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## Standing Committee on Finance

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**Monday, October 16, 2006**

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**Chair**

**Mr. Brian Pallister**

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Monday, October 16, 2006

• (1530)

[*English*]

**The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)):** We are back. We'll continue with our pre-budget consultations. We welcome our guests, our witnesses, for this afternoon. Thank you very much for taking the time to be with our committee. As you know, we have limited time to devote to each presentation because of the large number of presentations we are hearing, but we do thank you for submitting your briefs, which you did forward to us earlier. I would remind you that we have five minutes only for presentations, of course, to allow time for questions and exchange with committee members.

I will give you a visual indication when you have a minute remaining—or less. I encourage you to observe these little hand cues. I will cut you off at five minutes, of course.

Thank you all for being here. We will begin with the Canadian Council of Professional Engineers. Marie Lemay, welcome, and proceed. Five minutes are for you.

**Mrs. Marie Lemay (Chief Executive Officer, Canadian Council of Professional Engineers):** Thank you very much, Mr. Chairman. Good afternoon. I'd like to thank you for the invitation to appear once again before the House of Commons finance committee.

[*Translation*]

My name is Marie Lemay and I am the Chief Executive Officer of the Canadian Council of Professional Engineers.

[*English*]

The CCP and its constituent members, the provincial and territorial regulators of the practice of engineering in Canada, represent over 160,000 engineers throughout Canada. We welcome your choice of themes for this year's consultation: Canada's place in a competitive world.

There are two words that I will say often during my presentation, and I urge you to remember them when making your recommendation to the minister. These words are “long term”.

My remarks today will focus primarily on infrastructure issues, but before doing so, I want to mention two other issues where we've also worked closely with the government. I will not discuss them in detail, but I will be pleased to answer questions, if you have any, after my presentation.

[*Translation*]

I want to move now to the first issue.

Canada's ability to compete globally depends on the availability of skilled professionals. In recent years, in terms of number, self-identified engineers have formed the largest group of immigrants coming to Canada. In recent years, governments have come under increasing political pressure to ease the settlement process for these newcomers and find ways to improve the assessment of their credentials.

[*English*]

The engineering profession has already introduced measures aimed at streamlining the assessment of foreign credentials without compromising public safety or lowering professional standards. We look forward to continuing our work with the government on this very important issue. There needs to be long-term support from the government on this issue. It is not an easy issue to address, but it is a very important one. If we are to succeed, we all need to be committed for the long run. We are, and we sure hope the government is.

I now turn to the second issue, changes in climate and extreme weather events. Innovative approaches are needed to deal with these new realities, and the engineering profession has been at the forefront of developing solutions. The CCP appreciates the support that we have received from the government for shared initiatives on climate change, such as the Public Infrastructure Engineering Vulnerability Committee, and we look forward to continuing our work with the government on these issues, which will also require long-term commitments.

I will now turn to the issue of infrastructure renewal. Canada's infrastructure—our highway system, water system, sewers, and bridges—is vital to our quality of life, public health, and economic prosperity. It is also ultimately a question of public safety and public protection. Yet there are increasing signs that our infrastructure is deteriorating rapidly. We need to change our approach to infrastructure. We need to change what I call the infrastructure culture in Canada. We have to make a conscious decision to increase our efforts to reinvest in existing infrastructure stock and maximize our investment. This means adopting a long-term, holistic approach, as well as implementing life cycle management guidelines for infrastructure.

The cost of infrastructure should automatically include the cost of building it and the cost of maintaining it until the end of its serviceable lifespan.

[Translation]

In recent years, governments in Canada have made considerable strides in allocating new money for Canada's public infrastructure. In the 2006 budget, for example, the federal government provided substantial new funding for public infrastructure over the next four years.

We welcome, in particular, the emphasis on a long-term approach to infrastructure planning, as outlined in the 2006 federal budget.

[English]

Long-term plans for strategic infrastructure investment cannot be developed in isolation. Government policy and regulatory or legislative decisions need to have input from the infrastructure practitioners. Governments also need support from the public in implementing new infrastructure policies. Indeed, there is an urgent need to educate Canadians on the importance of infrastructure maintenance and on the crucial need to reinvest in existing roads, sewers, and waters, upon which they rely daily.

It is a lot easier to invest in things that you can see but much more difficult to spend on things that are buried or on maintenance. But I guess that's what leadership is all about: making the right decisions—and they're not always the easy ones.

We are keenly aware of the need to maximize taxpayers' dollars in developing new, long-term approaches to infrastructure. For the past four years we've taken a leadership role in calling for the creation of a national round table on sustainable infrastructure—an independent, multi-stakeholder body that aims to facilitate decision-making on sustainable infrastructure. With an initial focus on public works, we would create a go-to place for infrastructure information and resources. It would bring together all orders of government and industry to gain an improved understanding of infrastructure gaps and could help governments address funding priorities.

• (1535)

**The Chair:** There will be time for questions as we go on.

We will continue with the Association of Consulting Engineers of Canada, Claude Boivin.

**Mr. Claude Paul Boivin (President, National Office, Association of Consulting Engineers of Canada):** Our association represents the private sector engineering companies in Canada. It's a \$12-billion-a-year industry that employs about 72,000 people. Our brief today is also about what is really the backbone of any national economy, and that is infrastructure.

People everywhere in the world need clean drinking water, efficient waste treatment, safe transportation, and reliable energy. The bad news, however, is that for decades this country has ignored infrastructure and underinvested in its development and renewal. Today our total accumulated infrastructure debt is well in excess of \$60 billion, and this second national debt of Canada is growing by more than \$2 billion a year.

A quote by John F. Kennedy says it well: “The time to repair the roof is when the sun is shining.” Certainly the sun is shining on Canada and Canada's economy, and the time has come for us to fix the proverbial leaky roof that is our infrastructure.

The good news is that governments at all levels have recognized the problem and are now committed to investing in our infrastructure. So what Canada now needs, as Marie Lemay said, is a long-term national infrastructure plan that would cover at least twenty years. It would include strategic priorities, targets, and, most importantly, long-term spending commitments from all orders of government. We simply can't invest billions and billions without a well thought through plan.

To help develop this long-term infrastructure plan effectively, Canada will need a national round table on sustainable infrastructure, to which my colleague Marie Lemay was referring in her presentation. Consequently, as an association and an industry, we strongly recommend that \$1 million a year for five years be included in the next federal budget for this round table.

A related infrastructure issue is how construction design professionals like engineers are chosen. Low-priced bidding for professional engineering services, which some governments like to use, results in what are really false economies that choke innovation and ultimately negatively affect our productivity and competitiveness. But we have good news on this front. A formal group of public sector infrastructure experts, recently working under the aegis of the National Research Council of Canada, Infrastructure Canada, and the Federation of Canadian Municipalities, has just released a best practice guideline for selecting an engineer—one really developed by the public sector for the public sector.

Our recommendation in this case is very simple: that Canada adopt the InfraGuide best practice for selecting a professional consultant. This will ensure that we are investing wisely in the upfront engineering design of our infrastructure.

Our last issue is Canada's international aid program. CIDA is currently in the process of de-Canadianizing our Canadian aid. We are taking the Canadian brand off our Canadian aid programs. CIDA has also abandoned its funding of infrastructure. This comes at a time when the leaders in developing countries have clearly said to all of us that infrastructure is their single top priority.

• (1540)

[Translation]

Just to summarize, then, our association is asking for four things today: first, a long-term plan to renew Canada's infrastructure; second, the establishment of a national round table bringing together infrastructure experts; third, the selection of engineers based on skill, and finally, CIDA funding for infrastructure in poor countries.

Thank you, Mr. Chairman.

**The Chair:** Thank you for your presentation.

[English]

The next presenter will be Chuck Szmurlo, vice-president of Enbridge.

Welcome.

**Mr. Chuck Szmurlo (Vice-President, Energy Technology and Business Development, Enbridge Inc.):** Thank you, Mr. Chairman.

Good afternoon, distinguished committee members.

On behalf of Enbridge and its 4,600 employees, I'm pleased to share with you our perspectives on Canada's place in a competitive world. The focus of my remarks will be on the key role played by clean energy technologies.

Energy is a vital component of the Canadian economy, not only as a large export-oriented industry in its own right but also in powering the balance of the economy. Enbridge operates Canada's largest natural gas distribution utility and the world's longest crude oil and liquid pipeline system. A safe and reliable energy transportation system is one of the foundations of the attractive investment climate that Canada currently enjoys.

One of the challenges facing Canada is to introduce clean energy technologies into the energy supply mix in the face of significant barriers. Market forces alone will not capture the environmental benefits in the short to medium term. This is due to the cost of replacing existing assets before their useful lives are over and the cost advantages held by incumbent technologies with up to a hundred years of development behind them. I believe that selected government policy measures are needed to speed up market entry of clean energy technologies and capture their environmental benefits.

Last week, the Prime Minister announced that his government is launching the country's first comprehensive approach to tackling air pollution and greenhouse gas emissions, including introducing Canada's clean air act in the House of Commons. I congratulate the government on this initiative and look forward to participating in the promised consultations to develop regulatory frameworks. Urban air quality is a serious national health issue, and a coordinated approach with three levels of government as well as the United States will be necessary.

Enbridge is committed to sustainable development policies, and it is actively investing in clean energy technologies, such as wind power and low-impact power generation through natural-gas-fuelled stationary fuel cells. However, I would caution parliamentarians to be realistic about the barriers to commercializing clean energy technologies.

The National Energy Board forecasts that renewable energy sources will only be 10% of Canada's energy mix by the year 2025. Many renewable energy technologies are only marginal in terms of economic viability, making it difficult for the private sector to justify investing without some form of fiscal stimulation by the government.

The wind power production incentive was a well-designed and well-understood fiscal measure that was successful in stimulating investment in wind power. Enbridge, together with our joint venture

partners, has investment commitments for 271 megawatts of wind power. I believe the government should restore the wind power production incentive program to maintain a positive investment climate for wind power. A tax-driven alternative approach could be designed to provide the same economic incentive.

Canada's energy mix needs to be based upon a portfolio of energy sources. Low-impact technologies, such as stationary fuel cells, which provide power from electrochemical conversion of fuel rather than combustion, can make an important contribution. Unfortunately, fuel cells are not currently accorded the same status as traditional renewables. We recommend that the government extend the same fiscal treatment to low-impact technologies, such as stationary fuel cells, as it provides to traditional renewable energy technologies, such as wind and solar. Power generated from stationary fuel cells can make a significant near-term contribution to cleaner air in urban areas.

In his announcement last week about the clean air act, the Prime Minister stated that reliance upon regulatory measures would be the policy lever for the clean air act. I agree that a supportive regulatory framework can effect change in investment in clean technologies in the long run and that it is likely one of the most cost-effective approaches. It will be important, however, for the government to be realistic about the long-term reliance on regulatory policy measures to affect investment in clean energy technologies. A phase-in period will probably be required for the new regulations to recognize the stranded assets problems that will be created. Investors will also be faced with a cost premium often associated with new clean energy technologies.

To capture environmental benefits in the short to medium term for clean energy technologies, fiscal measures, such as the wind power production incentive, for both renewable and low-impact technologies, will be needed as complementary measures to the longer-term regulatory measures.

Thank you for the opportunity to present the views of Enbridge to your committee.

● (1545)

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

We continue with Ms. Debbie Zimmerman of the Grape Growers of Ontario.

Welcome.

● (1550)

**Mrs. Debbie Zimmerman (Chief Executive Officer, Canadian Horticultural Council, Grape Growers of Ontario):** Thank you very much, Mr. Chairman and members of the committee.

I am the CEO of the Grape Growers of Ontario. I'm here today representing over 560 growers in Ontario and in six provinces across Canada.

I'm here to talk to you about a national replant program and a tree and tender fruit program. I will table the full documentation with the clerk as we proceed, if the committee so allows.

I'd like to talk to you today from the perspective of the Ontario Grape Growers. Before I begin, I want to make sure you understand that I will answer two of the questions I'm sure are on your mind as I proceed with this presentation.

I am presenting you—and I think it's probably very strange that agriculture would come here today and present you—with an opportunity where we can make money for you. This is a unique opportunity, and I'm asking you to make a real investment in agriculture in this country—one that will more than pay for itself year after year after year. A small investment will be paid back to the government through full tax revenue recovery, and the secondary benefit through economic growth will exceed the initial investment by two or three times every year, continuing forward.

From the perspective of the grape and wine industry, the ultimate goal of a national replant program is to provide an infrastructure boost for our domestic producers to assist them in competing in a global premium wine market.

In the past, government has assisted in a period of crisis, and we are there again today. In 1989, the grape acreage reduction program was the precursor to the vibrant industry we see today that has provided a solid foundation. But we need to continue to shore up that foundation.

The climate in Ontario is unpredictable and harsh. Over the weekend, we had a snowstorm just outside Fort Erie. Many of our premier vines were damaged and are no longer able to produce the quality fruit we require.

Also, there are over 1,000 acres of juice grape vines that will soon be abandoned because there is no longer a market for this industry. In fact, the contracts have been cancelled by the American processor.

By strategically replanting these areas, we can breathe new life into our grape and wine industry and begin to compete on an international stage. Ontario grape growers are going to be able to focus on planting high-quality vinifera. I don't want to take time today to give you a lesson about all the varieties we have out there. High-quality vinifera go into our wines, and there are many of them that can characterize our premium Canadian VQA wines.

Our industry maintains and looks after a detailed vine census and data-mapping system, so we know every acre of grape vine that is planted in Ontario. We can tell you exactly what variety and what block it came from. We know where it's been grown successfully and in what climate and soil conditions.

By replacing older, non-productive vines with high-quality product, we can begin to refine our industry to compete on the international stage—and we are lagging behind. We are behind other countries, such as Italy, France, Australia, and New Zealand. Similar public-private partnerships have grown extremely useful in other jurisdictions around the world.

This replant program will also allow juice grape growers in a failed industry today to transition into more productive, higher-quality, and higher-valued products. These farmers are in crisis in Ontario, and without replant they'll be forced to abandon their farms.

The documents I'm going to provide today look at the economic opportunities, and I will table additional documents with the clerk, so you will have a chance to review them.

I'm going to give you a quick opportunity to understand what I'm suggesting. The sale of each bottle of wine in Ontario generates \$1.04 in tax. Over the next five years and up to the next ten years, we can generate \$995 million of federal revenue that can be pumped back into our economy. We are a very high-quality, value-add industry.

I'm almost at my time limit.

I'd like to thank you, Mr. Chairman, for this opportunity. I'd be happy to discuss this as we proceed this afternoon.

**The Chair:** We look forward to that. Thank you for your presentation.

Dina Epale, representing Action Canada for Population and Development, you have five minutes, sir.

**Mr. Dina Epale (Public Affairs Officer, Action Canada for Population and Development):**

Thank you very much.

Good afternoon. My name is Dina Epale, and I'm the public affairs officer at ACPD.

We work to ensure the full implementation of the UN International Conference on Population and Development, which was held in Cairo in 1994. There were 179 countries, including Canada, that agreed to fund programs addressing the sexual and reproductive health needs of women and their families throughout the world.

ACPD works to advance reproductive and sexual rights and health at the international level, and we encourage Canada to incorporate reproductive and sexual rights and health into its foreign aid policies and programs. We also have an emerging focus on international migration and development.

I am here today to ask you to make strong recommendations to the government concerning its official development assistance and to take particular care to meet the needs of women, men, and children around the world by funding the sexual and reproductive health programs promised at the Cairo conference.

[*Translation*]

ACPD wants to commend the new government for its announcement with respect to the allocation of an additional \$320 million for international aid in 2005-2006 and possible additional funding totalling \$425 million over five years. We particularly want to voice our support for the announcement made by the government with respect to funding of \$15.5 million over three years for the UNFPA's project to combat sexual violence in the Democratic Republic of Congo, in response to an appeal in The State of World Population 2005.

We at ACPD are very encouraged by these funding announcements and the government's apparent commitment to an increase in international aid. However, despite its efforts, Canada lags behind other countries with respect to official development assistance, or ODA. Canada is among the 22 donor countries which have repeatedly promised to devote 0.7% of their gross national product to ODA by 2015. And yet, based on the OECD's preliminary analysis, Canada's net contribution for 2005 represents some 0.3% of its gross national income, or \$3.7 billion US, placing it in 14th position among the 22 donor countries.

[English]

We certainly can do much better to achieve our ODA commitments and be a real leader in this competitive world, for a number of reasons. First, Canada continues to be the only G-7 country with a record surplus in 2003, 2004, and 2005 and a forecasted surplus of \$8 billion in 2006. Second, the recently tabled 2006-07 government report on plans and priorities shows that the international assistance envelope is expected to be \$3.8 billion in 2006-07 and \$4.1 billion in the 2007-08 budget. Third, five countries today have exceeded the UN target of 0.7% GNI to ODA.

Canada can also position itself as a real leader in the world by supporting the very recent UN General Assembly's endorsement of a new target under goal five of the MDGs, which is to achieve universal access to reproductive health care by 2015. We have the opportunity to do this by using the International Day for the Eradication of Poverty MDG rally, which happens to be tomorrow, October 17, to address concrete measures and strategies to achieve our ODA targets and MDG goals.

In conclusion, the message from ACPD is simple and consistent with most of our past recommendations to this very committee. This committee is in a position to make strong recommendations to the Canadian government to: one, stand up and keep its promise to do its fair share to meet the millennium development goals; two, stand up and make its long-standing pledge to reach 0.7% of GNI to ODA a reality; and three, stand up and build on the resolution that was adopted in Parliament in 2005 calling on the federal government to set a plan to reach 0.5% of GNI to ODA by 2010, a baseline target of reaching a goal of 0.7% GNI to ODA by 2015.

We ask members of Parliament to stand up and support the development assistance bills, Bill C-204, Bill C-243, and Bill C-293.

I thank you for your time.

• (1555)

**The Chair:** Thank you for your presentation, sir.

We will conclude with a representative from the David Suzuki Foundation, Pierre Sadik.

Welcome, sir. Five minutes are for you.

**Mr. Pierre Sadik (Sustainability Specialist, David Suzuki Foundation):** Thank you, Mr. Chair, and thank you to the committee for inviting the foundation here today.

For Canadians to maintain a high quality of life with continued economic opportunity, we must increase Canada's long-term competitiveness through responsible environmental policies. We've got to stop equating environmental protection with poor economic

performance in this country. As many of you may know, last month the World Economic Forum released its global competitiveness index. Canada finished 16th, a drop of three places from last year.

Recently, the David Suzuki Foundation released a report that ranks the environmental performance of the thirty member states of the OECD. Eight of the global competitiveness index's top ten finishers also finished well ahead of Canada in the OECD environmental ranking. In fact, the poorest performer of the top economic group, the U.K., still managed to finish ten spots ahead of Canada on the OECD environmental ranking.

One of the policies that these top economic performers is employing, and that Canada has not yet begun to employ, is something called ecological fiscal reform, or EFR. EFR brings environmental factors into economic policy making by introducing the true social cost of pollution and waste into the marketplace. For example, water is substantially undervalued in this country. Some municipalities don't even meter or charge for the water their constituents use. In essence, it is treated as though it is limitless. This can, as we know, lead to cyclical water shortages, and in worst-case scenarios it can lead to contaminated water, which causes serious health problems, if not worse. Pricing water as though it were worthless is an obvious example of how the market needs correcting.

Another example is our air. In Canada, it costs absolutely nothing to dump industrial waste and pollutants into the atmosphere. The few emission caps that exist are weak, and for some pollutants, such as CO<sub>2</sub>, there is no cap whatsoever. Our air is taken for granted as a no-charge, no-fee dumping zone in a way that other waste repositories such as landfills, for example, are not. Why is that? And what are the consequences for Canada?

Atmosphere dumping negatively affects Canadians in several ways, including our competitiveness. Air pollution leaves many workers, as well as their children, sick, which reduces Canada's labour competitiveness and places a burden on our strained health care system. A smog-ridden downtown also encourages companies and citizens to relocate to the suburbs, which in turn increases transportation costs and travel times. This increases transportation distances and, in a negative feedback cycle, further diminishes the quality of our air. The solution lies in taking steps to ensure that market prices reflect the true cost of pollution and waste.

Thank you.

**The Chair:** Thank you very much, sir.

We'll begin questions with Mr. McKay. You have seven minutes.

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

And thank you all for your submissions.

My first question is directed to both engineering presentations. I don't think there's much discussion that there is a national infrastructure deficit. Whether people put a number on it or not is a point of argument, and who knows these things?

Having listened to a number of presentations on this issue over a number of years, it seems to me most presentations just dance around the whole issue of public-private partnerships. I was wondering whether either of your organizations has a position with respect to public-private partnerships, and if so, what it is.

• (1600)

**Mr. Claude Paul Boivin:** Public-private partnerships are one of the solutions. They have their own challenges and problems, if you wish. As far as toll roads, we say toll roads if necessary, but not necessarily toll roads. As an association we see the need for investments in infrastructure, and I think we should be innovative in the ways we explore to finance them.

**Mrs. Marie Lemay:** As far as we're concerned, it's also part of the toolbox. One of the big issues we have right now is that we don't think we're maximizing the dollars we're investing. There's a lot of duplication and a lack of coordination and sharing of best practices. PPP is a good example of the lack of information sharing.

That's one of the aspects that the round table would help fulfill, bringing together the government representatives and the industry representatives at the same table to tackle this and make recommendations.

**Hon. John McKay:** I agree with you that it's part of the toolbox, that it's a solution.

Have you formed a view on what are the no-go zones for PPPs?

**Mrs. Marie Lemay:** The short answer is no, not right now. But there's a report coming out from a working group of the round table we've created that has been working for a year. They've been looking at the financing of infrastructure. It will be really interesting to see the results; they will be published at the end of November, at the next meeting of the round table that we're hoping to formally launch.

**Mr. Claude Paul Boivin:** I would say that first we need the national round table on sustainable infrastructure to be well in place, with the necessary financing for five years, before the answers come to many of the questions you raise.

**Hon. John McKay:** You would see it as consistent with your presentation that a component of whatever funding be set aside for PPP projects.

**Mrs. Marie Lemay:** Most definitely.

**Hon. John McKay:** Okay, thank you.

To the Suzuki Foundation, you raise some intriguing ideas with respect to the air being a dumping zone for which there is no cost, really. Yet when you talk to some people, particularly with respect to the Kyoto system of credits, you get this idiotic rhetoric about selling credits to foreign countries, Canadian taxpayers paying the bills, and all that sort of nonsense.

I would be interested in hearing a further development of your idea. How would you create a cost for the abuse of air?

**Mr. Pierre Sadik:** In a nutshell, one solution would be a domestic emission trading system. No money would go offshore under such a system.

It simply means that the government introduces a modest, declining cap on the amount of pollution each sector or industry is permitted to emit into the atmosphere annually. It's a very high cap to

begin with, with a long phase-in period and a slow decline, so that industry has sufficient time, in the ordinary course of capital turnover, to begin to address the requirements it sees coming down the road.

Quite simply, anyone who emits above that cap in any given year must buy credits from those who have managed to come in below the cap, who have invested in technology, as the case may be, to come in below the cap. You simply buy credits from those individuals.

That creates a powerful market incentive to begin to reduce emissions and to increase efficiencies. If you introduce technological efficiencies, you in fact stand the chance of actually making money on it, as you sell your credits to your neighbour next door.

**Hon. John McKay:** How would you prevent the perverse consequences of a well-intentioned policy whereby my polluting company buys a project in some other country, not because we're interested in the project but because we're interested in the credits?

• (1605)

**Mr. Pierre Sadik:** It would be a domestic emission trading system. It would be a closed-loop system. Buying offshore, be it trying to buy offshore credits or offshore facilities, would not count towards the domestic emission trading system.

**Hon. John McKay:** I guess that would in turn set up some other perverse consequences with respect to cross-border competition. But let me leave it there; I appreciate your answer.

To the grape grower folks, I appreciate that you have to replace your base stock. According to your notes here, it's \$12,000 an acre. It sounds like a lot of money to me, and I think it is, actually, over a number of years. So I buy your arguments in some respect.

I wonder, though, what would stop the apple grower representatives from sitting in your seat tomorrow and saying, "We can't compete any longer, with the people like the grape growers, or with the product we have, so why is it you won't fund us for a similar kind of replanting program?"

**Mrs. Debbie Zimmerman:** First of all—

**The Chair:** *Je suis désolé, madame.* The time is done for Mr. McKay. You'll have to work your answer into your next question.

[*Translation*]

Mr. St-Cyr, you have five minutes.

**Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ):** Thank you very much. I'm very pleased to welcome the spokesperson for the Canadian Council of Professional Engineers. Because I am an engineer myself, I obviously have a number of questions for Ms. Lemay.

I'm very pleased to hear you talk about a long-term approach and scientific realities. The view of professional engineers can only be helpful. I appreciated the fact that you talked about global warming. Certain members of the government, and even the Prime Minister, have sometimes suggested that global warming may be nothing more than a myth or a fact of uncertain credibility. However, many Canadians and Quebecers believe that meeting our Kyoto targets is the absolute minimum we should achieve as a society.

What is your view on this as spokesperson for professional engineers? Do you see meeting our Kyoto targets as a minimum, or as simply a myth that has been completely blown out of proportion?

**Mrs. Marie Lemay:** In fact, Mr. St-Cyr, what is very clear — and the scientific community, including professional engineers, has said this very clearly — is that even if we are able to mitigate the impacts of global warming, changes will occur. Where we, as professional engineers, can have an impact, is with respect to the plan of adjustment. Whatever we do, even if we succeed in putting a stop to this phenomenon, changes will continue to happen. So, this is not a myth. We have to find a way to adapt.

Professional engineers believe that we have to work very hard to find ways to adjust to climate change. In terms of design parameters and structures, people used to say that a catastrophe happened once every one hundred years. But now there is one practically every five years.

**Mr. Thierry St-Cyr:** For many people, there is an economic risk associated with reducing greenhouse gases. Even today, a minister told us that protecting the environment leads to job losses.

Are there many members of your council who believe that developing systems that emit fewer greenhouse gases could in fact be a business opportunity? In the long term, could it not end up being much more costly to do nothing but try and reduce to a minimum any consequences associated with global warming?

**Mrs. Marie Lemay:** There is no doubt that any change brings with it opportunities to be innovative. And professional engineers are well positioned to develop new solutions, particularly as regards adaptation. We will have to find new ways of doing things. All kinds of new techniques and technologies will be available to help us accomplish that.

But in order to be successful at that — and this leads me back to the round table concept, we need to be able to share. It is also important that the necessary money be invested, whether it be for climate change or infrastructure. It is essential that this not be done in an isolated way. We're going to have to bring all the players to the table — in other words, all the key stakeholders and the different levels of government — to address the real issues.

• (1610)

**Mr. Thierry St-Cyr:** We can pass laws and set all kinds of great objectives, but the important thing is whether we have the ability to attain them. Do you think professional engineers in Canada and Quebec and elsewhere are capable of developing solutions to address this challenge, so that our society has an attractive standard of living while at the same time significantly reducing greenhouse gas emissions?

**Mrs. Marie Lemay:** I'm absolutely convinced of it.

**Mr. Thierry St-Cyr:** Professional engineers certainly have a role to play in the public arena. Indeed, the reason I wanted to get elected was to make that voice heard.

We have addressed a number of different topics in this Committee, especially the government's environmental policy. We are seeing a whole mix of things in this area. They talk about preventing smog, on the one hand, and climate change, on the other. And yet, these are two separate things.

Witnesses have come before this Committee to say that by reducing smog, we could reduce greenhouse gas emissions. However, I think it's actually the reverse, and I would like to hear the opinion of engineers on this. It is possible to use fossil fuels, to filter the particles before release and, in so doing, resolve the smog problem, since no pollutant is actually released into the atmosphere. However, CO<sub>2</sub> does pass through these filters and ends up in the atmosphere.

So, we have resolved only one of the two problems. However, if we proceed in the reverse manner — in other words, reduce the consumption of fossil fuels to a minimum — CO<sub>2</sub> will never be released and it won't need to be recovered. The same applies to pollutants.

Do you think that is a realistic analysis from a scientific perspective, or is this just one opinion among many, as some say?

**Mrs. Marie Lemay:** As professional engineers, we have avoided getting involved in the policy aspect of the decision. That's the reason why we are now spending a lot of time, resources and efforts on the adaptation side of things. We have stayed away from the political debate, and left those matters up to politicians, but there is no doubt we will also have to get involved at the front end. But we began by focussing on the adaptation piece.

**Mr. Thierry St-Cyr:** Do you think the public expects people with scientific knowledge to get involved in the debate by presenting the scientific realities?

**Mrs. Marie Lemay:** Certainly.

**Mr. Thierry St-Cyr:** I hope to see you doing that in the coming months.

[English]

**The Chair:** Merci, monsieur.

The next questioner is Mr. Del Mastro.

**Mr. Dean Del Mastro (Peterborough, CPC):** I appreciated the presentations from everyone. I'd like to begin with Mr. Sadik, who made a couple of very interesting proposals.

The one that struck a chord with me deals with water. I agree with you that for a long time we haven't placed any value on water. I've often wondered why our country doesn't have a policy or an act pertaining to the protection of water and how to deal with it.

Do you have any recommendations in this area?

**Mr. Pierre Sadik:** Actually, we have some national water quality guidelines, but they are only guidelines. They're not enforceable. So we have a patchwork quilt of provincial and municipal water standards. In far too many instances, we have no water standards at all.

One solution would be to look to the countries that finished ahead of Canada, both in the economic ranking that the World Economic Forum recently released and in the OECD environmental ranking. Many of these countries have a national environmental plan or strategy, something that creates a comprehensive and consistent level of standards for air, water, land, and maintenance of biodiversity. This would be something that the feds and the provinces get together on and the provinces buy into. The buy-in is essential.

This would level the playing field. It would also do away with some of the concerns that arise in various jurisdictions. They are concerned that if they introduce meaningful standards in one area, then economic actors will go next door to another area, where they can operate less expensively or in a less responsible manner.

So the answer is to put in place enforceable national standards.

• (1615)

**Mr. Dean Del Mastro:** Is the second part of what you're speaking about education? I understand attaching a fee to it, as in business. I have a water meter; we pay for our water usage. It does encourage more responsible use of water. I would absolutely agree with you on that, but is the second part of it education? I don't know if the average person knows that a garden hose runs 600 gallons of water an hour. Is that part of it?

**Mr. Pierre Sadik:** Education, or the fancy term we use for it sometimes, social marketing, is creating a positive buzz around acting responsibly in connection with the environment. In the same way that four decades ago drinking and driving was a wink-wink, nudge-nudge thing, or smoking inside was acceptable, through social marketing, or education as you call it, and leadership by the federal government, people in society came around to seeing that the responsible way for the greater good of all of society was to not drink and drive and not subject others to the danger of smoking.

I think we're moving that way. For example, we're beginning to see that with something like compact fluorescent lights. There's a porch light program in Ontario, and perhaps in some other provinces as well. It's a good way to save money and a neighbourly thing to do, as you have a fluorescent light on your porch instead of burning a 100-watt bulb all night long when everyone is asleep anyway. That kind of thing creates a positive buzz around sustainability.

**Mr. Dean Del Mastro:** Is the foundation happier with the advent of the low sulphur diesel requirements and its effectiveness?

**Mr. Pierre Sadik:** That's a fantastic step in the right direction that's been coming along in harmony with the U.S. It's a fantastic step, yes.

**Mr. Dean Del Mastro:** This is for the Association of Consulting Engineers of Canada. You mentioned a couple of things about infrastructure. You indicated you feel there's about a \$60 billion deficit, and that is growing by about \$2 billion a year. You had to be somewhat satisfied with the direction of Budget 2006, with the significant infrastructure investments that were outlined in Budget 2006.

**Mr. Claude Paul Boivin:** Yes, we've been extremely pleased with the last budget and also the contribution of the previous government to infrastructure. The last budget was music to our ears. I think the investments are in the right direction and in the right order of contribution.

**Mr. Dean Del Mastro:** I wrote down a quote you said about lowest-cost bidding and that we shouldn't be chasing the lowest-cost bid. I agree with you that the lowest-cost bid isn't always the best-cost alternative. Could you expand on that a little? This morning we heard from a group that wanted to talk to our departments about purchasing and how to be a better purchaser, a better manager of the resources. Can you expand a little on how you think we should go about that?

**Mr. Claude Paul Boivin:** The engineering design cost of a building, for example, is about 1% to 2% of the life cycle cost of the building. If you invest wisely in that 1% to 2%, you can have life cost savings that will save taxpayer dollars. There's a tendency in some governments to want to "low bid" the engineering work.

Engineering is not a commodity; it's professional services. If you had to have your daughter's eyes examined or operated upon, you wouldn't go to the first person who came out of medical school; you would choose the person who's done it before, and you would be prepared to pay the price of the professional services that are relevant.

We're saying they should be chosen on qualifications, competence, experience, and then for that 1% and 2%, you negotiate the fee, after you've selected the most appropriate engineering firm.

**Mr. Dean Del Mastro:** I'll ask this question of Ms. Lemay.

I think there was a time when it was understood that government was responsible primarily for things like roads, bridges, policing, and perhaps military at one time was a fairly significant expenditure of government. How did we get to this enormous infrastructure deficit? How did we get here?

• (1620)

**The Chair:** You have three seconds to attack that one.

**Mrs. Marie Lemay:** The expansion of our country was after World War II, so we are a young country, but we've grown. We're at a point where infrastructure is at the end of its serviceable lifespan.

**Mr. Dean Del Mastro:** And the spending priority of government...

**Mrs. Marie Lemay:** It's been an approach where we have to change the culture now. We just don't build, we build and we maintain. It's part of the same cost.

**The Chair:** Thank you very much.

It's part of the educational process. We were alluding to the Suzuki Foundation a minute ago as well.

We'll continue with Madam Wasylycia-Leis, for seven minutes.

**Ms. Judy Wasylycia-Leis (Winnipeg North, NDP):** It may be an educational process, but it's also a political issue. We have dealt with a decade of first Liberal and now Conservative governments that have chosen to put the money that's available by way of surplus, all of it, against the debt or to corporate tax cuts. It is a matter of priorities. We continue to ignore a \$59 billion infrastructure deficit in this country, and we're paying the price now.

That's not my question, sorry.

I'll get to it. This is my time, Mr. Turner, just hold your horses.

**The Chair:** Excuse me, direct your remarks to the witnesses, if you would.

**Ms. Judy Wasylycia-Leis:** All right. I want to start with Dina Epale.

The Conservatives are going to have a little when I mention this, but I don't think you should hold too much hope from this supposed \$320 million boost to foreign aid as a sign of this government meeting our millennium development targets, because in fact, as you know, the \$320 million—which should have been \$500 million—was what the NDP managed to negotiate out of the Liberals during the last minority Liberal government, which these Conservatives did agree to implement, although they did fall short of the target. So I think we're still back at square one, which is how we failed with the Liberals, and now we don't have a signal from the Conservatives.

How do we get them to actually understand the importance of our international obligations and to start putting in place a formula that will meet our targets?

**Mr. Dina Epale:** Thank you very much.

I think that's a very important question, because one of the things that was mentioned in our recommendations is that we have often heard Canada talking about meeting its 0.7% GNI to ODA target by 2015. As you are well aware, last year in the House of Commons it was agreed, or the House supported a motion, to figure out how Canada is going to achieve that benchmark point in 2010. So that is something. We're not talking of 2015, because we have to make sure we achieve something by 2010 if we are going to talk about 2015.

So one of our recommendations right here is for very concrete steps to be taken to ensure what we can do to achieve what was discussed, either at the national level or in the Commons, or what needs to be done to achieve this often talked about 0.7% GNI to ODA target.

It's very striking to me when you hear of Canada's economic situation, that the country is a very healthy one among the other G-7 countries but that we are lagging behind. Just today, Sweden, which happens to have a conservative government, has pledged 1% of GNI to international development. Well, that is our recommendation here, that concrete steps be taken to either meet the 0.5% target that was discussed in the House of Commons or meet the OECD's average country commitment of 0.42% of GNI.

**Ms. Judy Wasylycia-Leis:** Thank you for that. I think that's a useful recommendation. I hope the Conservatives take it seriously, because that would get us a little closer to a more respectable contribution, from one of the wealthiest nations in the world. Anyway, I won't go on at length about that any more.

I would like to talk about the Suzuki Foundation's idea for a new model, or a new way of looking at competitiveness. I think that's a very useful contribution today, because this is the theme of our committee. You've pointed out that competitiveness doesn't just occur when you look after the business sector or give taxes on that front, but when you look at a range of quality of life and environmental issues.

Can you elaborate a bit more on that? You said we're 16th on that index. What countries are ahead of us, and what have they done that we could emulate?

● (1625)

**Mr. Pierre Sadik:** The World Economic Forum ranking—I want to be very even-handed about this—much to my chagrin, didn't take environmental sustainability into account as one of the indices in ranking the countries on their competitiveness. Of course, in the OECD ranking we did late last year, we took environmental performance into account. But the fact that eight countries finished well ahead of Canada in both the competitive ranking and the environmental ranking shows at a minimum that the two are not mutually exclusive. You can do well by the bottom line, by the pocketbook, and you can do well by your citizens and the natural geography of your country.

It may well be, as we assert at the Suzuki Foundation, that there's a positive relationship between environmental responsibility and economic competitiveness. That's born of the fact that you use your resources more efficiently if you're operating in an environmentally sustainable manner. Efficiency always helps businesses thrive, if not in the very short term, certainly in the medium and long terms. So that's probably one of the biggest payoffs if you look beyond the very short term.

You also tend to attract good workers from within your country and around the world. There are these rankings of best places to work and live. You attract that kind of thing, and you maintain a healthy, fit, high quality of life workforce and citizenry. Those are probably some of the first things that come to mind right now on the co-benefits there.

**The Chair:** Thank you very much.

We'll move to Mr. Savage.

**Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.):** Thank you, Chair. Thank you to all the witnesses.

To Mr. Szmurlo from Enbridge, I want to talk a little bit about wind power. I think we all recognize that it is an important initiative and we need more of it, although there might still be some confusion every now and then. The Minister of Energy in Nova Scotia last week was reticent about wind power. He was quoted as saying, "What happens if the wind stops blowing?", which is an amazing statement from a minister of energy.

You mentioned the WPPI. Can you explain to me what it does for a company like Enbridge?

**Mr. Chuck Szmurlo:** The wind power production incentive, or WPPI, is a cash payment of \$10 per megawatt hour for every megawatt hour of wind power produced by a qualifying project. It has stimulated the growth of the industry here in Canada to the point that it's the fastest-growing source of electricity in the country now. It has grown rapidly, even in the last five years that I've been involved, from negligible participation to pushing 1,000 megawatts today.

I think the industry has benefited from that, and a continuation of it would ensure that the wind power industry will grow from the very small percentage of contribution it makes today to something more toward the 10% or so of generation capacity of which it's capable.

**Mr. Michael Savage:** Is 10% a sort of end target on wind power in Canada?

**Mr. Chuck Szmurlo:** It would be a realistic goal over the next twenty years.

**Mr. Michael Savage:** Do you have any sense of what the cost would be to reinstate that? It would depend on the take-up, I suppose.

**Mr. Chuck Szmurlo:** It would depend on the magnitude of the program, but I don't have an exact dollar figure.

**Mr. Michael Savage:** Okay.

Enbridge is in my part of the world now, in New Brunswick. In both Nova Scotia and New Brunswick we have built natural gas distribution systems in the last five to seven years. I don't think the take-up has been as much as people had originally anticipated.

Especially in a place like Atlantic Canada, where fuel oil and thermally generated electricity are heating homes and businesses, is there any initiative the federal government should take to help the greenfield market with natural gas?

•(1630)

**Mr. Chuck Szmurlo:** Do you mean for the stimulation of natural gas?

**Mr. Michael Savage:** Yes.

**Mr. Chuck Szmurlo:** I would only advocate the consistency of policies. I'm not an expert on natural gas marketing. I'm more involved in the renewable side of things. But I would advocate a constancy and a consistency of policy, and the marketplace would ultimately decide on what would be the best fuel.

**Mr. Michael Savage:** Thank you very much.

Mr. Sadik, on the recommendations that you've made for switch green and drive green, so I understand, on the drive green, we're talking about company cars and the taxable benefit of a company car. If people have cars with emissions that are too high, they would be taxed more. If the emissions are less, they'd be taxed less. Is it a model you're familiar with that works somewhere else?

**Mr. Pierre Sadik:** Yes, it was introduced in the U.K. in 2002. It's been meeting its targets of both reducing greenhouse gas emissions and reducing fuel costs for employees and employers.

**Mr. Michael Savage:** Okay. How about switch green?

**Mr. Pierre Sadik:** I haven't seen switch green introduced anywhere. In essence, it supplies that model to the Energy Star appliances we're all familiar with. But where there is currently a small price gap between the efficient Energy Star appliance and the inefficient non-Energy Star model, we try to bridge the price gap.

**Mr. Michael Savage:** If I buy an appliance now in Canada, a fridge, a freezer, or something like that, will it have an EnerGuide label? There's a sticker on it that tells me what the anticipated cost is going to be. Is that correct?

**Mr. Pierre Sadik:** That's right. EnerGuide will tell you what the electricity performance is of every model, and Energy Star is a label that certain efficient models receive.

**Mr. Michael Savage:** Okay. Am I good for another one?

**The Chair:** You have twenty seconds.

**Mr. Michael Savage:** Very quickly, then, Mr. Epale, you've given us a lot to think about here. It's really important stuff, and it's something that I think a lot of us really agree with.

Very simply, is it safe to say this? The House of Commons recently passed Bill C-293, which made poverty the goal of foreign ODA. Is making the goal of the eradication of poverty a good place to start?

**The Chair:** I'm sorry, sir, but time has elapsed.

**Mr. Michael Savage:** Yes or no, Mr. Chair?

**The Chair:** We'll continue.

In regard to Mr. Savage's comment on the question about what would happen if the wind stopped, I'd suggest that we might consider Parliament Hill to be a good location for the next wind farm.

We'll move on to *Monsieur Paquette, pour cinq minutes*.

[Translation]

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

I would like to begin with the Canadian Council of Professional Engineers. I note that you commended the commitment made by the government in its last budget with respect to consulting key stakeholders on the establishment of an agency to assess foreign credentials.

To my knowledge, the professional associations fall within the responsibility of the provinces. In your opinion, what point would there be in having an additional participant — namely, the federal government — involved in this highly complex issue? As you well know, we've been talking about it for many decades. What point would there be in getting the federal government involved and what could it bring to the process?

**Mrs. Marie Lemay:** This is an extremely complex issue that involves a number of levels of responsibility, since it's connected to immigration, employment, and the provinces. Where regulated professions are concerned, the professional associations become additional stakeholders. So there is a wide mix of stakeholders who are all extremely important.

We support this action, because as far as engineers are concerned, we have already begun a process aimed at bringing all the stakeholders together at the same table: the professional associations, national representatives, including our organizations, representatives of provincial and federal governments, and immigration agencies. By bringing all of these people together, we have succeeded in finding solutions which we are in the process of implementing.

It is a real challenge, because it's a problem that takes a long time to resolve. We will not see the impact of the solutions currently being implemented for a number of years. But we must be patient and sustain our efforts. The federal government is another player, because you simply can't ignore immigration; it's a reality.

•(1635)

**Mr. Pierre Paquette:** In Quebec, though, the provincial government plays a role, as a result of its agreement, that the other provinces do not.

Ms. Marie Lemay: Yes, that's absolutely correct.

Mr. Pierre Paquette: I doubt that we will simplify the process if we add another player. In any case, I wish you the best of luck, because I realize how difficult it is.

I have a question now for Mr. Szmurlo from Enbridge Inc.

You referred to two programs that have been abolished: the Wind Power Production Incentive, or WPPI, and the Renewable Power Production Incentive, or RPPI.

When were they abolished and by which government?

You go on to say this:

Should the government decide to introduce tax-based fiscal incentives for WPPI and alternative energy technologies, rather than the contribution-based incentives offered in the past, it would be important to ensure the incentives are not dependent on the taxation status of the investors.

I certainly understand what you mean; in other words, rather than providing cash contributions, people would be given a tax credit. But what does that have to do with the taxation status of the investors?

You then conclude by saying:

Refundability of earned tax credits, which are provided to some tax incentives for research and development, would resolve that shortcoming.

A number of organizations have come here to complain about the fact that tax incentives for research and development are not refundable. Can you tell me what exactly you're referring to here?

[*English*]

**Mr. Chuck Szmurlo:** The incentive programs have not necessarily been abolished, but they're under review. We would hope that this review would result in the incentives being reinstated, as they have been in previous years, taking on the same form and nature as the previous wind power production incentive.

With respect to the fiscal status of the companies involved, I think the industry would be best served if the tax status of those companies were irrelevant to the amount of incentive they get. It might be best for Enbridge if there were a tax-based thing that depended on taxability. We're currently taxable. But from the industry's perspective, it would be better if all people were allowed to compete for wind power projects, including those who aren't currently taxable. Even for a company like Enbridge, it's not always beneficial to have a program that's tax-based. For instance, in the United States, we do not participate in wind power projects, because the U.S. incentive is tax based rather than cashflow based, as the wind power production incentive is, and we don't happen to be taxable at the moment in the United States. So we would argue for a level playing field, with all corporations, big and small, taxable and non-taxable, receiving the same sort of incentive.

**The Chair:** Mr. Dykstra.

**Mr. Rick Dykstra (St. Catharines, CPC):** I wanted to follow up on a question that Mr. McKay asked Ms. Zimmerman with respect to the depth or breadth of the program you've presented here today. Maybe you could speak about whether it's just grapes or whether it extends further than that. We'd also like to hear about the provinces that potentially benefit from the program.

**Mrs. Debbie Zimmerman:** I wanted to answer the honourable John McKay directly by suggesting that this program we're proposing for grapes will actually pay for the tender fruit and

apples as well. The tax is generated from the grapes that go into wine. This is a huge value to the Government of Canada and the Government of Ontario.

To answer the second part of your question, the program affects six provinces in Canada: B.C., Quebec, Nova Scotia, Prince Edward Island, and Ontario, which is the largest player and the largest take in the industry. The majority of the land is tender fruit, apples and grapes.

I'll give you an example. A thousand acres of juice grapes, if transitioned into the higher-quality grapes, will produce \$5 million in revenue to the federal government. We're asking the federal government to commit \$3 million each year for the next seven years. That's a pretty good return on investment: you invest \$3 million and in one year you get \$5 million back. This will pay for the transition of the apple industry in Quebec, Nova Scotia, Prince Edward Island, B.C., and Ontario. At the same time, it will assist us, as grape growers, to transition to a higher-quality grape that will provide all of us—all of us—with more taxes to spend in the future.

• (1640)

**Mr. Rick Dykstra:** You referred to the program in 1989. I wonder if you could just clarify for us the difference between the pull-out program in 1989 and the program you're recommending or suggesting now.

**Mrs. Debbie Zimmerman:** Thank you very much.

Again, it's interesting to look at the statistics on the 1989 pull-out program, which was established to transition the grape industry. If anybody remembers the varieties that then went into—and I'm sure nobody in this room drank Baby Duck, or at least won't admit to it....

**Voices:** Oh, oh!

**Mrs. Debbie Zimmerman:** But I think that clearly, the industry went from \$2.5 million in 1989 to \$53 million today because of the investment the federal government made in pulling out the grapes, actually pulling the grapes out, and paying the growers. What we're suggesting today is that you're going to help us put the higher-quality grapes back into the ground. We're asking you for one-sixth of what it costs to transition to a grape variety pull-out program, or a grape transition. We don't call it "pull-out" anymore, and that's the distinction. It's a transition into planting vines, rather than pulling them out and being paid to get out of the industry.

**Mr. Rick Dykstra:** One of the successes, I guess, in terms of the industry right now—you spoke a little bit about Ontario—is that the industry, from a grape perspective and a wine perspective, is flourishing in British Columbia. How would they benefit from the program, based on the success they're having right now?

**Mrs. Debbie Zimmerman:** B.C. has had a provincial government program for fifteen years already. What they're asking for, particularly for their apple industry, is to transition to a varietal that's more competitive on the world market.

Part of our challenge as well, and I used the statistics earlier about France, Italy, Australia, and New Zealand, is that they're out-competing us on the world stage. We're asking the government to invest in our marketplace to make us as competitive.

I could answer all the questions you've asked all the presenters today. We will and are prepared to enter into a public-private partnerships where the return on the investment goes back to the Government of Ontario. We use wind machines to offset weather conditions. We are environmentally friendly. And you know what, we want to be competitive, and we're asking for an opportunity to do that with an investment from the federal government. It would also require the provincial government's support.

**Mr. Rick Dykstra:** I guess the last question I'll ask, and I'll be quick because I don't have much time left, is around the whole concept of national marketing initiatives to support more domestic consumption. I wonder if you could elaborate on that a little bit, and of course come back to the return on investment. I also understand that the industry has done a marketing survey about where you need to go or where you are.

**Mrs. Debbie Zimmerman:** I think one of the most important elements of our industry is that we have a very small land base in Ontario, yet we grow the highest-quality grapes there are, and we can compete on a world stage. We also understand our industry. Knowing that we grow in a cool climate.... Unfortunately, I think a lot of people don't understand that, but if you really take a look around the world, it's very difficult to grow the kinds of grapes we're growing in Ontario. We recognize that we need to transition, but one of the ways we're doing that is that we're prepared to sit down with our industry to craft an industry strategy that will help us go forward with the right marketing for the future.

The LCBO is the main distributor of our product.

**The Chair:** Thank you.

We have to move on now to Mr. Pacetti. You have five minutes, sir.

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

Thank you to the presenters. It's always a challenge for us to ask the right questions in the little bit of time we have.

Mr. Szmurlo, in terms of Enbridge, when I think of Enbridge I think about natural gas and crude. I think you mentioned that you're also involved in crude. But what's the interest in clean energy? What's the link between clean energy and Enbridge?

**Mr. Chuck Szmurlo:** Number one, our CEO feels that it's important that energy industries be proactive environmentally and that they do their share, that they be responsible for their share of emissions.

Secondly, I think it is the opportunity for profitable growth. Wind power is a very rapidly growing source of electricity in the company, and it's long term, just as pipelines are long term. When it's supported by long-term contracts, it has a risk profile similar to other energy infrastructure such as pipelines and gas distribution.

**Mr. Massimo Pacetti:** Not to interrupt, because we have limited time, but do you have any investments in clean energy and wind power?

• (1645)

**Mr. Chuck Szmurlo:** Yes, we do. We have four wind power projects. We are doing the first project in Saskatchewan, we have two projects in Alberta, and we are currently constructing a 200-megawatt project in Ontario.

**Mr. Massimo Pacetti:** When you talk about your natural gas business, how is that in terms of clean technology? Are you up to date with all the new technology? We were in Fort McMurray—the committee was there—and we saw some of the things going on there. We were at one of the plants, but I think the plant we were at had the newer technology, whereas one of the other plants had the older technology and therefore had higher emissions. I think there were problems there.

**Mr. Chuck Szmurlo:** We're really proud of the advancements we've made in cleaning up our natural gas distribution utility. That's where we've had a lot of our emissions gains, from replacing the old cast iron system that existed in Ontario for more than a hundred years.

We're also working on new gas-fired power generation technology, specifically the fuel cells.

**Mr. Massimo Pacetti:** Is there money being invested in the current technology used to extract or distribute the natural gas?

**Mr. Chuck Szmurlo:** We're not involved in the extraction of natural gas. We are a transportation and distribution company, so we don't get involved in that. But we certainly invest funds in the clean distribution of natural gas.

[Translation]

**Mr. Massimo Pacetti:** Ms. Lemay, you asked earlier that all levels of government get together to provide long-term financial assistance for future programs. Are provincial and municipal governments interested in making long-term investments?

**Mrs. Marie Lemay:** In recent years, I believe we have received signals from representatives of all levels of government.

As regards a national round table, that I talked about earlier, we have already brought together at the same table representatives of the federal, provincial and municipal governments, as well as representatives of industry and the First Nations. We have had two meetings so far, and a third one is planned. Being at the federal level, you already have an idea of how difficult it is to get this kind of project off the ground. But there is definitely interest there.

**Mr. Massimo Pacetti:** But is there a long-term vision?

**Mrs. Marie Lemay:** That's a very good question. In my opinion, that is where the federal government could play a very significant role.

**Mr. Massimo Pacetti:** Are other levels of government prepared to work together to invest in this kind of project over a 10- or 15 year period?

**Mrs. Marie Lemay:** At the present time, I can only tell you that at every meeting we have attended, representatives of all government levels showed an interest.

**Mr. Massimo Pacetti:** My question is really intended to determine whether they're interested in these projects lasting for 15 or 20 years? I know that the Government of Quebec has invested money in the subway system, but it seems that other investments will be for a term of 10 to 15 years. So, there are more problems.

**Mrs. Marie Lemay:** There is definitely a change in attitude as regards infrastructure. We are moving from the old way of thinking to the new.

Let me give you an example...

**Mr. Massimo Pacetti:** So, we're not there yet. I don't want to interrupt you...

**Mrs. Marie Lemay:** No, we definitely are not there yet. And we will be there the day that you don't have to ask me whether maintenance costs are included in infrastructure costs. Infrastructure costs will be a reflex. But we are not there yet; we are getting there.

**Mr. Claude Paul Boivin:** I could perhaps add that the Federation of Canadian Municipalities has voiced support for long-term solutions.

**Mr. Massimo Pacetti:** Yes. Perfect, thank you.

**Mrs. Marie Lemay:** I would just like to add one comment. Let's take an example. If you buy a house and you intend to keep it for three years, the decisions you make will be very different from the ones you would make if you were expecting to keep it for 30 years.

**Mr. Massimo Pacetti:** Exactly. I agree with you.

**Mrs. Marie Lemay:** So, we have to adopt that mentality.

**The Chair:** Thank you.

[English]

We continue with Madame Ablonczy.

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

I appreciate all of you being here.

I would like to ask you, Chuck, about the idea of this wind power production incentive, and also the renewable power production incentive. What I'd like to know is if you can tell us specifically how this would really ramp up production in these areas. Sometimes money is spent and incentives are given, but that doesn't really lead to a lot of bang for the buck. Can you tell us why it would?

**Mr. Chuck Szmurlo:** I'd like to point to the success of the wind power production incentive, which has gone from non-existent in Canada six or seven years ago to the point at which it is a rapidly growing business here today, with a potential to become a significant power producer. We would hope we would just have a constancy and a continuation of the wind power production incentive, which has proven successful up to now. I believe that if it were in place over the next few years, it could bring wind power up to the level of a meaningful producer.

Similarly, I think fuel cells, for instance, which use the electrochemical conversion of natural gas rather than the combustion of it, would benefit from a similar program. Fuel cells are probably where wind power was fifteen or twenty years ago. A program that I believe has had demonstrated success, if it were applied to fuel cells,

would lead to a similarly successful stimulus for fuel cell development.

• (1650)

**Ms. Diane Ablonczy:** Can you give us some figures? You say "a significant power producer in wind power". How significant? What's the increase?

**Mr. Chuck Szmurlo:** I believe wind power could become 10% of the country's generation potential perhaps over the next twenty years, which would be approximately a twenty-fold increase over what it is now.

**Ms. Diane Ablonczy:** And fuel cells?

**Mr. Chuck Szmurlo:** I think fuel cells have even a greater percentage long term. Again, fuel cells are perhaps fifteen to twenty years behind where wind is today, but because the stationary fuel cells that we're developing can utilize the existing natural gas infrastructure rather than a new hydrogen infrastructure or an intermittent renewable source like the wind, there is actually the potential for greater than a 10% contribution of power generation over the long term. But again, reaching that 10% level would probably occur in the context of twenty years or so.

**Ms. Diane Ablonczy:** So it's the same as the wind power.

**Mr. Chuck Szmurlo:** I believe it could be greater than the wind power, because it is not dependent upon the intermittent nature of the wind and could be providing fuel continuously, rather than at roughly the 30% of capacity that wind power is capable of.

**Ms. Diane Ablonczy:** You talked about 10% for wind power.

**Mr. Chuck Szmurlo:** Yes, I'm sorry. About 10% of the national power capacity could be available from wind. I was referring to wind's ability to produce. Its rated potential is about 30% of its rated capacity because of the intermittent nature of the wind. It simply doesn't blow at the same speed all the time.

**Ms. Diane Ablonczy:** So just so I have some basis for contrast, if wind power could produce 10%, how much would you forecast that renewable power fuel cells would be able to contribute?

**Mr. Chuck Szmurlo:** I'd be giving you my personal estimate here, but I would say fuel cells would be able to contribute 15% over a comparable period.

**Ms. Diane Ablonczy:** How many companies do you think are taking advantage of this or would potentially take advantage of this? You're one of the biggest and best known, but how big an industry is this now and how big could it potentially be?

**Mr. Chuck Szmurlo:** We've seen a lot of the major companies move into wind power. There are still a lot of very small entrepreneurial companies that are growing and joining the industry now. Our convention in Winnipeg later this month is going to have several hundred companies participating.

You're seeing major companies like Suncor, Enbridge, TransAlta, and Shell getting involved with wind power. You would see more of them come into it if there was a prospect for a stable investment climate.

**The Chair:** Thank you, sir.

We'll conclude with just a couple of questions from Mr. McCallum.

**Hon. John McCallum (Markham—Unionville, Lib.):** Thank you. I just have one question for Mr. Sadik.

There has been a lot of talk about legislation on the environment, possibly very soon, if not today. My question to you is whether or not the David Suzuki Foundation has been consulted about this. Whether you have been or not, in terms of the general directions of this legislation, what would you consider it? Is it good news or bad news?

**Mr. Pierre Sadik:** As we've said over the past few weeks as details of the pending legislation have been leaked out, we're always glad to see a shift away from voluntary mechanisms, which is what the government has said it will do with this legislation. What does concern us is the considerable length of time this legislation might take to bring about the changes that are needed in the short term in terms of reducing emissions of greenhouse gases and other pollutants.

The other component that we've said worries us is the fact that with respect to greenhouse gases, at least, it sounds as though the legislation will have what's called a soft cap or an intensity type of... essentially a non-limit on greenhouse gases. It's an intensity target. What that simply means is that as production grows, greenhouse gas emissions can grow as well. That's an unorthodox way of controlling pollution. It's something we don't see governments doing in connection with, let's say, mercury or with sulphur dioxide or nitrogen oxide. There's always—

• (1655)

**Hon. John McCallum:** He's going to cut me off. Sorry.

I've heard that existing legislation provides all that's needed, or almost all that's needed, to regulate and that new legislation will simply produce unnecessary delay. Would you agree with that?

**The Chair:** A brief response.

**Mr. Pierre Sadik:** That's what we've been saying in connection with the information we've heard about this legislation. The Canadian Environmental Protection Act, CEPA, has all the tools necessary in the tool kit for the government to act right now to reduce pollution.

**Hon. John McCallum:** Okay. Thank you very much.

**The Chair:** Thank you to all our witnesses today for your presentations and the time you've taken to be with us. We very much appreciate it. We'll invite you to be replaced at your seats by the next panel. Thank you again.

We'll suspend just briefly while our next panel joins us.

• \_\_\_\_\_ (Pause) \_\_\_\_\_

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• (1700)

**The Chair:** We will recommence.

Thank you, first of all, to our witnesses for being here. You have been gracious in preparing briefs, which have been forwarded to the committee. We thank you for that. You've also been asked to prepare your presentations and limit them to five minutes. I will give you a visual cue when a minute or less remains, and then we'll cut you off, as you've no doubt witnessed in the past. That is, of course, to allow

for our panellists to exchange questions and comments with you thereafter.

We will commence with the representative from the Canadian Health Food Association, Valerie Bell.

Welcome, and five minutes are for you.

**Ms. Valerie Bell (President, Canadian Health Food Association):** Thank you.

The Canadian Health Food Association is a national not-for-profit association. We represent over 80% of the natural products industry. Our members include retailers, manufacturers, suppliers, importers, and distributors involved within the industry. Our products are wide-ranging and include vitamins, minerals, herbal products, homeopathics, traditional medicines, and natural and organic products. These all help lay the foundation for good nutrition and ongoing health and well-being in the Canadian population.

Our vision for our industry is to be the primary destination for Canadians seeking optimal health and quality of life. Our industry is a \$3.5 billion industry, with over 70% of the sales coming from natural health products and supplements. Our industry employs about 25,000 Canadians across the supply chain and has become a significant contributor to the economy. The industry has more than doubled in the last five years, and nearly 80% of the products are actually manufactured by Canadian manufacturers. We have approximately 10,000 retail establishments across the country offering these products.

Consumer knowledge and acceptance of our products is continuing to grow, and self-care among Canadians has increased to over three-quarters of the Canadian public. In the last year, 44% of Canadians indicated that they have practised more self-care using our products than they had in previous years, and 52% of them said they would continue to increase this in the future.

In January 2004 new regulations were introduced to ensure the safety, efficacy, and quality of our products sold in Canada, including the licensing of all manufacturers, importers, packagers, and labellers, as well as applications for every individual product. Complete labelling information must now be available on all products, including a full ingredient disclosure, the range of active ingredients, warnings, etc.

Canada's world leadership in this area, in recognizing and regulating natural health products, occurs just as scientific research is also confirming the role of these products in achieving health benefits and the resulting cost savings to health care. A growing body of evidence internationally continues to demonstrate that increased use of natural health products can improve and achieve a magnitude of savings for the health care system in this country measured in the billions of dollars.

Natural health products usage can also help to significantly reduce wait times by more than 50% by keeping people healthy and out of hospitals. A recent study has demonstrated that a simple, cost-effective prenatal multiple vitamin taken daily by women of child-bearing age can drastically reduce the range of birth defects that affect one in every seventeen babies across this country. That multivitamin reduces those birth defects by over 50% in every instance.

Other research has demonstrated \$6 billion in savings in cardiovascular disease treatment with the use of omega-3 fatty acids, flax seed, and folic acid, and another \$3.2 billion from the use of a plant sterol that can decrease the risk of heart disease by over 20%. In the United States, two recent studies have shown that there is over \$16.2 billion in savings from the health care system with calcium and folic acid.

We are asking for the following: that natural health products be a medically deductible expense, like their pharmaceutical cousins; that the GST be removed from natural health products to stimulate greater self-care; and that the natural health products directorate have adequate and sustained funding to properly evaluate and enforce the regulations. We'd also like additional research dollars and incentives available to companies active in this sector to support ongoing research in this area.

That's all I'll say at this point. Thank you.

•(1705)

**The Chair:** Okay, thank you very much, Mrs. Bell.

We continue now with a representative from the Association of Canadian Publishers, Mr. Jack Wayne. Welcome, sir.

**Mr. Jack Wayne (President, Canadian Scholars' Press Inc., Association of Canadian Publishers):** Thank you very much, Mr. Chair.

Our subject today is not the physical health but the cultural health of our great country. I think we've got the solution to better jobs. Reading books, we know, leads to better jobs, higher income, and a more productive economy. So while the pills are being taken, we also suggest at least one book a month to keep our cultural life active.

We would like to thank the Government of Canada and the Minister of Finance for their continuing support of our industry—these programs were begun and rationalized under the Mulroney government of the 1980s, and there have been excellent results in terms of both the cultural output and the financial output of our industry. We have created 6,000 highly skilled jobs directly in the industry, not to speak of the great uptick in knowledge and capacity that readers of our books have experienced.

We supply direct employment to 16,000 writers in the country. There are writers and publishers in every province and in most communities. The publishing industry is the most cost-effective and competitive of all the cultural industries. As a bonus, in addition to all of this, it's an industry that pays for itself. The taxes collected from the publishing industry and the spinoff activities from the cultural industries in terms of the freelancers we use, the printers we employ, the designers, the typesetters—all of this creates a ripple effect that we calculate leads to over \$1 billion across Canada in employment and in economic activity.

So we come before the committee, not asking for more support, but we are asking for the program that's in place and has been in place for several decades to be continued. We're facing a number of challenges, but the main issue for us now that the dollar is so robust is that we can't outsource Canadian culture. We have to buy Canadian culture with the big Canadian loonie right here in Canada, and if we're unable to do that—and we do that with some modest

support from the Government of Canada—all the books Canadians read will be determined by choices made by editors in New York, or Frankfurt, or London, or Paris. What we're asking for is continuation of programs that leave Canadian publishers, the Canadian-owned sector of the market, with a level playing field.

We are an association of entrepreneurs. We're independent. We tend to be small and medium-sized businesses. We want to publish, as we do now, 85% of Canadian authors, but we would like to do it in a very fair way.

That's enough for me. Thanks.

•(1710)

**The Chair:** You have an additional minute if you'd like.

**Mr. Jack Wayne:** No. I'm out of breath.

**The Chair:** Okay. Thank you, Mr. Wayne. I'm sure you'll get questions later.

We continue with the Horse Racing Tax Alliance of Canada, Michael Van Every, chair. Welcome, sir, and over to you.

**Mr. Michael Van Every (Chair, Horse Racing Tax Alliance of Canada):** Thank you, Mr. Chairman and members of the committee.

I am Michael Van Every. I'm delighted to be here today speaking for the almost 40,000 part-time horse owners and breeders and the close to 100,000 trainers, drivers, jockeys, exercise riders, grooms, hot walkers, blacksmiths, feed and equipment suppliers, racetrack workers, and others who earn their livelihood from this industry.

Some of these work at one of the country's racetracks, while many others are employed at the breeding farms throughout rural Canada. I want to make it clear that I am not representing the few ultra-rich horse owners whose full-time racing operations are not subject to the provisions of section 31 of the Income Tax Act. As you may know, section 31 restricts the deduction of losses incurred by part-time owners and breeders to an amount of \$8,750 per year. Today's owners and breeders are middle-class income earners looking to combine their interest in horses with a business investment.

While we are middle-class people, horse breeding and racing remains an expensive investment. The average price of a thoroughbred horse sold this past year to Canadian owners averaged \$14,500, plus the additional costs of board, feed, training, and care for the animals. Start-up costs in this industry are significant; profits can't realistically be expected for several years. Horse racing and breeding is a major contributor to the Canadian economy. On an annual basis, the value to the economy is \$2.8 billion in sales, \$2.3 billion in value added to the country's GDP, \$1.8 billion in wages and salaries, \$890 million in tax revenue to all levels of government, and 140,000 jobs. We employ twice the number of people as Canada's airlines, petroleum refineries, and investment companies.

Why am I here today? We are seeking to introduce a fair income tax arrangement for horse owners and breeders. The horse-racing industry in Canada cannot compete fairly with other Canadian sport and entertainment industries, or with the U.S. racing industry. Horse racing is not viewed as an attractive business investment because the Income Tax Act imposes on this industry antiquated and severe restrictions related to the deductibility of losses.

We need to keep horse racing and breeding competitive. Losses from every other part-time business in Canada, except horse racing, breeding, or farming, are deductible against other income generated by the taxpayer. Racehorse owners and breeders should be able to deduct losses on their operations against other income sources the same as in any other industry. This sector should be permitted to attract interested investors on a level playing field with other industries. Unlike other businesses and organized sport clubs, such as the mining sector and hockey franchises, Canadian racehorse owners and breeders are subject to these special tax rules. These unique tax rules severely restrict the deductibility of losses against other sources of income, limiting investment and threatening the industry's financial future. The current anti-competitive tax regime is putting horse breeders in serious trouble because they cannot afford to breed quality stock. This has created the conditions for major declines in the horse-racing industry.

Here are some facts. There are now 48 racetracks in Canada, down 35%, from 63 tracks, in 1950. The number of races held annually in Canada has declined 38% in 15 years. Owners of standard-bred horses have decreased by 40% over 20 years. The number of registered thoroughbred horses born in Canada this past year fell by 47% from 20 years ago. Most of the horses winning the major Canadian stakes events are American or European. Why? Because they can afford to invest in their stock. These declines have a negative impact on our overall economy because expenditures in horse racing fuel secondary industries such as transportation, travel, tourism, insurance, and construction. It is also worth noting that racehorse owners and breeders in the U.S. are able to deduct their entire losses against other income.

We believe that the removal of horse racing and breeding from the restrictive provisions of section 31 of the Income Tax Act will create an additional 15,000 jobs, add \$260 million in wages and salaries, increase taxes for all levels of government by over \$135 million annually, and generate capital investment of more than \$200 million.

• (1715)

Looking at the facts, it is clear that the best way to rejuvenate Canada's horse racing industry is to remove horse racing and breeding from the provisions of section 31 of the Income Tax Act, which is hindering investment and resulting in a competitive disadvantage for Canada's horse racing industry.

**The Chair:** Thank you very much, Mr. Van Every.

We'll continue now with the Canadian Housing and Renewal Association. Sharon Chisholm is here. Welcome. You have five minutes.

**Ms. Sharon Chisholm (Executive Director, Canadian Housing and Renewal Association):** Thank you very much.

Thank you, Mr. Chair and honourable members. I'm pleased to be here with you.

I want to first of all introduce my colleague, Steve Pomeroy, who is president of Focus Consultants and also heads up the production of our magazine, *Canadian Housing*.

It's no secret that the lack of affordable housing is a major issue in this country. We hear daily about homelessness, about the walks among the homeless to count them, and about the devastating effects on families of not being able to plan their futures, get their kids the kinds of services they need, into schools where they can learn, and be in neighbourhoods that will provide them with support.

In Vancouver, for example, there's been an over 200% increase in street homelessness between 2002 and 2006. In Calgary it's been the same, at a 238% increase in street homelessness between 2004 and 2006. Over two years we've seen this increase, and this is not in people who are sheltered, but this is in people who are living on the streets. This is done by doing a street count one day a year.

We have a major issue to deal with. This government has recently invested \$1.4 billion into affordable housing in the form of trusts, which I congratulate you for. I think that's phenomenal and well needed, but we have to ask how well this money is going to be spent and if it's sufficient for the kinds of challenges we face. When I talk about challenges, I'm not only looking at homelessness, I'm also talking about challenges in bringing workers to where the jobs are, reducing health care costs, building safer cities, building more security, and attracting the right kind of talent so that we can create good jobs in this country. There are all kinds of challenges we have, which this government ought to be, and I know is, concerned about, that can be addressed in some way through investing in affordable housing.

I think when you invest in affordable housing you should look at what those outcomes are going to be and you should find a way of measuring those outcomes. And I would argue that for the recent dollars invested that will go to the provinces, the accountability isn't as strong as it could be. I was very pleased to see that the government wants to make sure that money goes to just new housing. I think it's an improvement over the prior program, where that didn't have to be the case.

There is a desire and a recognition that we need more units of housing created. But if this government is really interested in attracting immigrants, attracting jobs, and building more secure cities, you might want to look at other outcomes that you can get with that investment and make sure you're getting what you ought to be getting. I think there are ways of doing that.

Housing investment has declined over the years. We're now down to producing about 6,000 units of housing a year versus 25,000 that we produced up until the end of the 1980s. At that time we also had, as you know, the private sector more involved, and there were years when up to 80,000 units of rental housing were being produced. Now, year in, year out, it's under 10,000. So it's no wonder we have major problems.

But I think the federal interest in housing goes well beyond providing shelter. It includes things like immigration, reductions in greenhouse gas emissions, health, early childhood learning opportunities, reductions in the use of correctional centres, security, and also a very strong economic case. In many countries housing policies in 2006 are far more robust than they were in 2000, but Canada has actually worked towards a decline in housing investment and housing policy. The national government hasn't even declared that it has a strategy or what its real interests in housing are, which go well beyond the social policy concerns that provinces and territories have, and I think it can do that.

Other countries have invested because with globalization came these incredible growths in revenue and income. You saw that in Canada, which was fabulous, but that also came with growth in inequality, with income concentrations in many of our cities. We're starting to see that and understand the kind of problem it creates around investment, around homelessness, and a whole host of issues. I think Canada as a country and you as a federal government can't completely wash your hands of housing because you will be giving away one of the greatest tools you have for effecting changes in cities. I think you must look at these other outcomes you can achieve.

I have very little time. We have sunset programs that have to be renewed. We support the renewal of the SCPI program—I know you're well aware of it—as well as the RRAP program.

One final point I'll make is around legacy savings.

• (1720)

I have talked to various members about this. We are beginning to see that, with existing social housing, mortgages are being paid down and savings are being created.

The previous Conservative government under Mulroney, when Wilson was finance minister, told us that any savings we could have had could be reinvested in social housing. Savings were made in social housing, and we haven't been able to reinvest those savings. I would like to see this government go back to that kind of commitment.

Thank you.

**The Chair:** Thank you for your presentation.

We move to the Insurance Bureau of Canada, with Mark Yakabuski.

[*Translation*]

**Mr. Mark Yakabuski (Vice-President, Government Relations, Ottawa and General Manager, Insurance Bureau of Canada):** Thank you, Mr. Chairman.

[*English*]

My name is Mark Yakabuski.

[*Translation*]

I am very pleased to have this opportunity today to speak on behalf of the Insurance Bureau of Canada, or IBC. This is the national association representing home, automobile and business insurance companies across Canada. As an industry, it accounts for some \$35 billion in premiums and indirectly generates more than 100 000 jobs across Canada.

[*English*]

Mr. Chairman, I want to talk to you about three very important things today.

First, I want to say what a pleasure it is to have the committee out in such full force today. I appreciate the time accorded to these sorts of things.

I want to talk about the importance of injury prevention in Canada, of having a competitive tax regime for Canadians, and of ensuring we invest enough dollars in this country's basic infrastructure.

First and foremost, on injury prevention, preventable injuries in this country—the injuries we have on our highways, in our homes, at work, and in leisure activities—cost the Canadian economy today, at very conservative estimates, \$15 billion a year in lost productivity and additional health care costs.

At the Insurance Bureau of Canada, we have been advocating for some period of time that Canada should take a lead, but we should look at programs that have been active in Great Britain and in the Scandinavian countries. They have invested much more in raising public awareness about injury prevention. If you look at their statistics with respect to injury prevention, they do very well.

We know how costly health care is in this country and what a challenge it will be to meet the demographic challenge our health care system will face in the years ahead. We need to find other ways to economize in our health care system. One of the most favourable ways would be to invest modestly in injury prevention, because literally billions of dollars can be saved by having fewer injuries on our roads, at work, at play, and in our homes.

In our detailed presentation today I have a program suggesting that the Government of Canada take a lead on investing very modestly some \$50 million over a five-year period that could make a substantial difference, believe it or not.

The second thing I want to talk about is the importance of a competitive tax regime. Our companies are able to provide automobile, home, and business insurance to Canadians because people from around the world think Canada is a good place to invest. Over the last three or four years, as we improved the insurance system in Canada, literally billions of new dollars were invested. So we can provide insurance to small businesses and households in this country at a competitive rate that otherwise would be jeopardized if those investment dollars were not coming to Canada.

In its last budget the government announced the very favourable reduction of the capital tax by 2006 and further income tax reductions later on in this decade. I simply want to underline the importance of absolutely ensuring that from an international perspective Canada remains a competitive tax regime. We know that the combined federal and provincial tax rates in Canada are some of the highest in the OECD, and that will continue to be a challenge for this Parliament.

I want to recommend that every effort be done to ensure that Canada remains competitive, because that competitiveness translates directly, for example, in our sector, to affordable and available insurance for Canadians.

The last thing I want to leave with you is the importance of investing in basic infrastructure. I commend the government for having set aside a very significant sum of money for infrastructure agreements between Canada and the provinces in its last budget. Historically those infrastructure agreements focused on what I sometimes call the sexy infrastructure projects. Those are the projects we all take note of, such as investment in highways, which we certainly agree with. But all too often they are not investments in basic infrastructure, such as sewage and water treatment facilities across Canada.

Every municipality in this country can tell you, Mr. Chairman, that we are severely underinvesting in basic sewage systems and water technologies in Canada. If we do not increase our investments in these basic infrastructures, the quality of life we prize in this country is going to be threatened.

• (1725)

[Translation]

I would recommend that you act on this plan as quickly as possible.

**The Chair:** Thank you very much.

[English]

We continue with Donald Warden, who is here on behalf of the Canadian Association of Fire Chiefs.

Welcome, sir.

**Chief Donald Warden (Fire Chief, Wasaga Beach, Canadian Association of Fire Chiefs):** Thank you, Mr. Chair.

I am Fire Chief Don Warden. In addition to chairing the government relations committee of the Canadian Association of Fire Chiefs, I'm also the fire chief of Wasaga Beach, Ontario.

Our submission reflects the views of fire chiefs who participated in our pre-budget survey. Collectively they protect the lives and property of over 13 million Canadians. They are located throughout Canada in communities of all sizes, both urban and rural.

The title of our submission is "The Dangers of Delay". Those words emphasize the unnecessary danger in which the government places Canadians when it does not forcefully address emergency response issues that are within its power to mitigate.

I will briefly discuss four such subjects during the balance of my allotted time.

First, we recommend that the forthcoming budget provide volunteer firefighters with a personal income tax credit for working to protect their communities. Recruiting and retaining volunteer firefighting personnel is becoming increasingly difficult. This tax credit would provide some financial recognition for the important and dangerous work undertaken by these individuals.

During the previous Parliament, this committee killed Bill C-273, which would have provided an element of financial recognition for the contribution made by the volunteer fire service. In doing so, the committee stated that it was generally supportive of the bill, feeling that "those who provide volunteer emergency services should be recognized by the federal government through the tax system".

The committee then posed ten questions that it wanted answered prior to further consideration of this matter. The CAFC prepared a reply and filed it with the finance minister in advance of last May's budget. Last week our responses to those questions were sent to all members of this committee for advance consideration.

It is difficult for us to imagine why the committee would permit further delay. Accordingly, we again urge you to recommend tax relief for volunteer firefighter personnel whom you have gone on the record as generally supporting.

Second is our position on automatic sprinkler systems. Fires double in size for every minute they are left unattended. That knowledge led 95% of our pre-budget survey respondents to state that the federal government has an obligation to ensure citizens are protected by automatic sprinkler systems in residences and elsewhere.

A recent Toronto fire saw two fatalities. The Toronto fire chief informed media that in his opinion these deaths could have been avoided if the residences had proper sprinklers.

The CAFC has long urged that the tax system be amended to reflect the importance of encouraging and even requiring the installation of automatic sprinkler systems. Delays by the federal government in acting on our recommendation translate directly into danger for Canadians.

Third, I wish to draw your attention to the federal joint emergency preparedness program, JEPP, which is intended to encourage and support cooperation among federal, provincial, and territorial governments in working towards a national capability to meet emergencies of all types within a reasonable uniform standard of emergency response. This purpose is totally consistent with the statements that appeared earlier this year on restoring fiscal balance in Canada.

Our submission urges the standing committee to embrace the principles that all Canadians deserve basic fire protection services and to ensure adequate federal funding to support this principle. JEPP is the ideal vehicle for this purpose, but funding needs to be increased and a mechanism put in place to ensure it remains responsive to escalating equipment costs for the fire service in the future.

Finally, our brief asks for the support of the standing committee for the creation of an office of the national fire adviser within Public Safety and Emergency Preparedness Canada. At present, no voice exists within the Government of Canada to represent the concerns of the fire service. The CAFC believes that the national fire adviser would fill what we regard as a dangerous void.

Time restrictions preclude me from discussing the detailed role of the national fire adviser during these remarks. However, I would ask you to spend a few moments reading the section of our brief on this subject, beginning on page 4. A comprehensive position paper on this subject is in the hands of PSEPC. I have a copy of it with me today and would be happy to leave it behind if it would be helpful to the committee.

I appreciate your kind attention to our concerns and look forward to discussing them further with you.

Thank you.

●(1730)

**The Chair:** Thank you, Chief Warden.

If you would leave that paper behind, we'll arrange to have it translated and forwarded to each of the committee members. We appreciate that.

**Chief Donald Warden:** Thank you very much.

**The Chair:** Thank you, sir.

We'll continue with Sarah Smith, who is with us today representing the Dystonia Medical Research Foundation Canada.

Please proceed.

**Mrs. Sarah Smith (National Director, Dystonia Medical Research Foundation Canada):** Thank you, Mr. Chair, for the opportunity to speak today.

Canadians with dystonia are with me as witnesses.

Dystonia affects everyone from all walks of life, ethnicities, and ages. It can affect a single body part or multiple sites throughout the body, causing painful involuntary spasms and muscle contractions.

The key stumbling blocks to helping Canadians are lack of awareness and lack of funding for dystonia research. For example, dystonia is six times more common than ALS; however, the Canadian Institutes of Health Research directed \$2.4 million for ALS research and only \$334,000 for dystonia in 2005. Research progress is being made with the \$334,000 the federal government directed to CIHR last year.

We believe that Canadians need to know that in terms of the number of Canadians affected by dystonia, dystonia is falling behind. Indications are that over 50,000 Canadians are affected by this disease.

Groundbreaking discoveries have been made. The DYT1 gene has been identified for early onset generalized dystonia, and as a result of that discovery a protein associated with the DYT1 gene called torsinA has been discovered as well. A new technology is being applied to torsinA, and it has been seen to turn the mutated gene on and off in animal models. This holds great promise for humans with dystonia.

We can't stop now. There is an urgency to continued funding. We request that the federal government direct increased research dollars for dystonia to the Canadian Institutes of Health Research.

Thank you very much for your time and consideration.

●(1735)

**The Chair:** Thank you very much for your presentation.

Thank you all for your presentations.

We'll move to questions now. We'll begin with Mr. McCallum for seven minutes.

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

Thank you all for your presentations.

I'd like to begin with Sharon Chisholm. I certainly agree with you on the subject of housing. I would mention, though, that in one of the budget documents in the last budget, there was talk about a clearer definition of federal and provincial responsibilities. Housing was specifically mentioned as an area that ought to be provincial. There is some suggestion that the government doesn't really want to be in housing. They didn't say that specifically, but there certainly is that implication.

What is your view regarding that? In some theoretical sense, is that correct that it should be a provincial responsibility? What would be the consequences of implementing that view, as opposed to having a federal role, as we have had for some years now?

**Ms. Sharon Chisholm:** It isn't new that the provinces have been responsible for delivering housing programs. That's been going on now for a number of years. It used to be that the federal government and the provinces had partnerships and they would both contribute. Now the delivery and the management of the existing housing is at the provincial level.

What I'm arguing is that there is a federal interest in housing and that if you let go of this powerful instrument, which can affect changes in a whole number of different areas, including shelter, you're not looking at the macroeconomic consequences of doing that.

I think it's a powerful instrument. I think the provinces ought to be involved. Cities obviously want to have a role in housing. Communities have been doing a lot in Canada, and they could probably do more in terms of delivering really effective housing. But the federal government also has a strong interest that has to be maintained.

There are no simple answers. I think the federal government would cut off its nose to spite itself if it just gave over the whole portfolio to provinces, because it would lose the ability to do a whole number of other things that are incredibly important in a competitive state.

I would argue that you have to have a provincial-federal partnership that enables you to do that. Alberta might say, for example, that they want all its housing this year to be built in Calgary because that's where the shortages are, and the federal government might say it wants to make sure that housing builds safer cities, provides housing for immigrants, and continues to make cities more competitive. So both interests can be met but with a continuing partnership from all quarters.

**Hon. John McCallum:** I would think as well that if one wants to have some degree of equal access across the country, then differences in budgetary situations in different provinces, and also attitudes, would constitute a case for some federal involvement.

Do you accept that view?

**Ms. Sharon Chisholm:** Absolutely. You don't see the provinces rushing out to make investments from their own dollars. The investments in housing made by the provinces in the last ten years—since I started—have really been the federal government providing the incentive to get the provinces to move. It hasn't happened without that.

There were only two provinces prior to that point that maintained any kind of housing presence, and those were B.C. and Quebec. The rest of them were really not doing anything about housing.

**Hon. John McCallum:** Thank you.

Now to change the subject a little, to Valerie Bell and this natural health products directorate, I've come across this beast in a different incarnation, not for natural products but for some cosmetic companies I happen to have in my riding. To my understanding, and I'd like to ask you if this is true, there's a huge and growing backlog. So it takes ever-increasing time to get products approved, whether they're natural products or cosmetics. Certainly for the companies I know about, this is a major issue.

Is that your understanding of the situation?

• (1740)

**Ms. Valerie Bell:** Yes, it is. Currently there are over 15,000 products going through the application process. Only 2,000 of those have been approved in the last three years. There's a total of 55,000 products to go through the system on natural health products alone, and we are certainly in a backlog situation and are trying hard to work with them to resolve it.

But one of the issues with the natural health products directorate is that it is operating on Governor General's warrants, and has been doing so for at least the last two to three years. Last week it actually took its research budget and transferred it over to operating dollars in order to meet its ongoing budget needs. We feel it is critical that this department be adequately resourced in order for our country to be competitive, both nationally and internationally. We are falling behind significantly on the innovation side in particular.

**Hon. John McCallum:** I certainly agree. In my riding there are jobs and income being lost because of this backlog.

So you think the solution is simply a matter of putting more money in, or do you think there are deeper problems?

**Ms. Valerie Bell:** There are some other problems, and we are working hard with the department to resolve many of those. But

certainly one of the primary issues is ongoing funding for that department.

**Hon. John McCallum:** Thank you.

Mr. Yakabuski, I have one question for you, if I may. I certainly agree with you that competitive taxation is extremely important. In order to become more competitive, would you have a view as to whether lower income tax or lower GST is the better way to go?

**Mr. Mark Yakabuski:** Well, I talked to you about the combined federal and provincial corporate income tax rates, which are higher in Canada than most of the OECD countries, so there's no doubt we need to be competitive on that level. Insurance, as you know, is a GST-exempt product, which means, of course, that insurance companies don't charge GST—but neither are they able to gain GST tax credits, which has always been a bit of an anomaly in the system.

Having said that, I think it is very, very important. After all, we're talking about people from abroad investing in Canada. They're going to be taking a look at the combined corporate income tax rates very closely; it's something we cannot ignore.

[Translation]

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

You have seven minutes.

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

My first question is addressed to Ms. Chisholm. In your brief, you talk about renewing the Residential Rehabilitation Assistance Program. Some homeowners in my riding have told me that there is still funding available under the current program, but that Ottawa has frozen the funding. As a result, not all of the funds are being transferred to the provinces — at least not in my riding in Quebec.

Are you aware of that? Do you know whether there is any money remaining under the current program? Have members of your association or people you know told you that the money would be frozen, when in fact it is supposed to be available?

[English]

**Ms. Sharon Chisholm:** There is money left in the current program, the affordable housing initiative, of about \$320 million, but that program was divvied up among the provinces, as you know, and Quebec was very anxious to utilize its funds and did so the most quickly. So that funding—I think for Quebec, at least—is completely used up; they were very quick to use that funding.

But there has been a new announcement of trust funds that will soon be available to Quebec. I don't know if there's anything to prevent Quebec from going forward with those, unless it doesn't have its plan yet, but I would expect the provincial government is ready to go forward and seek the trust funds released in September.

Finally, the RRAP program, the residential rehabilitation assistance program, is still available this year. It has been helpful to over 20,000 units of housing a year, which is a lot, but it has to be renewed next year by March. We're hoping it will get renewed, which will be helpful for the kind of renovation work you have to do in your riding.

•(1745)

[Translation]

**Mr. Thierry St-Cyr:** The Bloc Québécois has tabled a bill in the House of Commons that deals with affordable social housing. That bill called for surpluses built up at the Canada Mortgage and Housing Corporation to be invested in social housing, through a reserve of \$1 billion. I believe there are currently annual surpluses of \$100 million; I can't remember the exact amount. We are proposing that beyond that, any surpluses that are accumulating and are not controlled by Parliament for the time being be invested in affordable social housing.

Would you recommend that members of Parliament support such a bill?

[English]

**Ms. Sharon Chisholm:** Absolutely. Our membership consists of members from across the country who manage social housing. We also have about twenty or thirty of Canada's major cities as members, and we have all the provinces and territories, except for Prince Edward Island and Ontario, as members.

Whenever we come up with a position, it has to be mediated carefully, but all of our members support the notion that the legacy savings the member is referring to ought to be kept in the social housing sector. The cut that CMHC recently sustained will start to erode those savings, but we very much support holding the savings in the sector

If a method was set up with some levers so that we could re-invest in affordable housing, we could probably do much better if groups had an incentive to provide better housing. Yes, our members support that.

[Translation]

**Mr. Thierry St-Cyr:** In your recommendations, you talk about establishing an energy efficiency program aimed at low- and middle-income households.

But was there not already a program in place — namely the EnerGuide program — which had precisely that objective and which benefited low- and medium-income Canadians? Did people actually benefit from it? Was the program a success? Could we create another, similar program? We could give it another name, if that's what the government wanted. Do you think we need this type of program?

[English]

**Ms. Sharon Chisholm:** Yes, absolutely. We've been part of supporting an energy savings program for low-income households for two reasons.

One is that it reduces greenhouse gas emissions, and that's important to all of us. But secondly, it really helps low-income families over the longer term, whether they live in market rental housing, in housing that they own, or in social housing. If you do repairs to the housing to make it more efficient, this is something that will create savings for them well into the future. We think it's important.

The EnerGuide program that I think you're referring to was cancelled, but I understand a new program is in the works. I think there could be improvements beyond the old program.

We're very much available to work with government to make sure the program will be as effective as possible for low-income families.

[Translation]

**Mr. Thierry St-Cyr:** Finally, I would like to talk about the Supporting Communities Partnership Initiative, or SCPI, which is intended to help the homeless.

I am a little surprised that, as a society, we would still be wondering whether this sort of program should be renewed. In my riding in the Montreal region — we have often talked about this at the Montreal caucus of the Bloc Québécois — there are many, striking examples of the results of this program.

Is it only in my riding or in Montreal that these programs are working well? And if that is not true, and it is working well all across the country, why has this program not been renewed? Is it inefficient? Are there convincing results outside of my riding?

[English]

**Ms. Sharon Chisholm:** The SCPI program that the member refers to is one of the first housing programs we had that really engaged all orders of government. Cities had to get involved, provinces had to get involved, and the federal government was involved.

It's not only all orders of government. It goes across different sectors. There are housing, health, and local employment incentives, and a whole variety of community partners come to the table to work on it. It certainly started to make some progress in building a framework, in getting all of the right players at the table, and in doing it effectively.

I think there's lots of support for it to continue. Hopefully, we'll hear soon.

•(1750)

[Translation]

**The Chair:** Thank you very much.

[English]

We'll continue now with Mr. Turner. You have seven minutes, sir.

**Hon. Garth Turner (Halton, CPC):** Sharon Chisholm, we'll continue to pick on you for a minute. On the most recent federal budget, can you encapsulate for us very quickly what it did in terms of the area of social housing?

**Ms. Sharon Chisholm:** The recent news was that the money was released for the trust funds in September. But the budget actually cut some funds from CMHC. That will have an impact.

**Hon. Garth Turner:** What was the allocation for housing in the budget?

**Ms. Sharon Chisholm:** It was \$1.4 billion.

**Hon. Garth Turner:** Do you remember what you said at the time about the \$1.4 billion?

**Ms. Sharon Chisholm:** Maybe you could remind me.

**Hon. Garth Turner:** On budget day you said, "This is the announcement we have been waiting for."

**Ms. Sharon Chisholm:** Yes.

**Hon. Garth Turner:** And I believe you said today that the federal government can't wash its hands in this area.

**Ms. Sharon Chisholm:** Yes, and I'm not—

**Hon. Garth Turner:** You can't suck and blow at the same time here. So is this the announcement you've been waiting for, or are we washing our hands? What's it going to be?

**Ms. Sharon Chisholm:** It's absolutely the announcement we've been waiting for. It's a very welcome announcement. It took a while for it to be released, and we were very glad to see that the money was released in September when the auditor closed the books.

Right now we're reacting to making sure we continue with the SCPI program and the RRAP program, rather than leaving these things behind.

**Hon. Garth Turner:** So you still like it.

**Ms. Sharon Chisholm:** Do I still like the trust funds?

**Hon. Garth Turner:** I mean the general thrust of this budget and all the money we've given to this area.

**Ms. Sharon Chisholm:** One can't complain about \$1.4 billion. It was well regarded and well accepted, and we're looking forward to seeing those funds roll out.

**Hon. Garth Turner:** Thank you.

Valerie Bell, you mentioned the GST on natural health products. Do you have evidence that people don't buy those products because there's GST on them?

**Ms. Valerie Bell:** We have not done research on that.

**Hon. Garth Turner:** Why do you say in your brief that the health care savings realized will far outstrip the tax revenue generated? If people are buying them anyway and you have no evidence they're not buying them, how could the tax savings outstrip the revenue we're collecting?

**Ms. Valerie Bell:** Our consumers are indicating to us that if the GST is removed they will buy more of these products, and low-income Canadians will also buy more of these products. All of these people require the products.

**Hon. Garth Turner:** But you just said you don't have evidence of that.

**Ms. Valerie Bell:** I don't have evidence of the exact amount of savings, but we do have evidence from Ipsos-Reid studies that Canadians are interested in having the GST removed from these products.

**Hon. Garth Turner:** You made a fairly categorical statement, and I wonder if you can back that up by tabling with the committee evidence showing that if we removed the GST from these products, sales would go up.

**Ms. Valerie Bell:** We have done work to show that the health care savings realized by stimulating the sale of self-care products would far outstrip the tax revenue that these products would generate—

**Hon. Garth Turner:** I saw that, but I'm looking for backup for that.

**Ms. Valerie Bell:** —and save billions of dollars.

I can provide you with that separately. I do not have that with me today.

**Hon. Garth Turner:** I'd be interested in seeing that. Thank you.

Mr. Wayne, why does BPIDP not relate to non-fiction titles?

**Mr. Jack Wayne:** It does relate to non-fiction titles.

**Hon. Garth Turner:** Is that all non-fiction titles?

**Mr. Jack Wayne:** It relates to non-fiction titles that meet the criterion authored and/or edited by Canadians. I think that's the chief criterion.

**Hon. Garth Turner:** I remember my publisher crying into her beer about my business books not qualifying for BPIDP.

**Mr. Jack Wayne:** Workbooks don't qualify. I don't know the nature of your book, sir, but my company, Canadian Scholars' Press, is a publisher of academic works. Almost all of them are non-fiction—we hope they're non-fiction—and we get a reasonable subsidy from BPIDP.

• (1755)

**Hon. Garth Turner:** Do you feel the program is providing adequate support now to publishers?

**Mr. Jack Wayne:** Yes, we find that the program, in the way it's designed and administered, is providing us with adequate support.

**Hon. Garth Turner:** Thank you.

I have a comment on volunteer firefighters. As a guy who has lived most of his life in rural areas and has had his car rescued a couple of times by volunteer firefighters, I can say that these people are to be considered heroes in our society. Giving some tax incentives to them, and to their employers who allow them to dash off at all hours and very often using company vehicles, is a very worthwhile proposal that you've made. I thank you for bringing it forward.

That's it, Mr. Chairman.

**Chief Donald Warden:** Thank you very much for your comment. I appreciate it.

**The Chair:** Thank you, sir.

We continue now with Madam Wasylycia-Leis, for seven minutes.

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

I think this is a set-up. I get what I would consider offensive remarks from the Conservative side that force me to respond and eat up part of my time.

Mr. Chairperson, I am going to use a little of my time to in fact deal with what I thought was a very self-serving comment by Mr. Turner, and I think our witnesses are far too polite to take him on.

I would like the record to show that the reason Sharon Chisholm, and others from the housing movement, suggested they were waiting for the housing money—it was the money they were waiting for—was because, in fact, the only housing money in the budget that we are talking about was the money the NDP forced the Liberals to put in the budget that they didn't flow, and finally the Conservatives agreed to flow that money. There was no new money, there was no new indication from the Conservatives of a commitment to a national housing policy, or anything at all in the housing area. It was simply a commitment to flow the money once the surplus dollars had been ascertained. So it's important, Mr. Chairman, for that.

**Hon. Garth Turner:** I have a point of order. The honourable member is talking to me, she should be talking down there, and I'm getting upset about it.

**Ms. Judy Wasylcia-Leis:** I'm not talking to you, Mr. Turner, I'm talking to the chair.

**The Chair:** Excuse me, Madam.

I would have to say, Mr. Turner, you don't have a point of order, though I think it would be wise to utilize the remaining few seconds to address the witnesses who are here with us today.

**Ms. Judy Wasylcia-Leis:** I will certainly do that, Mr. Chairperson. I think it's important to clarify the record when members of your side put misleading information on the public record.

I would like to ask Sharon Chisholm this. Given the fact that we don't have a track record with the government, given the fact that there was the scare with the skimpy dollars, with the cutback letters going out and then suddenly pulled back, given the fact that there are rumours about Canada Mortgage and Housing being privatized, given the fact that they have already opened up the mortgage insurance part of CMHC to private competitors, and given the fact that there is no indication of an understanding of the need for a national housing policy, what is the best approach for us at this point to get something in this upcoming budget that will deal with this serious issue for all Canadians?

**Ms. Sharon Chisholm:** Maybe I could just make a couple of recommendations. One is we're waiting for the renewal of the national homelessness initiative and the RRAP program. The national homelessness initiative is well regarded by communities. Homelessness is increasing in our major cities, and we really have to address that. There's no reason in the world for a country like Canada, as rich as Canada, to have any homeless. I know that several years ago in the U.K. they set a target to eliminate homelessness, and they've practically managed to do that, for all intents and purposes. Canada could do it as well. So I think we have to do that, as a minimum.

As far as the other things that CHRA is talking about, we have to look at where the different interests of government are and look at the economic case, the health case, the education case, the environmental case for doing housing, and that means speaking to our colleagues at the provincial level and the municipal level. We know, from history and experience, that there will not be housing delivered in this country unless the federal government antes up. Unfortunately, that's the case; the provinces are not doing it on their own, for the most part, so we need to have a strong presence there.

At the very least, let's make sure we renew the programs that are incredibly important.

On the RRAP program, which has been around since 1974, you probably all know about it. You probably know of someone, or perhaps you've had your own house RRAPed, but it's important in communities. It's well known by almost all Canadians, and it's important that we continue it. As our housing ages, it needs repairs, and a lot of low-income families are not able to make those repairs without the RRAP program.

● (1800)

**Ms. Judy Wasylcia-Leis:** I appreciate that. I know you've mentioned the provinces are not always doing their part, and I agree. However, most activists in this field point out that Canada is one of the few countries in the industrial world that does not have a national housing policy, recognizing in fact that there is an obligation on the part of a national government, as well as on provincial and local governments, to act in this area. I'm wondering if that is still the case or if that's your understanding.

**Ms. Sharon Chisholm:** We were very close to having a national strategy. There were consultations that went on and on under the previous government, and beyond consultations, but they didn't manage, at the end of the day, to make it enough of a priority to have that put in place. Well, we still need a national housing strategy for all the reasons I've spoken about today, and I would like to see this government review what was done, or come up with something new, or look at what the various interests are in continuing to invest properly in housing. When I see that dollars go out without a lot of accountability, I have to wonder what that interest is, because, really, if you want to achieve some objectives that I know this government has around the environment, around a whole number of issues such as attracting investment and employees, you're going to have to use housing as a tool. So this government ought to set up a committee that will look into putting together a national housing strategy that will lead us into a more productive place in this century.

**Ms. Judy Wasylcia-Leis:** Thank you.

In an earlier session we had a presentation from the Canadian Hardware and Housewares Manufacturers Association. It made a number of recommendations pertaining to use of the RRSP savings and other tax credit measures to deal with housing, first-time homeowners' predicaments, and so on. What is your sense of those kinds of recommendations, and if we have to make a choice between a direct investment in certain targeted areas or a tax measure, what should it be?

**Ms. Sharon Chisholm:** I haven't seen the recommendations, and I would want to see them, because housing is really a complex area and there are no simple, inexpensive solutions. It's an expensive area to make good changes in. I haven't seen them, but I can tell you we've looked at affordable home ownership recently, and you have to be very careful about how you invest money in that area. I think CMHC has done good work making mortgage insurance available, but often when we get gung-ho on home ownership we encourage low-income families to buy homes in areas where they don't maintain the resale value.

So there are good reasons to be careful about that and where you have so little investment, aside from the \$1.4 billion Mr. Turner referred to. Where we're not doing a lot...we have to look first at direct investment and at the outcomes we achieve with housing investments. I would leave it at that.

**Ms. Judy Wasylycia-Leis:** Is there time for any more?

**The Chair:** No. Thank you very much, Madam Chisholm.

We continue with Mr. McKay, in the second round, for five minutes.

**Hon. John McKay:** Thank you, Chair.

Mr. Yakabuski, we recently witnessed the tragedy in Quebec with deteriorated infrastructure. It makes your point quite well. Usually in insurance there's a subrogation. My question to you is, is there any legal restriction to explain why the insurance companies would not be suing the Province of Quebec?

**Mr. Mark Yakabuski:** There are few actual legal restrictions on the possibility of, in this case, suing the Province of Quebec, just as there are few legal restrictions on suing municipalities for any inadequate sewer system that may create all kinds of flooding and sewer backup, etc., in people's basements.

It's not the preferred approach of the insurance industry because the expenses of having a province or a municipality go through a legal case are ones we would rather see invested in the infrastructure itself. This game is not going to be solved by people suing each other. We want to avoid that. We want to work with the municipalities, with the provincial governments, but we need the federal government at the table because there is simply not enough money being invested in this country in very basic infrastructure and we are all going to pay a very sorry price. The answer is not taking each other to court. It is working together to ensure innovative financing methods are available, and I think the federal government has a role to play in this.

• (1805)

**Hon. John McKay:** I agree with you completely, the point being, as was made by previous witnesses on previous panels, that if the government doesn't get into the infrastructure game seriously, then it will effectively be forced into it by virtue of lawsuits flowing from tragedies such as the one we witnessed in Quebec.

**Mr. Mark Yakabuski:** That possibility exists. There are a few cases where municipalities have been taken to court, and the insurance industry, in those cases, has almost always won. But that's not our preferred approach. We want to work with governments to make sure we get this problem under control, because it is one that is seriously undermining the health and safety of Canadians.

**Hon. John McKay:** Thank you.

Ms. Chisholm, Mr. Turner was having his political sport with you. The moneys that flowed were out of Bill C-48, as Ms. Wasylycia-Leis has said, and the irony of this whole matter is that this bill was jointly supported by the Liberals and the NDP in the last Parliament. The Conservatives voted against it; however, because of the surplus, they were required to fund, notwithstanding their ideological biases.

As a consequence of that, the reality prior to that, on the budget itself, I don't think there was any.... Setting aside the \$1.4 billion out

of the C-48 obligation to fund, was there anything...I don't recollect anything in the budget with respect to social housing and the issues of your concern. Is that a correct statement?

**Ms. Sharon Chisholm:** There was another announcement of a tax credit program for \$200 million. I don't know if any further work has been done on it, but the announcement was made at that time.

**Hon. John McKay:** If you had a choice between tax credits and actual grants, what would your choice be?

**Ms. Sharon Chisholm:** You would have to do a study on the whole program, but grants generally work better. They cut out a lot of the middle people involved in tax credit programs. But we didn't ever get to the point of seeing what kind of tax credit program might be implemented.

**Hon. John McKay:** If I'm a lower- or middle-income Canadian taxpayer, a tax credit is of dubious benefit to me when I'm trying to retrofit my house or something of that nature.

You have something of an apprehension with respect to the SCPI money and the RRAP money. Beyond what you've said, do you have any basis for that apprehension? Is there any other reason why you are afraid this will be in Mr. Baird's enthusiastic program review?

**Ms. Sharon Chisholm:** It would be nice to hear that we don't have to be concerned about this matter at all, that the programs will be renewed. I hope there is support for that. But when I say I have an apprehension, I'm representing the interests of a whole range of groups, including the provinces and cities, the National Coalition on Housing and Homelessness, the national network of housing coalitions. These groups are very concerned and want to make sure the programs are renewed.

We were hoping it would have happened by now. You can't wait to renew them until the next budget. By that time, programs in place at the community level would have been dismantled. So there is a certain momentum now. The groups that are working, the cities that are working on their SCPI initiatives, have to know that they're going to be continued so that they don't lose the resources and their capacity to keep the programs going.

**The Chair:** Of course, as a non-partisan chair, I always run a risk in making a comment. But in respect of your presentation, a number of my members have chosen to use the back-of-the-napkin commitment to housing in the NDP-Liberal budget announcement as an indication of their degree of caring. I assure you that there are members of all political parties in the House who take exception to this method of developing a housing strategy for our nation.

We move on now with Mr. Paquette.

[Translation]

**Mr. Pierre Paquette:** Thank you, Mr. Chairman.

Mr. Warden, I would like to talk about your sixth recommendation. You are recommending that the Standing Committee advise the government to provide volunteer firefighting personnel with a personal income tax credit in the forthcoming budget, for the time they expend performing their volunteer firefighting functions. You are proposing that the deductions be based on the number of hours they spend performing such functions.

Do you know how many hours per year, on average, a volunteer firefighter devotes to his firefighting functions? You are proposing a deduction of \$1,000 for 50 to 99 hours, \$2,000 for 100 to 199 hours, and \$3,000 for 200 hours or more. How many people would be affected in each of these categories?

• (1810)

[English]

**Chief Donald Warden:** I don't have the exact number at each level. All we know is that across Canada there are different levels of ongoing training within the local fire departments. Some of the smaller fire departments do not train very often, because they cannot often get the people out to do the training. In a large municipality such as my own, we do at least 200 hours of training a year, plus other specialty training on weekends.

We're suggesting a scale because there are a lot of members of the service who can't spend the time to train, and we do not feel they should get the same tax benefit as the people who are training to protect the citizens of Canada. That's why we introduced the scale.

Another thing you may be interested in knowing is that the House of Commons in London just introduced and passed at second reading a bill much the same as this one. It allows the minister to add other agencies or people to this same tax bracket.

We appreciate that the government has a problem in dealing with emergency responders. But I can assure you that being an emergency responder is a lot different from being a volunteer coach on a hockey team or that kind of thing. I have served in both capacities. I did the hockey to be there for my friends and family. I'm here as a volunteer firefighter to help you if you get into a serious situation. Maybe I can come in and rescue you or save a member of your family. Running into a fire is a lot different from standing outside and watching it.

[Translation]

**Mr. Pierre Paquette:** Thank you for your answer and for those clarifications.

Ms. Chisholm, there is a rumour — which I heard about this morning — that the CMHC could be privatized. In your view, would privatization be in the interests of people in need of affordable and social housing? Have you heard anything about this, and what is your first reaction to it?

[English]

**Ms. Sharon Chisholm:** Like the rest of you, I read the *Globe and Mail* this morning, so that's as much as I know about this issue.

I would have to say that needing a national, federal housing policy means we need to have some kind of way of coordinating that. It has to be rested somewhere. There could be some decisions at some point, in that you want to bring housing more in line with infrastructure or cities or whatever, but you can't let go of housing totally. So I would definitely support keeping an institution in place that can coordinate the work that's done at a national level.

I understand that there are two different parts to the portfolio, but I'm really speaking to the area of our concern, which is around the social housing and the research end of CMHC's work, which is very important.

[Translation]

**Mr. Pierre Paquette:** Thank you.

Mr. Yakabuski, I was rather surprised to read that the property and casualty insurance industries first proposal is that debt reduction remain a priority. In Canada, our debt-to-GDP ratio is now the lowest. Also, you are asking the government to move ahead with tax cuts. You are also asking that there be investments in infrastructure. It seems to me that we have reached the stage where the priority should be something other than paying down on the debt. I was very surprised to see that it was the first sentence in your brief.

**Mr. Mark Yakabuski:** I believe that everything...

[English]

**The Chair:** Excuse me, Monsieur, but the member has utilized all the time with his preamble.

We'll continue with Mr. Del Mastro, for five minutes.

• (1815)

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

I'd like to start by saying that I'm confused by some of the comments from the table today. I could have sworn the announcements—the one Ms. Chisholm actually regarded as the announcement they had been waiting for—was in Budget 2006, announced by the Honourable James Flaherty and supported by this side of the table but not supported by two of the groups on the other side of the table, even though they're taking credit for it, along with measures to reduce taxes for 655,000 low-income Canadians, money for transit, and so forth. Those were things that were important to the Conservative Government of Canada.

I wanted to ask a question of you, Mr. Yakabuski. You mentioned targeted tax cuts, corporate tax cuts, as a measure to increase investment, and that investment is so important to the Canadian economy. You talked about it in the light of keeping insurance costs low, but it also means a lot with respect to employment and the development of resources, doesn't it?

**Mr. Mark Yakabuski:** Absolutely. We can't fool ourselves, we live in a very international economy. Many of our industries depend on foreign investment, not just if you're a financial institution, but to be properly capitalized. If you're a manufacturer, you need to have the latest technology at your disposition. None of this falls from the sky. There are people who make decisions every day of the week and decide that Canada is a good place to do business and this is the kind of industry I want to put my dollars into. They are absolutely affected by the tax regime, so we need a competitive regime in Canada.

We absolutely need a competitive tax regime that allows the economy to generate new jobs. That's the way you're going to pay your bills as the federal government. That's the way you're going to be able to invest modestly in additional infrastructure spending. That's the way you're going to be able to protect Canada against natural disasters. But none of this is going to happen if we don't have a competitive tax regime that creates jobs in Canada and gives the Parliament of Canada the money that you can direct accordingly.

**Mr. Dean Del Mastro:** And strong signals, like the record debt reduction payment we made a few weeks ago, also encourage foreign investors.

**Mr. Mark Yakabuski:** There's no doubt about that. I mean, interest rates are a very important component of why people do or do not invest. And a signal that Canada is keeping its debt-to-GDP ratio under control, and is in fact reducing it, has to send a positive signal to these people. It's not the only signal. I think reducing our combined tax rate is very significant, but we can't lose sight of any of these factors.

**Mr. Dean Del Mastro:** Thank you.

Mr. Van Every, I thought slot machines at the racetracks were what basically brought the industry into this century. I thought racetracks were doing very well. I thought the Ontario Jockey Club, for example, was doing very well. You came and painted quite a different picture. Am I getting the wrong picture when I see what's going on at Ontario's racetracks?

**Mr. Michael Van Every:** No. Slot revenue certainly has helped the purse structure for horse owners. It hasn't pushed itself down to the breeding organizations, and it hasn't provided, still, enough revenue to cover the costs incurred by the owners.

**Mr. Dean Del Mastro:** Maybe, considering how the industry had declined until that revenue came in—

**Mr. Michael Van Every:** Absolutely, absolutely. It saved the industry, because we were in really desperate shape five, six, seven years ago. So it has managed to allow the industry to survive to this point.

**Mr. Dean Del Mastro:** Thank you.

Chief Warden, we had the International Association of Fire Fighters—I think that's their name—who came in and made a couple of specific asks. One of the things they were looking for was \$500,000 a year for hazardous material training. Can you talk a little bit about that and whether you think that would be a worthy investment for the Government of Canada?

**Chief Donald Warden:** Yes, I certainly support that initiative. It has been proven that the emergency responders in today's world are not equipped or trained properly to ascertain and do the job they have to do when it comes to USAR or CBRN. That money would be well spent by the government to ensure that all first responders in Canada are trained and equipped to a certain level, so that they can in fact protect the people and the structures as necessary.

Not only that, but under the mutual aid system, if you're called in to help your neighbour, if everybody is trained and equipped to the minimum level, to the same level, then we can all work together to help mitigate the situation in a quicker, more responsible manner. It's certainly a very worthwhile request. And I would urge you to certainly support that and make sure the money goes down to the municipalities and to the first responders, and that it doesn't get lost as it goes down in the process, as it has in the past. It has to get to the first responders who are actually going to the scene and doing the work.

•(1820)

**The Chair:** Thank you, sir.

We'll continue with Mr. Pacetti now for five minutes.

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

Thank you to all the witnesses for the interesting presentations. We obviously don't have enough time to go around the table, but I have a couple of questions.

My first question is for Ms. Bell. Basically, your first request, in your executive summary, is for natural health products to qualify for medical expense deductions. How do you define a natural health product? At what point do you determine that it will be deductible? How do we recommend this?

**Ms. Valerie Bell:** The easy administration of this would be for natural health products to have natural health product numbers on them, or a DIN-HM number, which is a homeopathic number. It would be easy to monitor the purchase of them.

**Mr. Massimo Pacetti:** Who would issue that number?

**Ms. Valerie Bell:** The numbers are currently being issued by Health Canada.

**Mr. Massimo Pacetti:** So there's already a structure in place.

**Ms. Valerie Bell:** Yes, there is.

**Mr. Massimo Pacetti:** That was going to be my next question. So the industry is already regulated as is, and it's all done through Health Canada. Then you were asking for more money for research.

**Ms. Valerie Bell:** Yes.

**Mr. Massimo Pacetti:** How is that tied in as well? Is there money coming from the Canadian Institutes of Health Research as well?

**Ms. Valerie Bell:** There is a small amount of money coming from them, and there are also a number of other small incentive groups, but the research from Health Canada that Health Canada had devoted to natural health product research specifically actually had to be absorbed into their operating budgets in the last two weeks, because they were operating on Governor General's warrants and needed that in order to keep—

**Mr. Massimo Pacetti:** I understand, but how is research money determined? How does the Canada Revenue Agency determine that it's a health product and they don't think it should be deductible because they prefer people taking hard drugs, or soft drugs, or drugs made by pharmaceuticals? How is that decided? If it's determined to be a health product, why would that be in question if it leads to some type of remedy?

**Ms. Valerie Bell:** We are not receiving the current funding in order to do the amount of research that needs to be done. Certainly, where there is a great dearth, or empty area, is in health care economics research into this particular area as well.

**Mr. Massimo Pacetti:** Is there a reason for that? Is there scientific proof that your products are not any better than pharmaceutical products?

**Ms. Valerie Bell:** Our research shows that our products are every bit as beneficial, if not more beneficial, and as a matter of fact—

**Mr. Massimo Pacetti:** I don't mean to cut you off, but time is limited. So you're not doing as good a job marketing as some of the pharmaceutical....

**Ms. Valerie Bell:** We've just put our regulations in place in the last two years. We are beginning to focus on this as a key issue for our industry in the development of innovation.

**Mr. Massimo Pacetti:** Thank you.

I have just a quick question, Mr. Van Every. I don't want to make you feel left out. In your presentation, you were saying the horse racing industry is closing tracks. I have my own theory, but I'll let you answer. Why are they closing down?

**Mr. Michael Van Every:** It's partly because land costs got very expensive in certain cities. Secondly, the quantity of horses available to race is declining. You need a certain number of horses in order to maintain a racetrack.

**Mr. Massimo Pacetti:** It has nothing to do with interests, with the fact that people have other things to do, or with the fact that you're one of many in the entertainment industry? Are those things not factors as well? I don't know if putting more money in the horse racing industry will solve anything.

**Mr. Michael Van Every:** What we're expecting it to do, first of all, is maintain and grow the industry. It will maintain the employment we have. More importantly, it will increase the quality of the horses being bred. This is a risky business. We see the quality improving dramatically in the United States. We see more American-bred and -owned horses racing in Canada and taking purse money out of this country. It's a shame.

•(1825)

**Mr. Massimo Pacetti:** Thank you, Mr. Van Every.

Mr. Yakabuski, quickly, how able are people to get insurance, when we're talking about car insurance and house insurance and home insurance? I'm not sure if there's been an increase or a decrease in people's being eligible. Do you face the same situation as that for life insurance?

**Mr. Mark Yakabuski:** I would say that over the last three years in particular, as the industry has returned to an acceptable level of profitability, affordability of insurance in Canada is improving substantially. Essentially, most small and larger businesses would have seen stable or declining rates over the past twelve months. House insurance costs, in most parts of Canada, are of the same order, and we have seen a tremendous improvement in the availability of auto insurance in a number of provinces in Canada.

**Mr. Massimo Pacetti:** Are people eligible? Are people getting car insurance?

**Mr. Mark Yakabuski:** Are more people getting car insurance?

**Mr. Massimo Pacetti:** Yes. For somebody who's had two or three claims—

**Mr. Mark Yakabuski:** Yes. In Ontario, we had a quarter of a million people who were in what's called the facility association in 2003; that's the insurer of last resort. Today, there are fewer than 30,000 cars in facility association in Ontario.

**Mr. Massimo Pacetti:** That could be because they are no longer—

**Mr. Mark Yakabuski:** There has been a substantial improvement in availability.

**Mr. Massimo Pacetti:** —insurable or because they've fallen off—

**Mr. Mark Yakabuski:** No, far from it. In fact, the number of cars insured in Ontario has also improved.

**Mr. Massimo Pacetti:** That's what I want to hear.

**Mr. Mark Yakabuski:** The number of complaints that we have gotten with respect to non-availability of insurance, particularly in the province of Ontario, has plummeted over the past two and a half years, and I'd be happy to share our stats in that regard.

**The Chair:** Thank you very much, sir.

I'll just let you know, panel, you're going to hear bells ringing and lights flashing in a moment, and that's not a fire alarm. That just means we're being called to a vote. We'll continue with two more questioners, despite those distractions.

Mr. Dykstra, you have five minutes.

**Mr. Rick Dykstra:** Thank you, Mr. Chair. I thought you were actually going to say that it's because I was going to be asking the next question.

**The Chair:** I'm sure that would be a highlight for all of us, Mr. Dykstra.

**Mr. Rick Dykstra:** I wanted to ask Mr. Van Every one thing, just to follow up on a point that Mr. Pacetti made. Having worked, somewhat intimately, on the strategy in Ontario with respect to the tracks, we did see that not all eighteen tracks remained viable. For those still in operation, the initiative with the slots and the 5% revenue that was dedicated specifically to the purses at the racetracks have had a very positive outcome. In fact, over the last seven to eight to nine years, this has actually really helped the industry in Ontario.

I, too, am wondering why there wouldn't be, as in the rest of the country, an industry-led rejuvenation instead of an application to the federal government to get more engaged and to finance it. I ask for your comments.

**Mr. Michael Van Every:** There is no question that industry is working on developing slots at racetracks across the country.

Half the profits go to the track itself to maintain it and improve the infrastructure. The other half is allocated to the purse structure.

Unfortunately, in both standardbred and thoroughbred racing, some amount of the purse money is actually going to horses bred in the United States and owned by Americans.

Their tax structure is so much more favourable than ours. They're able to take a greater risk, to breed better quality, to buy better horses. And they're coming into this country and taking away our revenue.

**Mr. Rick Dykstra:** Ms. Chisholm, I want to make a quick comment and then get your thoughts.

Part of the difficulty here is that we've made such a significant federal investment in affordable housing that everybody around the table wants to take a piece of the credit for it. I guess that's a good thing overall. At the end of the day, from your perspective, it's not about being partisan; it's about delivering housing.

It worries me that there's a continual undertone in your presentation of concern about what's not going to happen, or what's going to be cut. I don't need to read your comment back to you about the positive outcome that the 2006-07 budget had. This committee is about the opportunity to talk about the future and the potential investments we could make and how we can make them. It's about the present funding and the funding you may request in the future. It's not so much about coming to express fears surrounding what's not going to happen.

• (1830)

**Ms. Sharon Chisholm:** Yes, I think that's a very interesting and somewhat valid point. I'm not going to disagree with you.

But I guess we would feel more confident if we had the opportunity to meet with the minister responsible. We would really like to do this. It would help if we were able to make a presentation when the minister responsible was meeting with her provincial colleagues. And of course we would like to hear something back.

Maybe we're jumping the gun. We want to give positive messages to this government. They've made an investment in housing, but I want them to look at all the great things they can get out of it. These benefits go beyond what the provinces are looking for in the way of social policy. There are all kinds of economic imperatives to invest in housing.

**Mr. Rick Dykstra:** That's exactly what we're trying to do. You may have come to the finance committee to talk a bit about that, but this committee isn't necessarily the best place to talk about some of these issues and the partnerships you want to make. Perhaps a better forum would be the ministries responsible for implementing the moneys that have been committed.

**Ms. Sharon Chisholm:** Yes, that's a point well made.

We would appreciate any assistance you could provide in helping us to expedite those meetings. We've kept up communications with Ed Komarnicki. He has been very helpful, but it's time to meet with the minister as well.

**Mr. Rick Dykstra:** We've made a \$1.4 billion commitment to affordable housing from a federal perspective. I've been asking provinces, territories, and municipalities across the country if they don't think it's time for them to come to the table and match this type of funding. This way we would be able to take this even closer to what we need to do.

**Ms. Sharon Chisholm:** I have no argument on that score.

**The Chair:** We'll now conclude with Mr. McCallum.

**Hon. John McCallum:** I have a question for Chief Warden. I thought one of your recommendations looked quite interesting but

wasn't described in much detail. This is recommendation 5, where you talk about the cost of equipping the entire first responder community nationwide with hand-held communication devices. The federal government would pay 50%, and this would be done in the next budget. I'm curious about what this is.

**Chief Donald Warden:** It's actually a radio that we could use to communicate directly with each firefighter in an emergency. If something goes wrong at a scene, when you holler, "Mayday!", everybody would get the message.

In today's fire service a lot of people don't hear the communications. They may be carrying a pager that doesn't work.

**Hon. John McCallum:** Would it include all first responders? If firefighters could communicate with other first responders, that would be good.

**Chief Donald Warden:** That would be fantastic. If we could get an interoperable system in place in Canada, that would be tremendous, and we'd applaud you if you were to take that initiative and ensure we got it.

**Hon. John McCallum:** From my defence days, I remember that interoperability is important, but it's difficult to achieve.

**Chief Donald Warden:** Yes, it is, but if everybody works together, I believe it can be achieved. It's now being achieved in some other countries in North America; they are starting to work towards it. It's time we also took up the challenge and make it happen.

**Hon. John McCallum:** Great. Thank you very much.

**The Chair:** Thank you.

We'd like to see that happen. Some of us would like to see that happen here at this committee too.

**Some hon. members:** Oh, oh!

**The Chair:** Thank you for all of your presentations.

Chief Warden, you mentioned you were a hockey coach. I think those of us who have been involved in the coaching fraternity know that a lot of coaches of hockey and other sports deserve the risk pay for dealing with the parents of some of those young people they are coaching.

We thank you for your work, and we thank you all very much for being here with us today. On behalf of the committee, we appreciate your reports.

**Chief Donald Warden:** Thank you.

**The Chair:** We are adjourned.







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