struggle to try to find over the past number of years.

Mr. Phillippe Ouellette: I think you're absolutely right. We're aware that it's going to be very difficult. We know it was done for health care recently and we hope it can be done for education as well. It's time to do that. But I guess the bigger issue is, let's stop trying to see each jurisdiction trying to solve the post-secondary access problem by itself. There really needs to be a push toward building this, and I think the first serious step is the first ministers conference on post-secondary education. I think it would be a good first step.

● (1820)

The Vice-Chair (Mr. Massimo Pacetti): Thank you.

Mr. Dykstra, you have ten seconds.

Mr. Rick Dykstra: That's fine, thank you.

The Vice-Chair (Mr. Massimo Pacetti): Mr. Del Mastro, and then we'll wrap it up.

Mr. Dean Del Mastro: Thank you, Mr. Chair.

I'd like to go back to the Canadian Alliance of Student Associations.

Maybe you have given some thought to this. It's something I struggle with, and a lot of people do. What is a reasonable amount students should have to pay for their education? What do you think it should cost annually? Do you have a number?

Mr. Phillippe Ouellette: That's a difficult question to ask. Our membership has tried, and the students have tried, and a number is very difficult. Unfortunately, I'm not going to tell you a number, but I can give you a statement.

The statement is that any academically qualified student who can attend and would like to attend post-secondary education should be able to do so without facing undue barriers that would prevent him or her from doing so, and that includes financial barriers. We're not just talking about financial. We're talking about other barriers. Students with disabilities is a good one.

Mr. Dean Del Mastro: I agree with you. My mother is a former financial aid officer at Trent University, and when I graduated about 12 years ago I owed about $26,000, so I can relate to where you're coming from.

At some point we need to determine the student's contribution. In some cases it's a parental contribution, and they're not encumbered by any debt. Making loans more easily accessible isn't necessarily the answer to everything, but reform of the loan system, of the way it works, would achieve quite a bit of what we're looking for, and in coordination with better funding it would get us to where we need to go.

I don't like the exclusions in the loan process. Maybe you could talk a little bit about that. A lot of people don't qualify for loans and they don't have the ability to pay.

Mr. Toby White: Those are all really good points.

Part of what we're talking about when we talk about a review of financial assistance is loans. We need to commend both this government and the previous government for making changes to parental contribution requirements in the student loan program. We'll have to wait a few years to see the actual effects, but we're hoping that's going to allow a lot of those students who...and there are students for whom loans are a good way to help get them into the system. We're hoping to see some positive changes from that.

You're referring to the needs assessment process too. It doesn't always accurately represent what students need in a grant or a loan to go on to post-secondary. It doesn't acknowledge different living costs in urban versus rural areas. There need to be changes, not just in creating more grants but changes within the loan system as well.

Mr. Dean Del Mastro: In Budget 2006 we made measures to approach that. I hope we'll continue to do so.

Mr. Dinsdale, I was very encouraged to hear you're actually transcending a lot of barriers in your outreach effort. You're working with first nations, recognized and otherwise. You're working with Métis. You're working with Inuit. I don't know of any groups that service all the groups, because they're fairly segregated from each other, aren't they?

Mr. Peter Dinsdale: They are and they're not. In urban areas across the country sometimes the artificial boundaries we put up between ourselves are just that, artificial, and very political in some respects. The people who come to our doors require services first and have affiliations with those notions second.

We've been doing this for 50-some years in many communities. There are other players out there. We're probably the biggest.

Mr. Dean Del Mastro: What are some of the major challenges off-reserve aboriginals face versus on-reserve aboriginals?

Mr. Peter Dinsdale: I certainly don't want to minimize what's going on within first nations communities, because some tremendous challenges need to be met. My depositions here are open. I'm not minimizing those impacts.

People are coming to urban areas. There are second- and third-generation aboriginal people living in urban areas who are still healing from residential school issues and the cycles of abuse and dependencies many of our communities find themselves in. We have a rampant teen-parent situation where it is almost the expectation that children of young mothers will be young mothers as well. We need to have a better learning culture in our communities, where we set a higher standard for ourselves.

The barriers are multi-faceted. They are getting better, and with better support we can even go further in addressing some of those challenges.

● (1825)

Mr. Dean Del Mastro: Thank you.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Del Mastro.

Before we wrap up, I have two quick questions for the Canadian Alliance of Student Associations.

What are your recommendations? Are you recommending we split funds from the Canada social transfer?

How would you recommend we distribute the additional money? Is it per capita, or do you have another solution?

Mr. Phillippe Ouellette: I think it hasn't been determined; it obviously would be at the discretion of what would be best for the constituents you're working with.

We would see this coming out of the Canada social transfer, obviously, creating something specifically dedicated to post-secondary education, the Canada education and training transfer. This would then place some ties on the provinces to say, “Listen, this money needs to be spent on post-secondary education, and we really think it's important to be spending it in these areas.”

The Vice-Chair (Mr. Massimo Pacetti): You don't have a preference for how that money will be distributed then. It would be through negotiations with the provinces.

Mr. Phillippe Ouellette: Yes; we would argue that it needs to be placed in a larger accord, accountable and transparent to the students and institutions that eventually receive the money.

The Vice-Chair (Mr. Massimo Pacetti): Okay, thank you.

Mr. Stokes, in terms of your proposal on the splitting of income, as an accountant I can tell you that the tax system is not built on splitting income. How do we make that recommendation? We can't legislate that the pensions be allowed to be split. How do we incorporate it into the tax system to allow somebody to split income, or to allow a couple to split income? You don't have that choice right now; whatever your T4 or T5 says, that's what you have to report on your income tax.

I don't expect an in-depth answer right now—you can get back to us—but if you do have something, go right ahead.

Mr. Frank Stokes: There are two ways here. One is to simply extend what CPP is already doing, where the government simply allows other pension administrators.... In my case, for example, when I originally asked the Ontario Teachers’ Pension Plan Board whether they could split my pension—I was sort of a guinea pig for the RTO—they told me exactly all the laws, provincial and federal, especially in the Income Tax Act, against attribution rules, mainly, that would prevent them from doing this.

So that is one way, that the pension administrator just simply sends separate cheques to spouses, as the CPP is doing now. That's not really favoured by a lot of advocates, because we would foresee a backlash from small pension administrators, small companies, because of the paperwork involved and so on.

The other way, which seems to be more favoured, is to simply put a few extra lines into the income tax return, allowing spouses to simply transfer, from one to the other, whatever income is necessary to equalize their incomes.

The Vice-Chair (Mr. Massimo Pacetti): Interesting.

Mr. Frank Stokes: You could call it joint filing, I suppose, or family taxation.

The Vice-Chair (Mr. Massimo Pacetti): Thank you for your thoughts.

Thank you to all the witnesses. We know you put a lot of hard work into your briefs. Thanks for taking the time out of your day to be here. It is much appreciated. These are long days for us, but we appreciate your input.

We're back tomorrow at 3:30—and apparently until 5:30, not 6:30.

The meeting is adjourned.

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