House of Commons
CANADA

Standing Committee on Finance

FINA • NUMBER 027 • 1st SESSION • 39th PARLIAMENT

EVIDENCE

Tuesday, October 3, 2006

Chair

Mr. Brian Pallister

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

http://www.parl.gc.ca

Standing Committee on Finance

Tuesday, October 3, 2006

● (0900)

[*English*]

The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)): I call the meeting to order. We are now in session.

We welcome our guests today, and we very much look forward to your presentations. Thank you in advance for the briefs you've submitted to us. We appreciate them.

I'll just briefly explain that we are preparing recommendations to the finance minister for the upcoming federal budget. Our responsibilities involve hearing presentations across Canada. We're very pleased to be here in Vancouver and to get the perspectives of British Columbians on issues.

As you know, we allow five minutes for each presentation. I will give you an indication when you have a minute remaining, if you choose to make eye contact. At the five-minute mark, I will cut you off, and then of course, after your presentations, we'll move to questions from the committee members. I look forward to that exchange.

Welcome.

We'll get started now with a presentation from the Early Learning and Child Care Research Unit, Paul Kershaw.

Welcome, sir. You have five minutes.

Dr. Paul Kershaw (Human Early Learning Partnership): Thank you very much.

My name is Dr. Kershaw. I'm here today on behalf of the Human Early Learning Partnership at UBC. For the last two years, HELP has been selected by the World Health Organization to be the international knowledge hub on research about the social determinants of health in the early years.

I've come to ask you today to help us apply some of our research here at home, and our message is pretty straightforward. The federal government can and should invest more in family policy, and specifically in a set of systems of universally accessible quality child care services that are available across the province, all the while respecting the unique status and headstart that Quebec already has.

There were three reasons to do this. This first is that when you look in the international arena, Canada is an international laggard. You may have already heard in previous meetings that the OECD once again found Canada ranked last out of a series of rich countries when it comes to investing in the early years, and early child care and education in particular. At HELP we try to say maybe Canada is not being treated charitably enough. What if we looked at the Canada child tax benefit and the national child benefit system? What if we looked at comparable tax initiatives at the provincial level? What if we also looked at maternity and parental leave, or our child care expense deduction, and our spousal credit that helps one-earner families? What if we added to that health care savings that we provide families with kids, pharmacare and dental care for poor families, and income assistance as well? What if we were that generous to Canada's ranking?

Sadly, even when we are that generous, we still find that Canada ranks 14 out of 16 countries when we look at our total package of family benefit policies. Our package has less than one-quarter of the value of Austria's, not even half the value of the U.K.'s and Australia's, and even below that of the United States, which is well recognized in the literature as an international laggard on its own.

Two other things are important when thinking about our family benefit package. One-earner families continue to receive a benefit—a modest one, but that is something the new universal child care benefit will address. Families who rely on regulated child care services consistently have the most substantial penalty when it comes to incurring the cost of raising our next generation of citizens. That penalty is found across the social grain using an income threshold, and in particular among lower-income families.

If we want to fill that lacuna and create a child care system that respects provincial jurisdiction and works in partnership with provinces, it will nonetheless promote a couple of important goals relating to Canadian competitiveness. Human capital scholars across the country are regularly telling us we need to focus on the early years to start our human capital acquisition from the very first days. That is because research about early development shows that in the very first years of life, human biology is so sensitive to optimizing environments that can elevate development throughout life, and that timed optimized development remarkably dissipates once kids pass ages three through seven.

We have a tall order ahead of us. In the province where you're sitting, 25% of kids reach the formal school system at age six vulnerable in at least one domain of development. There's no reason to think it's not the same across the country.

Similarly, your own budgetary documents talk about the importance of labour supply in the competitive economy. In that budget it's important to recognize that today our family policy is putting in place a couple of worrisome disincentives to attracting both earners and couples to the labour market. For example, for a one-earner couple where the second earner is thinking about going into the labour market to earn half average earnings, about $22,000 here in British Columbia, the nominal pay would be about $11. After you subtract taxes, child care expenses, and the lost-income-contingent benefits that our family policy makes available, that person would take home just over $5, not even 50% of the nominal take-home pay. That's bad for labour supply, which means it's bad for our competitive economy, and it's also not good for gender equality.

My last point is that we can afford to do it. The last data we had about hard surpluses at the federal level had a surplus of over $13 billion. The province where we are currently sitting is projecting a $1.2 billion surplus. It means we can afford a quality system of universally accessible services across each province and territory without even raising taxes. I know some in the room will think that we're already doing that with the universal child care benefit, but I'm here to tell you that in terms of promoting gender equality, in terms of promoting labour supply, and in terms of promoting human capital acquisition, it cannot match and will not compensate for the absence of a system of regulated child care services.

● (0905)

We are not an international laggard when it comes to health care. We are not an international laggard when it comes to early school investments for school-aged children. We are leading in debt-to-GDP ratio, and we are competitive when it comes to our tax-to-GDP ratio. Where we are not leading is in the early years and investment in a regulated system of quality child care services across the country.

The Chair: Thank you, Mr. Kershaw.

We continue with a representative from the Alma Mater Society of the University of British Columbia, Ian Patillo.

Welcome. Five minutes is yours, sir.

Mr. Ian Patillo (Vice-President, External, Alma Mater Society of the University of British Columbia): Thank you.

I will hold throughout my presentation that investments made in post-secondary education produce all-round benefits to society and democracy, and that global competition is an incredibly narrow view of what investments in post-secondary education can do for Canada. But I can respond within this frame, because it is remarkably evident that universities are drivers of economic growth. These are points that I touch on in my submission.

Competitiveness comes from the citizenry's ability to understand and benefit from an increasingly complex global marketplace. When you think about it, what else could you spend money on to enhance competitiveness, aside from investing in Canadians themselves through the post-secondary education system?

Investments in education are essential. You cannot expect any competition gains arising from the corporate sector alone to be of wide benefit to Canadians. Corporate philosophy holds that competitiveness can be commoditized, and competition becomes an end in itself. This I take to be a rather shallow presentation of the purposes and benefits of competition.

The university, on the other hand, engages a more societal and holistic debate, arming people with the ability to go forth into the private sector and utilize the innovation and knowledge attained in school to pursue not just lower bottom lines, but real social growth in their communities and businesses. This is the underlying framework of competition that cannot go overlooked.

If you take away the ability for all Canadians to have access to these analytical skills and knowledge bases, you risk creating an unbalanced competitiveness—political, social, and economic inequality. Competitiveness for Canada's 21st century does not require a low-wage workforce to produce commodities for a global trade. It requires a highly educated citizenry to produce innovation and spur growth. This is why ensuring access to high-quality post-secondary education systems must be a top priority of this government.

This is why all student groups across the country, including the AMS of UBC, are calling on the federal government to join with the provinces to create a vision for our post-secondary education system. That vision would ensure that higher-education institutions are helping young Canadians acquire the skills they need to be competitive, but also to educate them so they may better serve their communities and more effectively participate as citizens. This vision will hopefully include more funding to provinces for post-secondary education, and more targeted grants for underrepresented students to participate in post-secondary education.

Thank you.

● (0910)

The Chair: Thank you very much, sir.

We will continue now with the British Columbia Alliance for Accountable Mental Health and Addictions Services, Michael Clague.

Welcome, sir. Five minutes to you.

Mr. Michael Clague (Executive Coordinator, British Columbia Alliance for Accountable Mental Health and Addictions Services): Thank you, Mr. Pallister, and thanks to the members of the committee for this opportunity to contribute to the work of budget formulation.

The B.C. Alliance for Accountable Mental Health and Addictions is composed of eleven organizations; the names are attached to our brief. We're connected to people and organizations throughout the province and across Canada who share our goal, which is to ensure that every citizen with a mental health or addictions problem has timely access to services that provide the best opportunity for recovery.

As I move into my presentation, I should mention that the chair of the alliance, Dr. Jean Moore, is here as well. She'll be available to answer questions at the conclusion of my presentation.

Looking at your mandate, which is the formulation of the next federal budget, we want to submit that a case for action that is timely with respect to mental health and addictions is an integral part of helping to build not just a competitive economy but also a society that is qualitatively better for all of those people who suffer from these conditions.

Too, we're delighted to be here because it's very timely, since senators Kirby and Keon, from the Standing Senate Committee on Social Affairs, Science and Technology, just released their report in May. Entitled “Out of the Shadows at Last: Transforming Mental Health, Mental Illness and Addiction Services in Canada”, the report cites five key facts that are germane to the federal budget. For example, one in five Canadians will experience an episode of mental illness over the course of their lifetime; 3% of Canadians live with a serious, persistent mental illness; and two-thirds of those who experience mental illness do not receive treatment.

The meaning of this for the economy is that mental illness and addictions cost the Canadian economy some $33 billion each year in lost productivity. Similarly, people living with mental illness use more hospital days in a year than heart disease and cancer patients combined.

You now have the Kirby and Keon report, which we believe sets out a very clear blueprint for both the federal and provincial governments on how to proceed to address the issue of mental health and addictions and to recognize the fact that mental health isn't just an absenteeism from work; it's also low productivity and low participation during the workday itself.

As I said earlier, these are immense challenges that have serious implications for the economy and also, more significantly, for those who are affected by these conditions.

There was a strong consensus among those who testified before Kirby and Keon that the workplace is a critical environment for the promotion of mental health and its early detection. Therefore, we need to speak directly to the issue, creating a healthy workplace—also an employer responsibility.

With the Kirby and Keon report in mind, and the federal budget's four framing questions, here's what we present to you—as a program, as a policy, and as a financial role for the federal government.

First, establish a mental health transition fund of just over $5 billion over a 10-year period, a transition fund that would enable the provinces to begin to put in place the additional supports that are needed: $224 million annually on a mental health housing initiative, $215 million per year for a basket of community services, and $97 million per year for other strategic investments in this field.

Therefore, with respect to the federal budget, we are recommending allocation this year of $224 million for the mental health housing initiative, $215 million for the basket of services, and $97 million for other strategic investments.

The financial implications of what Kirby and Keon created are quite imaginative. They argued a cost-neutral approach to the federal government of a nickel a drink. That is, there'd be an increase in the excise tax, which has not taken place since 1968. According to their report, that could comfortably cover the increased costs in terms of what's being recommended here.

The point is that this is a transition fund. The nickel a drink is one way to go. Not everyone may support it, but it promotes thinking around how we can do this in a cost-neutral way.

● (0915)

So with that, I want to thank you very much for this opportunity to present.

The Chair: Thank you, sir.

We will continue now with Jon Garson, from the British Columbia Chamber of Commerce. Welcome.

Mr. Jon Garson (Director, Policy Development and Communication, British Columbia Chamber of Commerce): I should like to begin with a bit of background on the organization. The B.C. Chamber of Commerce represents 130 local chambers of commerce and boards of trade, encompassing 31,000 businesses of every size, sector and region within the province. We are the widest and broadest-based business organization in British Columbia.

In answer to the four questions now before us, we have four areas of focus we'd like to touch on: the need for enhancing the labour force, taxation, investment in transportation infrastructure, and fiscal policy.

As a framework, it's worth mentioning that Canada is facing some significant economic challenges. The slowdown in the U.S. and the impact it will have on our economy is still to be seen. The value of the Canadian dollar, global competitive pressures, ongoing trade issues with the U.S.—all these make the case for fiscal prudence in budget preparations. In our submission, we focused on productivity and competitiveness as the key watchwords for budget 2007.

The fact that we're experiencing a skills shortage across Canada is a widely accepted reality. What is perhaps not so well acknowledged is that this issue is now being significantly exacerbated by a coming demographic time bomb. In short, we're facing a perfect storm of a labour shortage feeding an existing skills shortage.

For this reason, while we largely agree with the C.D. Howe Institute that increased immigration is not a panacea, we believe it is the single most proactive tool in the hands of the federal government. We have a number of recommendations about how the immigration system can be improved. But for the purposes of the budget, we'd like to focus on two areas: the need to allocate resources to officers overseas to enhance their ability to process immigration applications more efficiently, and the need for a structure and the timeframe for the creation of a national centre for foreign credential recognition. We realize that budget money has already been put aside for this, but we need to time the issue to move this forward.

With respect to taxation in recent years, we commend both the Liberal and the current governments for their measures on reducing personal and corporate income tax rates, and for the measures taken to eliminate capital taxes and the corporate surtax. However... [*Technical difficulty—Editor*]...much still needs to be done.

We recommend that the federal government allocate most of the planning surplus to tax reduction to make Canada more competitive internationally and, within this framework, focus on reducing personal income tax rates across all tax brackets—but particularly for low- and modest-income families, who face the highest margin rates of all as a result of clawbacks of multiple benefits. We also ask that, where fiscal conditions permit, the government move forward all of the already-announced tax measures that are coming through up to 2010 as quickly and expeditiously as possible.

We would also ask the government to look at developing, in cooperation with provincial, territorial, and municipal governments, an index of overall tax burden. This would be an easy way for both the taxpayer and the government to measure and chart the overall tax burden on Canadians, with a view to making the taxation system more competitive.

Transportation infrastructure is a significant issue for British Columbia. As the gateway to Asia-Pacific, much of Canada's future economic prosperity will depend on how well we are able to enhance Asia-Pacific opportunities. Indeed, Canada's social and economic development has always been achieved in tandem with its transportation system. This will continue to be true, but future development will focus on the dominant economic opportunity of the 21st century, which is the Asia-Pacific.

With this in mind, we would recommend that the federal government work with the provinces and territories to develop a visionary transportation statement for Canada that links all modes and includes the Pacific Gateway strategy as one of its pillars.

With regard to ports, air, and road, we have generally applauded the federal government's partnership role with the province in the effort to enhance our transportation infrastructure. We would like to touch on three areas in which the only department not at the table is the federal government.

The first is the development of a common break bulk terminal facility in Kitimat. Break bulk is a significant growth opportunity, but all our efforts so far have been directed at containers. The second area is South Fraser Perimeter Road. The last is the enhancement of a new siting on the Colebrook to allow a second train to go from north to south.

In respect of fiscal policy, we strongly commend the federal government for the action taken recently with the release of the annual financial reports. This is the first time in nine years that we have seen a reduction in public spending. The commitment of $13.2 billion to the debt is something that the chamber wholly recommends. We think the fact that the federal government is in the ninth consecutive year without recording a surplus indicates that there is overtaxation at the federal level. The tax cuts that we have announced will help to address this.

We think that with respect to fiscal capacity governments should restrict themselves to fiscal spending increases of no more than 3% a year to keep in line with growth in the economy and in the population.

There are further recommendations in our submission, but we thank you for allowing us this time.

● (0920)

The Chair: Janet Cunningham is here, from the British Columbia Real Estate Association.

Welcome. You have five minutes.

Mrs. Janet Cunningham (British Columbia Real Estate Association): Thank you, Mr. Chair and members of the committee, for this opportunity to present the British Columbia Real Estate Association's recommendations to the 2007 federal budget.

My name is Janet Cunningham. I'm a Lower Mainland realtor and I am chair of the BCREA's government relations committee. BCREA is the third largest professional trade association in B.C., representing the 12 real estate boards and their approximately 16,500 realtors. We are here today to offer a provincial perspective on the importance of the budget recommendations presented by the Canadian Real Estate Association, which is our national association.

The real estate sector's contribution to the economic health of our province and to the country overall is well documented. Here in B. C., housing is a key economic driver and a measure of the quality of life across the province. We are confident that the recommendations noted in our submission will provide housing opportunities for people in British Columbia and across Canada.

Our national association will examine several of these recommendations in detail when they appear before you later this month, but today I would like to draw your attention to three in particular: assistance for owners of leaky condos, an inflation adjustment to the home buyers' plan, and assistance for aboriginal housing.

The Government of Canada's commitment to work with the Government of British Columbia in pursuit of a fair program of relief for owners of leaky condos is critically important. It offers hope to thousands of people who have lost their homes and their investments. The Prime Minister has specified that the program will include a review of the handling of construction regulations and the role of Canada Mortgage and Housing in the leaky-condo situation. Recently, the Prime Minister and the federal minister responsible for housing stated that leaky-condo-related cases currently before the courts do not impede the government's ability to proceed on this commitment.

Therefore, BCREA recommends that the Government of Canada honour their commitment and work without further delay with the Government of B.C. in pursuit of a fair program of relief for owners of leaky condos.

Next are inflationary adjustments to the home buyers' plan. The home buyers' plan is a Canadian success story. Through this plan, since 1992 nearly 1.4 million people aged 25 to 64 have borrowed up to $20,000 from their RRSPs to purchase a first home. In dollar terms, approximately $14.2 billion has been withdrawn to help finance home purchases. Since that time, prices for all types of housing in B.C. have increased, due to market demand and inflationary forces. Unfortunately, the plan's withdrawal limit has not been adjusted to reflect these values, these factors. As a result, the plan accounts for a shrinking portion of the down payment required to purchase a home and forces users to finance larger mortgages, causing their debt burden to rise even while interest rates remain low.

The Canadian Real Estate Association's presentation to this committee will demonstrate that the maximum loan available under the plan has been losing ground as a percentage of rising average resale home prices for more than a decade. The average home price rose 51% nationally between 1992 and 2004. During the same period, the consumer price index climbed by 25%. If the maximum loan available under the plan were adjusted to account for inflation, it would stand at $25,000 today. In B.C. the real estate market continues to perform well in most areas. Although year-to-year dollar volumes are up more than 12% from this time last year, the number of homes sold is down by almost 5%. We feel that the erosion in housing affordability is one of the factors at the heart of this.

Therefore, we recommend that the Government of Canada update the home buyers' plan by raising the maximum withdrawal possible to $25,000, and adjust this amount every five years to account for consumer price inflation.

Next is assistance for aboriginal housing. In B.C. and across the country, aboriginal housing is in need of immediate remedial action. It is seriously deficient, both on and off reserve. Deteriorating housing units, the infestation of mould, and the absence of consistent and effective housing administration are just some of the issues.

In June 2006, CREA presented a paper at the World Urban Forum that provided an overview and explanation of current aboriginal housing conditions. It became clear that while aboriginal housing as a sector is in bad shape, models exist within aboriginal communities that can serve to turn it around and make good housing the norm rather than the exception. Measures to help address this situation in B.C. may be forthcoming, in part by our provincial government's new housing strategy, portions of which are being announced today in Victoria.

● (0925)

However, provincial efforts must be supported through actions undertaken by our federal government. Therefore, BCREA recommends that the Government of Canada commit increased funding to assist aboriginal housing, both on and off reserve; develop a plan to address the problem of mould in aboriginal housing; support a results-oriented conference to help improve first nations housing; demonstrate and expand the private sector's role in assisting the effort; and initiate consultations leading to the development and introduction of legislation to provide a modern alternative to the Indian Act for land ownership and management.

This concludes our presentation. I am happy to answer any questions you may have later.

Thank you.

The Chair: Thanks very much, Ms. Cunningham.

We'll continue with New Media BC, Lynda Brown, president.

Welcome. You have five minutes to speak.

Mrs. Lynda Brown (President, New Media BC): Thank you, and good morning. I'm here today representing the digital media associations from across the western provinces. We are delighted to speak to you regarding our goal of shared building and a new kind of infrastructure that will help Canadians prosper now and well into the future.

We firmly believe that economic prosperity requires the networks and backbone on which traditional goods have travelled. We've built railroads, highways, and ports on which the goods of this country are traded. But how do we advance our new economy? How do we move digital products for the new industries that will increasingly make up Canada's competitive advantage at home and abroad?

I'm here today to give you an overview of one of the world's fastest-growing sectors, and I'm here today to invite your partnership in a new type of infrastructure investment that will yield returns for decades to come.

In the next few minutes you'll hear about digital media and my thoughts on how we can position Canada as a global leader in the sector. I hope to leave you with some new ideas for economic policy and a national strategy and with the desire to partner with us in achieving one very key goal.

Digital media are the products and services that millions of Canadians use every day to educate themselves and to keep abreast of world events. They are the predominant choice for how we spend our entertainment time and dollars, outstripping movies and television, and they represent one of the fastest-growing sectors in the world.

What exactly is digital media? It's e-learning. It's the physics 12 course your son is taking on the computer, as opposed to in the classroom. It's mobile content, perhaps the solitaire game you play on your BlackBerry or the photos you keep on your iPod, and it's digital entertainment. It's the hockey fix you get during the off-season by playing EA Sports NHL on your Xbox or PlayStation.

Digital media is also big business. It's currently a $25 billion industry worldwide, with projections that it will be a $65 billion industry by 2010. It's also an industry in which Canada has a time-limited opportunity to grab the brass ring and solidify a market leadership position.

Digital media in Canada represents over 52,000 employees in 3,200 companies generating over $5 billion of revenue per year in Canada right now. It's an industry that's paying its way, contributing hundreds of millions of dollars to federal and provincial revenues and creating new knowledge-based jobs for Canadian youth.

You might not know that just down the street from where we are today is Electronic Arts Canada. It's home to over 2,000 employees and is the largest game development studio in the world. Another great success story is BioWare, from Edmonton, a company that originally formed to create digital medical imaging technology, but which has grown to be the largest developer of story-driven games in the world.

But there is much more here than games to play. Canadian digital media companies are developing ground-breaking products, medical simulations, defence applications, and lifelong learning.

While large companies such as Electronic Arts and BioWare employ thousands of people in Canada and contribute billions of dollars respectively to our economy, the digital media sector is still relatively new and emerging, and it's composed mostly of small to mid-sized enterprises, companies that are facing growing competition from around the world for brain power, investment, and markets.

China, India, Korea, France, Ireland, and Australia have all increased government support for digital media infrastructure, commercialization, and capacity-building to ensure that their people and companies can compete on the global stage. Sheer numbers alone tell us that these competitors pose a real threat to Canadians' competitive advantage. Still, we remain ahead of the game right now, and with strategic infrastructure and collaboration, we could be a world leader.

In order to stake our claim as a world leader in digital media, we must build a national strategy and a knowledge hub that can serve as the focal point for the sector, and we must make some strategic investments. We're here today to ask government to be our partner in creating a world centre for digital media that can serve as that hub, a physical and intellectual meeting place where the best digital media minds and ideas in the world will come to take their work to the next level.

We come to the table with a lot of the work already done. We have plans and deliverables, timelines, and budgets. We have a sizable commitment from industry and support from the Province of B.C. But we simply can't achieve our goal, which is national in scale, on our own, and we believe that the federal government has a critical role to play.

● (0930)

We're here to ask the federal government to leverage the investments raised through these industry commitments with federal capital, to complete the necessary financing to accelerate the development of the world centre. In joining us in partnership you'll be joining partners and thousands of companies that believe in this vision and have put their support behind it.

The centre will establish the first concrete step forward in a national strategy to advance Canada's new media sector in the face of growing global competition. In a study conducted by PricewaterhouseCoopers, growth of an additional 5% in the new media sector will result as a direct consequence of the world centre activity. In return, PWC also estimates the industry will generate more than $43.8 million in additional federal tax revenue in B.C. alone in the first three years.

The Chair: Your time is up.

Mrs. Lynda Brown: Thank you very much.

We've provided an additional brief. We obviously have a lot to say about this. We'd be happy to answer any questions you have.

The Chair: Thank you very much, Ms. Brown.

We will continue with the Planned Lifetime Advocacy Network, Susan Whitaker, chair.

Welcome.

Ms. Susan Whittaker (Chair, Planned Lifetime Advocacy Network): Good morning, and thank you for this opportunity.

We represent the families of Planned Lifetime Advocacy Network, known as PLAN. It was established 18 years ago to help families answer this question: What will happen to my child with a disability when I die? PLAN offers practical advice to families who want to assure the safety, security, and well-being of relatives with disabilities.

We have submitted a written brief that makes four recommendations to assist the hundreds of thousands of family members across Canada who are concerned about the future and the well-being of their relatives with disabilities.

The first recommendation is for a registered disability savings plan to enable families to plan for the future for their relatives. I'll speak to that recommendation.

I'd like to thank the Minister of Finance, who in his May 2 budget recognized a family's desire to secure a relative's long-term financial security when the family is no longer able to provide support. He appointed a panel to examine the options and to report back by November 9.

One of the options is the registered disability savings plan. There are a number of reasons why we ask you to support this. One, it will provide an easy-to-use mechanism that will enable families to provide for the financial and social well-being, and long-term security, of our relatives with disabilities. Two, it will provide a mechanism for the federal government to recognize family contributions, to promote more resilient families, and to encourage greater self-sufficiency. And three, it will enable persons with disabilities to improve their social and economic well-being beyond that permitted by government-funded programs.

Our research indicates that a registered disability savings plan would open the door for 400,000 families who would contribute more than $230 million annually towards assuring the safety and security of their relatives with disabilities. This would be at a cost of only $47 million to the federal government.

Perhaps more importantly, we think the introduction of a registered disability savings plan would act like a domino, beginning a chain of policy changes in Canada, a sea change that would shift our present welfare-based approach to disability to an investment-based approach. The welfare-based approach makes social assistance a ceiling above which families and persons with disabilities are deterred from rising. It makes persons with disabilities, and their families, cheaters.

An example of what the welfare approach looks like came last week, when we had a senior couple in our office. They have a 48-year-old son who sustained a head injury as a child. He's always managed, but barely. He now also has diabetes. His $310 rent cheque doesn't cover his rent in a market where a decent one-bedroom apartment goes for over $700 per month.

When Terry met with a provincial bureaucrat, he was told that his parents couldn't give him $400 a month, even if it was necessary to cover the difference in his rent bill. If they did, Terry would have to declare it as income, and it would be deducted dollar for dollar. Instead, the worker suggested that his parents give him varying amounts at different times of the month. That way, it would be less likely to raise suspicion; it wouldn't look like income when they reviewed his bank account records.

A shift towards an investment-based approach would look differently. In an investment-based approach, social assistance would represent the floor of Terry's economic well-being. He would be encouraged to improve his quality of life beyond what social assistance could provide. His family would receive a tax deduction for contributing to their son's registered disability savings plan, and he would be able to live with dignity, in decent accommodation, without cheating the system.

If he were to withdraw funds from the plan each month to supplement his rent, he would not have to hide his family's contributions. Instead, he would pay taxes. Terry would be encouraged to be self-sufficient. His family's contributions would be recognized. No one would have to worry about what would happen if they got caught.

● (0935)

A registered disability savings plan will represent one of the most significant national disability initiatives in the last 20 years. As families, we've been pulling our weight, with 75% of the day-to-day supports required by persons with disabilities being provided by us.

My husband, Ron, and I know that the well-being of our daughter Stephanie is too precious to leave exposed to the winds of political change. We want a partnership among persons with disabilities, families, and our government. The disability savings plan would represent that partnership, and it would be the first domino leading to changes that would bring families peace of mind and a good life to all people living with disabilities.

Thank you.

The Chair: Thank you very much, Ms. Whitaker.

From the Greater Vancouver Transportation Authority, we have Robert Paddon. You have five minutes, sir.

Mr. Robert Paddon (Vice-President, Corporate and Public Affairs, Greater Vancouver Transportation Authority): Good morning, Chair Pallister and members of the committee. Thank you for the opportunity to speak to you today.

I am going to pick up on a point made by the B.C. Chamber of Commerce, but first let me just explain what TransLink is.

The Greater Vancouver Transportation Authority, as we are known here, is TransLink. We are a unique entity that was created in 1999 by the B.C. legislature. We plan, we finance, and we manage the assets of one of the largest public transportation authorities in Canada. In addition to the traditional transit services and commuter services, we also manage the major road network in Greater Vancouver, and we are also responsible for the management of our air emissions testing.

Greater Vancouver is a federation of 21 municipalities; it has a population of 2.2 million people. It is the third largest urban region in Canada.

We believe that strategic investments in public transportation are critical to maintaining Canada's competitive edge in the global economy, and we applaud the federal government for the initiative that has been shown and the programs that have been put forward in recent years.

To give you a sense of the support we're receiving here, over the next five years we will see the investment of $1 billion from the Government of Canada through our agency alone. That has made the critical difference in our being able to proceed with a rapid transit project, Canada Line, that will connect Richmond, the airport, and downtown Vancouver. That project had been on our books for more than 20 years in this region, and it's now being made possible through this contribution.

In addition to that, we're moving forward to purchase new buses. We have 225 new buses that are going to be purchased through the gas tax transfer program. The new public transit agreement is going to assist us further with more assets.

We're very excited about the public transit capital trust program. We're still waiting to work through the specific details of that here in British Columbia, but we believe it will also make a contribution.

Strengthening and expanding public transportation networks reduces traffic congestion; improves the movement of goods, people and services; and provides direct and indirect economic returns for us.

Greater Vancouver in particular is strategically located at the Pacific gateway to Canada's Asian trading partners; investing in transportation in B.C.'s Lower Mainland will be crucial to the long-term economic success of the whole country.

It is estimated that by 2031 the population of this region will be at least three million. Those are modest estimates. In that same timeframe we anticipate growth in the ports will triple, but we also recognize that the population of this region will be aging. We'll have a lot more seniors who will become much more dependent on public transportation.

We support the call that the Federation of Canadian Municipalities, the Canadian Urban Transit Association, and others have made to see a permanent national program to provide long-term funding for public transportation initiatives.

While the need for transportation infrastructure is critical, we would also ask you to give some consideration to the operating and maintenance costs. Every new bus we acquire needs people to service it, and there are fuel costs that go with it. I know one of the challenges across our country is finding the revenues to keep the system running. Municipal transportation agencies need access to sustainable tax revenues that are commensurate with their increasing responsibilities as the economy and the population continue to grow.

Finally, I just want to again compliment and congratulate the government for putting forward an initiative to encourage people to use public transportation. Concerning the tax credit, while we're just coming off the end of the first quarter in which the tax credit has been in place and haven't finalized our books yet, we're also recognizing that we've seen a lift in the purchase of monthly passes; we believe there certainly may be links to this. I can't report numbers today, but we're encouraged by it.

We would also call on the government to think about going a step further. We have other programs—employer pass programs—in which the company can work with their employees to provide passes. We have 15,000 people in this region who are part of that program. We would hope the government would consider extending some tax exemptions to that program.

In conclusion, we are very grateful for the role the Government of Canada is playing in the development of public transportation in Greater Vancouver. We hope we can make this a permanent partnership.

Thank you very much.

● (0940)

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

Thank you all for your excellent presentations.

We'll move now to questions. Mr. McCallum, you'll begin with seven minutes, sir.

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

First of all, let me say on behalf of my Liberal colleagues and myself how pleased we are to be back in Vancouver. We were here, I think in this very room, maybe six weeks ago for our caucus and had a great time. And at a personal level, having taught for four years at Simon Fraser and with many family members here, I'm always pleased to have a chance to be back.

As many of you know, in the last budget the federal government decided to reduce the GST, partly financing that through higher income tax on the lowest level and a reduction in the basic personal amount. In the news today, the finance minister is saying that in the next budget he might want to reduce personal income tax, possibly to the level where we started out in 2005.

So my question to Mr. Garson is, does your association have a preference between income tax cuts and GST cuts, and more specifically, do you think a GST cut does anything to improve Canada's competitiveness?

● (0945)

Mr. Jon Garson: We do actually support the Canadian Chamber position on tax cuts.

Just as an aside, for the B.C. Chamber of Commerce, in terms of its taxation policy, the single largest request we have at the provincial government level is to cut the PST. While we do understand there's a significant degree of debate amongst economists as to whether or not GST or sales tax cuts are the most effective taxation measures that can be introduced, it is something that our membership supports in terms of the provincial sales tax.

As I say, we do support the Canadian Chamber, which does talk about the first issue being reducing the lowest personal income tax rates to 15% in 2007. But our membership does recognize that sales tax is an issue it would also like to see come down as well.

Hon. John McCallum: So if you had a choice—the government's committed to go from 6% to 5% GST, and that costs a huge amount of money, $6 billion per year—would you think that money was better directed to income tax cuts?

Mr. Jon Garson: At the federal level, yes. At the provincial level, our membership has told us it would like to see PST addressed because that's the single biggest disparity between British Columbia and Alberta. But at the federal level, we would look to income tax.

Hon. John McCallum: Thank you.

I was particularly struck by the presentation by Ms. Whitaker, who is not there now, on the subject of assistance for parents of children with disabilities and the idea of a registered fund. To me, it was a compelling presentation and it sounds like an excellent idea.

Have you figured out any idea of what that would look like, the cost or the parameters of such a registered fund or registered plan?

Mr. Jack Styan (Executive Director, Planned Lifetime Advocacy Network): We've done a significant amount of research. Actually a former Finance official, Keith Horner, did a research paper for us last fall, and it indicated that with a certain set of parameters that I won't go into, the benefits would, as Susan outlined, be about $230 million annually, contributed at a cost to the federal government of about $47 million. So in our estimation that's a good leverage of funds.

Hon. John McCallum: So the annual cost to the federal government would be $47 million?

Mr. Jack Styan: Yes.

Hon. John McCallum: And this would then leverage other funds and would make major contributions to the problem?

Mr. Jack Styan: We've looked at a number of different options, so obviously one could look at an RESP model, one could look at an RRSP model, or something different. At the moment we would favour an RRSP model because we think it provides the greater incentive and the greater recognition for families' contributions, and thus sets up the stronger partnership between families and governments.

Hon. John McCallum: Thank you.

I'd like to now turn to Mr. Kershaw, if I may, on early childhood learning and child care.

As you know, it was an election issue—our child care agreements with the provinces versus other measures that the government has enacted. Would it be your view that we should, if we had the opportunity, simply bring back those agreements with the provinces; or now that some time has passed, would you say there was a better way to proceed than what we had planned before as a Liberal government?

Mr. Paul Kershaw: I think our internationally recognized research would confirm that despite the variety of imperfections with the bilateral agreements that had been signed with all of the provinces previously, they nonetheless remain a solid path to return to in order to continue developing the system of regulated services that currently does not exist in Canada and really makes us stand out as an international laggard by comparison. So the answer would be yes.

Hon. John McCallum: Mr. Patillo, I am a great supporter of all kinds of support to the post-secondary sector, as one who's spent most of his career there, but sometimes you have to make choices. I think it's extremely important that we assist students so that people are not impeded from going to university for reasons of being poor.

What's your impression of the millennium scholarship endowment fund, and would it be your preference that if we do have a certain amount of more money, we build up direct federal scholarships or that we transfer more money to provinces in the hopes that they will do so?

● (0950)

The Chair: You have about 30 seconds to give a response, Mr. Patillo.

Mr. Ian Patillo: It's hard to criticize the millennium scholarship endowment fund. I can comment later on some of the contentious issues swirling around there, but when the government dedicates hundreds of millions of dollars a year to targeted student financial aid for 10 years, that's something we have to applaud because we want to see more of it.

Previously, government measures for student financial aid have been universal in nature, mostly administered through the tax system, and that's inefficient in terms of ensuring equality of access. So that is the kind of student aid we want to see developed, that's targeted grants.

Hon. John McCallum: Thank you very much.

The Chair: Thank you, Mr. McCallum.

We continue with Mr. St-Cyr.

[*Translation*]

Mr. St-Cyr, you no doubt would prefer to use Quebec's first language.

Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ): Thank you, Mr. Chairman.

I would like to thank everyone for having appeared here this morning. I understand your frustration at having only five minutes to make your presentation but I can tell you that all committee members share that frustration: we only have a few minutes to ask you questions.

My first question is for Mr. Patillo.

A number of student associations and educational organizations have told us about the situation in Quebec and the rest of Canada. They are all calling for more funding in order to make postsecondary education more accessible.

I saw in your brief that you put the figure at $4 billion a year. The number that we had seen most often in presentations to the committee is $4.9 billion a year. People are asking for the investment to be brought back up to 1995 levels, before the cuts, taking into account inflation and the increase in the student population. In your brief, you also talked about going back to the levels of 10 years ago. So I would like to know what explains the difference of nearly $1 billion a year between these two figures.

[*English*]

Mr. Ian Patillo: The discrepancy is just that there's not as wide a consensus as you might believe on the numbers in terms of what was cut 10 years ago, and it's quite a large ask, so I don't think it has to be too specific. The point is that billions and billions of dollars were taken from the post-secondary education system, and as a result, Canada is falling behind other nations in terms of the percentage of GDP that we are spending on tertiary education, and this will have negative impacts on our competitiveness as a nation.

If the government were to enter into the dialogue with the provinces to create a pan-Canadian accord on post-secondary education and restore that dedicated transfer we're asking for, we anticipate that a huge amount of dialogue would take place around that number. So for right now, I don't think it's important that we present it as $4 billion or $5 billion, but say that anywhere in that range is going to do a lot for post-secondary education.

[*Translation*]

Mr. Thierry St-Cyr: If I understand correctly, you also want to go back to 1995 level, but you do not exactly know what that figure would be.

[*English*]

Mr. Ian Patillo: That's correct, yes.

[*Translation*]

Mr. Thierry St-Cyr: Fine.

As I said earlier, there is a consensus across the country. In Quebec, associations representing students, professors and universities are calling for a dedicated transfer but they are strongly opposed to any national objective or standard, as well to any federal interference in the education field. Moreover, I saw that the student associations from the rest of Canada were all calling for that. I imagine that it corresponds to a need they see.

Would you be prepared to accept the idea that, in the case of Quebec, transfers for education would be provided unconditionally as the Quebec associations are requesting, but that there be national standards that would apply to the other provinces? Do you think that that would be a good solution?

● (0955)

[*English*]

Mr. Ian Patillo: Yes, I do find that to be an interesting option. In terms of the strings that would be attached, the reason students are asking for this is that when you look at the broad scope of post-secondary education that's happening in different jurisdictions across Canada, it appears rather piecemeal and unfocused, and it's just generally a consensus that Canada would benefit from a national vision there.

If Quebec doesn't want the federal government telling it how exactly to spend its education dollars, I would certainly understand that, but the fear with the transfer is that, like with other transfers for education, such as happens now through the Canada social transfer, provincial governments would not be held to account to spend that money on post-secondary education. So the only string that I think is really important to be attached is that it be dedicated to post-secondary education.

[*Translation*]

Mr. Thierry St-Cyr: A little further on in your brief, you talk about financial assistance for students. You say that the financial assistance programs under the Canada Millennium Scholarship Foundation should be broadened and duplicated.

What do you mean by « duplicated »? Are you suggesting that other organizations, programs and scholarships be created, instead of simply investing? In Quebec, for example, the student loan and bursary system is working quite well. It just does not have enough money. Would it not be preferable to invest in what already exists?

Could you explain your views on that?

[*English*]

Mr. Ian Patillo: I'm not suggesting that the government create multiple foundations to administer student aid throughout the country. I'm suggesting that the Millennium Scholarship Foundation is a good start in terms of targeted grants, but the numbers show that equality of access still is not there. Underrepresented students, low-income students, rural students, and aboriginal students are not attending post-secondary in the numbers that middle- and upper-class students go, and I think that's of concern to Canada.

So the more we can do to give them incentive to go—and to students it's pretty clearly the financial implications of post-secondary education that are the main deterrent there—then that's what we're looking for, really. However, if we choose to administer those grants, that's a dialogue we should be having.

[*Translation*]

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

[*English*]

We continue with Madam Ablonczy.

Ms. Diane Ablonczy (Calgary—Nose Hill, CPC): Thank you very much. We appreciate all your presentations.

I want to point out that I certainly am very much supportive of investment in Canadian families with children with disabilities. I think such families have a heavy enough burden without the ongoing stress of wondering how a child might be cared for in the future. I certainly appreciate the suggestions you've made and I will be—all of us will be, I think I would speak for all the committee—very strongly supportive of recommending those in our report. So thank you for that.

I also was interested in the brief on mental health and addiction services. It was interesting. I attended a round table in Ottawa last week at the National Arts Centre, and the round table was talking about new research that was being done in using music and the arts in the treatment of mental illness and to enhance mental health. And that was a very eye-opening round table.

I wonder if you could expand briefly on the other strategic investments in mental health that you see coming out of the $97 million that you've recommended be added to the budget.

● (1000)

Mr. Michael Clague: Yes, thank you, and I will briefly.

One of the significant elements in there is to set up a knowledge exchange network, which we lack now across Canada, to do, among other things, what you were describing at the conference you were recently at, and that is to promote the identification and exchange of information and research in all forms of activities that can assist people in managing and moving out of mental health conditions. Arts and culture are an important part of that. Knowledge exchange is a fundamental basis for all aspects of these programs as well.

We've identified a few other things. The importance of peer support programs has been well documented and established to enable people with mental illness to work together to support each other in what they are doing. There is the importance of looking at the overlap and the research on concurrent disorders between addictions and mental health.

As you know, as you move around the streets of Vancouver it's no surprise that we have many people out there who suffer from concurrent disorders and/or mental health and addictions, who come from all classes and backgrounds. Because we lack this basic infrastructure of support, they're out on the street at the present time. The things that are identified under the $97 million are to provide the information, communication, research, and knowledge exchange that will enable the best possible forms of housing and support services to be put in place.

Ms. Diane Ablonczy: I appreciate that, and it was very helpful.

Ms. Brown, I was particularly interested in the innovations taking place in digital media. I wonder if you could explain to a regular Canadian who doesn't know a whole lot about this—and it might be me—how will this will benefit the Canadians who are not involved in the technical details but might be end-users?

Mrs. Lynda Brown: Digital media is encompassing our entire lives and will continue to. From how we learn, how health care is delivered, how people are supported with mental illnesses—it's starting to penetrate every aspect of our lives.

Canada has a very proud history of technical innovation, technology development, and storytelling. Our multicultural history has made us world leaders in that. Digital media is really about taking technology innovation and matching it with content to develop products we all use to learn from, to inform ourselves, and to entertain.

It's often invisible to many of us, but increasingly the devices we carry, what we use for business, what's in our home, and what our children are definitely using is all digital media. We're on the brink of a massive change culturally around the world in how we inform, educate, and entertain ourselves, and that's being driven by digital media. While it's transparent and invisible to most people, it's a wave that's about to crash down on the world and fundamentally change the way we all live our lives.

Ms. Diane Ablonczy: That's exciting.

I have time for one more, Mr. Chairman. I have a question for the Real Estate Association—for Janet.

I was particularly interested in aboriginal housing. As you know, we did add $300 million in the last budget for aboriginal housing. I don't know if that money has actually flowed, so there's an ability to tell how that's been used, but I was particularly interested in your recommendation that there be a modern alternative to the Indian Act for land ownership and management. I notice this has been an issue for many people. I wonder what kind of research you've done, and if you could expand on some of your ideas for modernizing in this area.

The Chair: You have 20 second, Ms. Cunningham.

Mrs. Janet Cunningham: The money flows through a bureaucracy that is becoming increasingly outdated in the modern age. I can go into any number of ways, but I think the money has to go directly to bands. Bands have to be able to develop their own land and be able to mortgage property if they need to. The Indian Act is antiquated in terms of dealing with property in today's world.

● (1005)

The Chair: Thank you very much, Ms. Ablonczy.

We continue with Madam Wasylycia-Leis.

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

I would like to thank everyone for their very helpful presentations.

Ian started off the panel by suggesting we look at competitiveness in a broader light than simply the bottom line, and in fact look at the notion in terms of what we can contribute to our communities for economic and social growth. Given the framework Ian has presented, how would the panel feel in general about the hard choices facing us?

On the one hand, we have Mr. Jon Garson from the British Columbia Chamber of Commerce suggesting that in fact debt reduction, tax cuts, and spending cuts should be our major priority. On the other hand, we have Dr. Kershaw, Michael Clague, Jack Styan, and perhaps others suggesting that we have to have a more balanced approach, to ensure that some the surplus is spent in a way that ensures the kind of competitiveness Ian is talking about.

I need to hear from you about how we convince the government—which does seem to be preoccupied with debt reduction, spending cuts, and tax cuts—to actually open up its mind and heart to investing in child care, in mental health programs, in programs for people with disabilities. That's my first question to Paul, Michael, and Jack. Then I would like to ask Mr. Garson something else on that same topic.

Mr. Paul Kershaw: I very much appreciate the civic-spiritedness of my colleague from the Chamber of Commerce in coming out and giving recommendations. I do lament somewhat that his recommendations completely ignore that we are at a 55-year low in terms of looking at the rate of our social spending relative to GDP. Fifty-five years—that was in 1950, and that was no heyday in terms of social spending in a welfare state.

When we recognize where we are today relative to that period 55 years ago, it's time for us to recognize that we're not sound economic stewards of our economy only by maintaining taxes at a very low level or by paying down the debt or what not, when we're already leading the G8; being a sound economic steward of our economy means making strategic investments. An early learning and child care program that would be developed in provinces across the country is one such strategic investment, because even the most conservative cost-benefit analyses show that it will pay dividends.

Ms. Judy Wasylycia-Leis: Thank you.

Michael, would you speak?

Mr. Michael Clague: Thank you.

I appreciate your question, because we have to recall that not just the federal government but a number of governments across the country went through considerable cost-cutting 10-plus years ago, and we're recovering from that still.

What we are looking at is social infrastructure investment. Clearly there is a need to be setting priorities around those areas in social infrastructure investment that are likely to improve, first, the quality of life and, second, the contributions Canadians can make to the economy itself.

When we look at what we can do these days, it's my view that government doesn't have to be the direct provider of all these services, but it sure has to be responsible that the resources are there, and that programs are set up that can also imaginatively leverage other resources to provide supports for the initiatives we're describing here. There is no doubt there has to be a basic commitment to social infrastructure on the part of government.

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

I don't want to cut you off; I just want to make sure I get Jack in. Then, if time permits, I want to ask the Chamber of Commerce a question.

Mr. Jack Styan: I'll point out that many of our recommendations actually involve tax cuts as well. In a sense, a registered disability savings plan would be administered as a tax savings to a family. From that perspective it represents a tax cut, so we think it would be consistent. What you're asking are very difficult decisions, and I'm not sure I can answer.

One of the things we've looked at is the provincial situation in British Columbia. When the provincial government does its projection for spending over the next 10 years, it shows that if we stay on the present course, 70% of the provincial budget will be spent on health care, and almost the entire remainder will be spent on education. That suggests we need to look at new ideas and different ideas. I wouldn't claim to have the answer for the difficult question you asked. We've tried to provide some solutions that we think are innovative and might lead us down a different path and perhaps help with that dilemma.

● (1010)

Ms. Judy Wasylycia-Leis: Thank you.

Mr. Garson, I certainly appreciate what you had to say. It's not inconsistent with what business and chambers have said across the country.

Considering that we haven't really seen the benefits from the corporate tax cuts, and all the surplus going to the debt that we would have hoped—even the business community says.... Don Drummond just said in a piece that a good part of the productivity gains we've had in the past 10 years has accrued to the business sector, and not to the personal sector. And he says, “as an economist trying to sell the productivity agenda, it gives me a lousy script to work with.”

Wouldn't you agree that we should have some sort of cost-benefit analysis of tax cuts to the corporate sector, so we can see that this money does get invested back in Canada into areas that will help us deal with many of the programs recommended here today?

Mr. Jon Garson: Absolutely. I don't think any of the chambers across Canada are speaking on behalf of tax cuts from an ideological perspective. We're a member-driven organization, and the policies we advocate actually come from the grassroots.

In terms of the benefits of the tax cuts, that's not something we have the capacity to measure. Something to show that this would have a marked benefit to the economy is obviously something we would be very supportive of.

Ms. Judy Wasylycia-Leis: I appreciate that. I don't know if you're associated with the business tax reform group. When I asked the representative of that group this question in Ottawa, he said there should be absolutely no analysis of how tax cuts flow to the corporate sector.

The Chair: Thank you, Madam.

We continue now with Mr. McKay.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Chair, and thank you, presenters.

My first question is to Mr. Paddon. You are probably one of the largest public-private partnerships currently operating in Canada. Usually when you mention the phrase “P3“, it's cause for blasphemy, with riots in the streets and burnings in effigy. Can you tell me how P3 is operating? Is it on budget and on time?

Mr. Robert Paddon: We actually have two P3s under way. One is the Canada Line project, which is operating on budget and, for all I know at this point, on time. It's a very aggressive construction schedule, but it's under way.

The other project is a bridge that's being constructed over the Fraser River to the east of us, called the Golden Ears Bridge. That will also be a P3, in terms of the consortium that's going to construct the bridge and then operate it.

What it's enabled us to do at this point is this. On the Canada Line project, for example, without the private sector stepping forward to put in capital—albeit they'll get a return on this investment—we would not have been able to raise the funding for the project. So they've stepped in to make a project that levels of government on their own would have been unable to do.

Hon. John McKay: My second question has to do with your advocacy of transit passes. Any study I've ever read on transit passes shows that it's a huge cost. It doesn't bump your transportation usage significantly, and then of course you move it from becoming a tax credit. In your paper, you actually advocate that it be tax exempt.

I'm somewhat surprised, given the early days and the contrary academic opinion, that you're actually advocating that it be tax exempt.

Mr. Robert Paddon: First, we're very pleased with the tax credit. From what we're seeing, we think it's helping. We have the experience in this region. We've been implementing an employer-based program that was never to exceed 5,000 people; it's at 15,000 at this point in time.

One thing we've heard from businesses, and particularly small businesses, is that they think it would be helpful to be able to offer the opportunity for a discounted pass to their employees as a benefit, just as many offer free parking. One thing the employee pass program does for us is lock that person in for a year, which helps secure some of our revenue.

● (1015)

Hon. John McKay: Thank you. The academics are cautious and somewhat concerned about it.

The other question I have is for Mr. Styan. It has to do with when you're a family contemplating a death, and you have a child with a disability. In effect, you have to set up a discretionary trust in order to get funds into the hands of the beneficiary, otherwise the actual disability money is impacted.

If you created a registered disability plan, presumably at the point of death the money would have to be recognized. How would it then pass to the intended recipient, absent some sort of discretionary trust?

Mr. Jack Styan: We envisioned it being, in many respects, similar to a trust. Someone would need to be set up to administer it in many situations, where the family feels the individual with a disability is not in a position to do so. In some cases a person with a severe disability may be able to administer it after the death of the family.

Hon. John McKay: You'd still have to maintain the fiction that this is a discretionary trust, that the trustee could pay moneys at his or her discretion and have no obligation to the beneficiary.

Mr. Jack Styan: We would like to see it not necessarily be discretionary, but some of that interplay will come between provincial policy and the plan itself.

Hon. John McKay: I'm sorry to move along like this, but that's the way it is.

My third question is for the B.C. mental illness group. I agree with you; you are the poor cousins of illness generally, and clearly the best bang for the buck would be doing something in your field. Of your $97 million, which frankly strikes me as a modest ask, what of that is with respect to research, and what of that is with respect to this almost insoluble conundrum between the rights of the patient and the desires of the family and the medical needs of the person?

The Chair: We have used the time available to Mr. McKay. I sincerely hope you get another question that allows you to share that information with us.

[*Translation*]

We will now go to Mr. St-Cyr.

Mr. Thierry St-Cyr: Thank you, Mr. Chairman.

My next question is for Mr. Kershaw.

Regarding childcare services, you are surely aware that Quebec has had a fairly progressive system for a few years now under which parents pay only $7 a day rather than the full amount. The rest of the cost is covered by taxes paid by parents and other Quebeckers. As a result, Quebec has the highest taxes.

Quebec parents claim less in tax credits on their federal income tax return, since they pay less in childcare per day. This means that the federal government saves $250 million a year. But Quebec parents are in fact spending that money, not in cash but through their taxes.

The Bloc Quebecois has been calling on the federal government for years to return that $250 million in savings to the government of Quebec. After all, Quebeckers have chosen to create a progressive childcare system, and that money should be used to further improve the Quebec daycare system.

In your opinion, should that money be given back to the Quebec's state to found its daycare system or put into the debt consolidation fund, as it is currently done?

[*English*]

Mr. Paul Kershaw: Speaking as an academic who doesn't necessarily need to negotiate the realities of the political arena, it does seem strange that the federal government would not pass on that $250 million to the Province of Quebec, because it's akin to penalizing Tommy Douglas for starting the health care program that became the model for the entire country, much like when Lucien Bouchard's government put in place the child care program that arguably, in time, will prove to be the Tommy Douglas of child care down the road.

Yes, strictly speaking from an academic position, there's no reason not to pass on that $250 million.

● (1020)

[*Translation*]

Mr. Thierry St-Cyr: In your presentation, you compared a daycare system in which parents have a real choice at affordable prices with a system where parents are provided a direct benefit, like the one they have been receiving from the Conservative government for the past few months, which is a taxable amount that parents can spend as they wish. That is the choice that was made. The existing agreements were cancelled.

If you had to go with one or the other of those solutions, which would be the best, in your opinion?

[*English*]

Mr. Paul Kershaw: Canada's low ranking internationally means the universal child care benefit that was introduced in July 2006 could have a positive gain, if other investments in child care services are not coming out as a cost, because they'll be withdrawn. If you're asking me if it's one or the other—it has to be either/or—then I think international research would say that if you're concerned about human capital, if you're concerned about labour supply, if you're concerned about gender equality, then the child care service route has much more evidence defending it than would sending money directly to parents, particularly if the money is as modest as $100 a month, about $30 of which we tax back. That cannot make the cost of regulated child care services a genuine option, so it doesn't then necessarily help with the labour supply or the gender equality issue. And the human capital issue is much dicier.

[*Translation*]

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

I would like to ask Mr. Clague a question about mental health services.

I think that your proposal is a very interesting one. I looked through your brief. However, it seems to me that you are not presenting that in the right forum, since health issues are the direct responsibility of the governments of Quebec and the provinces.

Is there an awareness that, with respect to investment in mental health, not all provinces are necessarily at the same level? I know a bit about this issue, since there is a mental health hospital, Douglas Hospital, in my riding in Montreal. In your brief, you even go so far as to propose how funding should be allocated among the various initiatives.

The Chair: Your time has expired.

[*English*]

We continue with Mr. Dykstra.

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

Ms. Cunningham, in one of the points you made with respect to aboriginal housing, I think you mentioned a results-oriented conference. Could you expand on that in terms of what its principles would be in terms of organizing it, and what you would expect the results to be in terms of driving it forward?

Mrs. Janet Cunningham: I think I'm going to have to refer you to a brief that came from CREA. We'll make sure you have a copy of it; it will outline that to you.

Mr. Rick Dykstra: Okay, thanks.

One of the other questions I had is related a little bit to Mr. Clague. It is about our ability to fund the recommendations you've made with respect to mental health and the relationship between funding and delivering a service. My spouse is a mental health provider in terms of service, so she'd be pretty upset if I didn't take a little bit of time to ask about that.

You mentioned that based on the Kirby-Keon report, an increase in the excise tax may be a way to do that. Maybe you can expand on that a little, because one of the issues we faced from a budget perspective—especially from a local Canadian perspective—is that we actually offered a cut in the excise tax to winemakers in the country who are taking grapes that have been grown here and turning them into wine. There's a little bit of a conflict there, and I wondered how you measured the two together.

Mr. Michael Clague: Well, I'm not the expert in terms of.... If your question is looking at trade-offs within the spirits, wine, and liquor field in terms of excise tax, I couldn't respond to it. I think the main point is that it's discretionary spending when Canadians choose to drink one thing or another, and since it hasn't been taxed since 1986, it's the most obvious area to look at for an increase in the excise tax. I'm not capable of talking about the implications of the wine industry, for instance.

● (1025)

Mr. Rick Dykstra: Thanks. I appreciate the honesty of the answer.

One of the things we did in terms of announcements this year was allocate $800 million to affordable housing. I noted the allocation of $224 million for a mental health housing initiative, and it's my view that if the federal government commits that kind of money, we'd be hopeful that the province, and obviously the regional and municipal governments, would commit the same.

The money may actually be there already in terms of being able to provide this service. Is that something your organization would consider? Would you submit an application, or at least put forward a concept, on the fact that the funds already exist and if we get the provinces and municipalities on side to contribute as well—one-third, one-third, and one-third—we may be able to make this a reality much more quickly than by asking for it in the next budget, because we already have the funds in this budget?

Mr. Michael Clague: It's an interesting idea; again, it's not an area of my expertise, but it's one that deserves inquiry. I think what we need to be cautious about—and I'm speaking extemporaneously here—is this funding we're talking about. We want to make sure it's reaching people with mental health and addictions conditions, and that the applications from existing sources do not take away from the purposes of those funding sources as well, in terms of where they're directed. We know we need access to affordable housing in Canada generally; we, of course, are arguing the case that this has to be directed into this particular population.

Mr. Rick Dykstra: My point would be that in this year's budget there are funds allocated to affordable housing. It has not been exactly determined where that is going to go, so my suggestion is that since the money is there, there is potentially the ability to access it.

Mr. Michael Clague: Yes, and I don't want to get caught in terms of arguing for taking money away that could be of benefit to other Canadians as well, when a solution that is being proposed, at least by the Kirby-Keon report, is revenue neutral. I think that's where I would leave it at the present time, but I take your point, and it's worth pursuing, because we are indeed anxious to see action as soon as possible on this issue.

Mr. Rick Dykstra: Do I have time for another quick question?

The Chair: You have a couple of seconds left.

Mr. Rick Dykstra: I will give those to Mr. Pacetti to conclude.

The Chair: Mr. Pacetti is next.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Ms. Brown, I thought the idea of the centre for digital media was a great idea, but I'm still not sure how the Government of Canada would help fund your project.

Mrs. Lynda Brown: I'm sorry; I didn't catch all of that question.

Mr. Massimo Pacetti: How would you recommend that the Government of Canada fund your project? It's an interesting idea, a centre for digital media, but I think it would be more of a provincial incentive. How would you see the federal government getting involved—through what department or ministry? Do you have any suggestions?

Mrs. Lynda Brown: This a national initiative. It will create tens of thousands of jobs across Canada and will put into place—

Mr. Massimo Pacetti: No, I understand all that; the time is limited. It's a question of how we would fund it. Obviously the government would love to fund all kinds of national initiatives, and there's no disagreement here. It's just a question of how and through what ministry. What would you recommend?

I don't expect an answer right now, but could you look into it? I'm not sure how it could be done.

Mrs. Lynda Brown: We have a very detailed business plan and we truly see it as a partnership among several areas. Our request is to consider the partnership and to work with us in determining how to fund it.

There are some obvious departments it could fall under, but we believe it is an investment in infrastructure, and that's why—

Mr. Massimo Pacetti: Okay. We didn't a copy of your brief. We just got a one-pager, so if you could send a copy of the brief over to the clerk, we'd appreciate it. It is just because I don't have much time and I want to ask Mr. Clague a question.

In terms of recent events at Dawson College in Montreal and in the United States, every time there is a tragic event we seem to blame it on mental illness. If the government were to implement your transitional fund and eventually create some type of funding for mental illness, would that help in any respect regarding these tragedies? How are we going to evaluate it? How are we going to say, after 10 years, that this fund was a success?

● (1030)

Mr. Michael Clague: I think we can be pretty confident of some outcomes with respect to the housing and basket of services, but there's no panacea in this field. What I would point out is that of that $97 million that was asked for earlier for other supports—research and so on—about $50 million was for service reorganization. One of the realities now, almost across the country, is that people resort to hospitals and police departments as the first contact for mental health. How do we get beyond that?

That does suggest it's education, but it's also making a continuum of health support services available that can reach people early on. I want to stress there's no guarantee about that. It's education about signs and indications; it's education about how you can easily access support to deal with them. We need to be paying more attention.

Mr. Massimo Pacetti: Thank you.

The Chair: Thank you, all of you, for a very stimulating morning of discussion. I appreciate the time that you took to be with us, to prepare your materials, and to present them today. We offer best wishes to you in your organizational work, and so on.

I'll invite the next panel to move into these seats.

We will suspend for five minutes only.

● (1031)

(Pause)

● (1038)

The Chair: What a cheerful looking bunch of people. Welcome to our finance committee consultations. We look forward to your presentations and thank you for being here with us this morning.

If you were here for the previous presentations, you'll know that I'll give you an indication when you have a minute to go. We ask that you keep your presentations to five minutes, in the interests of fairness and further discussion thereafter.

We will begin with a shared presentation by the Coalition of Child Care Advocates of B.C. and the Kids First Parent Association of Canada.

Who will start, Sharon or Helen?

Ms. Sharon Gregson (Chairperson, Coalition of Child Care Advocates of British Columbia): We're actually two different organizations.

The Chair: Yes, I'm aware of that, but I was told you're sharing your time.

Ms. Sharon Gregson: We weren't aware of that. We have differing opinions.

The Chair: You do?

Ms. Sharon Gregson: We don't typically ask to share our time.

Ms. Helen Ward (President, Kids First Parent Association of Canada): No.

The Chair: Okay. The Coalition of Child Care Advocates, Sharon Gregson, proceed with your presentation. I'll give you an indication when you have a minute to go.

Ms. Sharon Gregson: My name is Sharon Gregson. I'm the spokesperson for the Coalition of Child Care Advocates. I'm also a Vancouver school board trustee. Thank you very much for the opportunity to speak to you on this important issue.

The Coalition of Child Care Advocates is a voluntary organization of interested citizens, parents, grandparents, employers, employees, and community organizations. We agree that families and communities, business and governments can and should be partners sharing responsibility for creating a healthy economy, stronger communities, and a better society. We believe Canada needs to be proactive and implement social policy and funding that nurtures the development of skills that will maximize our potential as individuals, as vital communities, as regions, and as a nation.

There are a few key points we would like to emphasize.

In the first six years of life, a child goes through the most critical periods for brain development. These periods help determine future capacities. High-quality, regulated child care offers appropriate intellectual, social, and emotional stimulation and teaching for children in the critical early years.

Research affirms that high-quality, regulated child care is an essential component of a comprehensive family policy—one that nurtures children and supports families. Indeed the recent Statistics Canada release of August 2006 shows us that in 29% of cases, women are now the family's primary breadwinner. More than three million children under the age of 12 currently have mothers in the paid labour force in Canada.

Canada's productivity relies on working mothers with young children, who contribute $53 million annually to Canada's GDP. That statistic is from the Canadian Council on Social Development. We believe that child care strengthens the economy and builds community. Employed parents contribute to the economy as workers and as consumers. Employers and employees in regulated child care services contribute to the regional economy and to the federal tax revenues.

Labour shortages are a growing problem in Canada, but without regulated child care, parents—especially mothers—can't work.

You've asked for our views about specific federal tax or program spending measures that should be implemented in the upcoming budget. We see worrisome evidence that some Canadians and members of Parliament have lost sight of the connection between the taxes we pay and the vital services we receive.

Over the last several years we learned in British Columbia, as we are now experiencing federally, that tax cuts mean program and service cuts, increased user fees, and loss of federally funded social programs—all of which impact negatively on communities, particularly low- and moderate-income families, women and children.

We believe Canadians would be much better served by our investing the surplus in a range of public services that address the most important problems facing the country today. We in the Coalition of Child Care Advocates of B.C. think it makes sense to invest in a regulated child care system through the tax system, because families are usually at their lowest earning power when their children are youngest, and because children's development is time sensitive and can't wait until their families are more affluent. The benefits of investing in regulated child care now outweigh the costs and will lead to future increased tax revenues.

Work-life conflicts cost Canadian organizations an estimated $2.7 billion annually—again this is from the Canadian Council on Social Development. The earlier we invest in our children, the longer we all reap the benefits through economic contributions, a civil society, and a healthier population.

Regarding the implementation of the federal universal child care benefit program, as you are well aware, the taxable benefit is a new form of direct financial assistance of $100 per month for a child under the age of six, as stated on the government's website. While it is an allowance to individual parents, and well received by them, it is not supporting progress towards building an early learning, regulated child care system for Canadian families.

In fact, this benefits higher-income families with one at-home parent more than it helps lower-income parents who need and would choose regulated child care because both parents are at work or studying. Families with young children who qualify for the new benefit can no longer collect the young child supplement paid under the Canada child tax benefit program. Families with children aged six to twelve with equally critical regulated child care needs receive zero through this new taxable allowance, and we believe that's unfair.

The website information says it provides parents with more choice in child care.

● (1040)

The Chair: Madam Gregson, thank you. We appreciate it.

We move on now to Ms. Ward, representing the Kids First Parent Association of Canada.

Ms. Helen Ward: Thank you.

Kids First is a 100% volunteer-run charity that receives no government, union, or corporate funding. We work for the support and optimal well-being of children and support for parental child care.

Canada is now at a stage where the goal of economic growth, narrowly defined as GDP enlargement, is openly in conflict with the goal of improved quality of life. Harm and hurt produce GDP growth, employment increases, and profits, but this is a false economy. We need to replace the GDP as a measure.

There are two parts to the problem: faulty definitions, and measures of production. We need inclusive definitions of work—work must be defined to include the caregiving work that parents and others do—and inclusive definitions of child care and early learning. These must be defined to include the child care and early learning—all of it—provided by parents and by anybody who does it.

We also have a second problem, with the destruction of the conditions for optimal child rearing, which damages quality of life and the very formation of human and social capital. This problem has been exacerbated by the circulation of misleading data and suppression of other data by the publicly funded day care lobby researchers concerning mothers' work, effects of day care on children, demand, costs, enrolment, vacancies, etc.

I'm willing to answer questions on this information problem, and I have the most recent unpublished study by the NICHD, from Dr. Jay Belsky of Birkbeck College in London. That is the most prestigious study that's out there—the NICHD's.

The child rearing work of parents is currently undermined both by the fact that it is not even included in the GDP and by the negative impacts of many GDP-boosting activities. Perversely, although children who needlessly become adults who are unhealthy, immature, and unethical are very costly to society, providing them with compensatory goods and services is profitable and is counted as a source of growth to the GDP. As one example, the recent violence in Montreal will boost the GDP, with paid hours for police, doctors, and therapists. Devastation produces growth that is not socially sustainable.

Government policy has caused this. Families with dependent children have been massively de-funded over the last generation. The child rearing work of parents, the vast majority of which is done by women as mothers, is simply no longer considered work. A journalist calls parenting a sucker's game.

What did governments do? Direct financing to parents for their care work has been cut and transferred to services, academics, and bureaucrats in the family substitution sectors. This has been done under the OECD policy called post-maternalism and post-familialism. We call it McJobs for moms.

For example, single mothers used to be eligible for welfare until their youngest child was 16. It's age three in much of Canada, and six months in Alberta. Tax deductions for dependent children that used to go to age 17 have been eliminated.

This is the very money that once financed both the so-called unpaid work of child rearing and civil society work—the village it takes to raise a child. In short, in the past the parents who did most of the child care and much of the volunteer work of elder care and civil society volunteering were financed by the state, if not exactly paid. Now they are not. The result is increasing inequality for women as mothers, deterioration of children's well-being, an unsustainably low both rate, and an erosion of the civil society sector.

We know our children are in many ways worse off than were children in the recent past. There is a de-evolution in many respects. We hear about increased rates of child obesity, allergies, asthma, youth violent crimes, suicide, cheating. We know there are decreased rates of time with children and of literacy, and of course the birth rate is down 60% in 40 years. Optimal child rearing will improve the quality of life for all, it will improve our economy, and it will raise the birth rate.

● (1045)

It cannot be overstated that there is no evidence that shows that day care centres produce better long-term outcomes for children than other care forms. On the contrary, the majority of day cares have been repeatedly found to be of low quality. Day care centres especially have been repeatedly found to increase levels of illness, aggression, and stress in children. Staff-to-child ratios in these centres must be improved.

Thank you.

The Chair: Thank you, Ms. Ward.

We continue with the representative from the Vancouver Board of Trade, Janette Pantry. Welcome. Five minutes is yours.

[*Translation*]

Ms. Janette Pantry (Director, Vancouver Board of Trade): Good morning, ladies and gentlemen, welcome to Vancouver.

[*English*]

My name is Janette Pantry, and I am the chair of the Vancouver Board of Trade's government budget and finance committee. With me in the audience is Dave Park, the assistant managing director and chief economist of the Vancouver Board of Trade. He will answer your questions later on behalf of the board.

Thank you for making the trip to Vancouver for your pre-budget consultations.

We are here today representing approximately 5,300 members of the Vancouver Board of Trade, which employs hundreds of thousands of people and carries on business throughout British Columbia and elsewhere.

We provided you with a detailed copy of our recommendations for the upcoming budget. You asked us to focus on Canada's place in the competitive world, and in particular on four specific questions. We circulated a PowerPoint handout that we'll refer to during our remarks.

The first question you asked us to address is, what specific tax and/or program spending measures should be implemented to ensure that our citizens are healthy and have the right skills?

Focusing on the health aspect of this question, if you turn your attention to slide 2 of our package, you will see that Canada's spending ranks in the top third of OECD nations, yet our outputs are near the bottom: the number of hospital beds, 21 out of 27 countries; the number of physicians in Canada, 26 out of 29 countries; and number of MRI machines in Canada, 11 out of 23 OECD countries.

In considering Canada's place in a competitive world, this slide raises questions—

● (1050)

The Chair: On a point of order, Mr. McKay.

Hon. John McKay: I don't want to interrupt the presenter, but she's been referencing a document that neither I nor my colleagues have.

The Chair: Because we only have that document in English, we have to await for translation to distribute it to members.

Please continue.

Ms. Janette Pantry: The data in the slide that you will receive raises questions about whether Canadians are receiving value for their health dollars.

Prior to announcing any health care funding, the federal government should work with the provinces to ensure that meaningful reform of the Canadian health care system is undertaken, in part guided by the more successful health care models in some European countries. To the extent changes are needed to the Canada Health Act to implement these reforms, the changes should be made.

Turning to the skills aspect of the question, it's very topical here in British Columbia, where we are facing a growing shortage of skilled workers. The board recommends that the federal and provincial governments introduce tax credits to encourage employer-provided training; take actions to ensure that the skills of immigrants are not underutilized; and phase out the seasonal component of the EI program, which roots Canadians in areas of high unemployment.

Turning to the second question, you asked, what federal tax and/or program spending measures should be implemented to ensure that our businesses are competitive?

As recently reported, Canada's tax rates on business investment are the eighth highest of 81 developed and developing nations. In the slide package that will be circulated, you will see that Canada's income taxes, as a percentage of GDP, are the highest of G7 nations. This is a concern because Canada has very high taxation levels in the areas that discourage working and investing, and therefore hurt the competitiveness of Canadian businesses. Canada should reduce taxes to encourage working and investing.

The third question you asked us to consider is what federal tax and/or spending measures should be implemented to ensure that our nation has the infrastructure required by its citizens and businesses.

If you take a look at slide 4 in the slide package, you will see data from the Federation of Canadian Municipalities and the Canadian Council of Professional Engineers from 2005 that outlines the infrastructure deficit in Canada. The infrastructure deficit was estimated at $60 billion; the annual growth of the deficit, $2 billion; the annual federal investments in infrastructure average $1.1 billion since 1993; the average useful life of infrastructure remaining, 20%; and the average age of 30% of our infrastructure, over 80 years.

You also asked us what actions the federal government should take to ensure the tax and/or spending measures needed for Canada to prosper can be made.

First, we must recognize the positive steps taken recently with the $13.2 billion in debt reduction and identifying the spending reductions of $2 billion over the next two years.

One of our significant concerns has been the sustained increase in the level of government spending. From 2000 to 2005, federal government program spending increased by almost 50%.

With global economic slowdown a real possibility, and with Canada's aging population, we are recommending a comprehensive program review with a reallocation target of 5% of annual federal spending. So that would be $9 billion reallocated. Why is this necessary? If you look at slide 6 of the presentation, you will see that over the next two years, before any announcements are made in this upcoming budget, federal spending is projected to rise by 6% annually. This is not sustainable.

Thank you for allowing us to present our views on behalf of the Vancouver Board of Trade.

● (1055)

The Chair: Thank you for your presentation, Madam Pantry. I assure you the committee members will receive your information; however, because of our rules it has to be, of course, in both official languages. And that's my explanation for the bemused and confused looks some of my colleagues had.

We continue with Verna Semotuk, who is here with the Greater Vancouver Regional District. Welcome. Five minutes is given over to you.

Ms. Verna Semotuk (Senior Planner, Policy and Planning Department, Greater Vancouver Regional District): Thank you, Mr. Chair, and thank you to the committee from the Greater Vancouver Regional District for this opportunity to address you this morning.

The Greater Vancouver Regional District is a federation of 21 member municipalities in the Lower Mainland. Our board is made up of the mayors and councillors of those 21 local governments. The GVRD—I shall use that acronym throughout my remarks—has particular roles in housing, and it is on the issue of affordable housing that I wish to address the committee this morning.

Probably next to transportation, affordable housing is the most critical issue local governments in our region are facing today, and have been for the last ten years.

The GVRD's role in housing is as a direct provider of social housing. Most of its housing is underwritten by CMHC. It has 3,500 units of social housing in the region. It's also an implementation partner on the homelessness programs that were initiated under the national homelessness initiative in 1999. It also is responsible for regional housing policy, so it works with the mayors and councillors of all the 21 member municipalities on regional housing policy.

There are four aspects to the housing crisis in this region that I would like to provide a brief background on with respect to giving some foundation to the requests and major messages we have for the committee at the end of my remarks.

The first aspect of the issue is of course poverty and income. In this region, the incidence and the rate of poverty have increased significantly in the last 10 years, and not only are the incidence and depth of poverty increasing, but the profile is markedly changing. Sixteen per cent of our regional households are in core need, and one-third of these core-need households are of persons who own their own housing. Core-need households that are paying more than 50% of their household income for rent are considered one rent cheque away from homelessness and are considered at risk of homelessness.

The profile of poverty in this region has meant that single-parent families, aboriginal households, and immigrant households are the three most overrepresented demographic groups in poverty in this region. Also with respect to poverty in this region, owners and renters of households are increasingly disparate in their circumstances: renters have one-half the annual income of owners in this region, and also have less than one-half of the assets or accumulated wealth. CMHC data have told us that those who move into home ownership almost double their incomes within six years of home ownership, so we know there is a direct link between long-term household prosperity and home ownership.

Finally, with respect to poverty, Human Resources and Social Development Canada just two months ago released a report that shows this region has the highest proportion of working poor families in all of Canada: 9.6% of our workers are considered poor, well ahead of Toronto, in second place at 5.3%.

The second aspect of the housing crisis has to do with housing costs. I don't think it's any secret to any of the committee members that Greater Vancouver continues to share the dubious honour of having the highest housing costs in Canada. The 2006 data shows us that the average selling price of a residence in this region was $508,000; in comparison, in second place was the city of Calgary, at $367,000. Less than 18% of renters in this region can afford first-time home ownership, given those costs of housing.

The third aspect of the housing crisis is housing supply. Rental housing continues to be the most critical need in this region: rental housing with respect to purpose-built market rental housing, social housing—we have 11,000 households in this region on the waiting list for social housing—and supportive housing. We need 5,000 units of supportive housing to address homelessness in this region over the next 10 years.

And that leads me to the fourth aspect of the housing crisis, which is homelessness. The number of absolute homeless persons in this region has doubled since 2002, and also the hidden homeless and “at risk of homelessness” numbers are alarming.

● (1100)

Our message to the committee is threefold. The first message is that homelessness is not an intractable problem. We urge the continuation of federal funding and involvement in the reduction and prevention of homelessness under the national homelessness initiative. Secondly—

The Chair: Thank you.

We continue with David Levi, who is here with GrowthWorks Capital Ltd. Welcome. We'll give five minutes to you.

Mr. David Levi (President and Chief Executive Officer, GrowthWorks Capital Ltd.): Thank you. This will be my speed reading course.

Thank you for allowing me to speak to you this morning about an important issue in the economic development of British Columbia. I'm here simply to ask for one thing, which is an increase in the “ticket size”, as we call it—the amount that individuals can invest—in the working opportunity fund, and I'll tell you why now.

The working opportunity fund, to give you a sense of our size and skills, is $400 million in assets under management. We're the largest single point of venture capital in all of western Canada, and we're 20% of all the venture capital here in British Columbia. Over the last 13 years, through this labour-sponsored fund, we've invested $426 million in 108 entrepreneurial companies. We have been very active. These companies, between them, because they're mostly small companies, have added up to a lot of jobs—about 10,000, according to the provincial and federal input-output models they use for tracking jobs of companies we invest in.

For every dollar we put into an investment, $4 is put in by other individuals from outside the province, so we're a very big attractor of funding here. If, for example, you look at the contribution of the federal government, which is a 15% tax credit, for every $1 million the federal government puts up, $20 million has been invested alongside it. It is a very tax-effective, very highly-leveraged opportunity for government to interact with venture capital.

On average, the companies we invest in have fewer than 15 employees at the beginning, and they rapidly grow to 50 to 60 employees, with our largest company having over 800 employees. That started, by the way, with fewer than 200 employees when we first invested in it.

One of the big things we're actively involved in, and it's something you would be concerned about, is all the money the federal government has been putting into basic research hoping there would be commercialization. We've commercialized over 30 companies from universities, allowing scientists to bring their research to life and then allowing it to start to earn income here in British Columbia, and obviously for all Canadians through the taxation system.

This is definitely not a domestic product we're talking about, as 85% percent of the money these companies earn as gross revenues comes from export-oriented products. Almost all of our companies are active internationally and are world-competitive players, although they're not generally 5,000 or 10,000 employees; they tend to be much smaller, as I said earlier.

You may think a 30% tax credit given to investors is sufficient. While it looks good on paper, there are lots of other options for investors. For example, flow-through shares, which go to mining and oil and gas companies, give investors the effective rate of 44% credit compared with the 30% we have, and also allow them to invest them into their RRSPs. These flow-through shares raised $1.1 billion last year at a cost of $484 million to government. By contrast, the cost to the two levels of government of the $1.2 billion—so we raised more money than they did—in 2005 was only $360 million, so it was far less cost.

I'm not asking, though, for an increase in the credit. That's not why I'm here. The real problem we have is that the program itself hasn't been updated in a large number of years. I'm here to ask for an increase in the tax credit limit, which would result in an increase in the maximum individual purchase size. The legislation for this program was created in 1985. Over the last 21 years there has been no increase to the maximum purchase size for investors. The RRSP contribution limits, on the other hand, have increased from $5,500 in 1985 to $15,500 today and will go to $18,500 in the next two years. As a result, the relatively small $5,000 purchase of our funds has become a nuisance trade for most investment advisers.

In fact, since the banks have taken over most of the major brokerage firms they've created new compensation grids, and these grids pay far less on trades under $5,000 compared with those of $10,000. Because of this we've seen a decline.

The other key issue that no doubt will be raised as we ask for this change is what the cost to the treasury will be. We've looked at the cost to the treasury. Because there are maximum amounts in almost every province in the country, the maximum increase in the cost to the government would be about $20 million.

Thank you very much.

● (1105)

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

Mr. Kim Brandt is here from KAIROS. Welcome, sir. You have five minutes.

● (1110)

Mr. Kim Brandt (KAIROS - British Columbia):

Thank you. Good morning and *bonjour*.

The Fraser Valley KAIROS group represents a group of committed people from the faith community. We are not experts in the field of economics and competitive international business, but merely deeply concerned citizens. Like most Canadians, we believe in the values of family, community, true justice, equity, and fairness.

There are some issues that weigh heavily on our hearts. You are interested in what Canadians have to say about keeping Canada competitive in today's economy. No doubt you've heard from many more learned than I on these issues, but we wonder what your plans are for tomorrow's economy and how you plan to measure its success.

There are two points here: one, how do we, as a nation, measure the well-being of our citizens in an all-inclusive way, beyond the indices of the GDP; and two, is our current economic model truly sustainable for our long-terms needs? When I say long-term, I mean well beyond the next general election, and forward-thinking for the next several generations of Canadians. Perhaps we can enhance our national stature even more by being a nation that can lead in new and innovative ways. We must find another way to measure success than by just how much money we generate. Surely you'll all agree that there is more to life than just how much money you make.

There are many wonderful aspects to life in Canada; however, there are also deeply troubling conditions. The fact that it is necessary for our little church, Langley United, to feed hungry children at a local elementary school is unacceptable to us. These types of activities go on across our country every day, and honestly, we sometimes feel overwhelmed by all of this.

But we have hope. There is a project so inspiring it involves some federal agencies already, and both the private and non-profit sectors, and it has already finished its first round of public consultations to determine how Canadians want to see their well-being reflected in a set of indices. It is known as the Canadian Index of Wellbeing, and details about this new tool to measure what counts are outlined in our brief.

Our primary focus is on policy reforms in the following areas: a streamlining of national standards for professional services to enable new immigrants to participate at their skill level sooner rather than later; banning the new coal-fired power station that B.C. is planning, including a federal ban on the building of all carbon-emitting power generation systems.

Add to that a tax on all existing carbon-emitting power generation systems, with all tax revenues going directly toward R and D of green energy production; a cash or tax incentive of $1,500 for every person who purchases a new vehicle that gets an increase of 5 kilometres per litre over their previous one; broadening the federal child fitness tax credit to include participation in drama, music, and the arts; increasing the basic personal exemption to $15,000 and changing the highest tax bracket so that it begins for those earning over $100,000; removing bureaucratic red tape so that one government agency can oversee grants and subsidies for housing.

Commit to giving back to poorer Canadians 1% of our prosperity towards housing grants, interest-free mortgages, or some such hand-up.

Withhold funding for any aspect of the Pacific Gateway project that funds the twinning of the Port Mann Bridge or increases the lanes of Highway 1.

Federal funding must be tied to public transit. Ten years ago Environment Canada reported that nearly 100 people died prematurely as a result of air pollution in the Fraser Valley. This is unacceptable. The federal environment act states: "projects are considered in a careful and precautionary manner in order to ensure that such projects do not cause significant adverse environmental effects."

Finally, we believe water is a sacred gift to all. While we live in a boreal forest here, we have recently undergone a long drought, which culminated in the mayor of Tofino, on Vancouver Island, closing the town's business over the Labour Day weekend for lack of water, causing significant financial losses.

Global weather patterns are changing, and that is a reality. This government must put resources into developing long-term water strategies that ensure that Canadians have access to this life-giving resource for all the generations that will follow. Water is too valuable to be commodified and must remain in the public trust.

Thank you for your time and attention.

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

We continue with a representative from the Canadian Manufacturers and Exporters, B.C. Division, Werner Knittel, vice-president. Welcome. It's over to you.

Mr. Werner Knittel (Vice-President, B.C. Division, Canadian Manufacturers and Exporters - BC Division):

Thank you, Mr. Chair and committee members. I appreciate the opportunity to address this group. With me is my colleague Colin Heartwell, who will be here to answer any questions afterwards.

I appreciate the opportunity to speak here in B.C., because I know you've heard from our colleague Dr. Jayson Myers during your hearings in Ottawa. I want to take this opportunity to make sure that the committee understands that the manufacturing sector is alive and well out here in British Columbia. It is the second largest sector of the economy here, only after finance and real estate—which I'm not sure any sector is ever going to catch up to, the way our housing prices are going.

Dr. Myers, I think, has given you the detailed presentations. I'm not going to go into all of the detail here. My colleagues from the Vancouver Board of Trade have outlined some of the numbers behind the reasons for some of the requests we're going to make as an association.

What I did want to do was impart to this committee the issues that are facing manufacturers here in this country right now, in particular here in British Columbia as well. Manufacturers right now are facing what's considered the perfect storm. We watched the Canadian dollar rise substantially, taking almost 50% off the bottom line of most companies—who are exporters, as David Levi has pointed out. Virtually all Canadian companies these days export out of their jurisdiction. We couldn't survive; the Canadian economy simply is too small.

This huge rise in the Canadian dollar was also coupled with rises in energy, in labour, in material costs. We've seen all of these things go right through the roof. Yet over that last five-year period, while we've been looking at all these numbers, the average selling price has gone down by almost 2.5%. This is a huge margin squeeze that the companies are facing here right now. Unfortunately, in these times you cannot pass on cost increases to your customer. First of all, customers now are expecting things to become cheaper; that just seems to be the nature of things, that prices are constantly dropping.

A big factor in that is our competition from overseas. The Chinas, the Indias, the eastern Europes of the world are becoming very aggressive. China is one of the largest manufacturing centres in the world. Every time our companies try to put some sort of price increase through to protect their margins, their customers simply turn around and look for an alternative supplier. So it's not an option for everyone.

Companies are looking at making improvements. They are implementing lean manufacturing; they're doing everything humanly possible to reduce their internal operating costs. As you know, companies are outsourcing. They're looking at that as a viable alternative, taking a look at the low margin, high run parts—components, pieces, sub-assemblies—that they can get from the best possible source and for the highest level of value and put in to allow the balance of the assembly and manufacturing to take place in Canada, so that we can then sell these high-value-added goods into the United States, Europe, Japan, and other leading economies.

Those are the issues we're faced with. We're also faced with acute labour shortages right now. If you take all of those things into account, right now our manufacturers are facing a tremendous squeeze, and they need help. We're operating in a global environment. As many of the committee members are well aware, most of our companies here in Canada aren't competing against one another; they're competing in that international marketplace; they're competing against firms in other countries.

Hence, from our perspective, what we as Canadian manufacturers are asking for—and I'll cut to the chase here—is reduced corporate income taxes, to make us more competitive with the other leading economies. Most importantly, we're asking for an amended depreciation allowance to allow manufacturing processing equipment and associated information communication technologies to be fully depreciated within two years. This follows a strategy the U.S. undertook over the last couple of years, as their dollar strengthened, to allow their manufacturers to invest in new technology and equipment to aid in their productivity enhancement and competitiveness.

We're also asking that the SR and ED tax credit be refundable and extended to cover a portion of international collaborative research and development work. Most of our companies are now finding partners all over the world—they have to find that new technology, that new expertise—and they're doing a lot of their research with other partners. We need to have that included.

● (1115)

Equally important are our employees and our skilled labour force. We're asking for the introduction of an employers training tax credit, creditable against the employment insurance premiums.

Thank you very much, Mr. Chairman.

The Chair: Thank you, sir.

From the Prince Rupert Port Authority, we have Don Krusel. Welcome.

● (1120)

Mr. Don Krusel (President and Chief Executive Officer, Prince Rupert Port Authority): Good morning, and thank you very much for allowing me the time to speak to you today.

The Prince Rupert port is approximately 600 kilometres north of Vancouver. That's important from a geographic perspective because it is the closest port in North America to Asia. I'm here to talk to you today about the partnership that the Port of Prince Rupert needs to have with the federal government under the Pacific Gateway strategy, led by Minister David Emerson, and the British Columbia government's British Columbia ports strategy.

Your mandate is all about Canada's competitiveness. We're a trading country, and Werner and his membership depend on transportation systems to be able to trade our exports with international customers, especially Asia.

The bottom line is that today approximately 2.2 million containers flow through the west coast of Canada. That is projected by our own estimates, by the Pacific Gateway strategy, to grow to 9 million containers by 2020. The Port of Vancouver, which is the main container gateway on the west coast right now, has plans to increase their capacity to around 5 million containers by 2020. This means that Canada will have a deficit of around 4 million containers in its ability to trade internationally by 2020 unless something is done about it.

We'd like to have that extra 4-million-container capacity built in Prince Rupert. Phase one of that plan is taking place right now, thanks to the generosity and financial support of the federal government, the provincial government, and the private sector. We are partway through the $17 million construction of phase one of a container facility to handle 500,000 containers. We are going to move directly into phase two and bring that capacity to 2 million containers by 2010, and then build a second terminal for another 2 million by 2013 to bridge that gap of 4 million.

This will cost approximately $1 billion between now and 2013. Of course, we are going to rely on the private sector, but there is a big role to play for the port authority here in Vancouver and the port authority in Prince Rupert. That's really what I'm here to talk to you about today.

I also want to mention that this isn't just about jobs on the waterfront or providing an export potential for the exporters and manufacturers of Canada. It will provide a general economic stimulus to the communities in northern B.C., Alberta, and right into Saskatchewan and Manitoba, equivalent to the impact of the 2010 Winter Olympics here in Vancouver.

As a port authority we need legislative change. The Canada Marine Act has been...for change for three years now. It handcuffs our ability to raise capital. Right now the Port of Prince Rupert, by the Canada Marine Act, by our letters patent, can only raise $22 million. We're talking about a $1 billion infrastructure improvement and we have a cap of $22 million. We need that lifted so we can go out into the markets and borrow much more than that. We know today that the financial markets would lend us much more than $22 million.

The second thing we would ask for is support for the amalgamation of federal assets in Prince Rupert, in the same way as it's happening here in Vancouver, where the three port authorities look to be amalgamated. There is a crown corporation in Prince Rupert called Ridley Terminals, Inc. It's a coal shipping facility owned by the federal government. We would like to see that amalgamated with the operations of the Port of Prince Rupert. It would provide the Port of Prince Rupert with funds that could be directed to this Pacific Gateway strategy initiative. It would also provide the Port of Prince Rupert with the leverage to borrow even more money in the public sector so we can fulfill this initiative.

Getting back to your mandate to measure Canada's competitiveness, we cannot be competitive in an international marketplace without the proper transportation infrastructure. We need to look at this very carefully. Give us the tools to build the infrastructure with the private sector so we can allow the manufacturers of Canada to access the world.

Thank you.

The Chair: Well done, Mr. Krusel. Thank you.

We have Manny Jules with us today, from the Indian Taxation Advisory Board. Welcome, sir.

Mr. Manny Jules (Chairman, Indian Taxation Advisory Board): Thank you, Brian.

I guess it's a question of how to implement market-oriented first nations policy changes. The Indian Taxation Advisory Board proposes the following agenda to the finance committee for addressing the root causes of first nations market failure and improving the fiscal balance of Canada.

The finance committee should support initiatives that provide first nations with the fiscal means to undertake development initiatives, such as developing infrastructure to business grade, and enough fiscal certainty to have the incentive to pursue this. The tax advisory board is proposing a specialized first nations infrastructure program to provide part of the solution.

The finance committee should continue to support initiatives, such as the first nations goods and services sales tax, that increase first nations revenues. We suggest a greater role for the First Nations Tax Commission in support of the first nations GST to accelerate the take-up by first nations.

The finance committee should also support initiatives that provide for more first nations fiscal certainty. The federal government should commit itself to a formula-based transfer system that explicitly links service standards on first nations lands to those prevailing in the provinces. It should make this available to any first nation that can meet specific qualifications with respect to governance. The formula should support the delineation of financial responsibilities among the first nations and the federal and provincial governments. This would allow governments to provide greater certainty over the provision and policy pertaining to specific services.

The finance committee should support initiatives that raise awareness about the potential for economic development and what is required to realize it. The tax advisory board suggests that open-market housing on first nations land should be one of these initiatives. The finance committee should support initiatives that allow first nations to create greater certainty over land use and title, such as the proposed first nations land title act, which would forever change the way first nations operate in this country by allowing us, as first nations people, to use our lands in much the same way as every other Canadian in this country.

Thank you.

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

We move to questions now, and we will have five minutes for these.

Mr. Savage.

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

And thank you to everybody who took the time to come to join us today.

Coming from Halifax, I think there's a special wisdom on Canada's coasts that's in greater abundance than it is in the centre. I've certainly seen nothing this morning to discourage me from that belief.

The Chair: A point of order on that, Mr. Savage.

Mr. Michael Savage: We'll go to the centre soon.

Listen, I appreciate your taking the time to come out.

My first question is for the person who left. Mr. Park, you're the—

Mr. Dave Park (Assistant Managing Director and Chief Economist, Vancouver Board of Trade): I'd be happy to respond.

Mr. Michael Savage: Okay.

There are a number of recommendations from the board of trade, and I don't see anything here about the GST. The GST was cut by 1% last year, and the government's plan, I understand, is to cut it a further 1%. Can you tell me the view of the members of the board of trade relative to other tax reductions, specifically reducing personal income tax?

Mr. Dave Park: First of all, any tax reduction is a good move.

Voices: Hear, hear!

Mr. Dave Park: However, it's pretty well established, including in research that has been done by the Department of Finance in Ottawa, that tax cuts that encourage capital investment and income tax cuts should take precedence over consumer tax cuts.

Mr. Michael Savage: I think any tax cut is a good one, but you have to keep in mind the whole envelope. If we're talking $6 billion per point, that's an awful lot of money that could be spent on corporate tax cuts and personal income tax cuts.

● (1125)

Mr. Dave Park: If I might, as a supplementary response, I would suggest to you that with the growth of the economy, perhaps it would be able to do both.

Mr. Michael Savage: So you would recommend doing both? You would recommend going to the second 1% cut?

Mr. Dave Park: I would suggest at this point that the priority in the future should go to maintaining the 1% tax cut that has occurred, but then move to tax cuts that would stimulate capital investment and reduce income tax.

Mr. Michael Savage: Move to tax cuts that would be productive as opposed to non-productive.

Mr. Dave Park: It would suggest that both are productive, but some are more productive than others.

Mr. Michael Savage: I don't want to get into a debate. You don't say anything in your presentation about the GST, so I assume it's not of significant enough importance to recommend it.

Mr. Dave Park: I think I've just responded, according to our policy.

Mr. Michael Savage: So you do think we should cut the second GST.

Mr. Dave Park: I suggested that in terms of priority, in terms of future tax cuts, they should go to measures that would stimulate capital investment and that would reduce income tax before we cut further on consumption taxes.

Mr. Michael Savage: You mention health, and the last line is that the "status quo is unacceptable". The Halifax Chamber of Commerce, which I suspect would be a compatriot of yours, has come up with the same idea. However, they have in fact looked at health from the point of view of health promotion and healthy living and have implemented a program working with business, encouraging employees to actually get involved in checking their health and improving your health. Have you done anything similar to that?

Mr. Dave Park: Not directly; however, we have produced a report called "Reforming the Canadian Healthcare System". In fact, the recommendation was cited earlier by a representative about looking at European health care systems and trying to find some kind of amalgam, a hybrid system that would work better in Canada. I think we would certainly sympathize with the position taken by the Halifax Chamber of Commerce, but I think we have to do far more than that.

Mr. Michael Savage: Mr. Brandt, I meet with a group similar to yours in my own riding—church groups that come together to talk about the importance of social policy. Considering that Development and Peace and the Primate's World Development Relief Fund are part of your group, I was a little surprised that you didn't mention Canada's obligations internationally. Do you have a view on that?

Mr. Kim Brandt: Yes. KAIROS is very active in international affairs. This committee came together to ask for information specifically for Canada's economy and the growth, so that's why we didn't address that.

Mr. Michael Savage: We are hearing from other organizations. We want to hear about how we should spend federal dollars, which includes international development. In fact, my colleague Mr. McKay had a private member's bill passed in the House of Commons—you may have heard about it last week or two weeks ago—indicating that Canada's foreign aid should be based on poverty reduction.

Do you have a view on whether Canada should reach the millennium goal? Do you have a sense of how much we should be putting into international development, how we should be doing it, and what the focus should be?

Mr. Kim Brandt: Honestly, I can't speak for the national group, so what I say should be divorced from that. For our local KAIROS group, you'll only hear my personal opinion on that. That's important to note.

It's a very complex issue, and I honestly can't say that I can give you an answer, in a few moments, about how international aid should be spread. However, what we seem to be seeing is that the money is spent and the success is hard to measure in terms of whether we are getting a benefit for the money spent on international aid. Are these stop-gap measures? Are they long-term? It seems to be that there's a shortage of long-term thinking in terms of how we can help people solve their problems.

The Chair: Thank you, Mr. Brandt.

Committee members, we have half an hour remaining for questions.

[*Translation*]

Next we will move to Mr. St-Cyr.

[*English*]

for five minutes, sir.

[*Translation*]

Mr. Thierry St-Cyr: Thank you, Mr. Chairman.

My first question is for Ms. Gregson of the Coallition of Child Care Advocates of British Columbia.

I do not know whether you attended the first part of the meeting, but I spoke a little earlier about the fact that the federal government saves $250 million a year in tax credits that are not claimed by Quebec parents because Quebec has established an affordable daycare system. As a result, these Quebec parents pay three times for their daycare services: the first time is their reduced contributions of $7 a day; the second is through their Quebec taxes, since that is what funds the daycare services; the third is to Ottawa, given that their choice saves the federal government $250 million a year.

The question that I asked this morning and that I would like to ask again now is as follows: do you think that the $250 million should be given back to the Quebec government to be invested in daycare services, or should that money go into the consolidated revenue fund and spent entirely on debt reduction?

● (1130)

[*English*]

Ms. Sharon Gregson: First, I'd like to say that I wish the rest of Canadian parents were as fortunate as the parents who live in Quebec and have access there to the $7-a-day regulated child care system. Quebec has been a leader not only in looking at child care, day care, but in family-friendly policies, and I would congratulate the Quebec government for that move.

As far as the $250 million is concerned, I think it's important that Quebec not be penalized for its own provincial spending on a day care system. I would suggest that being fair and just and being equitable would be the way to go. I wouldn't want to choose for Quebec how that $250 million should be spent, but I believe the federal government should not penalize Quebec for being a leader in creating a system that serves its citizens.

[*Translation*]

Mr. Thierry St-Cyr: Thank you.

Ms. Ward, I have looked at the brief that you tabled before us. I am surprised by several comments in it. It seems to me to be a collection of assertions presented as truths, when in fact many of them are questionable, to say the least. If I understood correctly, you would like to see direct financial assistance given to parents to encourage them, I suppose, to stay at home rather than spending that money on public daycare. I find surprising the deliberate attack on public daycare that appears throughout the brief.

I want to quote a few of those assertions so that you can develop your ideas a bit more. I have difficulty understanding how establishing a public daycare system could lead to a need for foreign workers and how daycare can be harmful to children wellbeing. That assertion is a very serious one, in my opinion. Finally, I find it hard to understand how the low birth rate can result from that. You say that there is no evidence that daycare has a positive effect on children. I am sorry, but there are numerous studies that show exactly that. You can tell us that you do not agree with that research, but it is a bit much to claim that there is no evidence.

Finally, our society funds public schools. We do not tell parents to raise their own children and pay if they want them to go to school! Why could we not do the same thing with daycare? Why should it not be free, just like school is?

[*English*]

The Chair: You have 15 seconds to address that dissertation.

Ms. Helen Ward: The definition of child care is part of the problem.

Studies show that high-quality child care improves children's outcomes. We totally agree, and we are very much in favour of child care. I've personally sacrificed over $100,000 of income to do high-quality child care for myself and also for some friends. The definition of the child care in the studies that show this is a broad, inclusive definition. The NICHD—the National Institute of Child Health and Human Development—study in the States defined child care as 10 hours a week or more of non-maternal care. It included father care, grandparent care, as well as day care—any kind of care over 10 hours a week that was non-maternal.

The Chair: Thank you, Madam.

I'm sorry, but the time was used up in the preamble. This is the format I must administer.

We continue with Mr. Del Mastro now. Five minutes, sir.

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

I'm going to start with the Vancouver Board of Trade. I enjoyed your submission, actually. I just wanted to point out that we are moving toward corporate tax reductions—the end of corporate surtaxes and lower corporate tax rates of 19% by 2010—and hopefully we'll continue that trend. We agree with you on the Government of Canada's role in competitiveness and encouraging foreign investment.

The fourth point of your presentation actually talked about the measures the government could take so we could reprioritize our spending and maybe become a little bit smaller in government overall. You talked about a reallocation of 5% of program spending that would allow approximately $9 billion in savings, essentially.

Now, we just underwent a little bit of cost restructuring in Ottawa last week. Do you think that's sending the proper signal to business communities, that even though we're running a surplus, we are prepared to run a more efficient government?

● (1135)

Mr. Dave Park: Absolutely. I think the point we were making is that the target was too modest—$1 billion per year on $180 billion, or whatever it is in terms of the total budget. There should be room for far more than that. As a matter of fact, as a deliberate design, surely there are programs and services that have been around for so long that new priorities should take their place, even if we were to maintain spending at the same level. But the hope is that ultimately we may be able to whittle it down.

I come back to the question of looking ahead to an aging population and the advice from the OECD and so on. We really must continue the debt reduction. Cutting current expenditures will help us move in that direction.

Mr. Dean Del Mastro: Thank you, sir. I appreciate that.

I wanted to move to Ms. Gregson.

Ms. Gregson, on your website you have four points under your child care plan. The first one is this: “provides children from birth to 12 years of age with optimal environments in which to grow and thrive”. What is the optimal environment for a kid to grow and thrive in?

Ms. Sharon Gregson: There is quite a bit of research around what's a quality environment for children, and that's warm, nurturing adults who care for them, with low ratios of adults to children. If you're asking me to choose what kind of environment, each child has a different environment based on the work life of their parents—

Mr. Dean Del Mastro: What is the definition for you? What's an optimal child environment for you?

Ms. Sharon Gregson: An optimal child environment is a place, whether it's at home or in a child care environment, where the child is loved and respected, where there are opportunities for healthy development through age-appropriate experiences, where children are safe, where the environment is conducive to giving them the opportunities they need to grow and thrive.

Mr. Dean Del Mastro: So just about anywhere.

Further on in your website, it says: “The Conservative Party believes that the family unit is essential to the wellbeing of individuals and society, because that is where children learn values and develop a sense of responsibility. Therefore government legislation and programs should support and respect the role of the Canadian family.” Do you think that's a bad thing?

Ms. Sharon Gregson: To respect the role of the Canadian family? I think that's a Canadian value, yes. But by using child care services, I'm in no way delegating my role as a parent or my value of family.

Mr. Dean Del Mastro: Thank you.

Ms. Ward, you spoke about—it's an interesting term I've never heard before—a family replacement policy. I tend to agree with you that maybe that is the direction we've been following for a while. It seems to me that you're suggesting it's detrimental to the development of children.

Ms. Helen Ward: The OECD has been basically behind a lot of the initiatives in the day care push in Canada, and the Canadian government has adopted this policy of promoting labour force attachment over parent-child attachment. The OECD policy talks about putting more mothers to work. We say every mother is a working mother. Work is work wherever it's taking place, whether it's paid, not very well paid, or paid well.

What the OECD wants to see and what much of the GDP sector wants to see is an increase in the service sector. In the service sector, what you see is a transference from the so-called unpaid or caregiving sector, the family sector, friends, neighbours. There's a transference of those tasks to paid service providers.

Mr. Dean Del Mastro: I don't mean to cut you off, but I only have so much time.

The Chair: We'll continue with you, Madam Wasylycia-Leis, with five minutes to you.

Ms. Judy Wasylycia-Leis: Thank you, Mr. Chairperson.

Thanks to all of you for your great presentations. Clearly there's a big divide in the panel in terms of what we do with our limited flexibility in terms of fiscal surplus, and so on.

I would like to raise the general question of a cost-benefit analysis for programs, for investment in tax breaks, as well as government spending. In fact, the Vancouver Board of Trade has basically suggested that there be a cost-benefit analysis of every dollar that is spent in terms of programs, but we don't ever hear any recommendations in terms of tax cuts to corporations, which is also government spending.

I would like to start with David Levi, first of all, in terms of his proposal. It's a modest proposal, but I would like you to explain to us how that would benefit our economy and actually lead to the growth that we all know we need, and more means by which we can actually address day care, housing, homelessness, and so on.

● (1140)

Mr. David Levi: Thank you. The investments we make are the highest-risk investments of new companies, so we're at the very front end of generating new companies into the economy and trying to expand those economies.

In terms of a cost-benefit analysis, four studies have been done across the country in various provinces as to the effectiveness of investment by the federal government, and they range anywhere from a one- to a three-year payback to governments in new taxes created by the new jobs these companies are creating. The interesting thing about our business is that of the money we take in that's invested, almost all of it goes into hiring people in the high-tech and the life sciences sector and in advanced manufacturing, and very little of it is used on machinery, other than the computers. It's really the brains of the individuals that make these companies successful.

So we're very high in terms of the amount of jobs we create. And the other thing is, as I said earlier, we are completely oriented toward export development. Almost all the revenues come from export opportunity.

To answer your question more directly, the opportunity for government is that it's a very low-cost process for government to create high-paying jobs. A lot of statistical work has been done on the types of jobs being created in the high-tech sector. They're all above-average-paying jobs across the country, whether they're specifically high-tech engineering jobs or the assistance to those individuals.

At the end of the day it's a very low-cost program, but it provides very high-risk capital to build companies that become very profitable and very quickly start repaying taxes to the government.

Ms. Judy Wasylycia-Leis: Thank you.

Probably you can't comment on this question about the Crocus Investment Fund in Manitoba. I assume you're involved in some way, but I'm hoping you could say the benefits of venture capital programs, despite some problems along the way, still outweigh the problems.

Mr. David Levi: There are a couple of interesting things to note. I can talk a little bit about Crocus because our company in the province is trying to provide them with solutions. The first thing to understand about Crocus is that a unique set of circumstances ended up creating the political and economic problems they had, and I won't get into that.

There are two interesting things to note. One, the business community has come out solidly on the side of creating more venture capital within the community and supporting the idea of having another fund in the province and increasing it. Two, through a review panel they've set up, the province itself has been looking at the nature of labour-sponsored funds and how critical they are to the economy. They've come forward saying we must continue to improve the number and the amount of money that's being raised by labour-sponsored funds and pass legislation. Our request was to move up to $10,000 or more per individual, and they've now passed legislation post-Crocus encouraging people to put up to $12,500 into new funds in Manitoba.

Having gone through the worst experience possible in Canada, which is what Crocus went through, you can see you've got very strong support from the business community as well as from the government saying we need to continue to increase this.

The Chair: Thank you very much, Madam.

Mr. Jules, I appreciated your words again today. It's nice to see you again.

The Auditor General and numerous other observers—aboriginal leaders, community members—have commented repeatedly over the last number of years on the relative ineffectiveness of the use of housing dollars. You and I know that many more effective models could achieve better results, not least of all for the taxpayer, most of all for aboriginal people across this country.

In particular, on-reserve housing has been a problem. One of the areas you alluded to briefly and that I'd like you to expand on is the open-market housing models dozens of first nations communities are using. Is that correct, and what are the preliminary indications of the effectiveness of the dollars being used in that model as opposed to, shall we say, the old-fashioned model?

● (1145)

Mr. Manny Jules: In my community we started with a development with long-term leases. That quickly turned into a situation where we attracted a lot of first nations investing in property on reserve. They realized they would be able to utilize those revenues to get into small businesses—use those housing dollars to invest in themselves and have long-term certainty.

But we've had a lot of resistance from many bureaucrats within the Department of Indian Affairs to move down this path. I've also noticed a lot of disagreement between CMHC and the Department of Indian Affairs over which kind of housing approach should be taken.

The fundamental basis in the long term has to be a proper land title system that will allow first nations to utilize their lands to the optimum—not only individuals. Housing reflects the individual. But it's also important to maintain the underlying interest by first nation governments so they can continue to exert jurisdiction over those lands so they don't become checkerboard reserves. That will ultimately empower individuals, through the utilization of a true market-based housing approach, and allow them to get into first nations businesses and break down the economic barriers that prevent them from occupying any roles in the market-based economy.

First nations are really a huge part of the fiscal imbalance of this country, just the same as the provincial governments—

The Chair: I'll cut you off in the interest of time. I know committee members share interest in these issues. You alluded to the resistance within federal bureaucracies. This is not unheard of, and certainly it's frustrating.

On the issues you raised about the practices that are in place now, how could this committee assist you and others with your concerns, and move forward to adopt these kinds of best practices across the country? In terms of furthering the adoption of these kinds of practices, what specific suggestions would you make to the committee?

Mr. Manny Jules: One of the requests we've made to the Department of Indian Affairs is to allow us to develop the tools that are required for first nations to get into a true market-based housing approach. That's been resisted by the Department of Indian Affairs bureaucracy. That would allow first nations to develop building codes so there isn't a mould situation across the country.

We recommend utilizing tax revenues so we can build proper infrastructure in communities to deal with water quality, sewage, and the like.

We also recommend having a model that we can transport to first nations right across this country. I think that's critically important, so there is an institution in place that facilitates a true market-based approach to housing.

The Chair: It also wouldn't download the obligation to prepare the bureaucratic structure on each first nation.

Mr. Manny Jules: That's right. In dealing with CMHC, one of the problems they have is this whole notion of uncertainty in investing on first nations land. So that attitude has to change as well.

The Chair: Thank you, sir.

Mr. McKay, you have four minutes, sir.

Hon. John McKay: Thank you for that pathetic amount of time, which I now have to split with Mr. McCallum for his last 40 seconds.

I'm going to focus entirely on the board of trade. In the 13 years of Liberal government—and actually in the last year—you'd be interested to know that program expenses went down almost one full percentage point of GDP, from 13.7% to 12.8%. In absolute terms that's an almost $1.5-billion reduction in expenses.

One of your main thrusts is the reallocation of 5% of program spending. What program spending are you referencing here? I ask that because 25% of the federal government's revenues are transfers to persons, 20% are transfers to other orders of government, public debt is 16.2%, and national defence is 7.2%. So you're really left with about 16.6% for programs.

Do you think the current—and hopefully not very long-living—government will focus its 5% out of that area, or out of the entire $220 billion worth of revenue?

● (1150)

Mr. Dave Park: I would suggest that the broader perspective is the appropriate one. So for example, to the extent that debt is paid down, it frees up additional moneys for other purposes. I wouldn't restrict it to the core. I think the government has to look at everything and ask whether what they're doing, including for example the amount of debt they're carrying, is appropriate.

You've mentioned the armed forces. We aren't spending enough there, so in fact reallocation is a part of it. Certainly, if we look at our obligations opposite our partners in NATO, we should probably be closer to 2% of GDP rather than the 1.1% or 1.2%—

Hon. John McKay: Would you take money out of pensions in order to be able to do that?

Mr. Dave Park: There are so many good things we could spend social funds on. We have to look at it, step back, re-evaluate it all, and balance it. That's a job that is tricky and very difficult for government. We're just saying that you have to look at the existing programs and cut far more than $1 billion a year out of them.

Hon. John McKay: The previous government committed 8% increase for CIDA funding. Would you roll that back?

We committed 6.5% increases in health care funding. Would you roll back that?

We committed a 4% increase in funding for equalization payments. Would any of that be touched? Because that's where the real money is.

Mr. Dave Park: I think we should start with health care and reform the system, so you're able to do it. You can't do it under the current system. As long as you're stuck with a lot of existing parameters, you're going to handcuff yourself from being able to do some of these things.

Hon. John McKay: Mr. McCallum.

Hon. John McCallum: Thank you to my colleague for his unprecedented generosity.

I would like to say that I know the manufacturing sector, with the high dollar and high energy costs, is in trouble. I really like the idea, at least in theory, of the faster depreciation—the two year.

At the risk of sounding petty or crass, can you tell us how much that would cost?

Mr. Werner Knittel: It would be $5 million over the...[*Technical difficulty—Editor*].

Hon. John McCallum: These things tend to be expensive. I know the weakness of the manufacturing sector in many parts of the country is a huge issue.

If you had just one thing that the government would do, would that be at the top of your list?

Mr. Werner Knittel: That would be number one.

If I could turn the question around, Mr. McCallum, I think the cost to the Canadian economy of not doing it and losing another 200,000 jobs, which we've already lost over the last several years, would far outweigh the—

Hon. John McCallum: Yes, I know that kind of answer, but I'd still want to know how many jobs it would cost.

Thank you very much.

Mr. Werner Knittel: I will get you that answer.

Hon. John McCallum: I think it's a great idea.

Mr. Werner Knittel: Thank you.

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

We will continue.

[*Translation*]

We now go to Mr. St-Cyr. You have four minutes.

Mr. Thierry St-Cyr: Thank you.

I would like to carry on my exchange with Ms. Ward. You only had a few seconds to speak and you did not really answer my question. I will explain.

In Quebec, child care centres play an education role which is to prepare children for the education system. In that context, charging parents seven dollars already goes against the principal of free public education. Ideally, if we have had the resources, we would have liked daycare to be free, just like primary and secondary schools are. In comparison society invests a lot more to educate our children. A parent who would want to raise his own children at home could not do so; it is not allowed. Even if it was allowed, I think that few people would agree that the parent should be paid to do so, since we have decided collectively that our society should take charge of our children and our future.

Is there a difference between pre-universal public schooling and the expectations one would have for universal daycare that would ideally be as cheap as possible? If so, what is that difference?

● (1155)

[*English*]

Ms. Helen Ward: Yes, there is a difference between public schooling and early childhood situations. There's a huge developmental difference. The developmental needs of young children are very different from the needs of older children. School is five or six hours a day. Day care, at least in B.C., can be up to 13 hours a day, seven days a week. The developmental differences are key.

Sharon mentioned that the optimal situation for children is a loving, caring situation. That is true, but part of that is also the continuity of care. You could have excellent caregivers, but if there are too many of them, the child is developmentally damaged.

The Quebec system currently has 21% of children who are ages six months to five years in it. There is 9% of children under one year old. It's not a universal system. A truly high-quality universal system would cost far more. Currently in Quebec, the staff-to-child ratio can be eight children for one staff. It's not high quality.

[*Translation*]

Mr. Thierry St-Cyr: So if we had more money to invest, the priority should be to improve this system rather than to give out a few hundred dollars to everyone, as the conservatives are doing. We should first consolidate what exists before investing money elsewhere.

I agree with you that it is not a universal system, which is very unfortunate. Many of my friends have children, or will have children soon, and they are very concerned about finding a daycare space. More money needs to be invested. However, if our society decides to do that, it will not be able to afford to send out cheques right and left to parents who decide not to take advantage of that service. There needs to be equal opportunity for everyone that wants to use public day care. Once that is done, we can start to give money to other individuals who do not want to use that service. Do you not agree?

[*English*]

The Chair: There are 10 seconds remaining in Mr. St-Cyr's time.

Ms. Helen Ward: It is not financially possible to provide high-quality, centre-based care for all children or even a large number of them. The staffing needs alone are not resolvable, and it's simply not just.

The Liberal government in 1999 said, “Our policy should be fair and equitable and neither encourage nor penalize caregiving choices”, and that the best interests of the child should be the core of the policy, and parents are the ones to decide what the best interests of the child are.

The Chair: Thank you very much.

We conclude now with the patient Mr. Wallace. You have four minutes, sir.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chairman. I'll be very quick and a lot less political.

I'm going to ask my friend from the port authority, first of all, does the economy affect the need for the 4,000 more units that we're looking at? Is it based on the economy being at its present level?

Mr. Don Krusel: A continuation of its present level, yes. The fact is that trade with Asia is growing as a result of world economics.

Mr. Mike Wallace: In terms of what comes in and out of your port, what are the actual numbers? What's the percentage?

Mr. Don Krusel: The unique feature is that Prince Rupert is not a container port today. Right now, up until we complete the container terminal next year, we are an export facility for raw resources—coal, grain, and forest products.

Mr. Mike Wallace: I have a final question for you.

I also have a port in my riding, across the bay, Hamilton. That port authority is also looking for a change in legislation to allow them to borrow more money. Does it affect the federal tax treasury?

● (1200)

Mr. Don Krusel: No, absolutely not. Increasing the ability of ports to borrow simply allows us to go out to the financial institutions and say, will you lend us *x* dollars? They will assess it on business terms, and then we pay the interest and principle.

Mr. Mike Wallace: Thank you.

I have a question for Mr. Levi.

You have an exception for Ontario—I happen to be from Ontario. Can you explain, is there no cap at present for investing in this program?

Mr. David Levi: There's no cap in the province of Ontario. The provinces of B.C., Saskatchewan, Manitoba, and Quebec all have caps for their programs.

Mr. Mike Wallace: Provincial or federal?

Mr. David Levi: They are provincial programs that have been put in place, because this is a matching program with the provinces. In the province of Ontario, because it's been declining for the last number of years, it hasn't been too great an issue.

As I said in my brief, if we were to see a sudden spike in Ontario from a change like this, then certainly that is a discussion that would easily be held with the provincial government.

Mr. Mike Wallace: I read it in the brief. Are you saying to me that a change will not increase investment in Ontario?

Mr. David Levi: I think we will see some rebound in Ontario, but nowhere close to what it was at its maximum. Our estimate in Ontario—and we also operate there—would be that we might see maybe $50 million to $100 million more investment. At that point, I would expect that the federal government—because it will require provincial changes in each province—to go to the $10,000. This is an enabling piece that the provinces then have to match, and when they do that, I think they would then review the feasibility of whether they were going to remain on caps on not.

Mr. Mike Wallace: My final question, Mr. Chairman, is to my two child care advocates, or child...whatever you want to call it.

The budget in 2006 had $250 million put aside for us to create a couple of hundred thousand spots over five years. Has your organization any plans—this is the question, it's really a yes or no—to submit to the Minister of Human Resources any plans as to how that program should be developed and the moneys spent?

Can you give me a yes or no on that?

Ms. Helen Ward: Yes. We did that already.

Mr. Mike Wallace: And are you doing the same?

Ms. Sharon Gregson: We've already done that as well, yes.

Mr. Mike Wallace: Could you provide the committee, or at least me, with copies of what you've done?

Ms. Helen Ward: I could do that by e-mail; I don't have it here.

Mr. Mike Wallace: I'll give you my card and you can e-mail it to me.

Werner, I have a question for you. You got me a little confused here. I certainly understand the dollar going up and the margins being squeezed, mainly due to the dollar, but you have the inputs going up also. Why aren't they getting squeezed? Why aren't their prices lower? Why is the finished product higher but the inputs aren't also being squeezed?

I don't understand that logic.

Mr. Werner Knittel: Inputs more in terms of raw materials—steel, or wood, or, because of the energy, all of the plastics—are all going up. We're seeing job losses because of outsourcing. But again, it's a two-edged sword. Companies are going to international companies to source parts, components, and pieces as a way of remaining in business during this margin squeeze.

The big issue here is that the first thing companies do when they're faced with a margin squeeze is to cut new product development. They cut training, they cut new research. Those are great short-term strategies to keep your cashflow moving while you try to get the company streamlined and moved forward. If you don't do that quickly enough, and if you're not able to do that over the medium and long term, those things will kill you.

Mr. Mike Wallace: Thank you very much, Mr. Chairman.

The Chair: Thank you, Mr. Wallace.

Verna, I hate to see any panellist left out, so before we conclude, perhaps you could give us some information. You alluded to the homelessness situation in Vancouver. I'm interested in knowing what statistical trends you're seeing over this last period of time in terms of the degree of homelessness in this region.

Ms. Verna Semotuk: We did regional counts of absolute homelessness in this region in 2002 and 2005. Between those years, the count doubled. It went from 1,000 to over 2,200 persons as of March 2005.

We're seeing an increase in persons at risk of homelessness. Currently about 55,000 households in this region are considered at risk of homelessness, because they are paying more than 50% of their low incomes to housing.

The Chair: So you're attributing that mostly to rather rapid increases in rental rates and so on.

Ms. Verna Semotuk: And to low incomes. We have incomes that are lower than the national average, and they are decreasing in this region.

The Chair: Thank you.

To all of the panellists, we have very much appreciated this very stimulating discussion. I know I speak for the committee when I thank you sincerely for your participation today. It's appreciated.

We are adjourned.

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

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

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