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Mr. Brian Pallister

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● (1530)

[*English*]

The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)): I'd like to invite our panel to come forward.

We appreciate your being here today as part of the pre-budget consultative process. Our finance committee has been mandated by the House of Commons to carry out these consultations and to prepare reports to the finance minister later this year. We look forward to hearing your testimony and thank you all in advance for your participation and also for the preparation of the briefs you have submitted to us.

I will indicate to you when you have a minute left of your five, if you care to make eye contact, but I will cut you off soon after. You understand, of course, my reason for that is to allow time for an exchange with the committee members thereafter.

Unfortunately, today we have had to shorten the session slightly because of an impending vote this afternoon, so we'll get under way immediately. We will begin with Jim Facette, who is here on behalf of the Canadian Airports Council.

Welcome, sir, and over to you for five minutes.

Mr. Jim Facette (President and Chief Executive Officer, Canadian Airports Council): Thank you, Mr. Chair.

Good afternoon, ladies and gentlemen. Thank you for the opportunity to address you today on the importance of Canada's airports to our nation's economic competitiveness.

The Canadian Airports Council is the national voice for Canada's airports, with 45 members representing 150 airports, including all national airport system airports. Our members handle 95% of passenger traffic and 100% of the cargo traffic.

The theme of the pre-budget consultations—Canada's place in a competitive world—is one that the Canadian Airports Council is honoured to address. Several key areas of federal policy today directly, and often adversely, affect the competitiveness of Canada's airports in the world. On a host of issues, federal policy and spending priorities have an important impact on competitiveness for our airports. In the short time that I have, I'll present our five-point plan that we believe is worthy of this committee's attention in its report to the minister.

Airport rents. Canada is unique in the developed world for charging airport rents, and it creates a dramatic competitive disadvantage for Canada's airports, a burden of some $300 million a year. On assets valued at about $2 billion at the time of transfer, Canada's airports have paid back more than $2.5 billion in rent. Canada's airports have more than repaid the federal government for its initial investment in the nation's airports, while simultaneously investing more than $9 billion to upgrade and expand Canada's air transportation infrastructure to ensure we are well positioned for future growth and tomorrow's trade opportunities.

The future cost to airports of rent is estimated by our industry at $35 billion. As an interim measure, the definition of airport revenue that is used to calculate rent should be reformed. Most notably, revenue raised to cover debt servicing costs should be excluded from the total revenue used to calculate rent. It is not today. And as currently written, the definition punishes airports for making the very capital infrastructure investments that were tasked to them under Canada's national airport policy.

Canada Border Services Agency. Simply put, we are asking this committee to recommend to the Minister of Finance that the Canada Border Services Agency be given more money in order to meet the growing demand for customs services at airports. The role of customs agents at airports cannot be understated. As we move toward more liberalized air service agreements, we will need to have the necessary infrastructure in place to deal with the growing demands on the system.

● (1535)

[*Translation*]

Our smaller airports, that is, airports with less than two million passengers per year, find it difficult to attract international carriers if they don’t provide customs services. Many other small communities also have to pay for customs services and basically, these communities are being penalized for ensuring essential economic ties by means of a new international air service.

[*English*]

Arrivals duty-free. This summer, on August 10, security incidents demonstrated how vulnerable Canada's airports can be to ever-changing security requirements. Currently, Canadian federal duty-free-related laws and regulations do not permit the sale of duty-free goods upon arrival at Canadian airports. Duty-free or tax-free sales at Canadian airports are only available for persons who are about to leave Canada. The prohibition of arrivals duty-free creates a competitive disadvantage for Canadian airports and reduces the potential revenues that could be generated from international visitors and returning residents. Canadian airports are seeking support to change the Customs Act and duty-free shop regulations to permit arrivals duty-free at Canadian airports.

International air service agreements. CAC believes that we must liberalize our air service agreements in order to be more competitive. We need a new international air policy, one that will open up opportunities to Canadian airports and the communities they serve to the world.

In conclusion, Canada's airports play a vital role in the competitiveness of Canada in the world. They facilitate trade, connecting Canadians and Canadian business with the world. Strong, financially viable airports able to compete on an equal footing with other airports around the world, and with the resources required to take advantage of opportunities present today, are essential to Canada's continued economic viability.

Thank you very much, Mr. Chair.

The Chair: Thank you for your presentation, sir.

We continue with Genworth Financial's Peter Vukanovich. Welcome, sir.

Mr. Peter Vukanovich (President and Chief Executive Officer, Genworth Financial Canada): Good afternoon, everyone. My name is Peter Vukanovich, and I'm the president of Genworth Financial Canada. We are Canada's home ownership company. Since 1995 we've helped over 700,000 low- and middle-income families achieve the dream of home ownership, both affordably and efficiently. I want to thank the committee today for having me here and allowing me to participate in these consultations.

You'll be pleased to know that I'm not here asking you for any money. However, I would like to remind you of the vital importance to our economy of a healthy and stable housing finance system, and to ask you to consider two recommendations to strengthen the system and benefit Canadian homebuyers.

For nearly a decade we've enjoyed a robust housing market characterized by record housing starts, steady price appreciation, and rapidly expanding access to mortgage credit. As a result, the wealth of many Canadians has grown substantially. However, it's becoming increasingly clear from a range of indicators that the housing market is slowing. Like all economic sectors, the housing market moves in cycles, and at this time in the cycle, it is more important than ever to ensure that we have strong mortgage insurance providers in our country.

Let me share with you two fundamental reasons why Canadians need strong mortgage insurers to mitigate the impact of a potential slowdown. First, it's our business to help more than 150,000 families a year who rely on mortgage insurance to get into a home. We also want to help them stay in it, even when they encounter periods of economic distress. Rather than force foreclosures on homeowners who temporarily default on their loan payments, mortgage insurers are highly incented to help people stay in their homes. This includes deferring payments and forgiving loans, and we do these things many hundreds of times a year for people in distress.

Additionally, when housing markets slow, defaults increase—that's the business we're in. Mortgage insurers play a vital role in speeding market recoveries by ensuring that there are mortgage funds available in both good and bad economic times, from large and small lenders alike. Rather than exit the markets as a result of increased claim payments, mortgage insurers stay committed. They stay committed to markets by writing new policies and by drawing on the reserves they have built up over the years during good times. The good news is that unlike in the 1980s and 1990s, today's insurers are currently well-positioned to keep delivering these important benefits to homebuyers.

I'd now like to suggest two important actions that this committee can recommend to strengthen the current mortgage insurance marketplace to the benefit of both homebuyers and the economy. These will likely sound familiar to many of you, as I was before this committee earlier this year.

The main thing we'd like to see is for the federal government to finish the job it started in last year's budget, when it introduced legislation to allow new entrants into the mortgage insurance market. As I told this committee earlier this year, I'd like to emphasize again that Genworth Financial fully supports and welcomes the principle of increased competition. However, we believe that the federal government's own goals of providing “greater choice and innovation in the market for mortgage insurance, benefiting homebuyers and promoting home ownership” will be undermined unless additional measures are introduced to support the legislation.

We believe the federal government should introduce market conduct rules or safeguards to ensure that the Canadian homebuyer actually benefits from this increased competition.

I have a legal opinion here from one of Canada's leading experts in the area, stating that the “current provincial insurance legislation does not adequately protect the policy goal of ensuring that the benefits of competition in the mortgage insurance industry inure to the people who ultimately pay for the mortgage insurance, the homebuyers, and not to those who get the benefit of the insurance, the mortgage lenders”.

We've made progress on this issue. We're very pleased. We've spent a lot of time at the Department of Finance. I would be very appreciative if this committee could recommend to the minister and the department that they go along with our recommendation.

Our second recommendation is to level the playing field with regard to the government guarantees to back up all players in the marketplace. I've told you about this before. It creates for our customers a difference in pricing whose time has passed. It made sense at one time in history, but based on the products and services delivered today, lenders should be choosing the product that best serves consumers.

In summary, the viability of Canada's real estate market is largely within the federal government's ability to control. Given the importance of this sector, we strongly suggest that the federal government do what it can to ensure that it remains strong and competitive and beneficial to Canadian homebuyers.

Mr. Chair. I appreciate your having me here. I'd be happy to answer any questions at a later time.

● (1540)

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

We'll continue with Ward Griffin from the Canadian Printing Industries Association.

Welcome, sir.

Mr. Ward Griffin (Immediate Past President, Canadian Printing Industries Association): Thank you, Mr. Chairman, and good afternoon, ladies and gentlemen.

My name is Ward Griffin, and I am here today in my position as immediate past chairman of the Canadian Printing Industries Association. I'm also president of the Lowe-Martin Group, headquartered here in Ottawa.

The CPIA represents the many companies in the pre-press, print, bindery, and allied industries. Commercial printing is Canada's largest manufacturing industry, measured by number of establishments. The industry's 5,800 firms employ 84,000 people and contribute $12 billion to the economy, including $2 billion in exports.

Smaller firms dominate the industry. Printing establishments are located in virtually every community of any size. They provide stable career employment and economic activity in all parts of Canada.

Two themes dominate this submission. First, the Canadian economy is slowing down, meaning that a pro-business budget is necessary. Second, the budget must take action to improve the international competitiveness of Canadian manufacturers. The Canadian Printing Industries Association believes that these issues are more pressing than the questions asked by the standing committee about choosing between tax reductions and more program spending.

For some years, the CPIA has described problems associated with the capital cost allowance treatment of computer-like equipment used in our industry. Such equipment becomes technologically obsolete long before it wears out. It must be replaced prior to being fully depreciated, creating additional costs for printers already having trouble competing against non-Canadian firms. The CCA rate needs to be accelerated to reflect the true nature of our assets.

We also believe companies eligible for the small business rate should be able to expense data processing and digital equipment up to $45,000 in the year of acquisition. There are no two measures the standing committee could embrace that would have a more positive impact on the printing industry than to permit accelerated write-offs to computer-like equipment and to allow this expensing.

A 2004 report done for the CPIA by Ernst & Young entitled “Capital Cost Allowance for the Canadian Printing Industry” was presented to Finance Canada and included recommendations for improvement of the CCA system. The report made clear that improved productivity, achieved through increased and accelerated investment in physical assets, would have a positive impact on the growth of the Canadian economy, not just the printing industry. The report also observed that such measures would result in increased government revenue in the long run.

This wider benefit should be regarded by the standing committee as significant. The Canadian economy is slowing down. Adjustments to the CCA would therefore be well received by Canadian manufacturers who are generally seeking stimulus to spur investments.

It should also be noted that Canadian-based manufacturers are being faced with a capital cost allowance system in the United States that provides their manufacturers with a competitive advantage in both domestic and international trade.

Our submission also identifies three other non-tax measures that would improve the competitiveness of our industry. First, ensure a positive climate primarily in the U.S. for Canadian exporters; second, accelerate the process of attracting skilled immigrants to Canada and integrating them into the workplace; and finally, discontinue subsidies to Canadian publishers that continue to have their books printed outside of Canada.

Three measures that would improve the competitiveness of our industry have also been advanced in our brief. They include, first, implement broadly based and significant personal income tax relief; second, eliminate the corporate surtax for all businesses in 2008 and accelerate the reduction in the general corporate rate; and third, accelerate reductions in the small business rate.

Another issue raised in our brief is the need for an approach to taxing gasoline and diesel fuel that would mitigate the impact of rapidly rising prices.

Thank you for your attention to my remarks. I look forward to discussing them further with you shortly.

● (1545)

[*Translation*]

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

The Chair will now recognize Mr. Pierre Beauchamp from the Canadian Real Estate Association.

Mr. Pierre Beauchamp (Chief Executive Officer, Canadian Real Estate Association): Thank you very much, Mr. Chair.

[*English*]

Thank you, Mr. Chair, for this opportunity to appear before you today.

I'm here as CEO of the Canadian Real Estate Association, which represents 86,000 realtors in Canada who contribute to the economy and the life in their communities, large and small, throughout our country.

[*Translation*]

Mr. Chair, each committee member has received a copy of our pre-budget recommendation. I hope the committee will support our recommendations on the federal housing policy.

[*English*]

Mr. Chairman, you asked us to address the theme of Canada's place in a competitive world. You asked us, and I quote, "What specific federal tax and/or program spending measures should be implemented in the upcoming budget to ensure that our businesses are competitive?"

To answer your question, we propose an income tax amendment that we have researched, developed, and advocated for several years now. That is the deferral of capital gains tax when an investment property is sold and the proceeds of the sale are reinvested in another property within one year.

The latest results from the World Economic Forum indicate that Canada's global economic stature is slowly eroding. On the World Economic Forum index that measures global competitiveness, Canada fell from thirteenth to sixteenth place over the last year. Among the reasons for the slide are Canada's high taxes and a banking system that does not encourage the free flow of investments to a variety of assets. The small investors are particularly disadvantaged. Canada is not leveraging its wealth to maintain its capital advantage.

Our proposal responds to those issues. Reinvestment in income property is an effective means to leverage some of this wealth, with a view to providing the quality environments required to sustain economic prosperity. Virtually the only criticism of the rollover concept has focused on the potential losses to the treasury for deferred tax revenues. But please note, this is not a deferral and not foregone revenue.

As the population ages and the number of productive taxpayers inevitably drops, anything that adds to the volume of tax revenue in the future must be considered prudent. Mainly, though, the cost argument overlooks the economic and social benefits generated by investment activity. These benefits aren't always easy to quantify, but let's be clear: today investors are sitting on their investments because of the tax consequences of selling. They are not selling. As a result, the government is not getting capital gains tax revenue.

● (1550)

[*Translation*]

Our commercial members provide us with examples of properties that could greatly enhance the neighbourhood. We simply live in them. They don't change hands and are never improved upon. They could be part of the solution rather than promoting stagnation and deterioration.

[*English*]

The sale of investment properties triggers economic spinoffs. Small investors typically undertake renovations when they invest. To expand the volume of investment is to expand the volume of renovations and other purchases. Our proposal also helps to underpin the pace of labour mobility. This is particularly important in the light of economic activity in western Canada.

Canadians are increasingly migrating to where jobs exist. They should be able to migrate their assets with them. Households can move their furniture and belongings, including their stocks and bonds, but not their real estate investments without substantial tax consequences.

The minister has spoken about a pro-growth strategy. He has talked about liberating the forces of investment as a key to economic competitiveness. Our proposal is a natural component of such a strategy. It has the potential to help revitalize our communities and contribute to wider economic prosperity.

With me today is Dr. James McKellar, a professor and director of the program in real estate property at the Schulich School of Business at York University. Dr. McKellar has worked with us on this issue for a number of years. We are now ready to work with the government to help design an appropriate rollover of capital gains tax for investors.

The second recommendation is to increase the RRSP withdrawal limits under the national homebuyers plan. These limits were set back in 1992, and should be adjusted every five years to account for inflation. We're asking the committee to recommend that a maximum loan amount be raised from $20,000 to $25,000 to account for inflation.

The third recommendation we would like to highlight is the continuation of federal funding for the residential rehabilitation assistance program, or RRAP. The current federal funding ends in March 2007. We're asking this committee to recommend a further three-year extension of RRAP funding to 2010.

Thank you, Mr. Chair, for considering our comments. James McKellar and I would both be glad to answer any questions you may have today.

The Chair: *Merci beaucoup, Monsieur Beauchamp.*

We'll continue with David Stewart-Patterson from the Canadian Council of Chief Executives. Welcome back, sir, and proceed.

Mr. David Stewart-Patterson (Executive Vice-President, Canadian Council of Chief Executives): Thank you, Mr. Chairman. It's a pleasure to appear before this committee once again to talk about priorities for the next budget.

On the surface I guess Canada's economy looks pretty good these days. We're now in our fifteenth consecutive year of economic growth; unemployment is at three-decade lows; income is rising; inflation and interest rates remain modest; and governments, federal and provincial, are raking in surpluses. However, our country does face serious challenges. The economy of the United States, our biggest market, is weakening. New economic powers such as China and India are transforming the competitive landscape worldwide. Manufacturers in particular are struggling with high energy prices and a high dollar.

This is why the Canadian Council of Chief Executives has focused so intensely over the past year on the need for a strategic approach to the question of how and where Canada should compete in the world. We therefore strongly support the commitment in the 2006 budget to develop a comprehensive, results-focused agenda for improving Canada's productivity and competitiveness. To this end, we also support the government's fiscal prudence, including its commitment of over $13 billion of surplus to debt reduction this year and its willingness to make tough choices when it comes to the review and reallocation of existing spending.

Earlier this year, we laid out a broad framework for competitiveness in a paper we called “From Bronze to Gold”. We expanded recently on this framework in a memorandum for the Prime Minister, and we've distributed copies of that memo to you today.

In short, many factors matter to Canada's ability to compete for people, ideas, and money within the global economy. To compete for people, we need safe streets, clean air, and access to high-quality education and training. To compete for ideas, we need public investment in research, better ways to commercialize those new discoveries, and sound treatment of intellectual property. To compete for investment, we need efficient regulatory processes, modern infrastructure, and of course, assured access to our markets. But on all three fronts—people, ideas, and money—the single most effective tool that governments have at their disposal is that of tax policy. To build a more productive and innovative economy, the next budget therefore should include further cuts to both personal and corporate tax rates.

In particular, our personal tax system must do more to reward people for investing in themselves and for investing in the economy. Increasing the basic personal exemption, for instance, would encourage more people to get into the workforce. Reducing punitive clawback rates on income-tested benefits would encourage people of modest income to aim for better jobs. Expanding the education and tuition tax credits would encourage more Canadians to invest in lifelong learning.

There should be higher contribution limits and more opportunities for tax-sheltered savings. The dividend tax credit should be made refundable to pension plans and RRSPs—that's a key element of the income trust issue. And people should have some ability to defer paying capital gains tax when they roll the proceeds of one investment into another.

Canadians want the best returns they can get when they set aside savings out of their hard-earned wages, and so do investors everywhere else in the world. The result is that corporate tax rates have a huge impact on where money flows. Canada has made some real progress in recent years in reducing corporate income tax rates. The result has been more, rather than less, money for governments. But this country is not alone in using corporate tax policy to attract investment, and Canada must go further.

As next steps, the government should eliminate the capital tax on financial institutions, accelerate the reduction in corporate income tax that has already been announced, and commit to a further reduction in the corporate tax rate to 15% after 2010. It should also ensure that capital cost allowance rates, as mentioned, reflect the actual useful life of assets, and it should consider a temporary acceleration of write-off rates to help manufacturers cope with the current competitive crunch. Also, it sounds like a minor matter perhaps, but it should eliminate the withholding tax on interest payments under the Canada-U.S. tax treaty. It's something that has been under negotiation for a while. It matters a lot to the ability of Canadian companies to buy other companies in the U.S.

Tax policy, I want to conclude by saying, is not an issue for the federal government alone. It's time for more provinces to step up to the plate and do their share. Our council is prepared to support bold action to help provincial governments meet growing needs in their jurisdiction, but we believe it's equally fair for the federal government to ask the provinces to work together in the national interest.

The Minister of Finance has put on the table the need to complete the conversion of provincial sales taxes to a value-added base and the need to form a single regulator for securities markets. We would suggest that action by provinces on these fronts should be a condition of the next federal-provincial agreement on fiscal arrangements.

Let me close by repeating that many factors matter to competitiveness. Anything that moves us in the right direction will be welcome, but no competitiveness strategy is going to be effective without further cuts in tax rates.

Thank you.

● (1555)

The Chair: Thank you all for your excellent presentations.

We'll move immediately to questions. These will be five-minute rounds.

Mr. McCallum.

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

Perhaps I'll start with Mr. Stewart-Patterson.

I certainly agree with a great deal of what you've said, and I agree with the importance of competitiveness. Would you be in agreement with the OECD, the IMF, and the majority of economists that, from the competitiveness point of view, it's better to reduce income tax than GST?

Mr. David Stewart-Patterson: I would say that anything that reduces the overall tax burden is helpful. I think the economic evidence is pretty clear. If the central goal of a tax cut is to accelerate economic growth and accelerate investment, you get the most bang for the buck out of income tax cuts rather than out of consumption tax cuts. You also get more bang for the buck out of corporate tax cuts than out of personal tax cuts. That's the economic evidence.

I think we understand the political realities, as well, in terms of what's feasible at any given time.

Hon. John McCallum: I agree with that. I think that is a fair answer.

In terms of countries, like China and India, that are big competitors of ours—this is not a political question, although perhaps the last one was—I don't think our country is doing particularly well in those countries, when you look at the numbers on trade and investment, relative to other countries. How can we do better? In particular, do you think we should be more active in forming free trade agreements or other kinds of agreements with such countries than we have been in the past?

Mr. David Stewart-Patterson: Canada traditionally has focused on the multilateral process in terms of trade liberalization and investment rules. For a relatively small power, it's obviously easier for us to work within a multilateral framework, or at least within a regional one.

Given what's happened to the Doha Round in the WTO, I think it has given us a new need to focus more intensely on potential bilateral relationships. Where is the growth coming from in the world? Where are the big opportunities? And where is the big competition coming from? Canada clearly needs to devote more attention to Asia. I think that China and India are the two biggest and fastest-growing markets. They deserve special attention. But I think that entire region deserves closer attention, not just at a multilateral level but at a bilateral level.

Hon. John McCallum: Thanks.

Mr. Beauchamp, I agree with two of your three recommendations. I have a little bit of difficulty with the capital gains one. The government, in the election campaign, made a promise that turned out to be technically impossible and much more expensive to do, I think. It was essentially to defer capital gains for everybody if that money was reinvested within a certain period of time.

Is your proposal pretty well the same as that, but applied to your sector alone? Is that what it is?

● (1600)

Mr. Pierre Beauchamp: No. The proposal is specifically designed for rental income property, to allow it to simply defer the tax on capital gains, provided the funds are reinvested.

Hon. John McCallum: But that was the same promise the government made much more generally in the election campaign.

Mr. Pierre Beauchamp: Yes, I know, but we've done sufficient research now. We believe we can work with the government to achieve a result that is going to benefit Canadians in Canada and allow reinvestment of those funds, as opposed to having people just sit on the funds, as I pointed out in my comments earlier.

Hon. John McCallum: Why should it be only your industry and not other investments too?

Mr. Pierre Beauchamp: It is not our industry specifically; it is for Canadian consumers. It's Canadian consumers who are the investors here, not the real estate brokers, not the members of our association.

Hon. John McCallum: But why real estate only? That's my question.

Mr. Pierre Beauchamp: Because real estate only is not involved. Stocks and other areas can be transferred, but not this particular sector. I think there's been a problem with this sector. Why not real estate?

Hon. John McCallum: Because I don't see any particular reason.... Perhaps you can say yes to real estate, but I don't see any particular reason why, if it's yes to real estate, it shouldn't be yes to everybody. So you haven't really answered the question. Why real estate?

Mr. Pierre Beauchamp: I would ask Dr. McKellar, who is our expert and who has done considerable research over a period of time, to address that specific question.

Hon. John McCallum: Thank you very much.

[*Translation*]

The Chair: Mr. St-Cyr, you have five minutes.

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

My first question goes to Mr. Beauchamp from the Canadian Real Estate Association. At page 11 of the submission that was presented to the committee, you mention the Energuide for Houses and you state that:

> The Canadian Real Estate Association recommends that the federal government restore funding for the EnerGuide for Houses and the EnerGuide for Low-Income Households as part of its “Made in Canada” plan for climate change.

If you want the program to be reinstated, I suppose it’s because you think it’s efficient, and that is contrary to the present government’s position. If you had to measure the EnerGuide program’s efficiency — and perhaps you have done so before presenting this recommendation —, how would you proceed? Would you calculate the cost of reducing a certain quantity of greenhouse gas emissions or would you use the allotted ratio for the program’s evaluation costs as compared to the total envelope?

Mr. Pierre Beauchamp: Statistics show that homeowners have saved 28% annually in energy costs. In our view, that's a good enough reason to maintain the program. This program was established in 2003 to provide funding to homeowners that wanted to have their home evaluated as to their level of energy consumption.

Up until now, the results have been positive. We ask why, in these circumstances, should we not maintain this program?

Mr. Thierry St-Cyr: Have you evaluated how much each ton of greenhouse gas emissions cost to the program?

Mr. Pierre Beauchamp: No, I don't have that data.

Mr. Thierry St-Cyr: I think it's the only interesting data. If we want a reduction in greenhouse gas emissions, we have to find out, for every dollar spent, where the reduction is greatest.

I now wish to raise the second point, the Home Buyer's Plan or HBP. I must admit that I myself have recently used this plan. You say that 793,000 people have acquired a home thanks to the HBP. However, do you know what percentage is really due to the HBP or how many of them would not have acquired a home without the program? For my part, I would have acquired a home with or without the program but I would not have been able to raise the 25% investment required. I would have had to resort to Mr. Vukanovich in order to contract an insurance, which I did not have to do.

In a nutshell, are there any studies that pinpoint the real impact of this program on a person's decision to buy?

● (1605)

Mr. Pierre Beauchamp: This program exists since 1992 and it has been very successful. Statistics show that it is quite popular. There are no statistics showing that certain homebuyers would not have bought their home if they had not been able to avail themselves of this program.

It is, however, quite clear that people who heard about this program have used it and have been able to say that it works quite well. The program should be maintained. We also believe that the maximum loan should be 25,000$ as mentioned in our presentation.

Mr. Thierry St-Cyr: To allow for inflation.

Mr. Stewart-Patterson, I noticed, at pages 5 and 6 of your submission, that you suggested an income tax reduction, and therefore, a drop in Government revenues. You then present a number of recommendations, to whit, access to postsecondary studies, employee training, delayed retirement incentives and the recruitment and integration of immigrants.

If one had to choose, what would you suggest? That we concentrate on access to postsecondary education and spend as you recommend or rather not spend and concentrate our efforts solely on tax reduction?

[*English*]

Mr. David Stewart-Patterson: I think the question is whether in fact there's a choice to be made. When we look at whether we spend or cut taxes, that question tends to be asked in a static way.

[*Translation*]

Mr. Thierry St-Cyr: Mr. Stewart-Patterson, the committee's procedures allow each person to present five or seven recommendations. A choice is then made between the various recommendations. I will have to choose. That's why I'm asking you to tell me which one I should choose.

[*English*]

Mr. David Stewart-Patterson: I think I tried to make known—

The Chair: *Merci beaucoup, monsieur.*

We will continue now with Madam Ablonczy. Five minutes, please.

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

I see Mr. McKellar there looking very expert. Because of my high regard for my colleague Mr. McCallum, I would like to give you an opportunity to answer the question he put to you earlier.

Mr. James McKellar (Advisor, Canadian Real Estate Association): There's a long and a short answer. I'll give you the short answer.

Right now, there is an opportunity for a Canadian taxpayer to invest in stocks and bonds tax free. It's called an RRSP. Real estate, for example, is specifically excluded. So there's one situation that is punitive in terms of real estate. Whether in fact you want to expand it, I think we're here to address one aspect of the act. I am sure there are other people in this room who may feel that it's in the interest of Canadians to expand that. But certainly real estate is at a disadvantage in many categories.

Ms. Diane Ablonczy: All right. I appreciate that very much.

Mr. Patterson, you have a number of proposals in your brief. Pick two big ones that would be first on your wish list.

Mr. David Stewart-Patterson: As I said, I think there are a lot of things that would help move this country in the direction of a more competitive economy. If I had to pick, my bias would be towards cutting taxes. What is my reason? Just look at the impact. It comes back to the question that Mr. St-Cyr raised: what is it that's going to create more revenue for governments?

I think it's instructive to look at what's happened to corporate taxes and corporate tax revenue over the last five years. As the corporate income tax rate has come down significantly, nonetheless corporate income taxes made up 14.3% of the total federal revenue last year. That's the highest they've ever been except in one year out of the past 20. The average corporate income tax revenues, as a share of the total tax take for the federal government, has been two percentage points higher in the last five years than it was in the best five years of the eighties. So we're seeing some clear proof there that further action on the corporate tax front is going to pay off. It's going to pay off remarkably quickly with the kind of revenues that the government needs to do other things as well.

The other item I might just focus on is the tax treatment of dividends. I know there's some concern out there about the income trust question, and whether companies are being pushed, for tax reasons, to convert from a business form or a corporate form of an organization to an income trust form. The previous government introduced one important reform by increasing the dividend tax credit. That was fine for taxable investors. The fact is that millions of Canadians who save for retirement through their pension funds and through their RRSPs are basically being double-taxed on their dividends, as things stand now, because the dividend tax credit is not refundable to pension plans and RRSPs.

I think if you wanted to do something really useful to encourage people to invest, in other words to do something for individuals that also would help the country's companies, focus on how to grow their businesses rather than on how to structure them for tax purposes. I think that would be useful on both fronts.

● (1610)

Ms. Diane Ablonczy: We were just talking about the capital gains tax rollover provisions. Let me play devil's advocate. Some have suggested that would be difficult to administer. Do you have any advice or insight into that issue?

Mr. David Stewart-Patterson: Frankly, on that front, I would not pretend to have any expertise. My instinctive reaction is that it may be very difficult to design something that works. My comment is to suggest that anything that encourages people to save more, to invest more, is a positive thing. Obviously allowing people to roll things over from one investment into another and defer tax along the way, in principle, sounds like a good idea. I don't know if that can be designed properly.

I think we've had more specific suggestions here today, and I'm open-minded to that. If I were trying to narrow it down, if I were trying to choose, my instinct would be to do something on the dividend side, on the refundability to pension plans, because that is doable. It is measurable. It's quite simple to do.

Capital gains treatment, as I say, in principle sounds like a good idea. If there's a model that can work, and can work cleanly, I'd say let's go for it. But I think it is a complex design issue, and I'm waiting to see whether people with more expertise than I have can come up with a design that actually works.

Ms. Diane Ablonczy: Okay. That's helpful. Thank you very much.

The Chair: We'll continue with Madam Wasylycia-Leis.

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

First, let me ask Mr. Stewart-Patterson a question. I almost think that we found an area of agreement here on income trusts, and I'm shuddering to think of the possibilities. Is it true that you consider that perhaps the whole arrangement around income trusts is not conducive to what the business sector needs to do, which is to contribute to our growing the economy, and that this just seems to be a way to constantly restructure and find new avenues to deal with taxes, as opposed to what's really at hand?

Mr. David Stewart-Patterson: Well, it's interesting. We had a very detailed discussion amongst our members a year ago when this issue was explicitly on the table, and we asked our members a number of questions in terms of their perception of whether converting to an income trust leads to a more conservative management approach. In other words, do you start focusing on paying things out instead of growing businesses? Certainly, that's one view. The alternative view is that because income trusts pay everything out every year, if they want to grow, they have to go back to market and persuade investors to put new money into the company, and that discipline may be good for competitiveness.

Frankly, opinion within the business community on that economic efficiency question was split, but I think, in terms of what you do about it, there was a clear feeling amongst our members that companies were being pushed to consider converting from a corporate form to an income trust form, whether or not it made sense for the business, in their view. In other words, they're being pushed to consider that, and to take time to analyze it and consider it, and to respond to the concerns of the big institutional investors, the pension funds.

Ms. Judy Wasylycia-Leis: Do you think it might be worthwhile to actually try to put a freeze on new income trusts and to spend some time studying the impact on economic growth, industrial strategies, and pension funds?

Mr. David Stewart-Patterson: I think there's been a pretty thorough analysis on all of this. I think it's important to ensure that companies choose the form of organization that works in terms of growing the business and in terms of whether it's appropriate for the business they're in, as opposed to getting involved in this kind of thing because of imbalances and tax policy. That's why I think the solution was very clear.

In the survey of our members that we did last year, we found it to be quite interesting that by a margin of two to one, our members said fixing the tax treatment of dividends, not only for taxable investors but for pension funds, would be a more useful change in tax policy and a more important change in tax policy than a further cut to the corporate income tax rate. In other words, when we put it to them bluntly and asked how urgent it was to deal with this, we heard back from them that a lot of energy was distracted from the business of growing companies in this country, through tax policy and through pressure from institutional investors in big pension funds, teachers' pension funds, and organizations like that.

Our members wanted to get back to focusing on business. The best way to do that was to clear up the imbalance that exists in tax policy between the tax treatment of dividends for people who are taxable and the tax treatment of dividends for pension funds.

● (1615)

Ms. Judy Wasylycia-Leis: Thank you.

I want to go on to another area of questioning. But I have to put on record that although we may agree, I think our agreement stops there.

Mr. David Stewart-Patterson: Surely one agreement is enough for one day.

Ms. Judy Wasylycia-Leis: Exactly.

But I have to say that your statements in the past and today in terms of federal-provincial relations are appalling. Excuse me, but I have to say that your suggestions in the past were to eliminate the GST and abolish transfers for the provinces for health and social programs, and today you're suggesting that we make any fiscal arrangements or agreements to deal with the fiscal imbalance contingent upon harmonizing the sales tax and a single regulator for the securities markets.

It might be some kind of manoeuvre room that you're trying to create because you want to get something done on those fronts. But in effect, you're saying we should pay no heed to the ties that bind this country and to the role of the federal government in terms of a national health program, national housing standards, and national education programs.

Maybe we disagree in terms of core programs. You think core programs are something altogether different. I happen to think they are the very programs that deal with quality of life and help people to achieve their fullest potential.

The Chair: Thank you so much for illuminating us on that.

We're now going to move to Mr. McKay.

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

The Chair: For four minutes, sir.

Hon. John McKay: Thank you for saving Ms. Wasylycia-Leis. We're observing a wonderful relationship about to explode on the political scene.

Mr. Stewart-Patterson, you seem to be a popular guy today. But there is one question that has been nagging this committee and nagging me in particular.

In large measure over the past number of years, the government has done what corporate Canada wants done, through lowering tax rates, improving CCAs, paying down debt, and all of the big whistle things, and yet our productivity keeps on slipping and slipping. At one point or another, you have to go to corporate Canada and ask them why they aren't picking it up. What's the answer?

Mr. David Stewart-Patterson: Yes, it's a fair question. Of course, I think part of the answer is that we don't operate in isolation. What we do within the Canadian economy has an impact internally, but we're not a closed economy. Therefore, the fact is that we've done some things right—and we've done a lot of things right—on the other hand, when you look at the economies that have flown past us, maybe they're doing more things right. In terms of broad fiscal policy, again people keep coming back to the Irish example.

Hon. John McKay: In terms of broad fiscal policy, I'd stack our government record, the previous Liberal government record, against any American government in the last 10 years. Look at the mess they're in. They are defying fiscal gravity, and yet their productivity is much better than our productivity. I don't understand it.

Mr. David Stewart-Patterson: Again, some of it is structural. Any amount of academic energy has gone into these questions. Obviously there are structural differences. They're a bigger market. They're a market that has proportionately more larger companies. They're an economy that structurally has a lot more companies in the business of information communication technology, which in turn has been a big driver of productivity.

Hon. John McKay: But we arguably have the most generous R and D regime in the world. I think we are number one in the world. We have public research that is unparalleled and that has reversed the brain drain, and yet corporate Canada still seems to keep on slipping.

Mr. David Stewart-Patterson: I think that's one of the really important policy questions. I don't have an answer for you on that. Why aren't the R and D tax credits, as generous as they are, not having more of an impact?

I think there are a number of suggestions being put on the table, one of them being, of course, the fact that they're not refundable to companies that are in the early stages and not making any profits. The refunding of those tax credits may be an issue.

Hon. John McKay: But that strikes me as being on the margins.

● (1620)

Mr. David Stewart-Patterson: Well, I don't know. I haven't seen any solid research on why they aren't working. All I know is that given the generosity of the support provided, we should be getting more activity than we are. Whether it's a function of the structure and too many small companies can't benefit from them, whether there are other issues on the treatment of intellectual property, or whether there are regulatory barriers, any number of reasons may be out there, but I haven't seen anybody come up with one good reason.

Hon. John McKay: Okay. Maybe there isn't one good reason, but there is a culture here that is a problem.

I'd like to switch to Mr. Beauchamp. In one of your recommendations, you want the government to restore EnerGuide for houses and low-income houses. I agree with you in that respect. What kind of program would you like to see the government introduce to replace the one that's been cancelled?

The Chair: You have about 20 to 30 seconds, sir.

Mr. Pierre Beauchamp: Basically, the recommendation is to restore the funding for EnerGuide for houses and low-income houses.

Hon. John McKay: Is it a program that was working?

Mr. Pierre Beauchamp: We believe it's a program that was working. We believe the program, however, should remain a voluntary program. It should not be imposed; it should be voluntary.

The Chair: Excuse me, gentlemen, we must move on.

Mr. Paquette, *pour continuer.*

[*Translation*]

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

Mr. Stewart-Patterson, you'll certainly earn your pay check this afternoon!

You talk about fiscal federalism. You are probably referring to the debate surrounding the fiscal imbalance, without actually saying it. Your association wrote this about the federal government:

> [...] it should use its leverage to persuade the provinces to reduce their corporate income tax rates, eliminate capital taxes more quickly and convert remaining provincial sales taxes to a value-added base.

I find it hard to imagine the kind of measures that the federal government could take to do this. Naturally, the federal government can have a negative impact. For example, in the case of Quebec, Mr. Audet has announced that capital taxes will be cut by half over the next three or five years, if I remember correctly. At the same time, cutbacks to the daycare assistance program which brought about a shortfall of 800 million dollars per year were being announced. I can understand why he's reducing capital taxes more slowly.

What kind of measures are you thinking about?

[*English*]

Mr. David Stewart-Patterson: In effect, I'm suggesting that we know there's a big discussion going on in terms of the fiscal balance or the fiscal imbalance, depending on your preferred term.

We've tried to say it's important to respect provincial jurisdiction, and this speaks to the question from Ms. Wasylycia-Leis as well. In our view, it is equally important for the provinces to understand the broader national interest and to make a contribution to that as well.

In terms of the specific things that we'd like to see the provinces doing, Quebec has already done a great deal. It already has a value-added tax at the provincial level. That's not the problem.

[*Translation*]

Mr. Pierre Paquette: As you probably know, Quebec has done it, but Quebec has never received any money whereas the Atlantic provinces have received some funding. Shall we say that the incentive is not too strong when we take this into account.

[*English*]

Mr. David Stewart-Patterson: Yes. I want to recognize the action that has been taken on capital taxes. The most serious problem is the fact that four provinces still have provincial sales taxes that apply on business input and essentially act as a huge tax on new capital investment, which comes back to the issue of why companies aren't investing more and why we aren't getting more growth on that front.

Essentially, you're saying there's a big discussion here. Provinces want things from the federal government, and it's okay for the federal government to want something back.

[*Translation*]

Mr. Pierre Paquette: My question is directed to the Canadian Printing Industries Association.

We learned, a few years ago, that the basic Canadian stamp, the stamp that cost 50¢ at the time and 51¢ today was printed in the United States. I know that your Association has led a wide-ranging campaign to see to it that these contracts are awarded to Canadian businesses. Do you know if this is now the case?

[*English*]

Mr. Ward Griffin: All Canadian stamps are produced in Canada today.

[*Translation*]

Mr. Pierre Paquette: So that we don't have to put *Made in USA*, as NAFTA requires us to do, at the bottom of each and every tiny stamp.

In your document you mention the *Jobs and Growth Tax Relief Reconciliation Act*. In your recommendations, you say that this measure that was adopted in the United States could hurt small and medium Canadian businesses. Do you have more information for the committee about this American legislation?

● (1625)

[*English*]

Mr. Ward Griffin: Do you specifically mean the depreciation?

[*Translation*]

M. Pierre Paquette: Basically, what is it about?

[*English*]

Mr. Ward Griffin: It relates to a question about the productivity of Canadian companies. Between May 5, 2003, and January 1, 2005, manufacturing companies in the U.S. could write off 50% fully of all equipment purchased, so a company that bought a $1 million press could take a 50% depreciation. In Canada, you would take 25% and half of that, so it would be 12.5%; you would record a cost of $125,000 versus $500,000. That was a stimulus plan from the U.S. It was a graduated plan starting after September 11, 2001.

The Chair: I'm sorry, Mr. Griffin, we'll have to stop you there, .

We are forced, I'm sad to say, to conclude this discussion—not because it's concluding with you, Mr. Dykstra, but the conclusion is what I regret.

We'll continue. It is three minutes to you.

Mr. Rick Dykstra (St. Catharines, CPC): All right. I'll ask folks to answer questions quickly, because we're down to three minutes. That would be great.

Mr. Vukanovich, your final recommendation talked about safeguards to ensure that homebuyers benefit from this increased competition. Could you list a couple of them? It would be appreciated.

Mr. Peter Vukanovich: Mr. Dykstra, thanks for the question on safeguards.

Basically what we're trying to ensure is that it's lenders who choose the insurer. They are providing information and expertise to consumers, and we want those lenders to choose the insurer based on the products and services that we provide as suppliers. Any incentive, any commission, any sort of payment back to a lender to incent them to do business with an insurer should be returned to the consumer.

Mr. Rick Dykstra: Thank you. I appreciate it.

The next question is for a representative from the airports.

A couple of times now the point has been made about the reduction in rents at the airports and the benefits that would occur. Just for interest's sake and also because it's about the third time we've heard the request, could you give me a couple of points on that?

Mr. Jim Facette: I'm surprised you haven't heard it more than that.

Suffice it to say that the immediate benefit is to reduce the costs to the airport. There are only so many sources of revenue that airports have available to them. Many of the airports have already committed very publicly to passing on any savings from rent reduction to the airlines and then hopefully on to the passengers.

Mr. Rick Dykstra: Will they do it for sure?

Mr. Jim Facette: Yes.

Mr. Rick Dykstra: All right. Thanks.

The next question I have is for Mr. Stewart-Patterson. I'm sorry, Mr. Stewart-Patterson, I'm going to nail you again. I just wanted to get your thoughts.

Employer training is one of the areas that you looked at and recommended with respect to tax credits. I'm just wondering if you could flip the switch the other way a bit and comment on the benefits of the apprenticeship tax credit process. It benefits employees, obviously, but it also does benefit employers. Do you support it as a group? Do you think we did the right thing there? Could we take further steps?

Mr. David Stewart-Patterson: I think support for apprenticeships has been useful. Skilled trades are basically an area in which we're already facing severe labour shortages, and it's only going to get worse. I think tax credits, on the other hand, are maybe not the most important thing on that front because the demand is there. Perhaps the most important thing comes down to interprovincial cooperation and the fact that apprentices who change provinces in the middle of a program lose their status. We need to have a more national approach to the apprenticeship process, because people are dropping out along the way. The biggest issue isn't getting people into apprenticeships; it's making sure they stick with the program and complete their qualification.

The Chair: Thank you very much.

Gentlemen, I thank you for your time today. It's been a stimulating panel. We do regret that we don't have more time to spend with you, but I assure you that the committee members will be reviewing the briefs you submitted in detail, and again I thank you on behalf of the committee for being here.

I will dismiss this panel. I encourage the next panel to immediately ready themselves, so that we can have maximum time for discussion.

We will suspend briefly.

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(Pause)

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• (1630)

The Chair: We will commence.

We are going to proceed immediately to testimony. I will give you a visual indication when you have a minute remaining, and of course I'll be forced to cut you off at five minutes to allow for questions. We are short on time because there is a vote today, unfortunately, so we'll move right to your presentations.

To begin, Robert Gillett, welcome. You are here on behalf of the Association of Colleges of Applied Arts Technology of Ontario. Five minutes to you, sir.

• (1635)

Mr. Robert Gillett (Association of Colleges of Applied Arts Technology of Ontario): Thank you, Mr. Chair.

I'm Bob Gillett, president of Algonquin College, in Ontario, but I'm also representing all colleges of Ontario today.

I'd like to begin by thanking the committee for giving us this opportunity to present to you. We would like to also say how much we support the recent decision by the Honourable Jim Flaherty to set capital funding aside for post-secondary education. It certainly is a necessity at this time.

We'd like to reiterate our support for the brief you've already heard from the Association of Canadian Community Colleges, and we'll reiterate some of the six points they've already made to you.

For those of you who don't know community colleges in Ontario, they represent 160,000 full-time students and 500,000 part-time students and offer programs and courses from apprentice courses right up to full degrees, and they have a long, successful history of doing that. They are very much a partnership organization with industry, labour, non-profit community-based groups, and others, and graduate approximately 60,000 new employees into the system every year. They serve about 25,000 apprenticeships, about 11,000 people in literacy, and about 27,000 young people in Job Connect. They also work in about 100 countries around the world.

Just for the members of the committee, employers express 90% high satisfaction with the quality of graduates they are receiving.

To turn to the central point of the presentation today, Mr. Chairman, we'd like to reiterate some of the points made by the ACCC—first of all, that we need to increase access to post-secondary education in Ontario. As you've seen, HRSDC has said that almost 75% of all jobs now require some form of post-secondary. We think that is going to continue to increase. Already in Canada we are seeing labour shortages in trades, manufacturing, nursing, and others. We believe that's a scenario the federal government should be paying a great deal of attention to.

We believe that for our country to continue to be as prosperous as it has been, we need to invest in quality, capacity, and access to Canada's post-secondary systems. Of course, we are speaking on behalf of colleges, which are the institutions that deliver most of the skills education. We believe that the massive cuts made to post-secondary education in the past have had serious impacts. We furthermore believe that the blend of post-secondary education transfers into the Canada health and social transfer group has actually taken away transparency and accountability back to the Parliament.

We would like to make the suggestion to your committee, Mr. Chair, that like health, we get exempted from that grouping and have a separate fund set up for colleges or post-secondary education in general.

We also see great needs in the infrastructure forefront, and because we have to take more students, because we need to increase access and get more people with a post-secondary education, we would like to see funding come from the federal government directly to the institutions to allow access to increase, and to increase the infrastructure and the equipment to meet the standards that employers need today.

We also see the need for training, and skills, and apprenticeship. There is a study that shows about $600 million is required to upgrade equipment to meet current standards for the new employment work sites. Mr. Chairman, we also believe that since there are equipment challenges in health, applied sciences, engineering technologies, and other skills training programs, we recommend that a very specific fund be set up with clear accountability to help that happen.

Mr. Chairman, we echo the six recommendations of the ACCC, and we would like to thank the members of the finance committee for giving us the opportunity to reinforce the points that have already been made to you. Colleges do create the skilled labour pool for the future, and we want to be key partners with all levels of government to ensure that every young person in Canada has that opportunity to have the prosperity that their parents and others have had in the past.

We thank you for that opportunity.

● (1640)

The Chair: Thank you very much, sir.

Mr. Everett Colby is here on behalf of the Certified General Accountants Association of Canada.

Over to you, sir.

Mr. Everett Colby (Chair, Tax and Fiscal Policy Committee, Certified General Accountants Association of Canada): Mr. Chair and members of the committee, on behalf of the Certified General Accountants Association of Canada and our 68,000 members, we wish to thank you for this opportunity to appear before you and give voice to our thoughts and concerns regarding Canada's economic competitiveness, productivity, and prospects for growth.

By way of background, most of you know me from previous appearances. For those who don't, my name is Everett Colby, FCGA, and I'm chairman of CGA-Canada's tax and fiscal policy committee. I'm also a public practitioner here in Ontario. My client base is principally small and medium-sized businesses, as well as individuals across Canada and around the world.

Accompanying me today is Carole Presseault, vice-president of governmental and regulatory affairs.

You've received copies of our brief, as well as my remarks. They're available in both official languages.

We'd first like to congratulate the government, past and present, for one of the largest debt repayments in the history of Canada. The recently announced $13.2 billion payment will reduce the debt-to-GDP ratio to its lowest level in 24 years. Bravo Zulu to all of you for doing that.

This huge debt repayment is a testament to how well Canada has done in recent years. Truth be told, Canada has enjoyed a stellar performance in terms of inflation, economic growth, and employment, and we're leading the G7 in several macroeconomic categories. In fact, Statistics Canada recently released a notable report stating that employment has increased by 1.3% since the beginning of this year.

Notwithstanding these great achievements, we believe Canada can and must do better in order to remain competitive. We believe the best way that one can ensure the creation of real new wealth in an economy, both for individuals and families, is through the enhancement of productivity, which has been a focus of this government. In an increasingly globalized world where we're competing with everyone from China to Russia, Brazil to the United States, we have to be smarter, better educated and trained, and more productive. Frankly, we're not there yet.

In a recent study released by the World Economic Forum, Canada slipped from fourteenth to fifteenth place in the measure of business competitiveness. In 2001, we were eleventh. In 1988, we were in sixth. This is not a good trend. Since we've drifted down in the rankings, our trading partners have stepped up their competitiveness. We believe this is the main reason for this reversal.

We must ask ourselves the important question: how do we reverse this trend and re-establish ourselves as a world leader?

Mr. Chair, although our brief contains detailed recommendations on a number of areas, all of which would help restore Canada's economic competitiveness, my comments today will focus specifically on the need to reduce business tax and the need for regulatory efficiency.

In a recent address in Kingston, the Minister of Finance acknowledged the need to liberate the forces of investment in Canada, as well as the need to reduce federal taxes. The high effective tax rates that businesses must pay are, in our opinion, the most important issue to address at this time.

In 2006, Canada laid claim to having the sixth highest effective tax rate among the world's 36 leading industrialized economies. Although an improvement from 2005, this is hardly a stellar performance when it comes to going toe to toe with our leading competitors.

High taxes on capital pose a serious impediment to investment, and thus to future growth and productivity. Paradoxically, government's attempts to help the corporate sector with a host of policies, subsidies, and special programs actually inhibit a number of sectors of the economy. Many agree that lowering taxes on corporate investment and reducing subsidies and tax expenditures is a better approach. We agree.

Our second proposal addresses the growing consensus that to increase productivity, we must remain globally competitive. We have to reform the regulatory structures. Accordingly, we recommend to the committee these specific measures.

Simplify the tax structure while introducing consistency into the tax compliance system.

Regulate smarter. The government should streamline the regulatory regime in a concerted effort to reduce the compliance burden on business.

Finally, the government, along with the provincial and territorial governments, should address labour and trade barriers within Canada. Indeed, the Agreement on Internal Trade should be reinforced to include sanctions that would ensure that governments respect their internal trade obligations.

● (1645)

We thank you for your time. As always, we appreciate the opportunity to participate in this process, and we welcome any questions that the committee might have on these or other recommendations contained in our brief.

Thank you.

The Chair: We appreciate your participation, sir. Thank you.

Tyler Charlebois is here on behalf of the College Student Alliance. Welcome. Five minutes to you, sir.

Mr. Tyler Charlebois (Director of Advocacy, College Student Alliance): Thank you. I am Tyler Charlebois. I'm the director of advocacy for the College Student Alliance, an advocacy and services organization that has proudly been representing Ontario's college students since 1967.

The alliance currently represents 16 colleges and 22 member councils, with over 109,000 full-time college and university-college students throughout the province of Ontario. CSA continues to be the strongest college-focused student organization in Canada.

Education is a life-long learning process. The future of our society depends on informed and educated citizens who, while fulfilling their own goals of personal and professional development, contribute to the social, economic, and cultural development of their community and of the country as a whole. Over the past decade, Canadians have let our investment in post-secondary education and training diminish, and now we can either sit aside and place blame or we can do the right thing, take responsibility, and start to fix that.

Provincial and territorial governments have started to take the first step toward reinvestment in post-secondary education, but financially strapped provinces and territories can only invest so much.

In 2005, the Ontario government laid out the Reaching Higher plan for post-secondary education and training. At the end of 2009-10, that will invest an additional $6.2 billion into colleges, universities, and training within the province. As a result of fifteen years of cuts and underfunding, though, you can imagine that this $6.2 billion is just going to start to lift our students' and our institutions' heads above the water. In order to make real progress in investments, the federal government needs to make post-secondary education and training a national priority once and for all.

Post-secondary education is not only about meeting the needs of learners, advancing, interpreting, and adapting knowledge, and providing an essential public service. As important as these functions are, education is also an investment, both prudent and visionary, in health and in combating poverty, crime, and unemployment. It is a major source of social cohesion and mobility, and it is essential to the development and continued prosperity of Canada and all of its regions.

The College Student Alliance would like to focus on three main priorities: a pan-Canadian accord for post-secondary education and training; through that, seeing a dedicated transfer for post-secondary education, echoing comments made by the Canadian Alliance of Student Associations and the Association of Canadian Community Colleges, echoed today by the Association of Colleges of Applied Arts and Technology of Ontario; and on the issue of accessibility and affordability of our post-secondary education and training system in Ontario.

In recent years, both the federal and provincial governments have responded to the needs of Canadians by introducing new financial and legislative initiatives aimed at improving our post-secondary education system. Unfortunately, these initiatives have often proven to be stop-gap measures at best.

Many of the problems facing our post-secondary education system are not simply a result of underfunding, but rather a lack of vision and cohesion. Various federal and provincial programs are not integrated toward a common purpose. As Canadians, we need to spend an enormous amount of time worrying about jurisdiction and how to get around it. It has become quite clear to all Canadians and students that a pan-Canadian dialogue on post-secondary education is desperately needed.

Competing for Tomorrow, the Council of the Federation's summit on post-secondary education and training, started the dialogue with stakeholders, but for accurate progress to be made in this development, the federal government must be at the table. The CSA firmly stands behind that and the development of a pan-Canadian accord on post-secondary education. We also believe that within that accord, there should be provisions acknowledging recognition of prior learning and mobility.

Regarding accessibility and affordability, we believe there needs to be a comprehensive review of the entire Canada student loans program, ensuring a focus on up-front grants to those under-represented groups: those from the francophone community, aboriginal communities, students with disabilities, and those from low-income families.

We'd also like to have the government start a dialogue on the communication of what's going to happen to the Canada Millennium Scholarship Foundation. We firmly believe and support the Canada Millennium Scholarship Foundation. We've handed a letter out supporting that in the continuation of the millennium.

On behalf of the College Student Alliance, I'd like to thank the committee for giving us this time to present. I hope you'll take our recommendations and the recommendations of our colleagues in post-secondary education seriously and look at a real and proven investment and commitment to post-secondary education on the national stage.

Thank you.

● (1650)

The Chair: Thank you very much, sir. I assure you that we will take them seriously.

We'll continue with Mr. John Toft from Families Matter Co-operative Inc. John, you have five minutes.

Mr. John Toft (Secretary, Families Matter Co-operative Inc.): Good afternoon. Thank you for this opportunity to speak to you about the concern outlined in the written brief presented to this committee on behalf of Families Matter Co-operative. That brief was prepared by me, John Toft, secretary of the co-op, and by Kenneth C. Pope, a Henson trust specialist. Copies of this brief have also been sent to the expert panel that is considering changes to legislation to help in estate planning for people with development disabilities.

The Families Matter Co-operative Inc. is for and about people with developmental disabilities. It is an Ottawa-based social cooperative with a mission to improve the lives of people with developmental disabilities.

I come to this committee as a parent of a developmentally disabled person, my adult autistic son, Adrian, and as a co-op member. My personal interest begins and ends with the perpetual support and advocacy for my son that my family and I undertook the day he was diagnosed with autism. This concern and advocacy is lifelong, and it will extend well beyond my lifetime and affect the lives and interests of my other sons, as they continue to advocate for and support him.

I want my son to live in reasonable comfort for the rest of his life. I want him to have a reasonable standard of living, reasonable housing, sufficient supports, worthwhile employment, and social and recreational opportunities. In short, I want him to be able to live as close to a normal life as possible and to be a valued member of society.

These goals are hindered by current taxation policies. My goal here is to urge you to take a leadership role in changing such policies at the federal level and in working with the provinces to see that the changes you make are not clawed back but enhanced.

One personal example illustrates the current taxation system. I am a retired teacher receiving an Ontario teacher's pension. On my death and the death of my wife, Ann, my son will receive a survivor's pension at 50% of my pension. Current provincial legislation allows for a dollar-for-dollar clawback for Adrian from his provincial support benefit, ODSP, of every dollar of my pension benefit that he receives. Through that clawback, his benefit could be reduced to zero, and he would lose his eligibility for drug and dental benefits too. If he then paid for such benefits from his survivor's pension, he could end up worse off receiving the pension than not receiving it.

Pension plan advisers tell me it is necessary to change legislation at both the federal and provincial levels to eliminate this effect. They and Ken Pope advise me that the solution is to allow such pensions to be placed in Henson trusts. There the money would be protected with no effect on a person's eligibility for ODSP benefits.

Legislative changes to enable parents and grandparents to roll over RRSP and RIF moneys into Henson trusts for the benefit of their children and grandchildren with development disabilities were considered in the February 2003 budget. Proposed amendments to the Income Tax Act to put these changes into practice were drafted and ready in 2003. We ask you, the finance committee, to recommend implementation of these changes, as well as similar changes to also allow pensions to be placed in Henson trusts.

The brief we submitted contained a number of other recommendations you may consider. However, the implementation of the specific changes just discussed would make significant improvements to lives of people with developmental disabilities.

The written brief concluded as follows: “By taking these measures and others along similar lines, more people with developmental disabilities would become contributing members to Canada. People currently considered to be burdens on society could become assets to that society.”

Members of the Finance Committee, you have the opportunity to recommend changes in legislation to provide that federal leadership and societal change. My dream and hope is that you will provide that leadership.

● (1655)

The Chair: Well presented, Mr. Toft. Thank you very much.

We'll move to Mr. Art Field, who is here on behalf of the National Pensioners and Senior Citizens Federation.

Mr. Art Field (President, National Pensioners and Senior Citizens Federation): Yes, thank you. And thank you, members, for letting us come on. It was a last-minute thing. I have one package here, so I'll give it to the chairman.

We had a press conference today on income trusts. But first I want to explain our organization.

The National Pensioners and Senior Citizens Federation is a cross-Canada organization. It was formed in 1954 in Saskatchewan. I am a member of the executive and I live in Little Britain, Ontario. The first vice is Don Holloway from Marystown, Newfoundland; the second vice is Edda Ferguson from Truro, Nova Scotia, where we had our convention last month; the third vice is Lorraine Foster from Clarke's Beach, Newfoundland. She's a new member of our board. The treasurer is Joyce Mitchell from Trenton, Ontario, and the secretary is Fern Haight from Hanley, Saskatchewan. So we have a fair mixture across the country, and it wasn't designed this way. Our first vice—it was changed at the last the convention—was Art Kube and he was from Surrey, British Columbia. So we have a cross-section there.

Our mandate is try to make things better for seniors, to protect their interests. At our convention we had 90 resolutions that were debated and passed. We put those resolutions in a brief and then we came here to Ottawa to meet with government officials, opposition and whatever, and we sent them to every member, asking for a report.

A resolution on the income trusts was passed at the convention. I'll read you the resolve: “Therefore be it resolved: The National Pensioners and Seniors Citizens Federation resolves that the Canadian federal government use its constitutional jurisdiction to introduce new federal investor protection laws and enforcement governing securities, the setting of accounting and auditing standards.

We are starting to get a few horror stories on this income trust. Most people, even seniors, don't like to admit they've been taken and there is a problem on the income trusts with their broker or whatever. But here is one horror story: “My parents, ages 81 and 76—all the money invested is lost. This was most of my parents' life savings. My father became depressed from losing all his money. Coupled with the cancer that he had, this caused him to take his own life. A small investor.”

These are some of our problems. I have a couple of things I want to bring up that came from our convention. I'll just read the resolve: “Therefore be it resolved that the NPSCF go on record requesting our federal government to eliminate tax on all expenses.”

Now, I understand this came from the Newfoundland provincial senior citizens organization. I also understand there are some problems in the west. They don't do this, but we do it. It's all little bits of money that's hard to get if you don't have it.

Here is another one: “Let it be resolved that the National Pensioners and Senior Citizens Federation request the federal government to continue implementing the heating subsidy for seniors and low income families and that all heating costs be included.”

There was a government program for this. I was at the convention in Nova Scotia when there was a government person there outlining it, and it was eliminated in the next budget, maybe a week or two after that. Our brief mentions a few things that go on.

With that, I'd like to thank the committee for letting us come on at the last minute, and I hope you can ask some questions. I have one brief that I'll give to the chair.

The Chair: Certainly, sir. We'll have that translated and distributed to all the committee members.

Thank you very much for all your presentations. They're much appreciated.

We'll continue. In this instance, we're going to do rapid-fire questions of four minutes per round. Mike Savage will begin.

● (1700)

Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.): Okay, let's talk fast.

The number one issue is education. Mr. Gillett and Mr. Charlebois, you both spoke about the dedicated transfer, which is a concept that I think has a lot of support and that I support in general, but I have a couple of issues with it.

You talked about the reduction in investment in post-secondary education. The federal contribution towards post-secondary investment has stayed the same over the past 10 years. The contribution through the CST has gone down. When the budget got fixed up in the late 1990s, investment in research and directly to students through millennium scholarships, learning bonds, and Canada access grants made up the difference.

My concern about the dedicated transfer is this. If you go back to the pre-1995 percentage of federal contribution, you still have the millennium scholarship out here; you still have learning bonds, which are being paid for federally; and you have all the investments in research, which have transformed Canada and reversed the brain drain. My concern is that the government won't do both things. They won't go back to the original funding of post-secondary, plus keep the billions of dollars that are being invested directly to universities and directly to students.

If the dedicated transfer meant losing the millennium scholarship, Canada access grants, and possibly nationally funded research, would you still support the dedicated transfer?

Mr. Tyler Charlebois: I think it's true that you've seen the shift from funding post-secondary education at the core level, which is to the institutions, to more targeted funding, which is research and the student assistance side.

Our organization supports the Canada Millennium Scholarship Foundation and supports the work that is being done to give student financial assistance to those who need it, and giving it right to the student rather than by way of the province and then down to the institution. But there needs to be a commitment from the government in funding it at both levels—at the institution, because there are institutional costs that are not being met that need to be met in terms of deferred maintenance and in terms of the quality of our programs and our facilities, and that's extremely important, but then there is also getting the student in the door. You can't just do one and not the other. I think you have to do both.

So our organization would look at having the government, as a commitment, invest in both areas—continue the investment in the individual student, but then also on the side of the institutions.

Mr. Michael Savage: Thank you very much.

Mr. Gillett.

Mr. Robert Gillett: Obviously students see it from a different point of view than sometimes institutions do, but clearly some of the points you mentioned were purely university funds. The high-end research, we don't even get 1% of that money as colleges, so that doesn't have a great influence.

We think there is a need for the federal government to get involved, certainly working with HRSDC and others. It's very difficult to get literacy training going. Apprenticeship needs a major shot in the arm to get things going.

We've raised tuition fees in Ontario for students 150%. They are being asked to pay a lot of the burdens. The money is not being transferred to the institutions. If money is going to provincial governments, I don't think we can say we see a direct transfer of those funds to the institution where the operational effects take place.

We are not competitive in the national scene. We are not competitive in the international scene as institutions.

I think the number one issue for Canada is going to be labour, and if we don't have the labour growth, industries are not going to be able to staff their positions.

[*Translation*]

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

Mr. Pierre Paquette: Thank you, Mr. Chair.

My question goes to Mr. Toft.

At the end of your document, you mention social enterprises, businesses that, in many cases, employ people with physical or mental disabilities. These businesses don’t have the same economic viability as businesses that employ people without disabilities.

Do have any idea of the impact of the 39 million dollar cutbacks announced by the federal government under social economics. We won’t be able to create the type of businesses that you want, that is to say businesses that allow people who have developmental disabilities to become autonomous by having a job and some revenue.

● (1705)

[*English*]

Mr. John Toft: No, I haven't, but I'm sure there will be lots of comments that these cuts you're talking about are not the way to go, that we need more investment into people who are able to work but are not given the chance to work. We need investment in the businesses that employ them. Our co-op in Ottawa is investigating two or three different social enterprises that we can bring in from models in Toronto and in other parts of the province. These will help people to work, who can work, and thus contribute to society and to their own self-esteem.

[*Translation*]

Mr. Pierre Paquette: Thank you.

Mr. Colby, one of your recommendations was to abolish mandatory retirement at 65 years of age. In Quebec, this measure has been abolished since at least the early 80s. Were you referring to certain provinces in particular or to the federal government when you were talking about abolishing this measure?

[*English*]

Mr. Everett Colby: CGA-Canada produced a report last year on an aging population and a lot of the problems that this country will face as a result of that. One of the elements of that report was that we have some very knowledgeable, skilled people in the workforce now who will be needed to help train the too-small labour population that's coming up. Yes, there are still areas that have mandatory retirement at 65. By forcing some of those very skilled people to retire at that age, we will likely run into difficulty transferring that knowledge and skill to the upcoming labour force.

[*Translation*]

Mr. Pierre Paquette: That is extremely discriminatory. You can be 65 years old and still be in good shape and want to work.

Again in your written submissions, you mention personal income tax reduction. You compare the combined federal and provincial tax rates and taxes in the United States. However, you fail to mention what we get in return. It’s true that on the average, Canadians pay more taxes. On the other hand, we have more services. For example, health insurance has become an element...

The Chair: Thank you, Sir. We shall continue.

[*English*]

Monsieur Dykstra, four minutes.

Mr. Rick Dykstra: Thank you, Mr. Chair.

I'm sorry, gentlemen, but this is rapid-fire. If you can get back as quickly as possible, we can get some more questions in.

My first question is actually to Mr. Toft. I wonder if you could comment. In one of your recommendations you speak about the social enterprise portals, where enterprise, business, and government could cooperate to develop mutual purchasing enterprises, and you talked about tax incentives. Could you give me a couple of examples of what you might recommend?

Mr. John Toft: I'm not a tax expert, I'm a parent. I know that social portals exist in Vancouver and in other places where purchasing does take place in the partnership between business, government and social enterprises. I know there are developments taking place in Ottawa, which I'm interested in, of another social portal. So no, I cannot give you a recommendation on taxation, but it would help, I'm sure.

Mr. Rick Dykstra: Okay, great.

To Mr. Gillett, on the point you made about investment in infrastructure, I wonder if you could comment on the dedication we've made with respect to the $1 billion and how you think that will be beneficial over the next couple of years.

Mr. Robert Gillett: Our problem right now is that we haven't seen the details on where that $1 billion is going to flow, remembering that every time you give money to a provincial government there are machinations that go on and we have difficulty trying to figure out where the money went in the first place. Right now in Ontario, for colleges, all capital has been frozen for two years, so we don't know if we're going to see any of that. In Ontario, we're waiting very much for the labour market development agreement to have some funds forwarded, and there's over $300 million that seems to be stalled again.

So for a time...I'll just give you one example. We have 30,000 applications for our college to take 6,500. There are people who want to go to post-secondary; they can't get in because of infrastructure and lack of access. So we don't know where that money has gone.

● (1710)

Mr. Rick Dykstra: So presently in Ontario, what you're saying is that the provincial government is holding up its expenditures on infrastructure.

Mr. Robert Gillett: For colleges specifically, yes.

Mr. Rick Dykstra: Okay, so we need to work even that much harder, from a federal perspective, to drive this $1 billion through the process.

Mr. Robert Gillett: I think we all need to come together for the good of the students who want to get the education, and find a way to make it work.

Mr. Rick Dykstra: Good.

Mr. Colby, one of the points you made was to develop pension reform options for consideration by Parliament. Do you have an example or two of that?

Mr. Everett Colby: Actuarial valuations—

Mr. Rick Dykstra: Sorry, what's that?

Mr. Everett Colby: It's the process by which you determine what level of contribution is going to be necessary at present in order to provide benefits in the future. We don't know how well that is being conducted. It perhaps should be conducted by an independent board that is separate from the government, where we're talking about Canada Pension Plan.

But again, there are some real dangers within the pension industry. Companies that are funding their own pensions are often dipping into these funds for working capital reasons due to other factors, and then the money is not there to pay the pensions.

Mr. Rick Dykstra: Tyler, I have just a quick question.

We've had lots of presentations by student groups. As you know, I have a university in my riding, and there is always a concern that we're focused. Another youth association came in to claim that the millennium scholarship program is fraught with problems. Your comments, please

Mr. Tyler Charlebois: When you look at how the millennium program was first introduced by the previous Liberal government, there were some issues with the provinces. As the millennium program has gone on, they've started to remove those issues. They're starting to work very well.

From our perspective, when the millennium program started to work well with the provinces, students were actually starting to see an extreme benefit. In Ontario, over $108 million is going through the millennium bursaries to Ontario.

It's an extremely important fund. We fully support it. I think there were some problems, but they've been fixed.

The Chair: Thank you for the “Coles Notes” answer. We forced you to it, Tyler. We appreciate that.

Mr. Christopherson, welcome, sir.

Over to you, for four minutes.

Mr. David Christopherson (Hamilton Centre, NDP): Thank you very much, Chair.

It's a pleasure to be here. Thank you all for your presentations.

Mr. Field, you briefly mentioned income trusts. There's certainly one point of view about income trusts and their impact on seniors. Could you give me what your organization thinks, from a national point of view?

Mr. Art Field: We are looking for a regulator so that people who have trouble with income trusts have an avenue to go through to be protected. Right now, I understand there's no regulator. If you lose all your money, you don't have money to go to a lawyer to prove that your broker wasn't being up front or honest with you. I understand that with some of the income trusts, people are getting back less than what they put in. Yet they need this money to live.

You see that a lot of the corporations are doing these income trusts. Bell Canada is one...and was it Telus here a week or two ago? Who's going to be next? General Motors? If the government loses their tax base from their corporations, then our health care, which is a big thing for seniors, is going to be in trouble.

Those are a couple of things, Dave, that would affect us. There are stories out there of people losing their money, and that a lot of companies are doing income trusts.

We're looking for a regulator so that you have an avenue to protect yourself if you do end up being defrauded, or whatever you want to call it. We also want to protect the health care system. At our convention, 15% of the resolutions were on health care, because of the problems. We need it. A lot of these seniors are not rich people, they're just hard workers. We're living longer than we ever did before. Sometimes they're living too long and they run out of their money. So they need the help.

Mr. David Christopherson: Thanks very much, Art. Let me just say it's great to see you again. I'm glad things are going so well.

Mr. Toft, I know when I was at provincial pre-budget consultations for finance, we would hear about parents in the same situation as you're in. My sense of it then—this is going back just a few years—was that this was a ticking time bomb in terms of the number of now adults who have developmentally challenged issues and who are being taken care of by their parents. The parents are getting older. The real concern—and my understanding is that this impacts literally tens of thousands of families across Canada—is that they're terrified about what's going to happen to their adult child. They've dedicated their life to providing the supports, as obviously you and your wife and family have done. You've made preparations through your sons, but others aren't nearly as lucky. I know there are probably scenarios that scare the living you-know-what out of you too.

Has anything changed? Is it getting worse? Or is everything fixed now and I should get off this?

● (1715)

Mr. John Toft: Nothing has changed. We founded the Families Matter Co-op last year in Ottawa. I moved down here from Red Lake, in northwest Ontario, came to the nation's capital, and found a complete lack of service for my son. It's only through fighting that we've been able to get any support for him. But the situation of the famed 85-year-old widow with a developmentally disabled 60-year-old son is real. We've met her. We've met many of these people, and that's why we have this co-op and why I'm here to fight for developmentally disabled people.

Mr. David Christopherson: Thank you for doing that, sir.

Thank you all for your presentations.

The Chair: Thank you, Mr. Christopherson and Mr. Toft.

We'll continue now with Mr. Pacetti.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you to all the presenters. It's always interesting to have you here.

Mr. Colby, I'm a CGA, so I guess I have a bit of a conflict of interest, but I still have to ask you this question. In your brief you spoke quite a bit about productivity, but you concentrated on the income tax cuts. There's also an educational component. The CGA's education is important. What do you say to that? Shouldn't there be some money invested in education, or is it just about tax cuts?

Mr. Everett Colby: You're talking about apples and oranges. I don't think anybody would argue that investment in education is not good, especially with the aging population Canada's facing. While I am sympathetic and empathetic to the plight of the colleges and universities, I also have an obligation on behalf of our association to look at a more global picture. We see benefits to tax cuts. For example, some of the recent cuts allowed for donations of property to universities and colleges, and they can help provide some private funding to these organizations. Sometimes they may go hand-in-hand, but the crux of it is that they're two different situations.

Mr. Massimo Pacetti: I didn't want to give the impression that it was just about income tax cuts. Education is important for the organization. I understand that you released some studies in the past, not just about the demographic challenges that Canada is going to face, but on health. I think you're going to be working on another study as well.

Mr. Everett Colby: We've been conducting a number of studies over the past few years, and we're quite excited about one that's going to be announced and released on October 31. It's on business regulation. As a matter of fact, there's an economic news luncheon at the press club that I would invite you all to attend. Last fall we started a survey and conducted it among publicly listed small and medium enterprises, which form the bulk of the capital investment and business structure of Canada. Over the past six months, we've joined that with a similar study done in the U.K. to try to find some answers about government regulation of business and its impact. We'd be happy to share the results of this with the committee.

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

Mr. Toft, the estate planning part of your brief recommends "working with the provinces to enable RRSPs and RRIFs to be rolled over to discretionary trust for people with development disabilities". Do you know how that's coming along?

Mr. John Toft: No, I don't. That's Ken's expertise.

The Chair: Thank you, sir.

[*Translation*]

The Chair now recognizes Mr. St-Cyr.

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

Thank you all. This question is for Mr. Charlebois.

In your submission, you ask that we establish a transfer payment to the provinces specifically for postsecondary education. A great number of groups, university students and professors, have come forward to demand an increase in education funding. Many of them wanted funding to attain the level it had in 1995, before the cutbacks, taking inflation and the increase in the number of students into account. They requested a hike of 4.9 billion dollars.

Does your Association agree with this request?

● (1720)

[*English*]

Mr. Tyler Charlebois: Yes, it would be a figure that my association.... I know that a lot of our partner associations across Canada, in terms of student groups, would support that figure, and it's something that the Council of the Federation has put out, and as well, the Premier of Ontario. We would support any investment like that into a dedicated transfer, and that specifically.

[*Translation*]

Mr. Thierry St-Cyr: I seem to understand that your alliance has 22 members, associations from various colleges. How many of them are from Quebec?

[*English*]

Mr. Tyler Charlebois: We only represent colleges within Ontario.

[*Translation*]

Mr. Thierry St-Cyr: That escaped me. I'd like to talk about a subject that perhaps has not been discussed in Ontario, that is to say the recognition of the provincial jurisdiction, including Quebec, in the field of education. At the very beginning of your submission, you mentioned a Canada-wide agreement on postsecondary education. That reminds me a bit of the Health Act that has never prevented the federal government from imposing cutbacks for many years, cutbacks of billions of dollars in health funding. I think we're wrong to believe that such an agreement would protect education.

Would you be willing to agree to what every Quebec student association is requesting? That the Quebec government and therefore the people of Quebec are not submitted to any restriction and that Quebec could freely exercise its jurisdiction in the field of education without being submitted to any kind of financial penalty with regards to transfers that are allotted to Quebec?

[*English*]

The Chair: *Merci beaucoup, monsieur.*

We continue now with Madam Ablonczy.

Ms. Diane Ablonczy: Mr. Chair, I'm going to pass my round to Mr. Trost.

The Chair: Mr. Trost.

Mr. Bradley Trost (Saskatoon—Humboldt, CPC): Thank you.

My question to Mr. Colby is this. The presentation by the accountants here talked about specifically simplifying and making more consistent the tax code. Do you have any specific examples of specific items that would be very good and the most beneficial or specific areas where this would be most helpful to the economy, to the efficiency of taxes? Just pick your best one.

Mr. Everett Colby: Yes, I was going to say we don't have enough time for me to give you a complete list—

Mr. Bradley Trost: Just the best one. We've got three minutes here.

Mr. Everett Colby: —but I'll give you two.

One, create a system of filing joint returns for families. That reduces the compliance burden and gets rid of a lot of other tax problems, such as attribution.

Two, make mortgage interest tax deductible. You're already taxing the interest in the bank's hands. Promote home ownership, which will help, in turn, promote productivity in building and construction and make us competitive with our neighbours to the south, who can buy homes a lot easier than we can.

Mr. Bradley Trost: I have a similar follow-up question. You talked about dealing with corporations and so forth in your brief, reducing subsidies, particularly ineffective special programs for businesses. I'm looking for examples again. Pick your best one.

Mr. Everett Colby: Of what to get rid of?

Mr. Bradley Trost: That's what it said in here. It talked about ineffective subsidies, ineffective programs to corporations. That's part of what it said here. It said the option you'd prefer would be corporate tax cuts. I'm looking for specifics, again, of what you would specifically like to get rid of that are ineffective subsidies.

Mr. Everett Colby: I'm not certain that our report says get rid of it. What we're suggesting is that they're not as effective at providing the results of a competitive economy as tax cuts would be, because tax cuts could be spread over a much broader base.

Mr. Bradley Trost: Could you give an example, then, of one that may not be quite as effective, even if you're not saying eliminate it? If you're going to make that broad generalization, there have to be at least some specifics to back it up.

Mr. Everett Colby: For example, research and development—governments spend a lot of time and a lot of money in developing these programs. Many of them are industry-specific and not necessarily in tune with the way technology is being developed in the marketplace. It's over-burdensome.

Mr. Bradley Trost: So instead of industry-specific, more generalization, because we can't pick which industry will be successful?

● (1725)

Mr. Everett Colby: No, you sometimes preclude businesses from being able to participate in it, because the regulatory burden to participate costs more than the benefit they're going to get out of participating in the program. It's supposed to be there to help business, not hinder.

The Chair: Thank you very much, Mr. Trost, and welcome to the committee.

Mr. McKay, over to you.

Hon. John McKay: Mr. Field, if I buy a share in corporation X through broker Y versus buying a unit in trust Q through broker Y, what is the difference in protection for you?

Mr. Art Field: There isn't really any protection, because there's no regulator. They're regulating themselves, the same as the police department does.

Hon. John McKay: So you, as an investor, are vulnerable whether you buy a share or buy a trust unit?

Mr. Art Field: Right.

Hon. John McKay: Your issue isn't so much the concern about trust; your issue is the vulnerability of investors who get ripped by brokers.

Mr. Art Field: Yes. The broker tells you all the nice stories of how much you should be worth in two or three years, and if it doesn't turn out that way, you are the loser. Now the new regulations are that after two years you can't do anything to that broker, and there's no regulation for the industry.

Hon. John McKay: I think you're right in terms of this being a developing story. A lot of investors were initially attracted by the returns on trusts, and they're now finding that the trusts were not backed up with adequate assets to support the returns.

My second question also has to do with trusts. You made the point that if there's tax leakage or revenue reduction by virtue of a trust structure, the government won't be able to fund necessary things like health care, etc. Does your organizations take the position that trusts should be taxed?

Mr. Art Field: We haven't looked at it that far, but I think it could be a possibility. It's over and above my capabilities right now to answer on that.

Hon. John McKay: In principle, would your organization be of the view that, from a taxation standpoint, there should be rough equivalency between trust forms of business enterprise and corporate forms of business enterprise?

Mr. Art Field: I'm not following that.

Hon. John McKay: The government generates revenue in a variety of ways. Trusts compete with corporations and corporations compete with trusts in attracting investors. Would it be your view that the tax treatment of trusts should be roughly equivalent to the tax treatment of corporations?

Mr. Art Field: Are you saying that if an investor had an investment, he should pay more tax? Is that what you're saying? Or is it that the company should pay the tax?

Hon. John McKay: The issue is that you can't have it both ways, and that's what I'm pressing you on. You either have rough equivalency and generate the revenue, or you have an inequity between the trusts and the corporations, which means the money flows to the trusts.

The Chair: For your interest, Mr. Field, there are a couple of suggestions in the case you raised that you could pursue. The office of David Agnew, the ombudsman for banking services and investments, exists for dealing with complaints and concerns. The Financial Consumer Agency of Canada is also an office to which you could express concerns or complaints. There are a couple of agencies available.

We'll conclude with Madam Ablonczy for a couple of minutes.

Ms. Diane Ablonczy: Thank you, Mr. Chairman.

Mr. Field, the income trust issue is such a difficult issue. I think you're aware of that. When the former government was dealing with it, many seniors groups complained that it was really going to hurt seniors. Now we're hearing from you today that if income trusts aren't dealt with, it's going to hurt seniors. From the people you talked to in the seniors community, which is the strongest voice in this debate, as far as you know?

● (1730)

Mr. Art Field: We are just getting involved in this. We have a brief we give out with facts and figures that came from our consultant. I'm not a financial wizard or anything; I'm just the president of National Pensioners and Senior Citizens Federation. Our consultant is telling us some of the problems that could happen or have happened. We're trying to stop the hurt before it gets too far, if that's a fair enough answer.

Ms. Diane Ablonczy: That's fair enough.

Mr. Toft, you really touched our hearts with your concern for your son. All of us are parents and we know how you must feel, or at least have some inkling of how you must feel. I think what you're asking for is not a handout, but really just an ability to use your own resources to make sure your son is looked after. Is that what you're saying?

Mr. John Toft: Yes, and specifically with the ability to put the RRSPs, the RRIFs, and the pensions in a Henson trust, where it would not then affect the provincial benefits.

Ms. Diane Ablonczy: This would be a departure, and you're aware of that, but can you give us some criteria where a measure like this wouldn't be abused but would really be used in appropriate circumstances?

Mr. John Toft: Again, I'm not a tax expert, but I believe the technical parts of this were developed in February, in the 2003 budget, so the groundwork has already been done. Tax experts such as my colleague Ken Pope would be much better able to give information on that kind of question.

Ms. Diane Ablonczy: But you have done some background that you can provide.

Mr. John Toft: Yes.

Ms. Diane Ablonczy: Thank you.

The Chair: Thank you, everyone. Thank you, committee members, for being adaptable in these pressing circumstances. And thank you, panellists, for a job well done. We very much appreciate your being here. You are dismissed. The committee has some business to attend to, so enjoy your trip home.

I have a notice of motion from Mr. McCallum. Mr. McCallum, what is your motion?

Hon. John McCallum: Thank you, Mr. Chair. You all have it before you, so I don't think I need to read it.

We think this is a significant issue and we'd like to invite interested parties to come and speak to us sometime, hopefully before the end of November. So this is the motion we're presenting.

The Chair: Is there any discussion?

Madam Ablonczy.

Ms. Diane Ablonczy: Mr. McCallum is aware that the minister will be in front of the committee for the fiscal update. Would that be an appropriate time for a question like this to come forward?

Hon. John McCallum: I'm not quite sure what you mean. What we have in mind is to invite maybe three, four or five witnesses from the tourist industry. I don't think the minister would want to share his time with those people.

Ms. Diane Ablonczy: You mentioned the minister, so that confused me a little bit.

Hon. John McCallum: I didn't mention the minister, or at least I didn't mean to. What I said was that we would like to invite people to come as witnesses who are interested parties on this issue.

The Chair: Monsieur St-Cyr.

[*Translation*]

Mr. Thierry St-Cyr: It’s not really necessary that the minister himself appear before the committee. However, one of his representatives could come here to explain amongst other things, how the 3% is calculated. Are we talking about tourists? About money supply? Is it an estimate? How is it calculated? It would be important for us to have more information on this.

[*English*]

The Chair: Are there other comments?

Your response, Mr. McCallum.

Hon. John McCallum: That's a very good point. Maybe we were talking at cross purposes. I certainly think that someone from Finance would be here as one of the witnesses, presumably not the minister, to answer questions of that nature.

The Chair: Monsieur Paquette.

[*Translation*]

Mr. Pierre Paquette: Mr. Chair, we get a lot of letters on this subject. It came about quite suddenly. What I’m afraid of is that the ways-and-means motion is tabled before we can have a debate on the subject. We would then be required to vote without even having discussed it.

The registrar could perhaps tell me if it’s possible to ask the government to delay the vote on the ways-and-means motion.

● (1735)

[*English*]

The Chair: While the motion is before us, we'll have discussion on it. Is there any further discussion on the motion?

Mr. Christopherson.

Mr. David Christopherson: I have a question on a point of order, Mr. Chair.

It's after 5:30 p.m. The committee is supposed to meet until 5:30 p.m. Is the motion and the vote in order?

The Chair: Yes, it's all fine.

Is there any further discussion? Mr. Dykstra.

Mr. Rick Dykstra: If it's information that the committee is looking for, I get a sense that the information can be provided and it doesn't necessitate having folks in to talk or having folks in to see this. If it's a matter of gathering information and presenting it, whether it be through research or whether it be through the clerk, that is....

There is a purpose and a reason for the decision, in terms of moving forward on this particular item. It doesn't necessarily mean we all agree on it, but it certainly means there is information in response to why the decision was made. I wonder if that's not at least a better interim option than immediately requiring folks to come down here and respond. I'm sure we can get any type of information that will at least give an indication as to why the cuts were made.

The Chair: For clarification of that comment, I have already committed to the committee and we have agreed on a process of bringing in people from the Department of Finance to answer our questions on priorities that we have identified as committee members. Certainly to some degree at least, what Mr. McCallum is presenting to you today fits into that process. In terms of the 45 days, which he has in his motion, it actually fits in perfectly with the timelines we've already established.

I throw that out there. We have agreed that we're identifying priorities. We are going to have Finance officials in to address those with information, and Mr. McCallum has identified this as one of his priorities with this motion.

Seeing no further hands, I will call for the vote.

Madam Ablonczy, with a question.

Ms. Diane Ablonczy: I'm sorry, I need some clarification.

Does this mean a full-blown study? Or as you've suggested, and as Mr. McCallum and I were talking about, does it mean just some further information from the department, as to what this is all about?

The Chair: Madam Ablonczy, if you wish to make an amendment to the motion to further clarify what the word “study” means, you are quite able to do that, if you so desire. Otherwise I, as chair, will determine what study means, in the absence of further clarification.

The motion is in order, and unless someone proposes an amendment, seeing no further interest in discussing it....

Mr. McCallum.

Hon. John McCallum: As I said earlier, the intent is that we have witnesses here. If that's also your understanding, we'll leave it as it is. But if that's not your understanding, then I'd like to amend it to that effect.

The Chair: Propose an amendment to that effect.

Hon. John McCallum: So you don't see it?

The Chair: No, because I can't commit to the witnesses without knowing who you want or what time we have available. Certainly I can commit to studying it, if the committee so desires.

If you wish to propose an amendment, Mr. McCallum, please do so now.

Mr. Massimo Pacetti: The committee's quite busy, so let's not overextend this. I think the problem is that some of these groups have not been consulted. We want these groups to appear. So if we can say “that the finance committee study for one committee hearing all groups that are affected by the GST cut”, I think that would suffice and complete what we're trying to do.

Is that okay, Mr. McCallum?

Hon. John McCallum: If it means that we have one session of, say, up to three hours with witnesses and discussion, that would suffice from my point of view, yes.

The Chair: We have only two hours for meetings—

● (1740)

Hon. John McCallum: Okay, two hours.

The Chair: Okay. So it's a friendly amendment in that case.

What Mr. Pacetti and Mr. McCallum agreed to is that this amendment be included in the motion, which basically says that the Standing Committee on Finance will hold one hearing to study the implications of the notice of ways and means motion.

Is there any further discussion?

Mr. Massimo Pacetti: One hearing from all interested parties.

The Chair: Mr. Paquette?

Mr. Pierre Paquette: No.

The Chair: There is no further discussion, so I ask for a vote on the motion.

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

The Chair: We are adjourned.

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