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Mr. Brian Pallister

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● (1000)

[*English*]

The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)): Order.

Witnesses, welcome, and thank you for being here.

Committee members, welcome back to the arduous and important task of preparing recommendations for this coming budget.

Witnesses, you've been gracious enough to submit briefs to us and to prepare short opening presentations. I would remind you that you'll be held to five minutes. I will give you an indication when you have one minute remaining—if you choose to look here—or less, all in an effort to make sure that the committee members get a chance to pepper you with questions.

We will commence with Barry Blake from ACTRA. Welcome, sir. Take it away.

Mr. Barry Blake (National Councillor, ACTRA - National): Thank you very much, Mr. Chair.

Good morning to you and to the honourable members of the committee.

My name is Barry Blake. I'm a working Canadian actor, inasmuch as that means anything these days, and I'm also here on behalf of ACTRA. I'm a national councillor of ACTRA, the Alliance of Canadian Cinema, Television and Radio Artists.

As a national organization, we represent some 21,000 performers working across the country in English-language recorded media. ACTRA appreciates the importance of these consultations, and we'd like to thank the committee for including us in the process. We believe it is vital to speak to you today about supporting Canadian culture.

[*Translation*]

In the nine recommendations we set out in this brief, ACTRA tackles the four questions asked by the Standing Committee on Finance in its report entitled Canada's Place in a Competitive World. We are asking the committee primarily to support the funding and federal taxation programs which are crucial for the Canadian cultural industry to remain competitive in our domestic market, as well as internationally.

[*English*]

We also ask that the committee support existing and new tax measures and personal tax exemptions that will benefit the skills and livelihoods of working artists and performers in Canada. I'd also like to note that the nine recommendations that ACTRA proposes in its written brief are achievable within current federal expenditures.

If English-speaking Canada is to have a rich and unique voice in media so heavily dominated by global interests, then Canadian culture must be encouraged. Since our time today is short, I'll focus on two recommendations in particular of our nine—namely, the importance of maintaining and enhancing programs and stable funding for Canadian film and television production through this government's commitment to the CTF, the Canadian Television Fund, and to the CBC.

Supporting our culture to see our stories told is not only a valid use of public funds but a good investment for Canada's economy. The Canadian film and television industry generates an annual $4.92 billion of production activity, employing over 134,000 Canadians, many of those as highly skilled professionals. According to the report on the Canadian film and television production industry, film and television works provide $2.27 billion in annual export value alone. This industry's annual growth rate from 1997 to 2002 was an average of 8.5%, compared with a 3.6% growth rate for the overall economy. Much of this growth would not be possible without funding from the federal government.

Ours is an industry that is markedly different from manufacturing and service industries. Each Canadian film or television production begins as a unique venture that must be developed and marketed as if it were a prototype. CTF funding plays an absolutely critical role in initiating this production. It is in effect seed money, and it is essential to the development of each film or television project. Stable, long-term funding for Telefilm and the Canadian Television Fund trigger substantial additional investment from the private sector. Without that incentive, most productions would never make it beyond the idea stage.

An artist's life in this country can be a struggle. We are independent contractors, small business persons, and not knowing where your next job is coming from is often made worse by wondering if projects will be supported financially at all.

Three years ago the Canadian production industry was thrown into turmoil when the government announced significant cuts to the CTF, which resulted in many quality shows being dropped or shelved. There was some relief when the fund was restored to its original level in subsequent federal budgets, but there remains a lingering concern that the CTF is vulnerable due to its temporary status.

Making the CTF permanent and increasing it to account for inflation would go a long way towards strengthening our industry. It would give artists an often elusive taste of stability and reassure Canadians that their government recognizes the importance of culture.

Drama production contributes significantly to local economies through job creation and spending throughout all of Canada. It's estimated that each dollar of government support leverages over six dollars in other types of funding. That is why we are asking the government to make a permanent commitment to contribute to the CTF in the next budget, to enhance the government's contribution to the CTF, and to include annual increases indexed to inflation.

ACTRA's written submission contains more on these and on other issues important to the growth of both the film and television industry and our cultural community. We would welcome your questions.

Thank you. *Merci à tous.*

● (1005)

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

That was my first opportunity to direct an actor.

We will continue with Ken Delaney, who is here from the United Steelworkers. Welcome, Mr. Delaney. Five minutes to you.

Mr. Ken Delaney (Research Department, United Steelworkers): Thank you very much.

I would like to thank the committee for having us. We did submit a brief. We were a last-minute addition to the agenda, so unfortunately we didn't have time to have it translated. I apologize for that. We will get translated copies submitted later.

I represent the Steelworkers union. Our union represents over 280,000 members in Canada in a wide variety of industries, including forestry, steel, manufacturing, transportation, and a number of service sectors. We also have a wide-ranging interest in budgetary matters, including improvements to health care and improvements to post-secondary education, etc., but what I really want to focus on today is some of the problems we've been having in certain key industrial sectors and certain public policy fixes for those problems.

We believe that the key goal for a national economic policy should be creating an environment where there's a good job in a safe workplace for every Canadian, and we certainly acknowledge that productivity and international competitiveness in the current economic environment are keys to being able to achieve that goal. We believe the way to get there, in a manner that is best for society, is by investing in education and training, maintaining a strong infrastructure, investment in R and D, product and process innovation, and investment in new plant and equipment.

Right now, talking about competitiveness is frustrating for labour, because when we look at the numbers.... KPMG recently concluded, in a study done for Industry Canada, that Canada had the lowest business cost environment among G-7 nations. We have also observed in the past number of years that productivity has been increasing and wages have not. So we're not inclined to think that problems in our sectors have anything to do with labour costs being too high or for that matter the overall corporate tax rate being too high.

On the other hand, our record on research and development, training, investment in capital equipment, and process and product innovation seems to be kind of wanting. A recent World Economic Forum report on competitiveness ranks Canada 27th out of 58 countries in its ability to compete based on unique products or process. Also, our R and D spending is lower than Sweden, Finland, Japan, Korea, Germany, and many others, and when it comes to spending on capital equipment, Canadian spending on plant and equipment per worker is between 30% and 60% of what it is in the United States. And finally, the same World Economic Forum on competitiveness ranked us 17th in higher education and training.

From labour's perspective, we think that public policy should be focused on trying to improve these kinds of areas.

I want to briefly touch on the importance of manufacturing for the Canadian economy. Right now, manufacturing employs over two million Canadians. Manufacturing wages are on average about 28% higher than the Canadian average, and the Canadian Manufacturers and Exporters Association estimates that for every one dollar of manufacturing work, three dollars of economic activity in this country is created.

I don't want anybody here to have the impression that the manufacturing sector is an old smokestack, old economy. The sector is dynamic, and it does continue to change. Nearly 70% of what is manufactured in this country is exported now, up from only 25% years ago. But the sector is troubled. Nearly 200,000 manufacturing jobs have been lost in the last three or four years. The combination of a rising Canadian dollar, soaring energy costs, and competition from low-wage economies such as China have severely challenged the ability of Canadian businesses to compete. We see the boom in oil and other commodities in construction, but in manufacturing it's hurting.

● (1010)

The union doesn't believe that we should be complacent while we're watching this painful job loss. If we allow our manufacturing sector to decline, we will be weaker, and it's not as though a lot of new jobs are going to be created in the so-called new economy. Professional services and software companies are subject to the same kinds of global pressures that manufacturing is. All it takes to transfer intellectual property out of the country is one person with a laptop and an e-mail address, and if you just look at the number of jobs—

The Chair: Thank you very much.

Mr. Ken Delaney: I'm at five?

The Chair: Yes, your time has elapsed—well used, though.

Mr. Ken Delaney: Okay, thanks.

The Chair: We'll go now to Andrew Van Iterson, who is here from the Green Budget Coalition. Welcome, Andrew. Please proceed.

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

Good morning, everyone. Thank you very much for inviting us to speak with you this morning.

The Green Budget Coalition, as you likely know, includes twenty of Canada's leading conservation and environmental organizations, which collectively represent over 500,000 individual Canadians as members, supporters, and volunteers, from the hunters of Ducks Unlimited to the maybe more radical tree climbers of Greenpeace.

The Green Budget Coalition believes Canada's future prosperity depends on the effective integration of environmental, economic, and human health objectives, and advocates the internalization of social and environmental costs into market prices through revenue-neutral fiscal reform.

I have two focuses this morning—to highlight our five priority recommendations for the 2007 budget and to discuss our overriding long-term recommendations for Canadian fiscal policy. But before proceeding, I do want to thank the government and some of the opposition parties for the importance you've been putting on the environment in recent months, and we expect in the coming months. Thank you very much.

The five key recommendations we have prioritized as the foremost budgetary opportunities to advance environmental sustainability in Canada while stimulating economic growth and protecting Canadians' health were detailed to a greater level in the brief we submitted. They include the areas of renewable energy and energy efficiency; the Mackenzie Valley; strengthening the Species at Risk Act and the Canadian Environmental Protection Act; and levelling the playing field between the oil sands and other energy sources.

I want to highlight that a substantial investment in renewable energy and energy efficiency could accelerate growth in both the renewable energy and energy efficiency sectors, and that this is possibly the most effective way of cleaning Canada's air, protecting the health of Canadians, and meeting our climate change responsibilities. Energy efficiency measures and renewable energy sources will reduce air emissions, have water and land use benefits, improve energy security and local control, provide employment and economic opportunities in all parts of the country, and prepare businesses and consumers for the inevitable transition away from fossil fuels.

Three ideal opportunities in this area for the 2007 budget include increased renewable energy production incentives, additional transfers to provinces and municipalities for investments in energy efficiency and renewable energy, and continued support for building its retrofit program.

Looking further ahead, Canada's major conservation and environmental groups are unified in believing that our economy could nurture greater health and prosperity for ourselves, for our children, and for the environment if it better incorporated the value of our limited natural resources, of nature's capacity for waste absorption, and of the health impacts of pollution.

Øystein Dahle, the former Exxon vice-president for Norway and the North Sea, stated the following:

> Socialism collapsed because it did not allow prices to tell the economic truth. Capitalism may collapse because it does not allow prices to tell the ecological truth.

Any economist will agree that two major weaknesses in economics are that neither the value of natural resources nor the value of nature's role in waste absorption are in any way effectively incorporated into prices. If our children and grandchildren had a chance to bid on the oil and natural gas we are burning up every day, they would likely pay much more for it.

On the tail ends, on waste, we have taken the absorptive capacity of air, water, and soil for granted for many centuries. We depend on it for everything we do, from breathing to driving our cars to running our businesses. But changes to our global climate as well as increases in sicknesses amongst our families and friends, such as skyrocketing levels of asthma, suggest that we have reached the levels at which we can no longer pollute with no consequence.

The Green Budget Coalition strongly recommends that we increase levies on activities that damage society, such as pollution and waste, and decrease levies simultaneously on activities that benefit society, such as jobs, employment, profits, savings, and the preservation of Canada's natural capital, which Canada's farmers do very effectively day after day.

This approach could be implemented through a mix of market-based instruments, such as taxes, fees, rebates, credits, and tradeable permits, and implemented in a revenue-neutral manner. These policies reward environmental leaders amongst businesses and citizens, penalize environmental laggards, stimulate environmental innovations with global export potential, and expedite the development of economies where economic success brings concurrent environmental and human health benefits.

We would also encourage the government to develop a means of measuring the degree to which the value of natural resources and the impact of pollution and waste are incorporated into the price of goods and services throughout the manufacturing cycle, and then strive for continuous improvement in this measure.

● (1015)

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

We will continue with Mr. Dan Brant, who is here as an individual. Welcome, Dan. Please proceed.

Chief Daniel Brant (As an Individual): Thank you, Mr. Chairman and honourable members of the Standing Committee on Finance.

Thank you very much for allowing me to speak here today. My name is Dan Brant, and I'm from the Tyendinaga Mohawk territory.

I've provided the clerk with some speaking notes that I would like to have tabled with the committee members at a later time, but I am referring to excerpts from my speaking notes in my opening statement here.

As a bit of background, for two years I was executive director of the National Indian Brotherhood in the early 1980s. I spent time on the Hill working for four different Ministers of Indian Affairs and the Department of Indian Affairs. More recent is my three years as the CEO of the Assembly of First Nations. Less known is my career as an aboriginal business person in the construction and management consulting fields. This has been topped off with three years as the CEO of a financial lending organization for aboriginal businesses.

It's with this experience that I would like to speak to you about the enormous untapped potential of aboriginal entrepreneurs.

Economic development policy remains fragmented and disjointed, without an overarching measurable objective and the means to measure it. Regardless of the reasons, policy-makers appear not to be working towards one common realistic goal for aboriginal economic development. An unfortunate byproduct of existing program management is that it is a science, and the emphasis by bureaucrats has been put on process rather than impact.

Existing methods of support and administrative processes have usurped flexibility and innovative thinking as a primary driver of economic development programming. There is real inattention to economic principles and sustainability in aboriginal economic development programming. Financial support for the growth of the aboriginal business sector should be seen and handled like an investment instead of a cost.

What can be done about these problems? For many reasons, aboriginal entrepreneurs are still not on a level playing field with other small business owners in the rest of the country. Measuring what I will call the gross reserve product and economic activity in all sectors for aboriginal people specifically would provide some concrete numbers on which to base programming targets and goals. It would be a strong coordinating mechanism, using the same approach as national income accounting. Aboriginal-specific data could enlighten and motivate the full range of aboriginal economic development initiatives, from labour force participation to sectoral development to business development. As a side benefit, I think it would also help dispel some myths common among the Canadian public at large about the contribution of aboriginal people to the Canadian economy.

Second, overhauling the success criteria for government programs aims to adjust the disproportionate emphasis on program administration over program outcomes in many government departments. There must be far less focus on how a program is administered and more focus on real program outcomes in terms of community benefit.

Third, aboriginal communities need more investment in terms of access to capital and economic activity.

Fourth, economic principles must be harnessed in the engagement of the private sector in aboriginal economic development. The aboriginal economy is ultimately a part of the wider Canadian economy, albeit a disadvantaged part, and aboriginal people and businesses can benefit immensely from the booming economic activity on its doorstep.

To harness the potential of the private sector to teach and employ aboriginal peoples, government could help by making it profitable to do so, by instituting appropriate incentives for the private sector to stimulate the aboriginal economy. For example, the film industry in Canada receives huge tax incentives. The private sector is a willing partner, but moral suasion is not enough.

Thank you very much.

● (1020)

The Chair: Thank you very much.

We'll continue with the Purchasing Management Association of Canada, Robert Dye, president. Welcome, sir. Five minutes to you.

Mr. Robert Dye (President, Purchasing Management Association of Canada): Thank you, Mr. Chairman.

My message today is simple and hopefully clear. We believe one of the fundamental requirements for securing Canada's place in a competitive world is to ensure that our citizens have the right skills for success. In our submission the citizens we focus on are public servants.

In a recent speech at the Dalhousie University School of Public Administration, the Clerk of the Privy Council, Mr. Lynch, said the following:

> Public service is about values, and it is about accomplishment. We must emphasize excellence, leadership and teamwork in everything we do. Canadians should expect nothing less than excellence in their public service, and we should accept nothing less from ourselves.

As well, the 2006 Report on Plans and Priorities for the Treasury Board of Canada, tabled in Parliament by the Honourable John Baird, states that Canadians:

> ...will expect that the government will address productivity and competitiveness challenges first by setting a standard of management excellence for itself—to lead the drive for excellence through its own actions.

Mr. Chairman, this is precisely what our submission is about. We do not, however, underestimate the enormity of the challenge. We know that the Government of Canada is the largest and most complex organization in Canada. It is responsible for the country's largest workforce, some 450,000 employees, and it purchases more goods and services than almost any other institution in Canada. Moreover, the policies and programs of the government have an enormous effect on the lives and prosperity of individual Canadians, on the development of the communities in which we live, and on the economic success of Canada in a highly competitive world. It is imperative, therefore, that the government of the day be well served by its employees and that those employees be equipped with the right skills to contribute to the future success of Canada.

There will always be significant challenges in managing an organization as large and as complex as the federal government, with employees and operations spread from coast to coast to coast and around the world. One way to meet these challenges is to ensure that sufficient funding is provided to offer the appropriate education, training, and accreditation to public servants. Educating, training, and certifying public servants can be effective tools in promoting and achieving sound, transparent, and accountable government that contributes to the social and economic development of our country.

Equipping public servants with the skill sets necessary to help them succeed, and in turn helping Canadians succeed, is only one part of the equation. We believe it is equally important that the values and ethics guiding public servants in the work they do be reinforced. Values and ethics should be taught, reinforced, and observed every day. This will help public servants perform their work in an appropriate environment and in addition serve to reinforce public faith in government.

We therefore believe that there is a direct link between the quality of public service and the social and economic success of Canada and of individual Canadians in a highly competitive world. As you consider your advice to the Minister of Finance for Budget 2007, we hope you will recommend that sufficient financial resources be available so that public servants receive the training and certification they require to ensure that Canadians receive the best service possible from their government, that the government receives value for the money it spends, and that a culture of accountability is cultivated in the Government of Canada.

Thank you.

● (1025)

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

We'll conclude our presentations with the Canadian Federation for the Humanities and Social Sciences, Donald Fisher, president. Welcome, sir. Over to you.

Dr. Donald Fisher (President, Canadian Federation for the Humanities and Social Sciences): Thank you, Mr. Chair and members of the committee.

As president of the Canadian Federation for the Humanities and Social Sciences, I represent the largest single segment of Canada's research community—30,000 researchers, 71 universities, and 68 associations. Included in this group are researchers and students in commerce, economics, education, English, law, political science, and other disciplines as well.

I want to iterate my agreement with what other colleagues have said to you, that research is key to increasing Canada's productivity and making it a stronger, more competitive nation. Taking the message one step further, I urge you to rebalance the funding equation by providing strong support for research and education in the humanities and social sciences. This new government has a major opportunity to fund significant research and learning in these fields that will have a positive impact on the lives of our children and, I would say, our grandchildren as well.

I would briefly make the case that research in the humanities and social sciences contributes in three major ways. First, contrary to popular belief, graduates from arts programs get well-paying, long-term jobs. This is precisely because of their academic breadth and flexibility, which lets them switch jobs when times change. As the nature of the Canadian economy changes, so too do the needs of Canadian employers. Make no mistake, corporate boardrooms and legislatures across this country are full of graduates from the humanities and social sciences.

Second, without exception, the development of new technologies and products causes changes in human behaviour, social structures, and physical environments. Advances in human reproductive technologies, for instance, give us the tools to create life. But to use these tools with compassion, care, and caution, we must turn to research in law, ethics, sociology, history, religion, and of course other disciplines as well.

Third, humanities and social sciences research is valuable because it expands society's knowledge of people—what people have done in the past, where we are now as a society, and what we aspire to be in the future.

Canadian scholarship in these areas is internationally recognized and sought out. One example is South Africa. Canadian social scientists have been working with the new government since former Prime Minister Brian Mulroney agreed to help Nelson Mandela and his democratic movement two years before the ANC was elected. Sri Lanka, Iraq, and other countries have turned to Canada for expertise in such areas as constitution-building, multiculturalism, democracy, and peacekeeping.

Unlike some scientific discoveries that lead to patents, start-up companies, and market success, rarely does research in the humanities and social sciences lead to such concrete economic outcomes. What is the dollar value of helping emerging democracies build a constitution; of international diplomacy and peacekeeping activities; or of building a fair, just society that recognizes the contribution of all its peoples?

Northrop Frye once compared the humanities and social sciences to the air: it's all around us but invisible; the only time we notice it is when it's taken away.

I urge you not to cut off Canada's air supply. Recent cuts in such areas as the Law Commission of Canada, the Status of Women, and adult literacy will have a heavy impact on our society. Earlier cuts to the Commonwealth scholarships, the Fulbright program, and Canadian studies programs abroad ended what was a sound investment in assuring Canada's place in the world.

To conclude, in times of global social upheaval, it is even more important to find the courage to fund research whose product might not give an immediate and monetary return on investment but is certain to contribute to the greater understanding of society and our own humanity. In the long term, these investments will turn out to be the most important ones.

Thank you.

● (1030)

The Chair: Thank you, Mr. Fisher.

Thank you to all for your fine presentations.

We'll move to questions now, beginning with Mr. Savage. Seven minutes, sir.

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

Thank you to all of our guests for coming this morning to the first consultation of the week—good presentations.

I'd like to start with you, Mr. Fisher. It's nice to see you again—always a pleasure.

I certainly agree with your brief. I think funding for research is the key to productivity. I agree that social sciences and humanities have not fared as well out of the reinvestment in research that we've had in the last number of years. Of course, social sciences and humanities have less other avenues of funding from corporations or private foundations than do the traditional sciences.

You used the term “rebalance” in terms of the funding. Can you explain what you mean by that?

Dr. Donald Fisher: Yes indeed; thank you for the question.

If you look at the last ten years, you see that the federal government has made new investment in research and development, across the board, in excess of $11 billion. And if you analyze that, you see that the proportion for the humanities and social sciences has been between 10% and 12%.

When we're arguing for rebalance, we're saying that we don't think the level of investment should decrease. In fact, we think it should increase overall. The rebalancing would just mean that we would be bringing up the humanities and social sciences closer to the level of the other disciplines and fields.

Mr. Michael Savage: So increase the funding overall to CIHR, to NSERC, and to SSHRC, but bring particularly the SSHRC balance up a little higher.

Dr. Donald Fisher: Somewhat up. I think it's really important for us to set targets. If we look internationally at R and D spending as a proportion of GDP, then Canada lags behind. Sweden is at the top of the OECD rankings. We are below the OECD average of 2.25%. I think we should be number one. We should be right there with Sweden.

So it's not just the natural sciences; it applies to health and to all of the disciplines across the academic community.

Mr. Michael Savage: Okay.

I think you said that there are 30,000 researchers in Canada who qualify for SSHRC funding. Or is that what you said?

Dr. Donald Fisher: These are the full-time university academic researchers in the humanities and social sciences—and the fine arts as well, to some extent.

Mr. Michael Savage: Out of a total of how many? What would be the total number of researchers, including those who would be funded from NSERC, for example?

Dr. Donald Fisher: You would double the total amount of academics in the country.

Mr. Michael Savage: Okay.

Let me ask you about your third recommendation, the dedicated transfer. We've heard this from an awful lot of people who have testified, whether they be on the research side or certainly the student side, as well as CAUT and others who have presented to us.

You've raised a point that is important to me, and that's the issue of whether the transfer funding should be based per capita or per student. I come from Nova Scotia, where we have the highest percentage of students from other parts of Canada as a total makeup of our students. This is a big issue for us, and I haven't seen a lot of people raise that point. I thank you for putting that in there.

In terms of the dedicated transfer, how do we best serve students and the whole university and community college environment? Do you have any concern, if it were determined that the way to put money into post-secondary was through the dedicated transfer but the provinces and the federal government couldn't agree on how to do it, that the money, if it went to the provinces anyway, wouldn't go to the right purposes?

It's a cumbersome way of.... I know we want to put conditions in, or some of us do.

I'm just wondering if you have any thoughts on that.

● (1035)

Dr. Donald Fisher: Very much so.

The position we've taken—it's one that's been taken by other groups, AUCC and CAUT and so on—is very much one of looking toward an era, I suppose, of collaborative federalism. Without that sort of collaboration between the provinces and the federal government, I think it would be very difficult to put in place the accountability criteria that I do believe are essential with regard to the dedicated transfer, and essential for both sides. It's positive accountability for both the federal government and for the provinces, and indeed for the general public at large.

Mr. Michael Savage: You obviously would leave the granting councils in place as a federal institution. Would you leave direct assistance to students—for example, the millennium scholarships, the learning bonds, things like that? Would you leave that alone and then focus on the balance of the money being in a dedicated transfer?

Dr. Donald Fisher: As you know, the support for students is patchwork, quite complicated between federal and provincial jurisdictions. There are different models. I think we would put that to one side....

Let me put it differently. I think the dedicated transfer should be very much a transfer of cash, and it should be tied to very specific criteria. One could work out a proportional formula where you take into account the number of full-time-equivalent positions in the universities and the number of students who are enrolled and then work out proportions across the country.

If we can get collaboration happening here, I think the details will be worked out very well.

Mr. Michael Savage: I appreciate that.

In the limited time I have left, which is one minute, I want to ask Ken Delaney a question. You mentioned a survey by KPMG done for Industry Canada, which indicated that Canada has the lowest business cost in the G-7—or was it the G-8?

Mr. Ken Delaney: It was the G-7.

Mr. Michael Savage: I'm not aware of that. We often have business organizations coming to us saying that the government doesn't do enough for business. I'd be interested in your comment, if you have further information on that, or whether you might table that so I could have a look at it. I'd be most interested.

Mr. Ken Delaney: It can be downloaded from the Industry Canada website. It's exchange-rate-sensitive, so it may look a little bit different now from when it was done in 2005, but you can just download it. I don't know what else you want me to say about it.

[*Translation*]

The Chair: The second question will be from Mr. St-Cyr.

Mr. St-Cyr, you have seven minutes.

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

I would like to thank all our witnesses for coming here today.

I would like to begin by talking about the environment with Mr. Van Iterson. The Conservative government recently announced that it was at last planning to continue with consultations and to push back the implementation of the measures that will have to be implemented.

I would like your view on how Canadians are seeing this. When I talk to people, I get the impression that Quebeckers and Canadians are ready for environmental action. In my view, the time for consultations is over. Your report contains suggestions that could be applied today.

Do you think we should continue the consultation process and postpone the genuine decisions, or have we come to the point where we need to take action?

M. Andrew Van Iterson: That you for your question.

● (1040)

[*English*]

I fully agree with the great importance of climate change. It is really the challenge of our generation. We've had a good decade of consultation and it is clearly time to act, to take measurable actions, to use legislation that is in place, and to take real actions that will lead to real reductions in emissions from Alberta, from Ontario, and across the country in all sectors. We would like to see an emissions targets and trading system put in place that would put a price on emissions and that would create additional profits for the leading businesses and put in a price that would stimulate the laggards to take action.

[*Translation*]

Mr. Thierry St-Cyr: Thank you.

We are asking the government to apply the Kyoto Protocol and implement measures to meet Kyoto targets. We are being told that this will cost too much, that the measures would be too heavy a burden for the economy and the government to bear. On the other hand—and you mentioned this in your brief—oil companies are receiving significant tax breaks that make it possible for them to save billions of dollars in taxes. We are told that we have no money to fund existing programs that work well, such as EnerGuide but we have enough money to give tax credits to oil companies.

Have you costed out that 100% accelerated capital cost allowance? Have you calculated what amount that represents annually? In your view, are there other similar measures in our tax system? For example, does a company that implements environmental measures have the same right to this accelerated capital cost allowance, or is it only the oil companies that have it?

[*English*]

Mr. Andrew Van Iterson: Clearly, it makes no sense to be investing our subsidies in the oil sands. It was a tax subsidy that was put in place to get the oil sands going. Between 1995 and 2002, capital spending in the oil sands increased by a staggering 1,649%. That is a pretty solid indication that those subsidies have played an effective role and have done their job. Those moneys could be much more effectively invested in renewable energy through some of the recommendations that I laid out for you, and the cost of climate change will be much smaller if we act now to reduce climate change.

I have a six-month-old baby at home. I don't want to imagine the cost to her world and her grandchildren if we wait another decade to act. That would be beyond belief.

We clearly know that across the world—all climate scientists agree—it is time to act. We need to take action now, and we will save billions by doing so.

[*Translation*]

Mr. Thierry St-Cyr: I have a last question for you. Can you give us more concrete examples relating to your first recommendation on the implementation of a renewable energy strategy? For example, I know that in many parts of the world—even in some Canadian provinces—residential geothermal systems are being funded. The government provides the systems to residents who wish to retrofit their homes. Residents who accept the offer reimburse for government by virtue of generating energy savings.

Do you think this system would have a place as pars of a renewable energy strategy? Could you give us other examples?

[*English*]

Mr. Andrew Van Iterson: Thank you.

We absolutely support the program along the lines of home energy retrofit programs. Designed well, they can help to ensure that energy costs are reduced, which provides savings year after year. It's great to see some of the provinces taking the lead on that.

There have been some multi-stakeholder forums in which we've talked about the consultation that's been going on for years, such as the Energy Sector Sustainability Table and the National Advisory Council on Energy Efficiency, which has come up with a number of ideas that could be implemented across the country. These are the kind of ideas that we would like to see the government pick up on. They're coming from industry, they're coming from the public, they're coming from the provincial governments, and they're ready to be implemented.

[*Translation*]

Mr. Thierry St-Cyr: I have a question for Mr. Blake.

The government recently announced that $1 billion would be cut from a range of programs, particularly in culture. Will the cuts have an impact on members of ACTRA? If so, what will the impact be?

● (1045)

Mr. Barry Blake: Members of ACTRA of course work. That they are also members of other associations, like the Actors' Equity Association and the Association des professionnels des arts de la scène du Québec. So when I talk about my "parish"—ACTRA—I mean Canada's English-language media. That means we are multi-dimensional. According to what I see, where I am now, there will be an impact on the programming we talked about today in our nine recommendations. I am not an expert—I am a performer. I hope that this will not presage other, similar, trends. This is why we have come here today to urge you to continue providing this fundamental support, which is crucial to the future of our industry and our culture.

The Chair: Unfortunately, your time is up.

Mrs. Ablonczy, seven minutes.

[*English*]

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

Thanks, all of you, for your time and your briefs. I wish we had time to ask more questions, but I'd like to start with Mr. Dye.

You mentioned the training and certification that public servants need in this area of purchasing management. I would have thought civil servants who are hired in this area would already have those skills and that's why they were hired, so I wonder if you'd comment on that. Secondly, do you have any idea of what amount of funding it would take to do as you suggest—to provide training and certification required—if it isn't already there?

Mr. Robert Dye: I believe both the funding and the infrastructure for training are there. The infrastructure is there through the Canada School of Public Service. The government does have, presently through the Treasury Board, a certification program for those who are involved in the procurement field. And I believe there is some funding. Our encouragement would be that the funding continue and possibly be increased to address a broader range of the public service.

Ms. Diane Ablonczy: Thank you very much.

I have a question for Mr. Brant.

Your background as an expert in this area of first nations entrepreneurs is very helpful to us. I wish we had more time with you as well. But you mentioned the overhaul of success measurement, and you made a good case for that, putting the emphasis not on process but on outcomes. If the government could do one or two things to really enhance, really help the aboriginal entrepreneurial community, what would be those one or two things on your wish list? I know there's this overhaul of success measurements, but how would that help? What would be the practical things we could do?

Chief Daniel Brant: Thank you very much for the question. It's a very good question, and I'm sorry I have to limit my answer to only two things.

Probably the first thing would be to enhance the existing aboriginal institutions that provide service directly to aboriginal entrepreneurs. That has been a success that has gone unnoticed.

Ms. Diane Ablonczy: Which are those, Mr. Brant?

Chief Daniel Brant: There are approximately 55 different aboriginal financial institutions in the country that provide loans directly to aboriginal entrepreneurs. They do so in areas that are considered high risk, places where banks won't go, and they have had huge success.

Those kinds of institutions need to be supported. They need to be supported with more capital and better support mechanisms to allow them to grow and enhance the aboriginal economy. They've been in existence for approximately ten years, and they have done a very good job.

One of the biggest things to be done is to enhance that kind of approach within the aboriginal community instead of developing more government programs. It means the difference between supporting the growth of a government program and the growth of a sector within the aboriginal community itself.

● (1050)

Ms. Diane Ablonczy: But if there are already 55 institutions giving this kind of assistance, why would you need more?

Chief Daniel Brant: A study released last year by the Department of Indian Affairs showed the level of participation of aboriginal businesses, and the number is very low compared with the participation of small business in Canada. So the need there is enormous; it is operating at perhaps 5% of what it could be.

The growth potential within the aboriginal economic development area is huge. There needs to be, as I mentioned, more access to capital, more support for entrepreneurial training, and more support for the development of development institutions, including the 55. They currently loan $70 million a year to aboriginal businesses and are tapped out constantly.

Ms. Diane Ablonczy: I appreciate that.

To Mr. Van Iterson, one of your recommendations is to implement CEPA more effectively. You said there's increasing exposure to toxic substances in our air and water. Of course, someone with a new little one, and all of us as parents, would have a real concern about that.

Can you just expand on that and give us some idea of what's actually happening there? And what would it take to reverse that, in your opinion?

The Chair: You have about 40 seconds, Mr. Van Iterson.

Mr. Andrew Van Iterson: It's a complicated issue, as I'm sure you're aware. A lot of different sicknesses are rising, and although it's very complicated to isolate different factors, there are strong linkages made between asthma rates and schools that are closer to highways. There's pretty strong evidence that smog in our cities is increasing asthma for our children.

I understand that the government is looking to strengthen CEPA and to potentially phase out some of the worst toxins that have been assessed by the government. We fully encourage that. We're looking forward to seeing the worst toxins being phased out.

Obviously there are practical limitations. We can't just eliminate all of them tomorrow. We're suggesting using a “toxics charge” as a means of phasing out some of the ones that can't be eliminated tomorrow. We'd put a charge on different toxics, based on how bad they are. The money generated could be recycled back into generating alternatives, through industry, that could be used to serve the same purposes but at less damage to society.

Ms. Diane Ablonczy: Thank you.

The Chair: We continue now with Madam Wasylycia-Leis, seven minutes.

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

Thank you very much for being here.

I'm sorry I missed most of your presentations. It's hard for us to be in two places at once.

I want to start with Ken Delaney.

When we're dealing with this competitiveness agenda, I think we have to give some serious thought to what kinds of supports we give to our labour force. I'm sorry I missed all the facts you gave, but I understand it is cheaper to set up a business in Canada than in the United States. Our corporate tax rate is actually lower in Canada than in the United States. We continue to give fairly big breaks to corporations and very little investment to workers. To top it all off, we just had a series of cutbacks that I think really hit adult workers hard, especially in the areas of literacy and training. Yet we've heard throughout these hearings from an overwhelming number of business people who say that all this country needs to do is get rid of the debt, give more tax breaks to the business community, cut back on vital programs, and we'll set the conditions for a brighter future. We need more witnesses to talk about what that will leave us with and what we need to do to invest in workers.

I know it's a big question, but I'd like you to comment on any aspect of that for the report we have to write.

● (1055)

Mr. Ken Delaney: Sure. It is a big question.

We don't think that across-the-board corporate tax cuts make sense, because as you point out, although corporate tax rates vary, the total cost of doing business in Canada—according to the KPMG study—is lower than other G-7 nations. We're not necessarily opposed to targeted corporate tax cuts if they're tied to performance.

One of the things that disturbs us as representatives of the employees of many of these companies is that we haven't seen the kind of investing in training, capital equipment, research and development, or in innovation that we would like. I think what we're primarily interested in is a set of public policy initiatives that will shape that behaviour. We think it's probably best implemented on a sectoral basis. For example, in the steel industry, there's a fledgling group called the Canadian Steel Partnership Council, which is made up of representatives from academia, labour, and steel. They're coming together to try to identify specific public policy requests, whether it's trade, or accelerated capital cost allowance for business to help them invest, better training, maybe tax benefits for training, or improvements to employment insurance that will allow people to collect the benefits while they're being trained.

The idea is to come up with a partnership approach to allow Canadian businesses to compete internationally in a way that enables them to provide good jobs here at home.

Ms. Judy Wasylycia-Leis: Thank you. I appreciate that.

Unfortunately, we've had a number of organizations from the corporate side that believe there should be straight across-the-board cuts to corporate taxes, without any criteria applied or any kind of proof that the money is being used to actually increase productivity and competitiveness. I think your point is an important one for this committee.

Let me ask Barry Blake a question. I think the recent cuts are an ominous signal that this government may cut deeper in culture and heritage at the very time that we need investment. I think that's been ACTRA's position over the last number of years. I think it would help us to know—and maybe you already did this—what level of increase you think we need to recommend in the next budget for CTF, to bring it up to the 2006.

Mr. Barry Blake: Thank you.

Basically, the CTF has been in place for 10 years. It was created at the level of $100 million, and it has stayed at that level for 10 years. Just doing the math on dollar value over that 10 years, we calculate we're down to about $80.3 million. So to at least bring it back to that level, we just establish and maintain what was done 10 years ago. Plus, we're looking for stable funding. We're looking for a commitment from the government over five years so the producers can at least know how much money they're going to have.

The spinoff effect from this $100 million plus the approximately $140 million that comes from private sector is a factor of anywhere between six to one and eight to one. If the $100 million is maintained, it has a six- or eight-times multiplier effect on it. We're looking for that.

We're also looking not just for five years. We would recommend that this be an “A” item, a permanent fund to encourage Canadian production. I'm not trying to be flippant about $100 million, but it's not a huge investment for something that pays back economically as well as culturally.

● (1100)

Ms. Judy Wasylycia-Leis: No, I think you've made a very reasonable proposal, because in fact when you consider the spinoff effects for any community when we invest in the CTF you can't even begin to measure the benefits to our economy.

My last question—I know my time is running out—will be to Andrew Van Iterson. We believe in strategic income tax cuts or corporate tax cuts but also strategic spending cuts, and I think what we saw in the last little while wasn't at all strategic. I think in fact you recommend a phasing out of tax expenditures to the oil and gas sectors when they're rolling in money, bringing in huge profits.

Could you expand a bit on what kinds of tax expenditure cuts we should look at and what kinds of savings we could see?

The Chair: We'll move now to Mr. McKay. You have five minutes, sir.

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

Mr. Van Iterson, you seem to be a popular guy this morning. You're proposing rolling back the ACCA from 100% to 30% to be comparable to other oil extraction methods, and on the face of it I can't see the basis for disputing that. It does seem to be a good argument.

On the other hand, this committee travelled to the oil sands development in Fort McMurray a couple of weeks ago, and what was pretty obvious was the massive capital that has to be deployed in order to be able to extract that resource. It's also arguable that it is in a constant search for capital and there are difficulties raising that kind of capital. It's also arguable that they haven't made a profit, at least the western oil sands folks. I don't think they're going to make a profit until the year 2010.

So given all of that—I take your point that it should be just comparable—what impact would your proposed rollback of this 100% writeoff have on the ability to generate capital in order to be able to keep those kinds of projects going?

Mr. Andrew Van Iterson: Our best impression, to be honest today, is it won't change much at all. It's really just lining the pockets of those businesses. It may have played a substantial role in getting them started, but our understanding now is that it's not playing much of a role at all in helping them invest. It's purely a subsidy to—

Hon. John McKay: If they're not making any profit at all, how could it be a subsidy, because it would only apply to a writeoff against income?

Mr. Andrew Van Iterson: It's a subsidy that goes to the entire oil company, right? Oil companies are making record profits.

We're also looking at resources that, as I mentioned, my children and our children's children would like to have access to. Why are we subsidizing businesses so we can have this blowout sale of limited resources when fifty years from now they'll all be gone, and they'll be worth a lot more but we won't be able to sell them any more for much higher prices? It makes no sense to subsidize a rapid depletion of limited resources.

Hon. John McKay: I don't know that at $60 or $70 a barrel they're blowout sales.

To be a little more precise, is it your argument that the ACCA should not be transferable to other corporations or other profitable entities within a corporation? I'm not sure what you're saying is actually true. I just want to be clear.

Mr. Andrew Van Iterson: The Department of Finance estimated that for every billion dollars that was invested, it cost the Government of Canada between $5 million and $40 million, and this would suggest that the cost of expenditures is in the range of $43 million to $350 million per year.

Hon. John McKay: That's on the premise that these corporations are in fact making money.

Mr. Andrew Van Iterson: This is from the finance department.

Hon. John McKay: I just want to clarify. I'm not arguing with you; I just want to clarify. I do have limited time, so I'm going to ask Mr. Blake a question.

With respect to your recommendation number 8, you ask that artists be exempt from income tax with respect to income derived from copyright. So would that apply to artistic groups like the Barenaked Ladies and Blue Rodeo, and Margaret Atwood and people of that nature? Is that who you're proposing?

● (1105)

Mr. Barry Blake: My personal preference would be the Irish model where artists don't pay taxes, because their contribution is—

Hon. John McKay: So regardless of how wealthy—

Mr. Barry Blake: —deemed to be....

Hon. John McKay: —an artist became, they wouldn't pay taxes?

Mr. Barry Blake: No, we're not recommending that. We're talking about a $25,000-a-year floor.

Hon. John McKay: So you have a cap?

Mr. Barry Blake: Yes, but my personal preference would be for a higher level.

Hon. John McKay: Yes, I see.

Recommendation number 7 is a system of income averaging over five years for self-employed artists.

What's the argument to say that a self-employed farmer, fisherman, or a self-employed whatever should receive inferior tax treatment to a self-employed artist?

The Chair: We'll assume that Mr. McKay has made his point and move to Mr. Crête.

[*Translation*]

You have five minutes.

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

My question is to Mr. Fisher of the Canadian Federation for the Humanities and Social Sciences.

Last week, during the parliamentary recess, I met a number of groups working in literacy. These people work with those who have problems reading and writing. Their budgets were recently cut by the federal government.

In your brief, you quoted an excerpt from a report of the Association of Universities and Colleges of Canada:

> ...even a one per cent improvement in literacy levels could increase Canada's GDP by more than $19 billion a year.

Given the current labour shortage, is there not in fact a pool of workers there who could meet our needs if we trained them properly? I see a clear connection there. You talk about university research, but this goes all the way to the people on the ground.

Your recommendation 2 states:

> That the government of Canada provide an additional, asymmetrical funding increase for the Social Sciences and Humanities Research Council.

What are your needs to improve literacy and also to improve the effectiveness of your research? We know there is a very clear impact on society. In fact, it might even be the science sector which is the poor cousin when it comes to federal government activity.

[*English*]

Dr. Donald Fisher: Thank you for both questions.

On the literacy side, it's absolutely clear that if we look at the international surveys of adult literacy, Canada lags far behind. I would say that investments in basic adult literacy are foundational to the public interest and also to the economic development of Canada. There's no doubt about it.

The leading OECD nations are the Scandinavian nations that score the highest on those international surveys. Again I would hope that we would want to be number one alongside those nations with respect to adult literacy, but that clearly means investment.

On the second point, when Marc Renaud was president of SSHRC, we estimated what the increase should be. Now we have a new president, Dr. Chad Gaffield, who I believe will be presenting to you on Wednesday. As he takes on this new task, he's trying to come up with a new estimate, and I think we want to wait for his assessment before putting a figure on it.

[*Translation*]

Mr. Paul Crête: Have you had an opportunity to meet with the Industry Minister, since the department of industry is responsible for funding research groups in the humanities as well as in other fields. Have you had an opportunity to form an opinion on how he sees your growing needs?

[*English*]

Dr. Donald Fisher: We have not as yet. We've certainly been in contact with the civil servants, and we have a request in for just such a meeting. We hope to have that soon.

[*Translation*]

Mr. Paul Crête: Did you request the meeting long time ago?

[*English*]

Dr. Donald Fisher: Actually, no.

In a sense, the SSHRC research community is in transition, and we were waiting until the announcement came before we began our own lobbying campaign. But the request went in recently, and we hope things will be favourable in terms of seeing the minister.

[*Translation*]

Mr. Paul Crête: Thank you.

I have a question for Mr. Van Iterson.

In your brief, you recommend that:

> the government restore and enhance the Great Lakes and St. Lawrence's region.

I agree that there are indeed significant needs there. The ZIP committees — the committees dealing with Areas of Prime Concern in terms of local environment— have shown it very clearly. However, you do not have cost estimates of the investments required. I do not know whether you have this information. I know that in one of your recommendations, you gave figures for the Mackenzie valley. Have you assessed the amount of investment that would be needed for the St. Lawrence and Great Lakes region?

● (1110)

[*English*]

The Chair: You have approximately three seconds remaining to give your answer, Mr. Iterson.

Mr. Andrew Van Iterson: No, I do not have a specific amount for the Great Lakes.

[*Translation*]

Mr. Paul Crête: Is that still a priority for you?

[*English*]

Mr. Andrew Van Iterson: It does remain a priority, yes.

[*Translation*]

The Chair: Thank you.

[*English*]

To continue, we go to Mr. Del Mastro for five minutes.

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

I'd like to start by asking a question of Mr. Brant.

Mr. Brant, obviously a key goal for me is to have an economy that is more inclusive of a major workforce that I don't believe we've utilized very well, and that's our aboriginal workforce. You mentioned a specific program I've never heard of, actually. You mentioned that there are about 55 or so branches operating. Is this something we need to market a little bit more, as well as invest in? I've just never been made aware of it.

Chief Daniel Brant: Let me clarify. It's not a department. These are aboriginal institutions that, for all intents and purposes, act as cooperatives. They are generally established and owned by local communities, and a group of communities in a geographic area has development corporations and is on the boards of those development corporations. Each one of them received initial allocation capitalization from the federal government through Industry Canada ten years ago, and that initial capitalization served as a startup. They were then expected to survive on their own and just turn the money around. They have in fact turned the money over about six times and have been very successful. As I said, the loan loss rate in this high-risk area has been around 5%.

It's that kind of thing. The success that I see comes because of the local control. They have been able to work in an area and be successful in it when numerous government programs that have tried to do that over the years have not been successful. So the local control is the absolute key.

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

Mr. Blake, I want to go back to point number 8 of your submission, which Mr. McKay mentioned as well.

There are various types of creation in our society. There are those who create artistic pieces and there are those who create jobs. I would argue that one is not more significant than the other. I think a well-rounded society needs both. Can you make any kind of compelling case for why one should have a tax advantage over the other?

Mr. Barry Blake: When you talk about the creation of jobs, you're talking about industrial models, you're talking about the larger society, correct? I think the mechanisms are in place to support that kind of creation. I'm not an expert in that area; I'm a working actor, and I'm not even an expert in the area I'm presenting.

What we're talking about here is dealing with, in the case of income averaging, lumpy income that comes in at, we hope, a higher level in one year and drops down over time.

Mr. Dean Del Mastro: It sounds like small business.

Mr. Barry Blake: It is. All actors in this country are small-business persons. We're entrepreneurs.

Mr. Dean Del Mastro: I just wanted to make the point that selling that to small-business people, for example, would be a real tough sell because their income tends to be cyclical as well, and they're in the business of creating a lion's share of the jobs in Canada.

Mr. Van Iterson, yesterday there was a lot made about the new sulphur content in diesel fuel, the reduced-sulphur or low-sulphur diesel; the fact that one-third of our fuel burnt is diesel fuel; and that these new diesel requirements are going to significantly improve the air we breathe and, over time, significantly reduce smog. I just thought you might like to make a comment on that and what we might do to further enhance that.

● (1115)

Mr. Andrew Van Iterson: We were very happy to see that. We also wanted to commend the Minister of the Environment last week for the progress in developing a plan for reducing mercury emissions across Canada. We'd like to see adoption of the California vehicle standards for automobile production, with lower emissions from vehicle production and vehicle use across Canada.

Mr. Dean Del Mastro: In addition, do you think mandating lower pollution or enhancing pollution restrictions is going to go hand in hand with reducing carbon dioxide emissions in general? Lower emissions in general should help us to cut back. Not only will that improve the air we breathe, the water we drink, and the land we live on, it should also reduce carbon dioxide.

The Chair: I'm sorry, Mr. Del Mastro, your time has elapsed.

This is the price of popularity, Mr. Van Iterson, unfortunately.

A couple of quick questions for you, Mr. Brant. You spoke eloquently about the challenges of economic development in Canada's native reserves. It seems there's more than compelling anecdotal evidence that the absence of property rights on reserves is an impediment to economic development there. It also seems to be emerging as true that those bands who have adopted quasi-private-property ownership plans on their reserves are achieving economic success ahead of those who are not doing so. Would you like to comment on that? Do you have some evidence you could present to the committee to make the case that we need to advance the cause of economic development by enhancing the ability of aboriginal people to control or have title to some property on reserves?

Chief Daniel Brant: That's a difficult issue in first nations areas. It goes to the heart of treaties and the treaty relationship between Canada and the first nations.

Property rights have certain significance and are really received in two different ways. Property rights in the Canadian mainstream means title, deed, etc. Property rights or [*Witness speaks in Mohawk language*] means it's our land, but it has a totally different meaning. That is where the disconnect is.

I can only speak from experience from my own home, which is on Tyendinaga Mohawk territory, where we have a cultural background where there is a sense of ownership of land that is not the same as what you would find in the prairie provinces. There is a significant cultural aspect that builds in there, but I know there is a large movement toward land recognition, instead of property rights. That is something where I see a sense of movement around the country, particularly in the business areas, where the lack of clarity in property issues has all kinds of implications in business, particularly construction bonding, etc., and those kinds of things. It's a very complex question.

The Chair: Thank you, Mr. Brant.

We'll move to Mr. McCallum, for five minutes.

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

Thank you very much to all the witnesses.

Mr. Van Iterson, I was the NRCan minister for a little while, and one of my favourite programs was the EnerGuide because I thought it did a great job improving energy efficiency, especially for lower-income Canadians, and now it's gone. Do you have a view on that program?

Mr. Andrew Van Iterson: We certainly appreciated it as well, and we would like to see the re-institution of a program or something that would achieve similar goals. As you know, it was effective because it had a program to certify that there were real emissions, real work was being done, and only then was the funding returned to the homeowner and the person who did the work.

Hon. John McCallum: My understanding is that the government criticized it on the grounds that half the costs were administrative. I think that's a false definition, because to do house-by-house improvements in energy efficiency, clearly you have to do audits of the houses. It's a useless program if you don't do that.

Do you have any view on the efficiency of the program?

● (1120)

Mr. Andrew Van Iterson: We believe it was a very efficient program and deserves to be reinstated as it was or in an improved state.

Hon. John McCallum: Thank you very much.

Mr. Fisher, as I am a former dean of arts, social sciences, and humanities, what you said was music to my ears and I agree with it all. The reality is that in this world there is an argument put about—and I don't agree with it—that to be competitive we really have to change our focus to the hard sciences, engineering sciences, and some would argue in favour of shifting resources in that direction. How would you respond briefly to that view?

Dr. Donald Fisher: We must invest in the hard sciences—in the health sciences and applied sciences. But we must invest equally in the humanities and social sciences. If the balance is so out of kilter that we aren't able to tackle the major social problems facing our society, and we aren't doing the fundamental research that helps us to understand the demographic—the civic infrastructure, aboriginal issues, all of the range of social problems that face our society in the fullest sense—then it seems to me we're failing each other. We need to continue the high investment in all the sciences, and we need to increase the investment in the humanities and social sciences.

Hon. John McCallum: Mr. Dye, if I heard you correctly, you're making a case for the public service to be professional, able, and well trained. No one would disagree. But I didn't catch anything specific. Do you have specific views or recommendations, from a purchasing management point of view, on ways in which procedures, processes, or policies could be improved to make the civil service more efficient?

Mr. Robert Dye: We believe that through the Canada School of Public Service there could be mandatory programs for those who are involved in procurement and the supply chain, along with other professionals in the employ of the public service.

The Chair: Mr. Turner.

Hon. Garth Turner (Halton, CPC): Andrew, tomorrow is billed as a big day around this place. What are your expectations for tomorrow's environmental announcement?

Mr. Andrew Van Iterson: The Green Budget Coalition represents our groups and their recommendations for the budget. But I can't speak on behalf of all the groups for all the environmental issues.

We'd like to see strong action to reduce greenhouse gas emissions and smog across Canada. We'd like to improve the health of ourselves, our children, our grandchildren.

I might mention that a global conference on environmental taxation is being held next week at the University of Ottawa. I understand that you will all be on the east coast, but if you have any staff you could send, it would be a great opportunity to learn a lot about what's going on in Europe.

Hon. Garth Turner: You people have put forward a number of recommendations. Are there any particular ones the government might want to select for immediate action?

Mr. Andrew Van Iterson: The renewable energy and energy efficiency recommendations are critical. They can provide major environmental and social benefits. They'll improve health and reduce greenhouse gas emissions. It will pay off for years to come. They can help to develop leading global technology. It's a prime opportunity for investment, and the sooner we do it, the greater the benefits will be.

Hon. Garth Turner: Your recommendations about capital cost allowances with regard to the oil sands are interesting. While you've adopted one view and the government has another, I commend your stance on the issue. I believe it's time to look at this point of view. I think you've brought some valid points to the table.

Mr. Andrew Van Iterson: Thank you.

I'd like to mention that Amy Taylor, with the Pembina Institute, is more knowledgeable on this than I am, and she is trying to get in to speak to the committee later this week.

Hon. Garth Turner: Mr. Blake—Fido, right?

Mr. Barry Blake: Absolutely. Regrettably, I'm no longer with Fido.

● (1125)

Hon. Garth Turner: I love your work.

I happen to have some experience in the production of episodic television programming. I founded a company that produced about 3,000 episodes of network television—and we didn't take one dollar in government funding.

Mr. Barry Blake: Congratulations.

Hon. Garth Turner: Thank you. It's possible.

I'm wondering why in your brief we have this thread of "We can't do that without more government funding". Is it not possible for our broadcasters to adopt some other models with more private sector involvement?

Mr. Barry Blake: In 1999, with the change in CRTC regulations, our broadcasters were freed from Canadian content and from minimum spending on drama. Unfortunately, they are now buying a dumped product at a few cents on the dollar from our American friends south of the border. Since 1999, when they were given the freedom to show how they would do things with fewer restrictions, they've done exactly that. We've gone from 12 prime-time dramatic offerings in the late 1990s to two at present, and we're lucky to hold on to those. So I wouldn't count on that as....

Hon. Garth Turner: Just as a small example, the small company I had bought air time from CTV, Global, TVO, and other networks, produced episodic programming that we were able to finance internally, and provided it to the broadcasters. CBC prevented us from buying air time.

I'm just wondering if you might have any position on that. We have the CBC coming here cap in hand over and over again, looking for more dollars, and yet they refuse to sell their air time to content providers. Do you have any comment on that?

Mr. Barry Blake: I have no idea what would motivate CBC not to buy. That would be some internal matter, I presume.

What I'm primarily talking about with the CTF is dramatic production. In a country where the airwaves are saturated by imported product, it's very difficult to get up above that level, to get on air.

Hon. Garth Turner: I have to join a couple of my colleagues in questioning you about the $25,000 exemption for the first amount of income earned by people in the cultural industry. Is that a maximum earnings per year, or does that become a de facto personal exemption for people in the cultural industries? In other words, would Celine Dion have the first $25,000 of her income exempt?

Mr. Barry Blake: I'm not sure what amount of her income is taxed in Canada and paid in Canada. I would suggest probably not a lot right now.

Hon. Garth Turner: Would it—

The Chair: Thank you, sir.

Time for questioning has elapsed, unfortunately. I appreciate the fact that you've taken the time to be with us today, and I appreciate your presentations and your answers to our questions.

I'd ask that a second panel replace these gentlemen now.

We will suspend for a brief time, but before we do, members of the committee, including Ms. Wasylycia-Leis, might be interested in involving themselves in a brief housekeeping motion we have to deal with. Please feel free to join us if you wish.

In any case, we have the responsibility to deal with private members' bills. We have one on the table. If we do not report back to the House, it will be deemed reported. We have a motion to give us additional time to deal with that, as we don't really have the time to deal with it at this point.

Mr. Savage, I believe, would be able to make that motion just so we are able to deal with that private member's bill at a later time.

Mr. Michael Savage: Should I read the motion?

The Chair: Please do.

Mr. Michael Savage: Should I dispense?

The Chair: Dispense.

(Motion agreed to) [See *Minutes of Proceedings*]

The Chair: Thank you. That's adopted.

Do we need another motion? Shall the chair present the report to the House?

Mr. Savage makes that motion. Thank you.

(Motion agreed to)

The Chair: Thank you, then. That's adopted.

We'll suspend for just a couple of minutes.

●

(Pause)

●

● (1135)

The Chair: We will recommence.

Welcome to all of you. Thank you for being here. We appreciate your participation in the pre-budget consultative process and the time you've taken to prepare your remarks and briefs, which you previously submitted. I remind you that we are going to hold you to five minutes for your presentations.

We'll commence with the representative from the Chronic Disease Prevention Alliance of Canada, Jean Harvey. Welcome.

Ms. Jean Harvey (Interim Executive Director, Chronic Disease Prevention Alliance of Canada): Thank you very much.

Good morning, committee members. CDPAC is a network of about 60 voluntary public and private sector organizations. We have a provincial-territorial alliance, and we have a thousand active members within CDPAC. We're really looking at a country-wide movement toward the prevention of chronic disease and an integrated population health approach to that.

When we talk about chronic disease there are reasons to be optimistic and certainly reasons to be pessimistic about this area. We're optimistic that there is increasing recognition of the burden of chronic diseases on our society today. We commend the government for putting forward, in 2005, $300 million over five years toward an integrated strategy for healthy living and chronic disease. We're also very happy to see the number of organizations and sectors that are working together in this area.

We know more today than we've ever known about chronic diseases and the prevention of them. We know that 80% of premature heart disease, strokes, and type two diabetes can be prevented, and we know that 40% of cancers can be prevented. That's through healthy diet, physical activity, and the avoidance of tobacco. However, there is a problem, because we know that chronic disease currently costs Canada $80 billion annually. With the aging population it's only going to get worse. We know that our risk factors aren't great: 60% of Canadians are overweight or obese; 80% of Canadians over 20 are not physically active enough; and even though we've had gains in tobacco, about 20% are still smokers.

CDPAC has put forward a number of recommendations, which you'll see in your package. I'll dive right into them.

The first two recommendations are around keeping our citizens healthy. We're asking that the government fulfil its commitment to allocate 1% of federal health spending to physical activity and sport. We know that Canadians are not physically active enough. This contributes to obesity and chronic diseases. We know that physical activity is an important component. We also know that you need a comprehensive and coordinated strategy around physical activity.

We have a pan-Canadian physical activity strategy that has been put together by the NGO community through the Coalition for Active Living. So we're suggesting that the federal government work with the NGO partners, such as Coalition for Active Living, look at those funding priorities and the various elements in there, and commit the funds to this very important area.

The second recommendation is around mental health. We know that mental health is an important factor in chronic disease prevention, and one in five people will be affected by mental illness. So we're suggesting that the federal government fund a Canadian mental health commission. You can find more details in your brief.

The next three recommendations are really around infrastructure pieces that you had in your proposals.

One is that the federal government allocate funding for physical infrastructure to reduce obesity. We know that there is a link between obesity levels and how our communities are designed. So when we talk about the design of communities, we're talking about the interconnected street networks, bicycle paths, sidewalks, walking trails, and public transportation. Unfortunately, our communities are not designed properly for that, so we're suggesting that 7% of transportation-related infrastructure funding be allocated to active transportation projects that facilitate active living. This is the same proposal that went forward from the Heart and Stroke Foundation of Canada, and is also supported by the Canadian Cancer Society.

The next recommendation is on the surveillance system. It's very important to monitor chronic diseases in Canada through surveillance. We feel that the surveillance system is inadequate, has significant data gaps, and lacks integration and coordination. So the existing systems need to continue to develop and grow. We also need to build on the links of those that already exist through cancer, diabetes, physical activity, etc.

The last one we want to discuss is the new Canadian lifelong health initiative. It's a groundbreaking set of large cohort studies that would track the health of thousands of Canadians over many years, generate new knowledge, and really give us some good data on how to get a handle on these diseases and the health of our population. This would position Canada as a world leader and would attract and retain the best scientists.

● (1140)

So with that very quick summary, I'd like to thank you very much for having CDPAC appear here and for our being able to put forward our priorities. As a non-government organization out there in the world, we're certainly very keen to work with the federal government to help move some of these initiatives forward.

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

We'll continue with the Canadian Federation of Agriculture. I'm pleased to have Bob Friesen here.

Welcome, Bob. You have five minutes.

Mr. Bob Friesen (President, Canadian Federation of Agriculture): Thank you very much, Mr. Chair, and thank you very much for the invitation.

I would also like to applaud this year's theme, which is Canada's place in a competitive world, because that fits really well with where the Canadian Federation of Agriculture is trying to move the entire agriculture and agrifood industry.

As most of you know, CFA is a national federation of organizations, with general farm organizations from every province as members, as well as numerous commodity organizations.

The importance of agriculture and agrifood in Canada is undisputed. We generate somewhere around $130 billion of revenue a year. That's about 8.5% of our GDP. One in seven jobs goes to agriculture, which is almost two million jobs a year, $26 billion in exports, and in fact it contributes $6 billion to our trade balance.

This may surprise you: I am not here today to ask you for money. How much more money we need in agriculture is currently outstanding; however, what is not outstanding is the need for us to be much more strategic in the way we spend the money that is already being invested in agriculture. If you look at the almost $5 billion a year that both levels of government have invested in agriculture in the last few years, it's a significant amount of money, but we need to ask ourselves whether we are flowing that money as strategically as we possibly can.

When you look at the amber spending as a value of farm gate production, ours has been increasing for the last several years and in fact is getting closer and closer to what the U.S. is spending in amber. Of course, if you include their green spending, they spend almost 40% of the value of agricultural production in their industry. That compares to about 13% in Canada. But if you look at the way they spend the money, and you look at the last few years in realized net income, you will realize that Canadian farmers are coming out of the absolute worst three years in net income in history, and they continue to compete against U.S. farmers, who are coming out of the best three years in farm income in history.

So we need to be much more strategic in the way we invest money. If you look at the way the U.S. is priming the pump at the bottom of agriculture, they are spending most of their money in the grains and oilseeds sector, which then accrues benefits and cross-subsidizes into valued-added industries such as hog feeding, cattle feeding, and the biofuel industry. So they've really primed the pump, which is accruing benefits throughout the entire agricultural sector.

While Canadian farmers are some of the most competitive farmers in the world, we also need competitive policy to be able to compete against the agricultural industries in other countries. We need a vision for agriculture that consists of a vibrant, dynamic industry within an environment that allows all sectors in the chain to be profitable. So the CFA members decided a few years ago that we need to look at a Canadian farm bill. What can we do ensure that we can turn our industry towards profitability?

If you look at the last agricultural policy framework, it was merely a collage of funding programs—very important funding programs, funding programs that farmers needed to mitigate some of the impacts of added input costs when it comes to on-farm food safety programs, environmental sustainable programs, etc., but it was a collage of funding programs. Not nearly enough time was spent on strategy—what kinds of strategies can we implement and adopt to ensure that we move agriculture towards profitability?

What we did is develop three pillars. One is a public goods and services pillar. We need to make sure that when farmers implement on-farm food safety programs, environmentally sustainable programs, we don't victimize those programs against the net income experienced by farm families. So we need public help in paying for some of those costs.

When we look at business risk management, we need to be more strategic in how we flow that money. We need to separate disaster from stabilization. We're suggesting, and have talked to the minister, about looking at the merits of implementing a top tier in CAIS and having a NISA-like program in that top tier that would add predictability and bankability to that program. We need to bring back the ability for provinces to have companion programs to make sure they can address regional or province-specific needs in those areas. We also need to look at declining margins. We have a severe declining margin problem in the grains and oilseeds sector. We need to look at that.

● (1145)

My last point is that we also added a strategic growth pillar. That talks about top-down investment and value-added, bottom-up investment at the primary production sector, making sure farmers have all the tools they need to empower them in the marketplace and making sure we invest adequate money in research and innovation as well.

● (1150)

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

We continue with the Retail Council of Canada. Peter Woolford is here.

Welcome, sir. Please proceed.

Mr. Peter Woolford (Vice-President, Policy Development and Research, Retail Council of Canada): Thank you, Mr. Chairman, and my thanks to the committee for inviting us here again today.

Let me start by introducing the Retail Council of Canada. We are the voice of retail in Canada. Our members operate 40,000 stores in every village, town, and city in our country. In 2005, retailers directly sold $370 billion worth of merchandise. Over 2 million Canadians work directly in retail. Retailers invest almost $8 billion a year. From 2000 to 2004 our members created 165,000 new jobs.

This rapid job growth, in fact, has created some problems for the trade, which is experiencing some challenges in recruiting and retention, especially in western Canada.

[*Translation*]

I will now turn to our economic outlook. Retailers have posted good results in 2006. According to Statistics Canada, between January and July retail sales increased by 5.4% over the preceding year.

Our report on retail, which was published in September, shows that sales and profit margins are doing well. Consumer behaviour is positive. Our members are optimistic about the fall and holiday season, though they expect a slowdown in growth next year, particularly because of the situation in the U.S.

We achieve these results even though real personal disposable income increased by less than 0.5%t in 2005. That explains why we are focussing on the growth of individual and family disposable income. When Canadians find their personal finances are improving, retail sales and employees in the retail sector benefit.

[*English*]

Mr. Chair, with that to set the stage, I'd now like to turn to our policy advice.

As we have for many years, the Retail Council of Canada is again making the case for tax cuts for individuals. We're probably an unusual business organization, in that we are more focused on our customers than on our own internal bottom lines. We are delighted with the one-point reduction in the GST; that one step increased real personal disposable income by more than the average growth that the average family enjoyed in 2005.

Our submission tracks the effects of federal tax and transfer policies on the real personal disposable income of Canadian households. It shows that over the past 15 years, federal budgets have in fact marginally reduced real disposable incomes, including those of the poorest households in Canada: those earning less than $9,500 a year. In contrast, federal revenues have grown 20 times faster than average PDI. We strongly recommend that the government reduce the growth of federal revenues and return more money to individual Canadians, especially those with low or modest incomes.

Our submission focuses on cuts in personal income tax and on the GST. The RCC recommends that the federal government implement personal income tax cuts and changes in tax credit programs that will provide a boost to the real personal disposable incomes of families earning low and middle incomes. We believe that the greater scope to design a reduction in PIT to assist low- and middle-income Canadians makes this a preferable way to reduce the tax burden.

Although we see greater benefit to Canadians in personal income tax cuts, RCC supports the federal government's commitment to implement the second proposed cut in the GST rate.

Finally, Mr. Chair, I would be remiss if I didn't reiterate our longstanding support for GST harmonization. This committee has heard us talk about this point for almost 20 years now. We will make the case to provincial governments in our pre-budget submissions in those jurisdictions in which it is still relevant. Our support for harmonization comes with one essential caveat: retailers must be permitted to display prices exclusive of tax to accommodate the differing levels of tax across the country.

Those are my opening remarks, Mr. Chair. I'd be glad to answer any questions.

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

From the Certified Management Accountants of Canada, we have Mr. Tinkler.

Go ahead, please; you have five minutes.

Mr. Michael Tinkler (Vice-Chair, Certified Management Accountants of Canada): Good morning, Mr. Chairman, distinguished committee members, and fellow presenters. I am pleased to be with you this morning.

CMA Canada is pleased the committee has made Canada's place in a competitive world the core theme of its pre-budget consultations. We firmly believe that Canada's competitiveness in the world and the standard of living enjoyed by Canadians are linked directly to our ability to improve our labour productivity performance. In leading the way with budget surpluses, debt reduction, low inflation, strong employment growth and relatively solid GDP growth, Canada's economic fundamentals are enviable.

There is, however, some troubling news in an otherwise impressive story of economic performance: Canada's recent record on labour productivity growth and its impact on Canadian competitiveness.

● (1155)

[*Translation*]

If we want to continue having one of the best standards of living in the world, and if we want to maintain the resources we need to invest in programs that improve our standard of living, we must improve our productivity. This is why we focus on productivity-related issues, particularly on the role played by people, physical capital and innovation.

[*English*]

Numerous initiatives could be undertaken to improve labour productivity performance. We are mindful, however, of the government's determination to maintain balanced budgets, reduce debt, and lower the rate of growth in government program spending. Accordingly, we recommend selected investments in people, human capital, and innovation that should build a more productive and competitive Canada.

We therefore propose the six following initiatives:

One, increase the small business tax threshold to $500,000. We were pleased Budget 2006 raised the threshold for the small-business tax rate from $300,000 to $400,000, effective January 1, 2007. This initiative recognized that small businesses are key drivers of employment and economic growth, yet are constantly struggling with resource scarcity. We recommend that Budget 2007 continue to encourage small business by boosting the threshold to $500,000. This threshold increase would encourage small-business owners to invest even more in their businesses, including greater investment in information and communications technology, a key driver of labour productivity.

Two, establish a special capital cost allowance rate on information and communications technology equipment. The tax system has a considerable impact on business investment, and the tax treatment of capital property is particularly important. Capital cost allowance rates can influence the timing and level of investments made in machinery and equipment, including information and communications technology.

[*Translation*]

With the recent budget, the capital cost allowance system has been enhanced in Canada. However, the useful life of assets can change over time. It is therefore essential that CCA rates be assessed on a continuing basis. Given the amount of investment in upgrading ICP skills to improve productivity, we urge the government to make targeted improvements to the CCA system.

[*English*]

Three, provide a refundable investment tax credit for upgrading employees' ICT skills. An essential corollary to encouraging greater business investment in information and communications technology is ensuring that employees receive the training necessary to use that technology to its greatest benefit. This increased knowledge base can yield significant dividends through innovation and increased productivity. We therefore encourage the government to introduce a refundable tax credit to assist with the cost of training.

Four, raise the lifetime capital gains exemption to $1 million. Small-business owners, as you know, are eligible for a lifetime capital gains exemption of $500,000. Although it has undergone fluctuations, the $500,000 exemption level was first set for individuals in 1985 and was extended to corporations in 1987. It is not unreasonable, therefore, to increase the level of exemption after 20 years. We believe it should be doubled to $1 million. Such an increase would enable small-business owners to reinvest the tax savings into the economy in the form of “angel” money for existing family business enterprises or venture capital to help start new businesses.

Five, introduce a fellowships program to support businesses in all sectors.

[*Translation*]

Very few types of investments can generate the economic benefits of education. According to OECD estimates, adding one year to the education level can increase per-capita GDP by at least 5%. Education and training are one of the fundamental requirements of a productive, innovative economy. Competitive businesses have skilled employees.

[*English*]

Our brief to the committee also includes several recommendations to enhance the operation of the SR&ED tax credit. I won't go through them now because I'm mindful of the time.

Mr. Chairman, I thank you and your colleagues for your interest this morning, and I look forward to responding to any questions you may have *dans les deux langues officielles* during the question and answer session with this morning's panel.

● (1200)

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

We have to get going. I have to keep up the tradition of the chair, keeping it to five minutes. So we'll go on to the next presenter, from the Canadian Electricity Association, Mr. Konow.

[*Translation*]

Mr. Hans Konow (President and Chief Executive Officer, Canadian Electricity Association): Thank you, Mr. Chairman. I would also like to thank the distinguished members of this committee.

I will be making my remarks in English, but I would be please to answer questions in either official language.

[*English*]

The Canadian Electricity Association is the national voice of the electricity sector in Canada. Our members represent the full value chain, from production through to delivery to the customer.

The electricity supply and delivery system has historically been reliable, secure, and cost-effective. It has been one of the key competitive advantages underpinning the Canadian economy. Canadians expect this performance to continue into the future, but its doing so will require significant capital investment.

Meeting demand and delivery challenges requires significant investment to construct new and upgrade existing electricity infrastructure and to develop and deploy new fuels, energy services, and technologies. This must be accomplished at a time of substantial regulatory uncertainty, increasing environmental pressures, mobile capital flows, and human resource challenges that are unparalleled in our history.

The theme of this year's consultation is Canada's place in a competitive world. Accordingly, CEA is pleased to propose the following measures, grouped in the four broad categories requested by the committee.

Under health and skills, CEA has two recommendations. First, the federal government should move to reactivate class 24 and class 27, which were phased out in 1998, or provide the equivalent CA in tax credits. Alternatively, all of the end-of-stack generation technologies to control or reduce pollutants such as NOx, SOx, particulate matter, mercury, and carbon dioxode, could be placed in class 43.1.

Given your more stringent environmental regulations, the electricity industry needs fiscal tools to provide incentive to accelerate expensive improvements to its coal-fired plants.

Second, recognizing the significant human resource challenges facing the electricity sector, CEA believes that governments and industry must increase efforts to address issues such as recruiting and retraining workers, facilitating school-to-work transitions, and developing sector and career awareness strategies. Attracting skilled workers to Canada is also key to addressing the electricity sector's human resource needs.

Within the broader competitiveness agenda, CEA offers three specific recommendations.

First, amend subsection 162(2) of the Excise Tax Act to finally declare wind a natural resource and accelerate the development of this potentially significant renewable resource. There is a need to eliminate the administrative burden of GST collections and remittances to place wind energy on an equal footing with other declared natural resources.

Second, lower corporate tax rates to 19% immediately, to continue to provide increased economic stimulus to attracting economic development in Canada. CEA supports lower corporate tax rates over the longer term, as the bulk of new electricity supply will have to come from private, taxable partners.

Third, establish a federal energy grant program that will ensure the federal government remains a strategic funding partner to energy conservation, which remains a critical pillar of Canada's self-sufficiency in both electricity and natural gas.

Under infrastructure, CEA has three recommended measures that would invite mobile capital directly into the electricity industry to recapitalize its aging infrastructure, while signalling that Canada overall is open for investment.

First, the federal government should remove the inequity of distinguishing between old and new equipment, which is a unique holdover of the tax treatment for the electricity industry, as illustrated by the industry's supplied tax studies over the years. This move alone would significantly jump-start the change-out of capital stock by signalling the inherently shorter useful life of an existing asset base.

Second, the federal government should reclassify new technology of smart meters and advanced metering infrastructure to reflect the true nature of their components. A CCA rate of 45% for electronic software and communication technologies, combined with a 12% hardware rate, would be realistic and equitable.

Third, the federal government must continue to elevate CCA rates for new transmission and distribution build-out, to 12%, and for new nuclear power supply to 12%. Both measures would remove a tax inequity with the United States.

Finally, under the innovation platform, CEA has two recommendations. First, amend subsection 127(8) of the Income Tax Act to allow active partners in LLPs to utilize SR&EDs and provide new solutions to electricity technology challenges.

● (1205)

Second, permit SR&EDs to be refundable and extendable to all performers, while allowing the unused portions of the tax credit to offset other levies, such as CPP or EI. This would result in greater industrial innovation.

With that, thank you, Mr. Chairman. I look forward to your questions.

[*Translation*]

The Vice-Chair (Mr. Massimo Pacetti): Next, we will be hearing from David Campbell, president of the Canadian Retail Building Supply Council.

Mr. Campbell, you have five minutes.

[*English*]

Mr. David Campbell (President, Lumber and Building Materials Association of Ontario, Canadian Retail Building Supply Council): Thank you, Mr. Chair.

My name is David Campbell, and I chair the government relations committee of the Canadian Retail Building Supply Council. The CRBSC is comprised of the five regional and provincial retail building supply associations across Canada. Their names and addresses are all listed in the letter of transmittal that is bound into our submission.

These five associations collectively represent over 2,000 member companies. Last year, total industry sales were an estimated $36 billion, and total employment was provided to some 50,000 Canadians in communities of all sizes and in all parts of Canada. Companies in our industry are typically family-owned and smaller businesses.

I'm also speaking today on behalf of the Canadian Hardware & Housewares Manufacturers Association, which fully endorses our brief's contents. Taken together, our two sponsoring associations represent almost 2,300 companies employing some 75,000 people engaged in all major aspects of the building materials, hardware, housewares, lawn and garden products industries. The two associations include manufacturers, wholesalers, and retailers in their membership.

I can assure you that our submission fully represents the views of CRBSC's members, as obtained in a pre-budget survey carried out during the summer. CRBSC members were asked to assess growth prospects in Canada, for their own province or territory, their industry, and finally their own companies. The consensus was for medium growth both this year and next, although the trend in expectations is definitely downward. The percentage of survey respondents expecting a high growth rate for the balance of this year and in 2007 is declining, while those with low growth expectations are definitely on the rise.

The housing market is important to our members. Our brief, filed with the standing committee in early September, reported August predictions from Canada Mortgage and Housing that total housing starts will likely increase slightly this year before declining in 2007. CMHC believes that both starts and MLS sales will both be down for next year. Canada's economic performance over the past seven years has been enhanced by a buoyant housing market, measured both in terms of starts and MLS activity. If the industry falters next year, as CMHC forecasts, a decidedly negative impact on the economy is predictable.

The standing committee should recognize that a major reason behind the economic slowdown in the United States is the declining housing market in that country. The May 2006 budget stated clearly, ”A slower U.S. economy would have negative implications for the Canadian economy as well.” The standing committee should regard the nations's economic outlook for the next year cautiously. They should also recognize that a buoyant housing market in 2007 would be an important factor in shielding Canadians against steadily growing concern that a U.S. slowdown will almost inevitably pour over into Canada.

Our submission describes cost-effective measures that the standing committee could support to promote a healthy housing market. Again this year, we urge that Canadians be allowed to borrow from their RRSP savings to finance residential retrofits to meet the needs of senior citizens and to undertake residential repairs and renovations. The model for this initiative already exists in the first-time homebuyers program. Its extension to other uses would be low-cost and would provide an important stimulus to the housing market. This is an idea whose time has come, and it deserves the strong support of the standing committee.

The value of both the first-time homebuyers program and the GST-HST new housing rebate have been progressively eroded over time. We recommend that the maximum amount first-time home-buyers can withdraw be increased from $20,000 to $40,000 in the next budget. When I appeared before you last year, I was asked whether we would favour relating the amount of the GST-HST new housing rebate to the new housing price index. I assured you that we would support this approach.

In an uncertain business environment, the importance of economic stimulation increases, thus we urge that the upcoming budget ensure that tax relief take priority over increased spending. We advocate reductions for both the personal and corporate tax rates, as well as a reduction in the small business rate and a higher threshold at which the rates apply.

Finally, while we do not oppose further percentage point reductions in the GST-HST rate, it should not occur at the expense of other tax reduction priorities that we have described.

Thank you for your attention to our presentation. I look forward to discussing any points we have raised during the question and answer period.

● (1210)

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

We continue with the Canadian Dental Association, Andrew Jones. Five minutes to you.

Mr. Andrew Jones (Director, Corporate and Government Relations, Canadian Dental Association): Thank you very much, Mr. Chairman and committee members.

Thank you for inviting the Canadian Dental Association to address your committee today. This has become a bit of a fall tradition for us, as the CDA has participated in consultations for the past several years. We always appreciate an opportunity to share our thoughts on financial priorities for dentists.

Regrettably, our vice-president, Dr. Deborah Stymiest, is unable to join us today due to extenuating personal circumstances, so I will be delivering CDA's remarks in her place. I am the director of corporate and government relations of the Canadian Dental Association at our offices here in Ottawa.

I hope that all of you have had the chance to review our written brief. It contains many recommendations that we feel will improve the oral health of Canadians.

More and more, our understanding of the connections between oral health and overall health is growing, confirming the importance of maintaining healthy teeth and gums. We are very fortunate in Canada that the vast majority of individuals are able to access oral health care. This occurs due to an excellent partnership that has evolved over time involving dentists, patients, governments, and the insurance industry. However, while the big picture is mainly positive, there are pockets of unmet need where the view is not so rosy. The reasons for this are varied. Public investments in dentistry and oral health have been shrinking to the point that less than 5% of the $9 billion spent on dental care annually is now publicly funded.

In many provinces this funding is devoted entirely to children's dental programs, and in many cases there have been cutbacks to these programs but at least some level of coverage remains for children. Not so, unfortunately, for seniors. There are exceptions. Alberta is showing some leadership in this area, but for the most part only limited public funding goes to maintaining oral health beyond retirement. We have just learned of a new development that will only make matters worse.

According to a recent survey by Mercer Human Resource Consulting, many Canadian employers have cut or plan to cut their post-retirement non-pension benefits, including dental coverage. Eighteen percent report already having done so, while 25% are considering such a change. This is not good news for retired people. Having insurance is often a main predictor in how often a person visits the dentist. We also know that Canada is entering a period of accelerated population aging that will see the share of seniors, age 65 and over, increase from 13% in 2005 to 23% in the year 2031, and that's a lot of growth in a potentially uninsured population.

I'm sure you will be happy to hear that we have a suggestion. It would be premature to call it a solution, but we certainly feel it's a step in the right direction. The idea is for the government to create a process that would allow a tax incentive for people to put away funds earmarked for health spending. This would include any legitimate health expense not covered under provincial health plans—dentistry, of course, but also perhaps prescription drugs, home care, and the like.

At CDA we are referring to this fund as a personal wellness investment fund, or PWIF. You may hear similar suggestions from other groups under different names with a slightly different focus. Our brief that was circulated earlier, and another copy today, lays out a few possibilities for how this PWIF fund might work. Essentially, we see it as an RRSP or RESP-like entity. Individuals with the registered fund can make contributions to it during their working years, either out of pre-tax dollars or post-tax dollars with a government top-up. Those funds would remain dedicated for health care spending, presumably post-retirement and in the absence of an applicable insurance plan.

Some might say that the fabric is already stretched thin. How are people going to put away for RRSPs, RESPs, and PWIFs, all at the same time. As we see it, RESP contributions for most people will incur in the early part of their working lives, and, by contrast, the PWIF will probably appeal more to those whose children have left the nest. It could work out quite nicely from both a household spending and government planning perspective. At the time that RRSP contributions draw to a close, a similar amount of money could simply be switched over to a PWIF contribution. It is still early days for the idea, and we're not suggesting it would be a cure-all, but it is well worth considering fully.

Our brief goes on to mention a number of other important issues, including funding for dental education, and also one of our traditional issues, that is, recommendations aimed at improving oral health for first nations people. We want to thank Health Canada for some recent improvements to the First Nations and Inuit Health Branch non-insured health benefits program, but we also realize that there's still some work to be done there.

● (1215)

Thank you very much for your time today, and I look forward to answering any questions.

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

Thank you all for your presentations.

We'll move to six-minute rounds. Mr. McCallum, you'll begin.

Hon. John McCallum: Thank you, Mr. Chair.

Thank you all for your presentations.

My first question is to Mr. Woolford. If we look at the bottom of page two of your submission, you say—and I quote:

> Although RCC sees greater benefit to Canadians in personal income tax cuts, RCC supports the federal government's commitment to implementing the second proposed cut in the GST rate.

I take it purely as a matter of logic in terms of that sentence that you support the second GST reduction, but if you had a choice between GST cut and income tax cut, you'd go with the income tax cut. Is that correct?

Mr. Peter Woolford: Mr. McCallum, that is correct. The reasons are those that I explained in my opening remarks. Changing the income tax allows for a greater concentration on the needs of low- and middle-income Canadians. The GST, of course, goes right across the full range of incomes and increases as people spend more.

Hon. John McCallum: So, for example, if one lowers the lowest income tax rate—the rate on income up to about $35,000—then clearly one is focusing on the lower-to-middle-income group, because no one gets a benefit of more than, say, $300, no matter what your income; that would be the same logic that you're using.

Mr. Peter Woolford: That's correct. That's the type of change we would like to see. Frankly, we made a mistake in doing our pre-budget simulations and didn't look at income ranges when we modelled our income tax changes.

Hon. John McCallum: I think it's significant, Mr. Chair, that of all groups, the Retail Council of Canada isn't all that keen on GST cuts, but let me move on to Ms. Harvey.

Mr. Peter Woolford: That's not what I said, Mr. McCallum.

Hon. John McCallum: No, but you said that given the choice between income tax cut and GST cut, you'd go with the income tax cut.

Mr. Peter Woolford: We think an income tax cut will allow for greater focusing. We are strongly in favour of GST cuts as well, and we said so.

Hon. John McCallum: Right, but then just let me repeat my earlier question. You did say in response to my question that if you had your choice between a GST cut and an income tax cut, you would take the income tax cut.

Mr. Peter Woolford: Yes, we would.

Hon. John McCallum: Okay; well, that's my point.

Ms. Harvey, we'll go on to something uncontroversial. In terms of physical fitness, I think basically there are two ways to go. One is through government investments of one kind or another, as described in your brief. Another method would be through tax reductions or tax incentives of various kinds, such as the tax credit that was in the budget.

As I read your brief, I take it that you're really more on the side of government investments than tax measures. Is that right?

Ms. Jean Harvey: It's not that we don't support the other side of it as well. I know that the Heart and Stroke Foundation of Canada came forward with the tax incentive piece around physical activity, and we certainly support their view on that as well. We feel that this, in terms of the investment in the physical activity strategy and some of those pieces, has not happened, so we thought that was probably the more important thing to put forward at this moment.

It's not that we don't support the other piece as well, because I think you're right: it's not a one-stop solution; it's going to take a number of different strategies to get to these issues.

Hon. John McCallum: My question is similar in a way to the one about GST versus income tax cuts. It's easy to say you want both of something, but if you had a choice between tax measures versus government investment measures, which do you think should be the higher priority?

Ms. Jean Harvey: That's a bit of a difficult question. I think there needs to be government investment in pieces like physical activity for our population, so that it goes across the ages and across the spectrum, so I think if I had to go with one or the other, I would go with that, because we've seen the benefits of it as well. We're not exactly sure what this tax incentive and disincentive is going to do; is it going to be more that those who already go to gyms are the ones who are going to take advantage of it? We don't know yet. That's not to say we shouldn't try it, but that's where I would put it.

● (1220)

Hon. John McCallum: Thank you very much.

My next question is possibly for Mr. Konow and Mr. Campbell. It goes back to the time when I was briefly NRCan minister. One of my favourite programs at that time, and one that I thought was really good, was the EnerGuide program. You've both talked about energy efficiency; in different ways, I think that sector is important to both of you. It was my impression when I was there that this was a really good program—that it improved energy efficiency in an efficient way and that it focused in particular on lower-income Canadian households. As you know, it doesn't exist any more.

Do you think it was a good program? Would you favour either reinstituting it or having something similar? It sounded as though such a move might be consistent with what you were saying in your brief. That's my question to you.

The Chair: There are just a few seconds remaining.

Mr. Hans Konow: Okay, I'll be quick.

I certainly think that the type of programming EnerGuide provides is very useful and necessary. I think it has proven itself. The changes made in the program have caused the provinces to pick up some of what was done by the federal level.

It's probably timely to have a look at how the federal level might re-engage, and what priorities might be set for them to be partners with both utilities and the provinces in pursuing the particular benefits that program represents. There are national opportunities in codes and standards that are very important. They should be delivered, for efficiency reasons, through at least a partnership with the federal level.

[*Translation*]

The Chair: Thank you, Mr. McCallum.

Mr. Crête, six minutes.

Mr. Paul Crête: Thank you, Mr. Chairman. My questions are for Mr. Friesen, of the Canadian Federation of Agriculture.

In your brief, there is a paragraph in which you talk about the Canadian Agricultural Income Stabilization Program, CAISP. You clearly say that the existing program needs to be completely revamped. For example, in my riding, the whole farm income — even if the farm is diversified — is taken into account in the eligibility assessment, when some crops might be profitable while others are not.

For the committee's benefit, could you provide some concrete examples to show what the weaknesses of the current program are, and why the government needs to take action quickly. That table in your brief showing the drop in net farm income speaks louder than words. It clearly illustrates the crisis now facing the industry. I think that revamping CAIS — if it was done properly — could provide part of the solution.

Could you give us some concrete examples?

[*English*]

Mr. Bob Friesen: Thank you.

First of all, CAIS is a margin-based program. We've had a long period of very low prices, especially in the grains and oilseeds sector, so it has reduced margins on the farm. Because the amount of money you can trigger in the claim year is based on your historical margins, farmers have had hardly any historical margins and haven't been able to trigger any money out of the program.

We've suggested—and there's been a lot of talk about this over the last few years, you will recall—there needs to be a separation of stabilization from disaster. So if you would look at putting a contributory program in the top tier of CAIS, it would at least make the top tier of CAIS more predictable and more bankable.

If you asked farmers whether they would rather have an assured $7 or a possible $10, they would all pick the assured $7. It would allow them to stabilize their incomes much better in the top tier. We already know, especially if you have a low reference margin, that many people fall in the first or the second tier of CAIS. So it would make the program much more predictable and bankable.

[*Translation*]

Mr. Paul Crête: In your brief, you also said that the program should be more flexible. You believe the federal government should “[...] help fund provincial companion programs”. Agriculture is very different from one province to the next. One weakness the Bloc Quebecois had identified, and which has now been confirmed, is this: the national program is not flexible enough at present. If I understand correctly, you are suggesting that the federal government help fund provincial programs.

Could you give us an example of what form this might take, in Quebec or in another province?

● (1225)

[*English*]

Mr. Bob Friesen: As you know, the industry was dragged kicking and screaming to the table when companion programs were eliminated. That meant that for every 60¢ the federal government put into agriculture in a province, the province was required to contribute 40¢. The problem was that when the APF was implemented, they decided that none of the federal money could be used for provincial-specific companion programs.

You're absolutely right that one national program cannot deal with all the provincial-specific or regional-specific needs. So we would like the provision brought back where provinces can use some of the federal 60¢ if they contribute their 40¢ to design provincial-specific companion programs. In Quebec's case, this would help with the ASRA program or some of its other provincial programs. It would help Ontario bring in their risk management program for the grains and oilseeds sector. It also would allow all the other provinces to define a provincial-specific need and a provincial-specific tool that would adequately address that need in the province.

[*Translation*]

Mr. Paul Crête: In an other part of your brief, you talked about the need to be proactive in terms of research and product support. In my riding, I have been aware of a problem that affects Canada as a whole — the renewal of orchards to grow apples and similar fruits.

In Canada at present, over 50% of apples for industrial consumption — prepared pies and similar products — come from China and other Asian countries. For a long time now, apple producers have been asking for the kind of infrastructure program that would enable Canada to facilitate the renewal of orchard stock.

Is this be kind of thing you would like to see for this crop and others?

The Chair: Unfortunately, you will have very little time to answer.

[*English*]

Mr. Bob Friesen: Yes, and similar examples could be used. We would very much support that as well.

The Chair: Thank you, sir.

We'll continue with Mr. Dykstra, six minutes, sir.

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

I want to direct my first question to Mr. Woolford.

On page 2 of your executive summary, you put forward an interesting statistic in terms of the reduction in the GST and what that would mean to household incomes. You say here that it has actually raised the household income "by more than the annual average increase for the past 15 years".

Could you expand on that, on exactly what you mean?

Mr. Peter Woolford: I'd be glad to.

When we did our simulations this year, we found that the average household real disposable income went up by about 0.27% a year over the last 15 years. In 2005 it went up by an average of 0.47%. Sounds pretty good; that one change that the government introduced on July 1 increased real disposable household income by over half a percentage point.

So that one policy move by the government did more than twice as much for Canadians' real disposable incomes than they'd been able to do for themselves over the last 15 years, and more than was done for themselves in a strong economy in 2005. This was a very powerful tool for increasing the incomes of Canadians.

Mr. Rick Dykstra: Thank you.

One of the things you commented on in your presentation was that federal revenues grew—if I understand this correctly—20% faster than did personal disposable incomes.

Mr. Peter Woolford: Actually, you've understated it; they grew 20 times faster. The average rate of growth for federal revenues was over 5% a year, over those 15 years, while Canadians were chugging along at 0.27%. The federal government, with its power to tax, made sure it paid itself first.

● (1230)

Mr. Rick Dykstra: Interesting.

When you were presenting to the committee in the past, what kind of recommendations would you have made to the former government?

Mr. Peter Woolford: We've been a broken record on this, Mr. Dykstra. For many years the Retail Council has come here asking for tax reductions.

We did support previous government efforts to get the deficit under control, and reluctantly we agreed to some very heavy tax increases in the mid-90s. But since that time, we've been speaking with increasing urgency about the need to return money to Canadians.

Mr. Rick Dykstra: Thank you.

I have another question for the Electricity Association.

Again, talking about the GST, I know my good friend across the way will continually ask the question of whether a GST cut is better than a personal income tax cut. I think that compares itself to asking whether you love your son or your daughter more, so I hope you'll at least understand where it's coming from.

When I look at the point made that Canadian consumers would save an estimated $220 million per year on gasoline when the GST is reduced to 6% from 7%, I have two questions for the Electricity Association: one, is that a positive impact, and two, has the industry, you feel, passed along those savings to the consumer?

Mr. Hans Konow: Any time money is left in the pockets of consumers, I think it's a good thing. Certainly in the area of electricity, where changes were made, it would automatically flow through to consumers.

Most of our provinces are...well, they're all provincially regulated, but most of them live in regulated electricity markets, so the price of electricity is determined by regulation, not by the functioning of a market. Only Alberta has a more or less conventional open market.

On most occasions, then, it has become part of the cost of doing business, and therefore it is passed along to the consumer.

Mr. Rick Dykstra: In terms of the first recommendation you made—to re-enact the class 24 for air and class 27 for water to incent the electricity industry to improve air quality—how would that work in the short term? Also, have you projected what the cost might be to the federal taxpayer?

Mr. Hans Konow: The benefit would be to incent the investment in these clean technologies by reducing the associated tax burden. Basically the technologies involve the bolting on of large chemical facilities to the back of a power plant. So any way in which we can reduce the cost of doing this would reduce the cost of power and flow through to consumers.

The Chair: Merci, monsieur.

We'll continue now with Ms. Wasylycia-Leis, for six minutes.

Ms. Judy Wasylycia-Leis: Thank you very much. I've got a ton of questions.

Let me start with Bob Friesen. Thank you for your excellent brief.

Do you want to make any comments about the government's decision to put a gag order on the Wheat Board? Because I know you talk in your paper about the whole movement for cooperation and a cooperative approach in agriculture.

Secondly, on the international issues you raise, given the breakdown of the Doha round of talks, what should our government be doing next to get that moving?

Mr. Bob Friesen: On the question about the Canadian Wheat Board, the CFA has been on record for a long time that farmers need all the tools possible to empower themselves in the marketplace. To the extent that there are farmers who believe the Canadian Wheat Board does this, we believe that the monopoly powers of the Canadian Wheat Board should stay in place.

Having said that, if there are those who would like to evaluate this and have an analysis done, we further believe that this should be done. Then farmers should vote on whether they want to maintain the monopoly powers of the Canadian Wheat Board.

With regard to Doha, we need to get the legs back under Doha as quickly as possible. However, no deal is better than a bad deal. If you look at the issue of domestic support, the proposal the U.S. put forward to reduce their domestic support simply wasn't enough to make a significant difference where our farmers continue to compete against the U.S. government treasuries.

If you look at the E.U. proposal on market access, that wasn't enough either, because we need more profitable market access around the world to develop our export markets.

● (1235)

Ms. Judy Wasylycia-Leis: Thank you.

Peter, let me ask you about your suggestion for the harmonization of the sales tax. The concern from some provinces—especially from my own, Manitoba—is that this would be tantamount to seeing people pay tax on such things as fuel and children's clothing, which are now exempt. I know you reference some ways to prevent this, but I don't know how you would make that not happen.

Mr. Peter Woolford: No, we would continue to support the current GST base, so we would not support removing any products from it. We feel that a broader base is better than a narrower one.

Our concern is simply that merchants have the opportunity to show their prices without the tax included in the price, because if you don't allow that, you destroy the national market.

Ms. Judy Wasylycia-Leis: Michael, you have a number of really important recommendations for helping small business. Based on the way you put your list, I gather that the first priority would be to increase the level to $500,000 for a small-business cut-off.

Mr. Michael Tinkler: In terms of quick hits, Ms. Wasylycia-Leis, I think the recommendation that would probably have the most impact would be the increase in the capital cost allowance on information and communications technologies.

Ms. Judy Wasylycia-Leis: Do you have any idea how much that would cost?

Mr. Michael Tinkler: We haven't done that calculation.

Ms. Judy Wasylycia-Leis: Okay.

Andrew, on a very important presentation on dental care, we had a debate in the House, and Parliament adopted a seniors charter, which called for moving towards free pharmacare and dental care for seniors.

I'm not under any illusion that this government is going to act on that. It would be nice, but in the absence of this, which of your recommendations would be most likely to get support from the Conservatives? And which would be most cost-efficient from their point of view?

Mr. Andrew Jones: We're not here to advocate for universal coverage for seniors. We support optimal oral health for all Canadians, to be provided through a delivery system that's open and flexible. I talked about the current system being positive between insurance, patients, government, and dentists themselves. We advocate five points to an open and flexible delivery system. First, patients should be free to attend a dentist of their choice. Second, long-term relationships between dentists and patients should be encouraged and fostered. Third, dentists and patients should be able to make treatment decisions in joint consultation free from third-party interference based on coverage. Fourth, we should recognize that dentists are the only oral health care providers able to diagnose and make full oral health plans for patients. Fifth, a patient's private health information should be protected, both by the dentist providing care and by the government institution funding it.

We realize that in the future we may be looking at many different options. Today we presented our options. The key is that any system we come up with should be open, flexible, and based on these five points.

The Chair: Thank you very much, Madam.

We continue now with Mr. Savage for four minutes.

Mr. Michael Savage: I want to thank everybody. There are some very good presentations here.

Ms. Harvey, chronic disease is a big issue where I come from in Atlantic Canada. Outside of Canada's aboriginal populations, I think we have the highest incidence of chronic disease. Diabetes is out of control, and so are cardiovascular diseases, cancer, and arthritis. A lot of things contribute to this, and there are a number of risk factors. One thing I didn't see in your brief—it may have been in some of the other documents—is the part that economic conditions play. Poverty is the biggest socio-economic determinant of poor health. Do you agree?

● (1240)

Ms. Jean Harvey: The socio-economic determinants are extremely important in chronic disease prevention. We have a conference coming up in November, and we have quite a number of sessions linking chronic disease prevention and the whole economic piece. You're right, it's huge.

Mr. Michael Savage: I come at this from spending a number of years working as a volunteer with the Heart and Stroke Foundation of Canada, who are colleagues of yours. I want to follow up on Mr. McCallum's question: How do we invest in a way that helps the greatest number of Canadians with the greatest needs?

I agree that there is a role for the tax deduction system. My son just started playing hockey this year. That will help me, but he probably would have played hockey anyway. I don't need the help. There are lots of other kids not too far from where we live who can't play hockey. We don't have enough infrastructure, and we don't have enough support for low-income families. Would it not make sense that, whatever we invest and however we invest the 1% in health and sport, there should be some priority given to those most in need?

Ms. Jean Harvey: Absolutely. That's what I was trying to get at when I was saying I wasn't sure the tax piece would work by itself. It's nice to have people able to go and play hockey, but if the rinks are in bad shape, if you don't have the infrastructure for it to happen, then it's still not going to happen. To say not to put it into infrastructure or government spending, but totally into taxes, is probably not the answer. You need both. It needs to be multi-pronged. The issues around obesity and lack of physical activity are complicated. It's going to be a huge issue for this country, what with the rising rates of obesity right now.

Mr. Michael Savage: Thank you.

Andrew, do we have enough dentists in Canada?

Mr. Andrew Jones: Our projections show no shortage. We may hit some challenges down the road, but right now, overall, there's not a problem. We have some regional issues, but overall the numbers are reasonable.

Mr. Michael Savage: Do you think we're training enough dentists?

Mr. Andrew Jones: Our issue with training has to do with funding of dental schools. We mentioned that in the brief. We have some challenges around high tuition and the amount of funds going into our schools. Our deans in the ten dental schools are facing a number of challenges. We're advocating for more money to go into the system. Obviously, we have some federal-provincial challenges along those lines. We're looking at infrastructure challenges and tuition challenges. There is a whole area within oral health and the funding of education that's a big concern for us.

Mr. Michael Savage: On page five of your brief, you say that "The Canadian Dental Association recommends a needs-based approach to the creation of a social safety net aimed at providing oral care services to socio-economically disadvantaged Canadians."

I certainly applaud that. In my own community, I was at a school last week in a low-income area in which Dalhousie Dental School operates a clinic. I guess that's something that dentists do around Canada, and I applaud it. Do you have any sense of what this might cost? How far along are you in recommending a specific approach?

The Chair: Mr. Savage, your time has elapsed.

Mr. Friesen, I just had a couple of quick questions for you. You mentioned that one in seven jobs in Canada is related directly to agricultural production. What percentage of those jobs is held by farmers versus the value-added side? Is the vast majority of these jobs on the value-added side? Is that correct?

Mr. Bob Friesen: Yes, that's correct. If you look at the primary production sector, of course, it's much lower.

The Chair: My questions relate to the concern, the thesis that some have advanced, in terms of the rationale for the reform of the single-desk mechanism, which is that the single desk results in a reduction in value-added initiatives in those commodities in western Canada. It seems to be supported by the growth in value-added employment in the areas of non-board grains—canola, beans. You know better than anyone that there seems to be growth there. Certainly, as a Manitoban, you know about oats.

For those of us who would like to see more economic development in western Canada, particularly in rural communities, and who would like to see more value-added initiatives there, do you support the thesis that there is an opportunity for us here to look at reforms that would encourage and promote the idea of more value-added, or does your organization maintain that having farmers continue to market or be forced or compelled to market through a single desk is the best way to develop the economies of rural communities?

Mr. Bob Friesen: We would say that the single-desk aspect of the Canadian Wheat Board empowers Canadian farmers in the market-place. But a single-desk monopoly also has to be relevant in today's environment, so whatever flexibility needs to be created within that single-desk monopoly is something the board needs to look at. The board needs to make sure they continue to evaluate the environment within which they work, and perhaps they can create flexibility within that single-desk monopoly.

● (1245)

The Chair: I have to cut you off because I don't want to use too much time from other questioners, but I would suggest that I agree with you only in part. The creation of value-added opportunities for Canadians in employment and wealth creation isn't solely in the domain of the Canadian Wheat Board as an export agency; it should certainly also be in the domain of the federal government.

I would make that point to you, if you would like to comment on it.

Mr. Bob Friesen: In that case, I think all the information has to be put out there. There has to be a discussion from people on both sides of the issue—a good evaluation, a good analysis—and then a producer plebiscite to decide where we go with the single desk.

The Chair: Again, my point is that there are a lot of us in Canada who care deeply about rural communities who aren't farmers who have a stake in this as well.

We'll move on to other questioners. Monsieur St-Cyr, four minutes.

[*Translation*]

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

Thank you for being with us.

First, let me address Mr. Tinkler, because I am glad that we have a CMA representative with us to talk about capital cost allowance, among other things. It is being debated widely; some of your colleagues want certain amendments. I just want to be sure that my understanding is correct.

In my mind, capital cost allowance has to do with the useful life of some given material. I think that this is why, for example, you want to have a higher depreciation rate for ITC material, that currently has a shorter useful life.

When I see the oil industry enjoying 100% capital cost allowance rates, I infer that the government believes that certain asset has only one year of useful life. This is my understanding. Theoretically, am I right? Within the whole Canadian fiscal system, are there other industries and types of equipment that enjoy a 100% depreciation rate?

Mr. Michael Tinkler: First, with regard to the link between the useful life of an asset and the CCA, as far as the oil industry is concerned, this is a measure that was implemented to encourage investment. We wanted to speed up the fiscal cycle. We recommend similar measures for information and communication technology equipment.

With regard to other industries, I am not sure, but I think that a previous government implemented accelerated capital cost allowances for environmental equipment. Basically, this has nothing to do with useful life; it is more like an incentive.

Mr. Thierry St-Cyr: It is more like a tax rebate granted to selected companies than anything having to do with the real useful life of a...

Mr. Michael Tinkler: That is what it is. It is just another credit, somewhat like a tax credit.

Mr. Thierry St-Cyr: Mr. Konow, you spoke of amending the GST to help the wind power industry. What kind of capital cost allowance would the wind power industry want? Would it be 100%, as is the case for the oil industry, or would it be less?

[*English*]

Mr. Hans Konow: I'm not familiar with the precise rate they are currently accorded, but I believe they have an incentive rate; plus they do receive the wind power incentive payment, which helps make it a more attractive situation for them.

Our particular representation had to do with the burden that accrues to developers of wind energy with respect to their payments to landowners and the GST characterization that is required of them. In some cases you may have up to a hundred landowners in a major wind development receiving a payment flow, and it becomes administratively burdensome. So one solution would be to treat them like every other basic defined natural resource, and you would not be subject to GST.

The Chair: Okay, Monsieur.

Mr. Turner, four minutes.

● (1250)

Hon. Garth Turner: Thank you.

I'd like to congratulate the Retail Council of Canada, in particular, and the Certified Management Accountants of Canada for your submissions. I think you made some very solid points indeed, which are very much along the lines of the thinking in the government's agenda so far.

I'd like to turn my attention for a minute to Mr. Campbell with regard to RRSPs and the housing industry. I have a few concerns about the housing industry. The cost of housing now is at the highest level it's ever been in history; mortgage debts are at the highest level they have ever been in history. Households now have some 85% of their family assets tied up in one commodity, which is real estate. The American real estate market has certainly had some problems lately; we've seen lenders bring in 40-year amortizations. Scotiabank's brought in 0%-down mortgages. And here you are recommending people increase the amount of money, in fact double the amount the money, they can take out of their RRSPs to invest in the housing market.

Do you not feel, in addition to very cheap money and low interest rates today, this is adding a further impetus to an industry that may be wavering a little bit from having too many no-money-down mortgages or too little equity put into it?

Mr. David Campbell: Our purpose for suggesting we increase the rate is to stimulate more people in the rental market who are renting homes and those with lower incomes to have the opportunity to invest. If they haven't got quite enough capital to invest in the housing market, it would give them an opportunity to do so. Also, the rate hasn't been adjusted since its inception, and it's time to look at an opportunity to provide for those people to get into the housing market.

Hon. Garth Turner: If we were to double the amount from RRSPs to $40,000 per individual, would you be in agreement with the existing strategy that allows couples to double the amount they're withdrawing? In other words, you would have $80,000 coming from RRSPs together.

Mr. David Campbell: That would be for a family.

Hon. Garth Turner: A husband and wife, yes.

Mr. David Campbell: A husband and wife combined, for $40,000?

Hon. Garth Turner: So you would support taking $80,000 out of RRSPs? All right.

Secondly, you were also saying let seniors take money out of RRSPs in order to renovate.

Mr. David Campbell: Not seniors. We're suggesting that homeowners who wish to have their parents stay with them rather than having them go into an institution have the opportunity to withdraw from their own RRSPs to modify their homes, put in wheelchair accessibility or infrastructure such as that to support them.

Hon. Garth Turner: What I'm getting at is that I'm a bit concerned we're getting way too real-estate heavy in this society of ours, and that by allowing people to withdraw such vast new sums of money from RRSPs, which are traditionally financial assets to give people some diversification, we're now taking all of this and dumping more of it into real estate. We're far too over-valued right now in that asset.

Does that bother you at all? It could come to backfire on your industry, couldn't it?

Mr. David Campbell: I think, obviously, the infrastructure would have to be put in place to ensure those funds are replaced in the RRSPs; that is essential. I absolutely agree that those funds have to be paid back into the RRSPs before those people retire.

Hon. Garth Turner: Mr. Jones, you guys want to raid RRSPs to go and have babies, right?

Mr. Andrew Jones: I wouldn't quite put it in that wording.

One of our big challenges is the self-employed and parental leave. We are recommending that there be a mechanism put in place to help out the self-employed and self-employed dentists fund a parental leave, and we're looking at using the RRSP situation for that, yes.

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

Just for clarification, Mr. Campbell, did you mean to say $80,000 combined for the couple?

Mr. David Campbell: No, it was $40,000 combined—

The Chair: For the couple, per family.

Thank you, sir.

We'll conclude with Mr. McKay now, for four minutes.

Hon. John McKay: Thank you, Chair.

Mr. Campbell, you seem somewhat more definitive than Mr. Woolford on your seventh recommendation, which says, “Reduction of the GST/HST should not occur at the expense of other tax reductions urged in this submission”.

Mr. David Campbell: Let me emphasize that all tax reductions are favoured by the CRBSC. We certainly suggest that the personal income tax provides more money in everybody's pocket; the corporate certainly provides opportunities for businesses to reinvest in capital expenditures and employing people; and another reduction in the HST or GST would certainly be welcome.

Hon. John McKay: In the world of choices, however, you have to rank choices. I take it from your submission that you would rank corporate tax relief ahead of GST. You'd rank PIT relief ahead of GST. You'd rank CCA relief ahead of GST. In fact, if you had to put in a ranking, you'd probably put the GST close to the bottom.

● (1255)

Mr. David Campbell: Our members would certainly enjoy stronger small business corporate reductions so that they could reinvest into their businesses and employ more people.

Hon. John McKay: Thank you.

Ms. Harvey, with respect to this mental health commission, our family has been touched by mental illness, so I have a rather gut sympathy with this issue. However, I'm not clear on what you would see this mental health commission doing.

Ms. Jean Harvey: I'm not the best one to answer that. CDPAC is composed of a number of organizations, and one is the Canadian Psychological Association.

My understanding is that this recommendation was part of the Kirby commission and came out of that particular piece. In terms of the specifics of exactly what that commission would do, I don't have the specifics. I could certainly get them from our colleagues at the Canadian Psychological Association or the Canadian Mental Health Association if that would be helpful.

Hon. John McKay: It certainly is an extraordinary number: $30 billion lost annually due to mental health and addictions issues.

I have two seconds left, presumably.

The Chair: You have a minute and a half.

Hon. John McKay: Well, now we can relax.

On the allocation of 1%, you said that would be about $300 million to $400 million, of which $100 million is targeted for investments that will enhance physical activity. What portion of that would be with respect to physical infrastructure? You hear people come before the committee and talk about walkways and bicycle pathways and things of that nature. Is that physical infrastructure included in your 1% proposal?

Ms. Jean Harvey: When we talk about the walkways and bicycle paths, I know it's a little confusing because we had so much physical activity in this particular brief. On the infrastructure fees around those particular things—walkways, bike pathways, interconnectedness, etc.—we were suggesting that 7% of the transportation-related infrastructure funding would go to those pieces, so it is a separate piece actually.

Hon. John McKay: Okay.

Finally, Mr. Konow, your first recommendation is to “Re-enact Class 24...and Class 27...to incent the electricity industry”. Is that different from the changes that were made in the last Liberal budget? Is that a different request from the ones that were made previously?

Mr. Hans Konow: Yes, that's correct. These would be. Under the last series of budgets, we had received an increase in the CCA rates for generation, transmission, and distribution infrastructure. As you will note, we're asking for an additional increase to reach parity with the rates in the United States. However, we are grateful for what has been given.

This is a separate request that would deal with the end-of-stack cleanup technologies that need to be applied to our existing fleets to make them more compliant with future goals with respect to SOx, NOx, particulate, mercury, etc. In response to the earlier question, my notes do clarify that our estimate of the cost of that would be about $33 million a year to the federal treasury over twelve years, for a total of about $400 million over that timeframe for that retrofit cycle.

The Chair: Thank you all for your presentations and your answers to questions. Your participation in this process is appreciated by all of us, and I thank you.

We are adjourned until 3:30.

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