House of Commons
CANADA

Standing Committee on Finance

FINA • NUMBER 037 • 1st SESSION • 39th PARLIAMENT

EVIDENCE

Thursday, October 19, 2006

Chair

Mr. Brian Pallister

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

http://www.parl.gc.ca

Standing Committee on Finance

Thursday, October 19, 2006

● (1030)

[*English*]

The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)): Welcome to our witnesses today. We appreciate you being here very much and we look forward to your presentations. We thank you also for the work you've put into your submissions to our committee, and I assure you our members will all have a really good look at those.

This morning I'm going to hold you to the five minutes you've been told you have, and I will give you an indication when you have one minute or less remaining. Then I'll draw your presentation to an immediate close, of course, to allow time for exchange with committee members thereafter.

Again, thank you for being here and let's get under way.

We will commence with the Centre for Science in the Public Interest, Bill Jeffery. You have five minutes, sir.

Mr. Bill Jeffery (National Coordinator, Centre for Science in the Public Interest): Thank you, Mr. Chair.

I appreciate the invitation to appear before the committee.

The Centre for Science in the Public Interest is a non-profit consumer health advocacy organization specializing in nutrition issues, with offices in Ottawa and Washington, D.C.

Our Ottawa health advocacy is funded by more than 100,000 subscribers to our monthly *Nutrition Action Healthletter*, which is read by more than 1,000 residents in most federal ridings. CSPI does not accept funding from industry or government, and *Nutrition Action* does not carry advertisements.

Diet-related disease is an urgent public health problem in this country. Every year, diet-related cases of cardiovascular disease, diabetes, and certain forms of cancer prematurely end the lives of tens of thousands of Canadians. Health Canada estimates it robs the Canadian economy of $6.6 billion due to health care costs and lost productivity. These numbers describe real, avoidable deaths and financial losses, both on a grand scale.

Plainly, tackling diet-related disease needn't involve significant program expenditures in every case. For instance, we hope the government, members of this committee, and their caucus colleagues will support the expansion of existing nutrition labelling rules when Bill C-283 comes to a vote in the House of Commons on November 8.

The current regulations are predicted to reduce the burden of diet-related disease by approximately 4% by producing $5 billion in cumulative economic benefits in the coming two decades at a non-recurring cost of about one-fifth of 1% of food sales for a single year during the phase-in period—in other words, a minimum 2,000% return on investment.

Today I will focus mainly on food tax reform because it is probably the best studied, most promising economic incentive for healthy living.

Recommendations to reform food taxes have been advanced in expert reports published—and I won't give the entire list—in the Canadian Institute for Health Information, the World Health Organization, and the U.S. Institute of Medicine.

Notably, the federal-provincial-territorial integrated pan-Canadian healthy living strategy, which was supported by ministers of health of all political stripes, recommends that Canadian governments, “Undertake [a] feasibility study on fiscal measures to encourage healthy living (i.e. tax credits/penalties, subsidies, price supports, etc.)”.

The Chair: Mr. Jeffery, please continue your presentation. We'll figure out what that is and get back to you on it if it's a fire alarm or something. Please continue.

● (1035)

Mr. Bill Jeffery: Two weeks ago the Canadian Medical Association recommended to this committee that it explore similar measures.

The Chair: We have to vacate and we will resume shortly.

We suspend.

●

(Pause)

●

● (1100)

The Chair: Again, Mr. Jeffery, thank you.

We've discovered, as a consequence of the re-entry challenges we faced, who the real power brokers are in this building: it is the security and cleaning staff. We here know that.

I invite you to recommence your presentation at any point you wish and we will now hold you to five minutes from this point on.

Thank you.

Mr. Bill Jeffery: I appreciate that.

I will resume where I was in the interest of more time for questions and answers.

Our recommendations involve both taxation and tax relief depending on the nutrient profiles of food. The federal government currently collects about $2 billion in tax revenue from GST on food. At present, the Excise Tax Act appears to partly acknowledge the importance of nutrition by imposing taxes on soft drinks, candy, and snack food, but promotes unhealthy diets by taxing low-fat milk and vegetable dishes when sold in restaurants, as well as club soda, salads, vegetable and fruit trays, and small bottles of water when sold in retail stores. Meanwhile, many unhealthy foods sold in retail stores are tax free, like sugary breakfast cereals, trans-fat-laden shortening, high saturated fat cheese, chicken wings, coffee cream, and even unhealthy luxury foods like salty caviar.

The federal government should consider whether economic disincentives to choose healthy foods and tax relief on health-eroding foods comport with this or any government's commitment to reduce the burden of chronic disease. Quite frankly, tax incentives should be smart, not dumb. They should prevent disease and promote efficiency, not prevent efficiency and promote disease.

A British epidemiologist estimated that applying his country's 17.5% value-added tax to foods high in saturated fat would help prevent between 1,800 and 2,500 heart attack deaths per year in the United Kingdom. Researchers examining conditions in the United States, Denmark, Tanzania, China, and Norway have lent credence to the potential of tax/price incentives as a means to help achieve population-level dietary change. In short, sensibly designed food tax incentives could help internalize the costs of food choices and promote nutritious eating.

I want to speak for a moment about the potential regressive effects. The average Canadian individual now spends about $56 per year paying GST on food purchases. In 2006-07, the GST credit reimburses $354 to the average single individual earning $20,000 per year and $708 to a family of four with the same income. These rebates could be increased by a few dollars per person to offset further regressive effects, if any, of GST reform or increased even more ambitiously to help reduce food insecurity.

This committee should also be concerned about federal corporate tax incentives that undermine Health Canada's national nutrition promotion goals such as permissible deductions from taxable revenue for advertising expenses to promote junk food, or film production credits that support, for example, children's television programs that teach children how to count using lollipops or ice cream cones.

In conclusion, policy-makers must consider the causes of the causes of diet-related diseases, including, but not limited to, rising rates of obesity, and then focus on solutions that the best available evidence indicates will produce population health benefits.

Thank you, Mr. Chair.

● (1105)

The Chair: Thank you very much, sir.

We'll continue now with Colette Rivet of the Biotechnology Human Resource Council.

Welcome, and proceed.

Ms. Colette Rivet (Executive Director, Biotechnology Human Resource Council): Thank you very much.

Good morning. Bonjour.

Thank you for the opportunity to speak with you today. My name is Colette Rivet and I'm the executive director of the Biotechnology Human Resource Council.

Biotechnology is comprised of such technologies as cell and tissue culture and gene and RNA vectors, DNA and RNA applications, and nano-biotechnology. It involves such subsectors as human health, agriculture, natural resources, environment, and bioenergy. It encompasses such areas as life sciences, medical devices, and pharmaceuticals.

In a 2005 report, the Conference Board of Canada stated:

> Canada needs to act quickly in order to capitalize on biotechnology. We are beyond the point of discussing whether or not Canada should embrace biotechnology as a technology platform for growth. It would be like discussing whether or not we should embrace electricity or the Internet. It is no longer a matter of if we should establish a biotechnology platform, but how we will establish it.

The full achievement of the potential benefits of biotechnology depends on the industry's ability to manage its human resource challenges. A more strategic and national approach to the human resource challenges facing the industry is critical to ensure long-term growth and sustainability.

In addition to driving demands in human health in the other subsectors, current trends driving demand for bio-products include concerns for the environment, greenhouse gas reductions, and the cost and availability of petroleum. New products promise to deliver added value at the farm gate, while at the same time providing products that lessen the impact on our environment. Agriculture and forestry will form the basis for the creation of a new industry based on a renewable carbon and a new and prosperous Canada. However, rapid commercial and technological progress is stressing the industry's human resources capacity. Overall, Canadian-based biotechnology companies have global niche opportunities, but at the same time these firms face unique business challenges because they are highly regulated, research and development intensive, and many have long product development times with high risks of product failure. Most are small enterprises, and many of those have uncertain futures because of limited access to financing.

As a result of this limited long-term financing and minimal staff per company, there has been little focus and funds available for human resources and skills issues. In short, the competitive, international, and rapidly changing nature of this industry is resulting in a demand for a wide variety of skills. This shortage of qualified people is impacting the growth of Canadian biotechnology and its competitiveness. This sector is now only beginning to fully grasp how acute the lack of scientific and management people with the competency levels needed in the biotechnology sector really is. This change in thinking includes venture capitalists and junior scientists realizing that they need to understand how the biotechnology industry is different from the industries they're used to dealing with.

The many players and stakeholders in the Canadian biotechnology industry vary in size, location, the subsector in which they operate, and stage of development, while sharing the specific competencies required.

The Biotechnology Human Resource Council's objective is to ensure that qualified, skilled, and experienced people are available to fill the jobs in the industry and can contribute to the development of a more competitive sector and clusters. As a non-profit and national organization representative of the biotechnology industry, it works with companies, researchers, educators, governments, and employees to meet this goal. In response to the committee's questions related to ensuring that our citizens have the right skills for the benefit of employees and employers, we recommend a multi-disciplinary, multi-sectoral approach to education led by industry that would provide the ability to remain flexible in a rapidly evolving environment as related to the rate of scientific advancement globally and both the emergence of new technologies and convergence of existing technology.

We recommend an integrated system ensuring that individuals do not have to repeat learning when moving from institution or province and territory, and allowing Canadians to clearly determine their career paths.

We recommend a recognized national confirmation system for achieved competencies, including competency assessments and recognition processes, ensuring workforce mobility and industry buy-in.

The federal government's investments could include taking initiatives that will bring the post-secondary education and training systems more in line with the needs of industry; support for sector councils that bring together all the stakeholders to identify and implement industry-driven labour market solutions in a focused and organized manner sector by sector; work experience initiatives in partnership with industry and sector councils for new immigrants so they can integrate into the Canadian economy as soon as possible after arrival; and facilitate the assessment and recognition of foreign credentials and competencies through industry and sector council partnerships.

The federal government already has had a clear role through their support of sector councils since the late 1980s with the creation of the program by the Conservatives, and ongoing by the Liberals and Conservatives again, as well as the NDP in Manitoba and the Parti Québécois and the Liberals in Quebec. We would support a further stepped-up partnership approach between the federal government and the sector councils.

Thank you very much for your time.

● (1110)

[*Translation*]

The Chair: Thank you very much, madam.

[*English*]

We'll continue with Odyssey Showcase, Deborah Davis. Welcome, and please proceed.

Mrs. Deborah Davis (Executive Director, Odyssey Showcase): Thank you, Mr. Chairman.

In the words of Ringo Starr, “Got to pay your dues if you wanna sing the blues, and you know it don't come easy”. I have paid my dues and sung the blues, and I can tell you that obtaining money from the federal government “don't come easy”.

I'm here today to make you aware of a production that can add to the attraction of Canada as it competes in the global marketplace, because it is important that the federal government recognize unique and innovative cultural projects that can give Canada that extra branding edge in the global market.

The fast-paced, 90-minute show entitled *A Musical Taste of Our Canadian Heritage/Notre Héritage Canadien, Une Odyssée Musicale* presents the history of music in Canada. More than 50 performers showcase our Canadian musical heritage from the first people to the last 100 years of pop and rock, including Canada's contribution to film, television, and the world stage in a unique bilingual and multilingual presentation.

We have developed close working relationships with many organizations, including aboriginal cultural groups, the RCMP, Canadian universities, dance troupes, the Musicians' Association, school boards, and tourist organizations, and we have attracted funding from the private sector, the provincial government, and more than 10,000 student ticket sales.

I would like to see the federal government appreciate what this show has accomplished and understand the reality, frustration, and difficulty many small arts organizations experience in dealing with the federal bureaucracy.

In September 2005, Odyssey Showcase presented three performances, two school shows, and one public showcase at Centrepoint Theatre in Ottawa. The public showcase, made possible with funding from TD Canada Trust, the Ontario Trillium Foundation, and local sponsors, and the reception that followed were primarily intended to attract additional funding and interest in the show and Odyssey Showcase, especially from the federal government. The show was attended by hundreds of invited guests, including former Prime Minister, the Right Honourable Joe Clark, one federal minister, one senator, many diplomats, and numerous other dignitaries, along with representatives from the hospitality, travel, and tourism industries. To our knowledge, not one federal government official attended, although great efforts were made to attract them to the showcase.

Over the years, despite encouragement from federal officials to apply for funding, our applications were rejected from the granting process because the project fell between the cracks or was considered too mainstream. We have two sold-out shows scheduled for May 2007 and a waiting list of 800 students for an additional show if more funding can be found.

[*Translation*]

We've also received requests from a number of public and private schools in the Montreal region to put on our show in 2008 in order to stimulate interest in Canada's history. Presenting the show at international fairs or the 2010 Winter Olympic Games in Vancouver would be an ideal opportunity for the entire world to get to know Canada better. The Cirque du Soleil had a similar start and has achieved its success thanks to the vision of certain representatives of the Quebec government.

[*English*]

My appearance today is made in the hope that in some small way I can help get the message across that something has to be done to make it possible for projects such as ours to be viewed with a greater federal interest, to say nothing of funding support.

If I may have just half a minute more, permit me to add that I think it is noteworthy that I am appearing during Citizenship Week, as the show is clearly related to important aspects of what it means to share in Canada's culture and heritage.

If anyone would like the opportunity to meet with me to view a DVD about the production or to find out more about the production, I can be reached by logging on to www.cmod.ca.

Thank you for giving me the opportunity to appear today.

● (1115)

The Chair: Thank you very much, Deborah.

We'll continue with Luc Fournier from the Canadian Festivals Coalition. Welcome back, and proceed.

Mr. Luc Fournier (Spokesperson, Canadian Festivals Coalition): Thank you, Mr. Chairman.

My presentation will be in French. It's easier for me.

[*Translation*]

I would like to talk to you about the Canadian Festivals Coalition, which I represent. In fact, there are four representatives, one each for the Atlantic Provinces, Ontario, the Western Provinces and Quebec, in the last case myself.

We are currently concerned about the entire dynamic of funding for festivals in Canada as a result of two hard blows we've received in the past five years. The first is the complete loss of sponsorship from the tobacco companies under a federal act passed prohibiting the practice. I don't want to reopen the debate on tobacco. That's not the issue. The fact is that that act alone represents a loss of between \$50 and \$100 million for the Canadian sponsorship industry.

The second factor I want to emphasize is the federal government's sponsorship program, which was ultimately called the sponsorship scandal. I'm talking more about the agency scandal. The problem wasn't what the events received, but rather the intermediary between the government and the events, including the festivals. They've always spent the money very well. In this case, we're talking about a loss of \$50 million a year.

We're asking you to listen to us carefully. My three colleagues from the other regions of Canada and I would simply like to go back to a program entailing standards and including basic criteria for events development, so that we can continue the economic development work we are doing in all regions of Canada.

You should know that there are major festivals in all ridings and all regions and that those events contribute to the economic and social development of those areas. To do this, we ask that these amounts — and we're not talking about new money here — be paid to us once again so that we can support between 600 and 800 festivals in Canada. I prefer not to use the word “event”. What happened 15 minutes ago could be called an event. We're not talking about that kind of event, but about festivals.

Our industry is being asked to participate closely in the tourist development of all our communities in the regions, but curiously the tourist promotion that is being done through the festivals doesn't benefit the festivals themselves. Only tickets bring in money. The rest of the money from those attending the festivals goes to hotels, restaurants, transportation companies, food services and souvenir retailers. All orders of government are asking us to take part in tourist development, but that doesn't help us.

We're requesting financial support that will generate economic impact. Every dollar invested by the federal government in events returns \$8 to its coffers, not in the form of economic development, but in the form of taxes. Our request represents between 600 and 800 festivals, a contribution of \$50 million a year. We are ready to review the criteria with all parties concerned. We are already prepared to file a concrete proposal. You may examine that in the summary that our group sent you a few days ago.

I'll close my presentation by telling you that this is a real cry from the heart. Our industry has suffered major losses, and that's the case everywhere, not solely in Quebec.

Thank you very much.

[*English*]

The Chair: Monsieur, you have a minute remaining.

Mr. Luc Fournier: No, it's okay.

The Chair: Okay, *pas de problème*.

We continue with the Canadian Foundation for Economic Education, Gary Rabbior.

Mr. Gary Rabbior (President, Canadian Foundation for Economic Education): Thank you very much, Mr. Chairman. I appreciate the opportunity to appear before you here today on behalf of the Canadian Foundation for Economic Education, or CFEE, as we are more affectionately known.

More importantly, I am pleased to have the opportunity to represent the interests of the millions of Canadians who struggle today to build a successful economic future. More Canadians than any of us would care to imagine lack both confidence and competence as they face their daily economic and financial choices and challenges. CFEE is a federally chartered, non-profit, non-partisan organization, and our goal is to help improve economic and financial literacy so that more Canadians have the capacity and the capability to build a successful economic future.

Our organization was established in 1974. Over the past thirty years we have seen this country absolutely explode with economic opportunity, but unfortunately not for all. We've seen how those who are equipped with the knowledge and skills to identify opportunity and act on it do extraordinarily well, some achieving significant wealth. But we have also seen how many other Canadians experience the stress, anxiety, and hardship that an increasingly competitive and market-driven economy can present. Lacking the same level of economic readiness that others have, these individuals are vulnerable to so many of the harsh economic forces and realities that can sweep over those who are not prepared or who are ill-prepared. We've seen the consequences of stress and ignorance through the signs of tremendous growth in cheque-cashing and payday loan operations.

And wouldn't it be wonderful if the challenge of trying to regulate these operations were partnered with declining demand? If you are like most Canadians, when you reflect upon your own economic and financial learning, you would probably agree that your preparation for economic life was less than ideal. I'm sorry to say that for today's youth, things haven't changed very much.

This means that the challenge we currently face, trying to help many in our adult population who are ill-equipped and unprepared for economic and financial decisions, may only get worse. We know that some groups within our society are more vulnerable to economic challenge and hardship than others and need particular attention—groups such as aboriginal and first nations Canadians, newcomers, past immigrants, and the elderly, who are particularly vulnerable to frauds and scams as they aim to find ways to maximize returns on their investments in a low-interest-rate world.

Some would argue that there is a more urgent need: that of basic literacy and numeracy. I would refer those who do so argue to the work that has been done in the United States, where some of the most successful programs, with the most significant impact on literacy and numeracy, have focused first and foremost on economic and financial literacy. Why? It's because to learn effectively learners need to be motivated, and they have to want to learn.

Many who are illiterate will not step up to proclaim that they need to learn. Indeed, that is what represents so many problems for literacy programs: people will not self-identify, since they don't want it to be known that they cannot read. Consider the now famous example of Jacques Demers, who did all he could to hide his inability.

If we want to address the challenges of basic literacy and numeracy, I propose to you that a key may well lie in the efforts to improve economic and financial literacy at the same time. People usually have little hesitation in acknowledging that they need help in this area, since almost anyone could be sitting in the seat beside them—a real estate agent, an engineer, a taxi driver, and so on. There seems to be no shame in admitting that one needs help in handling and managing financial and economic matters in one's life. Unfortunately, that is a sign of how pervasive the problem is.

I therefore suggest to you that there is not only an urgent need to address the challenge of economic and financial literacy, but that efforts designed to do so could at the same time make a significant contribution to improving basic literacy and numeracy skills. In the brief we have prepared for your consideration we have presented an action plan to address the problem we face in this country with economic and financial literacy.

One of the roadblocks we have faced historically, even among those concerned about the problem, is the question of what we mean by it. To try to overcome this barrier, we organized a series of forums across Canada and brought together people from all walks of life. We asked them one simple question: what do you think Canadians need to know?

I have brought with me today copies of a document entitled “Canadian Economic and Financial Capabilities Guideline”, which represents the consensus of those who've represented business, labour, government, education, social, and community agencies, and many others. We hope this helps us to overcome the historic barrier and articulates what we mean by economic and financial literacy.

However, even with that barrier overcome, a major obstacle remains, and that is the will in Canada to do something about this issue. We're willing to do our part, but to make a meaningful difference, we need to make a meaningful investment. We need the influence and resources of our federal government. We need the federal government to assign priority to this issue and put the resources behind a national, coherent, strategic initiative to help the many Canadians who want to succeed, are working hard, but are encumbered by a lack of knowledge and skills that puts them in a position of such disadvantage to others.

● (1120)

We hope you will agree, assign priority to this issue, assign resources to a strategic effort to address this issue, and help Canada and Canadians to address this challenge.

Thank you very much.

The Chair: Thank you for your presentation, sir.

We'll continue with Chuck Loewen, who's here on behalf of the Association of Canadian Airport Duty-Free Operators.

Welcome, sir, and over to you.

● (1125)

Mr. Chuck Loewen (President, Frontier Duty Free Association, Association of Canadian Airport Duty-Free Operators): Thank you, Mr. Chair and committee members. It's a pleasure to be with you today on behalf of the Canadian duty-free retail industry. The representatives of our industry before you today represent all land and airport duty-free retail outlets in Canada as well as selected land and airport outlets in the U.S.A.

In Canada alone we employ approximately 3,000 Canadians. On top of that, Mr. Chair, close to 40% of products sold in our stores are of Canadian origin. Our sales last year were just $349 million; however, in 2000 our sales combined were over $375 million. This represents a loss of 17% for land outlets and 6% overall.

Many events have influenced this drastic trend. Some have been beyond the control of government, but others are a direct consequence of a Canadian government decision.

Our business depends on tourism. Our sales have been affected, as you probably well know, by September 11, SARS, the falling U.S. dollar, the war in Iraq, longer lines at the U.S. border, a decision to require passports by 2007—in the minds of many, this has already taken effect—and of course the recent ban on liquids on airplanes. While we do not hold the government accountable for these events, we will need your help if we are to overcome these challenges.

Our sales have been affected by actions taken directly by government as well. We have been recognized by government as being an export industry; however, the government's imposition of an export tax on tobacco, aimed at smugglers back in April 2001, dealt a near-crippling blow to our industry. This particular tax on the sale of duty-free tobacco products was the first of its kind in the world. This tax created numerous significant negative impacts on our industry. It attacked the basic foundation and nature of our business, which is tax- and duty-free. It eroded the traveller's confidence: “Why do I pay tax on tax-free products?” It reduced our strategic advantage. It reduced penetration to the shops. It affected substantially our ability to pay rents to various authorities, and it reduced sales and increased costs.

Secondly, the announcement of the recent cancellation of the visitor rebate program dealt another stinging blow. The GST/HST visitor rebate program, although modest by international standards, contributes to Canada's competitiveness as a destination. All other countries we compete with provide rebate programs to visitors, and removing the GST rebate program will inflate our pricing in foreign markets by 6%. Tourism cannot afford the added loss of competitiveness that the elimination of the GST/HST visitor rebate program will entail.

As a result of these many challenges, the industry has already seen erosion in sales of some $26 million from 2000-2005 and is forecasting a further decrease of 10%, or $35 million, for 2006 alone. Mr. Chair, that represents a significant amount of Canadian product and many Canadian jobs.

Government and industry working in concert can, I am confident, work through these issues. As you may know, in its report entitled “Borderline Insecure”, the Senate committee on national defence last year recommended a review of allowances to bring our Canadian program more into line with those of Mexico and the United States. We fully support this and applaud the committee's recommendations.

Meanwhile, our industry also continues to invest to keep up with the global market in which we compete. We bring new programs and have added new stores. We've reinvested capital for store improvements. We continue to generate employment and pay corporate taxes, and in the last five years we have paid in excess of $150 million in export taxes on tobacco—this represents almost 10% of our sales.

There are solutions to these problems. Our industry is currently working with Finance toward solutions to the tobacco excise tax problem, and we are seeking your support to find solutions to this issue that may be dealt with in the next budget.

We are also looking to you and all of government to review and speedily rescind the proposal to eliminate the visitor rebate program or look at alternate solutions, and we encourage the government to take action on the Senate report recommendations regarding allowances, which were favourably viewed by this committee last year.

Further detail and more specific recommendations are presented in the package you have received.

Each of these measures will positively impact the Canadian economy and help to ensure a stable, long-term future for our industry.

Once again, Mr. Chair, on behalf of a duty-free industry in distress, our workers, and the border communities we live in, we want to express our appreciation for being invited here today, and we look forward to your help.

Thank you.

The Chair: Thank you very much, sir.

We continue with Joyce Gordon now, on behalf of the Parkinson Society of Canada, and she will conclude our presentations.

Welcome.

Ms. Joyce Gordon (Executive Director, Parkinson Society Canada): Thank you, Mr. Chairman and committee members, on behalf of Parkinson Society Canada and people living with Parkinson's, for the opportunity to present today.

Parkinson Society Canada is a national, not-for-profit, volunteer-based organization with its 12 regional partners and over 200 chapters and support groups across Canada. Our purpose is to ease the burden and find a cure for people living with Parkinson's. We are the national voice for people living with Parkinson's in Canada.

Over 100,000 Canadians have Parkinson's today. Parkinson's is among the most prevalent of neurological disorders. It is a chronic, progressive neurological disease leading to the degeneration of nerve cells in the brain. Parkinson's is also associated with a substantial burden of illness and cost to society.

For those not familiar with Parkinson's, its progression varies from person to person, and for most individuals, this takes place over many decades. Some people suffer uncontrollable shaking, loss of balance, loss of facial expression, slowed motion, slurred or unusually quiet speech. Chewing and swallowing problems are common symptoms of Parkinson's.

I would ask you to try to imagine what your life would be like if you had Parkinson's, if you were not able to ever smile again, talk again, write again, walk, or swallow and enjoy the food that you enjoy today. This is what Parkinson's is like for over 100,000 Canadians who live with this disease every single day.

So far, researchers and clinicians have found no way to slow, stop, or prevent Parkinson's. It is incredible how little we know about this disease at the population level. The number of Canadians with Parkinson's is expected to increase dramatically as our population ages, and so are the costs. This increase in the population of people with Parkinson's may—and I note may, because I'll point out why I'm saying that now—have a large impact on health resources used in communities across Canada.

Unfortunately, little is known about the true picture of Parkinson's in Canada because the data are not tracked, and that's why I said that Parkinson's may have a large impact. Parkinson's is not a disease of the elderly, but it does affect many over 65, and the incidence increases with age. As such, we are staring at a train coming down the track. We just don't know how big it is, when it will get here, or how much damage it will do, or if or when it goes off the rails. Parkinson Society Canada sees an impending crisis and we need your help to stop it.

As a progressive, degenerative disease, the social and economic impact of Parkinson's will increase over time for the individual and society as the Canadian population ages. There is an urgent need for baseline and projected data on the economic and social burdens Parkinson's imposes. Much epidemiological data are missing. Measuring the data gaps will lead to a better understanding of Parkinson's disease and better public policy decisions. This is our challenge.

Parkinson Society Canada is funded primarily through private donations and sponsorships, and we have demonstrated continued commitment and leadership over the years by providing direct funding to Parkinson researchers. We have also worked with Health Canada to develop a social and economic impact document that was published in 2003, which we have left with you. Much of what we know about Parkinson's comes from this document, but it also identified many gaps. It is now three years later, and we want to address the challenge we faced then and still face now.

Parkinson Society Canada has begun to work on this, but we can't do it alone. We have commissioned Dr. Christina Wolfson, at McGill University, to develop an epidemiological framework to determine the best approaches to acquire required data. With an immediate investment of $5 million by the Government of Canada, this work could begin immediately. This funding can take us another step closer to easing the burden for society, communities, and individuals living with Parkinson's and their families. The Government of Canada can demonstrate leadership and effective use of public funds by investing now in gathering essential epidemiological data about Parkinson's disease so that informed national policy decisions can be made based on credible epidemiological data.

The current and future impact of Parkinson's on the Canadian economy cannot be overstated. On behalf of people living with Parkinson's and Parkinson Society Canada, I urge you to consider this request for an immediate investment in a national epidemiology study for Parkinson's. Our Canadian researchers are well known internationally for making contributions. Many researchers believe a cure is as close as ten or fifteen years away, and we want Canada to be at the forefront of Parkinson's research. We would like the Canadian government to be there with us when we find a cure. Wouldn't it be great if a Canadian researcher found a cure for Parkinson's?

● (1130)

I would like to thank you very much for the time today. We hope the result of this investment would be more efficient use of the Canadian health system resources and an increase of quality of life for people living with Parkinson's and their loved ones.

Thank you very much.

● (1135)

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

Thank you all for your presentations. In spite of interruptions, I think they were admirable.

We'll move now to questions. Mike Savage for five minutes.

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

They were great presentations and I have a lot of questions. I'm not going to get to them all, but first of all, Mr. Loewen, I think you will be glad to know that we do take the cancellation of the rebate program seriously. Yesterday, a motion brought forward by Mr. McCallum passed at this committee to do a study on the cancellation of that program and we intend to follow up. We might even see you again on that. I think that's a good thing.

First of all, Mr. Rabbior, that was very interesting stuff. I wasn't familiar with your organization, but I'm going to become more familiar. I thank you for laying this out so well.

The House today is debating a motion that's been put forward by our party on the cuts that were made in last week's announcement that affected literacy groups across Canada. The government has indicated that it felt those cuts were really to the administrative aspects of literacy programs. I have letters I've received from Literacy Nova Scotia, Nova Scotia Teachers Union, and Community Links back home. I also have a letter from a learner in the Annapolis Valley who is indicating that his ability to get up to speed on literacy and numeracy is going to be impacted by those cuts.

My question to you is this. Does cutting literacy, in whatever form, send a bad signal to all Canadians who are struggling with this issue?

Mr. Gary Rabbior: In terms of the strategic investment that I think it represents, it is undoubtedly important. What we would observe right now—and we had an opportunity to discuss this in the context of our efforts to address the productivity issue—is that a lot of the efforts within the government tend to be more toward redistributive spending versus longer-term strategic investment in what will effectively affect our productivity performance and the ultimate standard of living that we'll leave as a legacy to our kids.

Learning, literacy development, education, training—to those kinds of investments we don't seem to be currently assigning the same level of urgency as we are to some of the other things, such as health care, that seem to be more of the here and the now for the yuppie generation that tends to carry a lot of the political light of the day. For our kids, we'd better be making that longer-term investment in programs to develop the capacity of our labour force, not only in the literacy area but also in the utilization of the talent of our immigrants, newcomers, and others.

I personally believe it's more strategically sound to make sure those investments are sustained and made in effective areas, doing more assessment on what's working and what isn't, so that we don't eliminate them holus bolus but find out where we can strategically have an impact and concentrate our spending in those areas.

Mr. Michael Savage: Thank you for that, and I thank you for speaking quickly too. That gives me more time.

Mr. Jeffery, again, a very good brief. You only made brief mention of schools when you talked about nutrition. Certainly, when we're talking about making Canadians more nutritionally aware, it starts with kids, it starts with schools, nutrition in schools, the breakfast for learning programs, and things like that, poverty being one of the most serious social determinants of ill health.

I wonder if you have a view on what we should be doing in schools besides meal programs, not only eating healthy but taking out junk foods. The example I'll give is a high school in my area where the principal took out the Coke and the chip machines. They were providing the only real discretionary income the high school had. I think they lost $20,000 a year for school improvements and things like that. Would you agree that we should start with a mandate that no school should be penalized for promoting proper nutrition in the schools?

Mr. Bill Jeffery: Absolutely. My impression is that one of the reasons we have a lot of these types of vending machines in schools now is because there were some cutbacks on funding to provincial education programs. But I think there is some evidence to indicate that even switching to vending machines that sell nutritious snacks, low-fat milk, apples, and so on, can actually be profit-making for schools. The trick is to have good, sound nutritional criteria for the types of foods that are made available in schools, and that's something that Health Canada could certainly engage in. Some provincial governments are starting to develop such criteria now. Health Canada is sort of leading health science and could help develop such criteria.

● (1140)

The Chair: Thank you, Mr. Savage.

Mr. Jeffery, thank you.

Nous continuerons avec monsieur Paquette.

[*Translation*]

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

First I'm going to speak to Mr. Fournier. I'm very sensitive to this question, since the Festival international de Lanaudière, which is established in my riding, was also affected by the loss of the sponsorship program. We're talking about a loss of $50,000, which is not minor. In addition, as a result of the increased requests for funding being made to the private sector, it isn't easy to find sponsors to offset that loss.

I find your proposal well substantiated. I have a question for you.

When the former government abolished the sponsorship program, it announced that it would set up another one. Have there been any developments in that area? Does your proposal come from the work you did when the former government was in power? Have you heard that the Conservative government wanted to implement a transparent and acceptable assistance program for major cultural and sporting events?

Mr. Luc Fournier: Both the former Liberal government and the present Conservative government have said they were in favour of this initiative. They say everything is going very well. That's also the case of the people from the Bloc québécois and the NDP. But I don't know whether it's because of the sponsorship scandal, but no one wants to take responsibility for it. What's more, the money is available.

After the sponsorship program was abandoned, no festival received any funding. The only program that was already supporting these events and is still doing so is the Canadian Heritage program. It offered relatively modest support for artists. Apart from that contribution, there's nothing. And yet everyone agrees that this is a good idea.

Mr. Pierre Paquette: Have you approached the new government?

Mr. Luc Fournier: Of course, sir, and we still are. We're told it's a good idea.

Who's going to take leadership?

Mr. Pierre Paquette: Perhaps it would be enough to look at a dictionary of synonyms and replace the word “sponsorship” with another one.

Mr. Luc Fournier: Indeed.

Mr. Pierre Paquette: I'm going to do it.

Mr. Luc Fournier: We could simply call it an event support program.

Mr. Pierre Paquette: When the Grand Prix de Montréal nearly disappeared because the sponsorships were cancelled, we made every effort to prevent that from happening. We pressed the government to grant interim assistance for the event. Please be assured that we'll continue putting the pressure on.

Mr. Luc Fournier: Thank you.

Mr. Pierre Paquette: All your briefs are very good. Unfortunately, we're already pressed for time. There was also this event that occurred earlier. My question is for the Association of Canadian Airport Duty-Free Operators. Good morning, sir.

In your brief, you refer to the cancellation of the GST visitor rebate program. The Conservative government recently announced this measure. Will the impact on duty-free stores be major? Even though we plan to deal with this question at a future meeting, I'm going to ask you to give us a few details on the subject, since you discuss it in your brief.

[*English*]

Mr. Chuck Loewen: Yes, it will have a direct impact on the duty-free shops as well as on the operations at the airports, where we actually are an authorized agent of the government to refund GST directly to the consumer. They then have and take the opportunity to spend that money in Canada, in our stores, before they leave the country. There will be a direct impact from the number of visitors who come into our store, as well as overall in the tourism industry from the number of visitors coming into Canada in general, from which we as a duty-free industry of course reap the benefit.

[*Translation*]

Mr. Pierre Paquette: I invite you to testify before the committee. We should have a two-hour meeting on this question soon. You can contact our clerk. The more of you express your objections in this regard, the more likely we can reverse this announcement by the Conservative government.

Do I have a little time left?

The Chair: No.

Thank you very much, sir.

[*English*]

I'm sorry, sir, there's no time for your response. We'll move on to the next questioner now, and that's Mr. Del Mastro.

You'll have five minutes, sir.

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

I'll pick up where Mr. Paquette left off, to give you a little more opportunity to speak. I actually come at this from a little bit different angle.

The GST was reduced to 6%, and we know it's going to be reduced to 5%. It's a declining benefit, first of all, for tourism. We know that only 3% of eligible people are collecting it back. It's an inefficient way of processing taxes. It actually costs us ten times as much to provide a rebate as it does to actually collect the tax. The way it was working just doesn't make a lot of sense.

I would argue that it would be much smarter to reinvest those funds into promotion of tourism in Canada, rather than provide a giveaway for people who have already been here.

● (1145)

Mr. Chuck Loewen: First, you make some good points. Even though the GST will be reduced to 5%, that still would mean an additional 5% for tour operators for conventions that they would have to charge for their product packages coming into Canada. It still is 5% more than what the consumer would have to pay from a visitor standpoint.

Mr. Dean Del Mastro: Only 3% of eligible tourists are applying for it.

Mr. Chuck Loewen: Those particular statistics were based on all visitors to Canada. Countries that have a VAT rebate program base it on overnight visits, which take our percentage more toward 11% to 15%.

Mr. Dean Del Mastro: You mentioned the VAT. I'll just finish with a comment.

Great Britain rebates the VAT. However, the desks where you get your rebate are on the arrival side of the airport, not the departure side. They indicate you can get a rebate, but they sure don't make it easy.

Mr. Fournier, a couple of questions about your presentation. You're right about a couple of things. The sponsorship scandal affected how people view this type of government spending. In my riding, people were amazed that the Government of Canada would be spending this much money on this type of program.

Now we're talking about going back to that kind of program, and 95% of the spending from an event, you said, is spent outside the event. Why aren't the people who are benefiting from this coming forward and helping you throw these events? Why are you coming to the government for it?

Mr. Luc Fournier: It's to convince the government that when you invest dollars in the festivals, we promote Canadian culture, Canadian festivals. It's an iconic festival; more people come to your events, there's more tourism, and that creates economic activity for hotels and restaurants. That's why we said start with the government; we will collect the money and you will collect more than that. It's $8 or $10 per dollar you...close to that.

Mr. Dean Del Mastro: Okay, but the suggestion that up to 40% of the cost of an event could be funded by the government sure sounds like an awfully big chunk.

Mr. Luc Fournier: Forty percent?

Mr. Dean Del Mastro: I would like to think the fundraisers are working a little harder than that.

Mr. Luc Fournier: It's not 40%. The average part of the government—

Mr. Dean Del Mastro: No, what you've suggested is that the government would pay up to 40%.

Mr. Luc Fournier: Not 40%, 8%; 40% is the maximum public money from each festival, local, provincial, and national money. There is no 40%. The project is 8% of our budget.

Mr. Dean Del Mastro: Under eligibility criteria, you have minimum budget expenditures of $250,000, with no more than 40% coming from government funding. That's quite excessive.

Mr. Luc Fournier: Yes, it's very big. We'd prefer it to be less than that. It's the maximum.

Mr. Dean Del Mastro: Me, too. Okay, we agree on that.

Mr. Luc Fournier: When over one-third of a festival is financed by public funds, it's not in good shape.

Mr. Dean Del Mastro: Sorry, sir.

Ms. Davis, a quick question. Make a case for me to the taxpayers of Peterborough. Why should their tax dollars, when they have a list of priorities of where they would like to see tax dollars spent—and believe me they do. Tell me why should an organization like yours be on that list of priorities?

The Chair: Unfortunately, you have fifteen seconds, Madam Davis.

Mrs. Deborah Davis: I'll talk very quickly then.

For everybody learning about the history of Canada, learning about the importance of being part of a great nation called Canada is important for every Canadian. If you look at statistics, you're going to find that schoolkids don't like history. They don't want to learn about history, and in some provinces—and this is from talking to educators—they're failing history.

This is an opportunity for an entire community to get involved in learning about what they've brought to the table in terms of celebrating the culture of Canada through past history, the present, and looking toward the future. It embraces every constituent living in your community, wherever they come from, wanting to learn about the first people and the Acadians and *la musique Québécois* and all the cultures that represent this great country called Canada.

● (1150)

The Chair: Thank you.

We must move on now to Madam Wasylycia-Leis.

Five minutes to you.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Thank you, Mr. Chairperson. I'll go fast.

First, to Joyce Gordon, you're asking for a $5 million investment on an annual basis?

Ms. Joyce Gordon: Yes.

Ms. Judy Wasylycia-Leis: What would be the return on the savings that would accrue to this country and to taxpayers and to government revenues by investing that $5 million?

Ms. Joyce Gordon: That's a great question. One of the problems we have is that we won't know that until we have the numbers. With the document that was done by Health Canada several years ago, we know what the costs were roughly at that time, but we don't know what the future cost will be. The expectation is that the population of people with Parkinson's disease will double in the next twenty years. We need to do some serious economic crunching of numbers and take a look at what savings there could be.

We also know that there are new treatments on the horizon, new surgical opportunities, new ways for people to get the care they need in their homes and their communities that could make a big difference to saving health care dollars if we know exactly where people are located and what the prevalence and incidence statistics are. We don't know that at this moment. We think we could do much better-targeted strategies and make better use of health care resources in communities if we knew exactly where Parkinson's was positioned within communities and provinces across the country.

Ms. Judy Wasylycia-Leis: Needless to say, there would be, based on what you said, a return on that investment that would multiply over the years.

Ms. Joyce Gordon: Yes.

Ms. Judy Wasylycia-Leis: Chuck, I really don't have a question. I'd just say that I think the lobby and the pressure on the government to stop the cancellation of the GST tourist rebate program is working, to some extent. In fact, the Conservatives have introduced a motion, ways and means motion number 7, and have so far not brought it forward, and I think the only reason is that they're worried they could lose it. So far three opposition parties seem to have indicated opposition to it. Just to let you know, this is a good time to keep the pressure up and to keep the faxes and e-mails coming.

Mr. Chuck Loewen: We look forward to working with the government to find a solution.

Ms. Judy Wasylycia-Leis: Gary, I don't know much about your organization, yet it seems to me it would play a valuable role in building capacity in communities.

In Winnipeg North we're struggling with the banks having left and the payday lenders coming in. Very soon now we're going to announce an alternative financial services agency that will not only help people get credit and loans but will also educate.

What do you need to make your council have a bigger presence in every community across this country?

Mr. Gary Rabbior: With the federal government's support, we could take advantage of some of the extraordinary opportunities that are being presented.

I thank you for the opportunity of referring to Manitoba. Manitoba is the first province or state in North America to make a commitment to trying to ensure that economic and financial literacy is provided to their students.

We're currently working in collaboration with the minister of education and a number of stakeholders in that province to review the curriculum and offer recommendations for curriculum change, as well as for producing resources and training the teachers for implementation. If it's successful, it will stand as a unique model in North America, for the first government body to make a commitment in that area.

We also have a network of 3,000 community service agencies who are working with the unemployed and the economically disadvantaged. We have a network of over 500 immigrant-serving agencies that are working with newcomers to assist them.

We've made a representation to the government on this. At this particular point, if we were able to get some further financial assistance from the government—right now we're totally self-supporting—there are extraordinary opportunities to make progress in this area. The timing seems to be right, because there seems to be a heightened recognition among everyone that this is an urgent need. People are paying a great consequence for their ignorance, such as through these payday loans.

Ms. Judy Wasylycia-Leis: The last question is to Bill Jeffery on the use of the tax system to change behaviour. You seem to really stress that. You show it works. We look at tobacco as an example.

Would it have made more sense for us to eliminate the GST for certain things such as books for kids, food products, feminine hygiene products, as opposed to making this overall blanket 1% or 2% reduction in the GST?

Mr. Bill Jeffery: Certainly the sales tax should be reviewed with the idea of ensuring that the nutrition advice the Government of Canada is giving to people, and the aspirations of Canadians—for instance, that our kids read more, or that we purchase things that are absolutely essentials, whether it's feminine hygiene products, or fruits and vegetables.... The tax system shouldn't interfere with those decisions; it should actually promote them. I think the GST rules have to be reviewed in that perspective.

● (1155)

The Chair: We're now going to four-minute rounds, with Mr. Pacetti.

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

Let me continue that line of questioning, Mr. Jeffery. In your brief you state that you want to increase the excise tax, but I don't see there being any excise tax on food, so it's not 100% clear.

It's not a new food tax. Here you say, “At present the *Excise Tax Act* appears to partly acknowledge the importance of nutrition....” I don't believe there's an excise tax on food.

Mr. Bill Jeffery: Well, there is, and in the footnotes I've cited the relevant provisions of the Excise Tax Act.

I'm sure you're aware that if you eat a restaurant meal, regardless of what the food is, you pay, in most provinces, 14% tax, federal and provincial. If you buy a fruit or vegetable tray at a grocery store, you pay tax on it. For club soda, bottled water, depending on the size of the bottle, you pay tax on it. So what we're advocating is just rethinking the rules to ensure that they always reflect nutrition recommendations and don't interfere with people's decisions to purchase healthy foods.

Mr. Massimo Pacetti: Okay, thank you.

Ms. Gordon, I would like to clear up the facts a little in your recommendation here. You're requesting an immediate investment of $5 million by the Government of Canada to gather essential data. How about research? Isn't that a more important aspect, or are you still at the stage where you don't have enough data to conduct your research?

Ms. Joyce Gordon: Well, we would have liked to ask more for research. The Parkinson Society is the only organization in Canada that is singly focused on funding research. We fund ourselves about $1.2 million annually. We would like to see that increased. We have recently partnered with CIHR to launch a psychosocial research stream with Parkinson's, and I've been talking to them about increasing the research complement. So yes, we would like to see more money for research, there's no question that much more can be done, but what we do know is that the lack—

Mr. Massimo Pacetti: I'm sorry, our time is limited. Does the research money come from CIHR?

Ms. Joyce Gordon: The Canadian Institutes of Health Research, yes, and we provide—

Mr. Massimo Pacetti: Okay. And is this money you're requesting a separate envelope that you'd be requesting directly from Health Canada?

Ms. Joyce Gordon: Yes, it is. This is epidemiological research that is really looking at gathering prevalence and incidence data around the state of Parkinson's in Canada and being able to project out, on economic models, what it will cost and what the savings can be and to develop strategies for how we can manage the doubling of people with Parkinson's in the country.

Mr. Massimo Pacetti: Great. Sorry, I don't mean to interrupt you.

Ms. Rivet, for the biotechnology...your first recommendation is quite complex, so perhaps you can word it in simple English. When you say that a multi-disciplinary, multi-sectoral approach led by industry would provide the ability to remain flexible in a rapidly evolving environment, this, to me, requires no involvement by us. I don't see where the recommendation would be for us to help you. Can you just help me with that?

Ms. Colette Rivet: Yes. I appreciate that most of the time, when you talk about biotechnology, everybody envisions scientists only, PhDs and those who are creating new and innovative ideas. The biotechnology sector, in order to be competitive and to grow, absolutely needs other skills that are in other sectors as well. You may have gained them in other sectors by experience, things like business skills, human resource skills, marketing, etc. As they're growing, as they're getting their organization going, they need some other different skills, so what we're trying to do is build those skills. Someone with a PhD will invent something, will start off with a little company, and all of sudden, as it becomes successful, it's growing and it needs that additional assistance. And that's what this organization does. It has industry help us.

Mr. Massimo Pacetti: Thank you.

The Chair: I was just telling him he was done, not you.

[*Translation*]

We now move on to Mr. St-Cyr.

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

Thank you for your presentations. I'd like to ask Mr. Fournier a few questions.

You referred to the scandal involving the communications agencies. I think the search for visibility was one of the problems in the case of the sponsorship program. From the moment the funds were granted to meet visibility needs rather than to support the festivals or develop our economy, the program went off on a political tangent and suffered the abuses we now know about. That was specific to that program. When the government grants funds to unemployed workers, artists or any other group, it doesn't ask that an enormous banner bearing the word “Canada” be used.

Having regard to that, do you think that an ordinary grants program the purpose of which would simply be to support festivals and our local economies rather than achieve visibility could meet your needs?

● (1200)

M. Luc Fournier: Yes. We're proposing a program including standards.

As for visibility, you shouldn't think it will disappear completely. The provincial governments and municipalities are asking that their contribution at least be announced or presented, which is normal. If that were done for partisan purposes, that might be another matter. However, for the festivals or any kind of program subject to standards, we have no objection to the government's demanding a certain visibility.

Moreover, I'd like to point out that Canada is not that generous from the standpoint of public funding. Mr. Del Mastro mentioned 40%. However, the average is approximately 20%, all categories considered. Whatever the case may be, when governments make a financial contribution, it's normal to point out that they've done their share.

Mr. Thierry St-Cyr: If I understand you correctly, a festival that meets your criteria would automatically receive eight percent of its budget.

Is that what you're proposing?

Mr. Luc Fournier: That's what we're proposing, but I must admit quite honestly that we still don't have the figures to complete the Canadian picture. As soon as we have them all, we'll be able to work with the government. However, we're talking about a quite similar order of magnitude.

Mr. Thierry St-Cyr: According to your first criterion, you require that an event be recurring for three years. So you won't support festivals that have just been established.

Mr. Luc Fournier: A separate envelope could be allocated to emerging festivals or start-up festivals. We think a different dynamic is involved in those cases. In economic development terms, we can't show that the event has an impact starting in the first year, when there hasn't been a single customer on the site. You have to wait at least three years.

Mr. Thierry St-Cyr: What do you mean by a minimum of 10% tourists?

Mr. Luc Fournier: Studies are now being conducted everywhere in the context of events, and these analyses show how many people come from outside.

Mr. Thierry St-Cyr: We're talking about outside the city, province or country?

M. Luc Fournier: We're talking about people who live more than 80 kilometers from the site of the event or who stay in the area for more than 24 hours.

Mr. Thierry St-Cyr: It's quite well documented.

Mr. Luc Fournier: Yes, it's documented everywhere.

Mr. Thierry St-Cyr: I'd like to ask Mr. Jeffery a question.

The Chair: I'm sorry, sir.

Mr. Thierry St-Cyr: You're not as sorry as I am, Mr. Chair.

Le président: We have to continue.

[*English*]

Madam Ablonczy.

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

There were some very unique briefs this morning. We appreciate that. Some good points were brought forward.

Mr. Rabbior, you make a good point that economic education is going to be key to success for people. Some people seem to lack that.

My question is how this would be delivered. You've put a good program together, but how would it be delivered?

Mr. Gary Rabbior: There are a number of ways in which it's being delivered right now that could be exploited even further.

There are efforts going on in the schools—certainly not enough. There's a need to bring a greater priority to economic and financial education in the schools. There are community service agencies across this country that are struggling to deliver this kind of assistance to their clients. Unfortunately, they tend not to have the training or background. We're currently doing some programs to train and provide resources to community service agencies who face the unemployed, the economically disadvantaged, and the newcomers who are trying to get their economic life together.

There are also immigrant serving agencies and others. There are also government programs. There are a lot of agents of delivery. In some cases right now there's not the priority assigned to it, nor the investment in the effective resources to do so. Many of the resources developed in this area are written far beyond the capacity of the average Canadian to understand. Canadians want to learn. There's a pent-up demand that is incredible. The unfortunate thing is that they're very distrustful of the sources. Most of the time the sources are talking at levels they can't truly comprehend.

Ms. Diane Ablonczy: Thank you. That's helpful.

Mr. Loewen, how long has it been since the allowances were revisited?

Mr. Chuck Loewen: The last time was 1993.

Ms. Diane Ablonczy: So over a decade.

Mr. Chuck Loewen: And then in 2000—I don't have the exact year—the weekly allowance was changed to $750 from...I believe it was $400 at the time.

● (1205)

Ms. Diane Ablonczy: What year was that?

Mr. Chuck Loewen: That was about four or five years ago, if I recall.

Sorry, it was 2001.

Ms. Diane Ablonczy: All right. I just wanted to know that. It just seems like time to get on with things.

Mr. Jeffery, I appreciate your concern about health. It strikes me that tobacco taxes and such really haven't changed people's behaviour significantly. They just make things more expensive. What makes you think taxes on junk food would actually lead to positive results?

Mr. Bill Jeffery: According to the Canadian Cancer Society, taxes on tobacco have been fabulously successful in reducing tobacco consumption rates in Canada. There's a table in my presentation that shows how the increases in prices mirrored very closely decreases in consumption. With respect to food, we're just basing our conclusions on the econometric studies that have been done in a number of countries.

Ms. Diane Ablonczy: I'm not sure that taxes alone are the driver of change in tobacco use.

Mr. Bill Jeffery: Certainly, Madam, we're not recommending exclusively that. We recommend other things: education, labelling, and so on.

Ms. Diane Ablonczy: Yes, I understand that.

Ms. Gordon, I think we all know family members and friends afflicted with Parkinson's. It's a terrible thing.

How would this study be carried out? Will you knock on people's doors? It's pretty tough to understand how you would actually do a case-by-case compilation here.

Ms. Joyce Gordon: We're working with Dr. Wolfson, at McGill, who is an expert epidemiologist. We've begun to look at an initial framework and how it could be devised and what kinds of population strategies could be taken. We expect that report in December, and we'd be glad to share it with you.

It will lay out some approaches that we should consider and the best strategies to get that kind of information and how to best go about managing the future for people with Parkinson's.

Ms. Diane Ablonczy: That would be helpful. Thank you.

The Chair: Merci beaucoup, Madame.

We'll go now to three-minute rounds, with Mr. Savage.

Mr. Michael Savage: Thank you.

Let me stay with Ms. Gordon, and I'll follow up on Ms. Ablonczy's line of questioning.

We've heard from a lot of the health charities during this round of pre-budget consultation. I know from talking to health charities last year, being on the health committee, that a lot of the health charities are asking for money to do surveillance. There doesn't seem to be good surveillance done on any of the health surveillance front in Canada.

I know from my own experience in cardiovascular that they were looking for money some years ago to put together surveillance, and for cancer, the same way. We had the national diabetes strategy, which included some surveillance. But I think people would be surprised at the extent to which we haven't really coordinated health information in Canada.

To follow up on Ms. Ablonczy's questioning, I'd like to hear more about how this strategy would actually be unveiled. Is the Parkinson Society putting some money into it too, or would this be the $5 million that would be provided by the government?

Ms. Joyce Gordon: We are currently funding Dr. Wolfson to get the framework. We would also look at additional funding that could be matched to carry this forward.

Parkinson's is a chronic disease, and chronic diseases are significantly not only underfunded but under-surveyed in terms of data, compared to some of the bigger disease conditions. We really don't have numbers that can be put on the table that have the kind of science they need, and that makes it very hard to plan public and social policy.

Mr. Michael Savage: I think people would be surprised at the extent to which even individual doctors' offices aren't connected in terms of gathering health data.

CIHI and other organizations are working on that, as is the CMA, I know, as well.

Ms. Joyce Gordon: Yes.

Mr. Michael Savage: So I wish you luck with that.

● (1210)

Ms. Joyce Gordon: Thank you.

Mr. Michael Savage: Ms. Davis and Mr. Fournier, we talked a bit before the panel commenced. I haven't seen the show that you're involved in, but I've seen *Drum!*, which is a play put on in Atlantic Canada that talks about the four groups that really founded Nova Scotia and Atlantic Canada: African Canadians, the Celts, Acadians, and aboriginals. It's all done through music. It's fabulous. I would recommend it to anybody. The Atlantic Canada Opportunities Agency, ACOA, has been involved as a big supporter of that. I see that as a major role of regional development. I completely support that.

But let me ask you a question. We used to have a member of the committee, Mr. Turner, who is no longer with us. We enjoyed Mr. Turner, particularly since he was on that side.

The Chair: Thank you, Mr. Savage. After that, you've run out of time, so you're no longer with us either.

We will continue with Mr. Dykstra.

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

Hon. John McKay: Free Garth!

Mr. Rick Dykstra: Well, Mr. McKay, I don't think so.

Hon. John McKay: I don't know why none of you like him.

Mr. Michael Savage: You can follow up my question line.

Mr. Rick Dykstra: We'll have a discussion about that after.

Mr. Dean Del Mastro: I thought you liked everybody, John.

Mr. Rick Dykstra: Mr. Chair, through you, I think I have the floor and I'll ask Mr. McKay to give me a couple of minutes here.

One of the things I wanted to ask the Canadian Foundation for Economic Education is.... I'm pretty sure most of us have had the Canadian Bankers Association in to see us on an individual basis to talk about a number of things to do with the banking industry per se, but specifically the programs they have actually begun or are running with respect to educating individuals, young, middle-aged, and seniors as well, in terms of financial responsibility.

One of the concerns I have, and I think any member of Parliament would have, is the duplication of service. My concern is based on the presentation you made and the focus, obviously very positive in terms of educating individuals across the country, is that we already have a service that the private sector, or the banking industry, if you will, is prepared to provide and is providing. Yet at the same time, you're looking for funds to move into that area.

I wonder if you could comment on that.

Mr. Gary Rabbior: Yes, there are a couple of things. One is that the Canadian Bankers Association was one of our founding organizations, so I'm certainly not going to be at all critical of the programs they undertake.

The reality is that there are two things. One was in the document that I brought to share with you today. We have an outline of what were identified as the areas of knowledge and skill that Canadians thought were important to have as a capacity to build an economic future. About 17% of those relate to money and finance. There are all sorts of other things that relate to an economic education that would fall outside the purview of the Canadian Bankers Association. I commend them for their efforts and their job, but they only do part of it.

The other thing is that I speak again to the essential matter of trust. As well-intentioned as the CBA is in what they do, I think there's a need for an impartial, non-partisan organization out there, especially working with the schools and with others who are somewhat hesitant about engaging with private sector organizations and others. I am fully supportive of the CBA's efforts, but as in everything, I don't think one organization is able to take on the monumental task there. In some areas they have a competitive advantage and in other areas they do not.

I believe there is definitely a need for a wider array of activities beyond only the efforts of the CBA.

The Chair: Thanks very much, Mr. Dykstra.

We will conclude now with Mr. Pacetti.

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

[*Translation*]

Mr. Fournier, I know that your proposal has raised a lost of interest. Funding has already been allocated to festivals. In your proposal, you said that the money should be allocated to festivals or events, but do they include sports and cultural events, or just festivals?

Mr. Luc Fournier: We're talking about events, whether they're cultural, entertainment or sports, provided they recur every year.

We want to prevent an event like the Vancouver Olympic Games, for example, from being included in this program. We want to avoid this kind of major event which is suddenly held in an area and would take up the entire machinery.

Mr. Massimo Pacetti: That's why you've indicated a minimum and a maximum.

Mr. Luc Fournier: Yes, that's correct.

Mr. Massimo Pacetti: Most of the $50 million reserved for special events has been allocated to Quebec. How is this $50 million distributed across Canada?

Mr. Luc Fournier: Under the agreement reached with the four major regions, the funds are allocated as follows: 30% to 33% to Quebec, 33% in Ontario, approximately 20% in the West and 10% in the Maritimes. Those percentages are representative of our industry. However, the figures aren't complete.

Mr. Massimo Pacetti: Thank you.

Thank you, Mr. Chair.

[*English*]

The Chair: Thanks to all of you. It's been nice to spend time with you, inside and outside, this morning.

We have been engaging in a rather intensive process of hearing close to 325 submissions so far. We will be travelling to eastern Canada next week, but because this is our last day in Ottawa, I wanted to publicly offer, on behalf of our committee, our thanks to the staff here, our translators, our research staff, our clerks, and others who you do not see—and we should mention as well, today, the fireman—who have worked very diligently through this process and who deserve our thanks.

Committee members, perhaps we should do that.

Some hon. members: Hear, hear!

The Chair: Thank you all again for your time today. It's valuable and we very much appreciate it.

We invite the second panel to come forward now. We will suspend only briefly and will recommence discussions momentarily.

●

(Pause)

●

● (1220)

The Chair: I welcome our witnesses, and thank you very much for being here.

I assure you that despite the gradual reappearance of our committee members today, they are going to be reviewing your briefs in detail. In addition, they receive transcribed copies of all discussions and presentations. I want you to understand that.

You probably understand the process better after this morning's theatrics than most of our presenters. It's somewhat unpredictable here.

In any case, I welcome you. Thank you for your time in being with us today; it's much appreciated.

We'll move right into the presentations. I will signal when there's a minute remaining for you and when there's less. I will cut you off at five minutes.

We'll begin with the Investment Counsel Association of Canada. Thomas Johnston is here.

Welcome. Please proceed for five minutes.

Mr. Thomas Johnston (Executive Director, Investment Counsel Association of Canada): Thank you very much.

The Investment Counsel Association of Canada is the representative entity for investment counsel and portfolio management firms that manage in excess of $500 billion on behalf of Canadians. Much of that money is pension money.

It is our view that to ensure the future economic health and prosperity of Canada, employees and the employers managing money for them must be able to save for retirement to reduce the burden on future generations. This is particularly important with the pending baby boom demographic event, which all of you are aware of, and also with the defined benefit pension crisis we're faced with.

As a small economy—we're 3% to 4% of the global market—Canadians must be able to invest abroad, a fact recognized last year with the removal of the foreign content limit.

The issues I'm raising today are not just those relating to the Investment Counsel Association of Canada and its members. These are issues that affect all Canadians—$800 billion of pension assets, $600 billion in the mutual funds, another $250 million in non-registered savings, and 5.6 million people with group RRSPs. I'm going to talk about three issues that are materially important to them, and I really hope the committee recognizes their significance.

The first topic is to expedite the process to recognize foreign stock exchanges. The second issue is to reduce the arbitrary 150 unitholder threshold to achieve mutual fund trust status for a unit trust. It sounds technical, and I'll get into that very shortly. The third issue is to call for a fresh approach to the proposed amendments to the Income Tax Act, dealing with offshore investments. And to the financial services community and pension managers, the FIE and NRT rules are treated akin to the gun registry rules. But we'll get into that in a minute.

Briefly, on the first topic, there are about 200 stock exchanges in the world, but only 36 are recognized under the Income Tax Act of Canada. In an increasingly global world, that is just not acceptable, and this has a material impact. An RRSP can only invest in an issue listed on one of those 36 exchanges. We would call for that list to be updated to the benefit of Canadians, pure and simple.

The second issue is this arbitrary 150 unitholder threshold for a unit trust to be a mutual fund trust status. Rumour has it that this 150 unitholder number was concocted by a representative of the Department of Finance in a restaurant many years ago in Ottawa, but it just doesn't work for pension plans in the institutional world.

The reality is that most commercial trusts are formed to manage money. The reality is also that it's efficient to manage similar accounts in the trust, and institutions like to do it. Moreover, for certain asset classes that are a small percentage of total portfolio—emerging market equities or high-yield debt—the only way to invest in them to get diversification is through a trust.

Now what is mutual fund trust status? A unit trust with that status has about 16 different benefits under the act. It's eligible for an RRSP. A 149 unit trust is not, but 150 is. It's a little ludicrous, but that's just the rule. It gets benefits: the capital gains refund mechanism, alternative minimum tax, and it can do non-taxable mergers. There's a host of things not to go through here.

In an institutional world, many funds will not be able to meet that threshold. Moreover, the manager of a fund that's up and running but suddenly loses an investment faces immediate tax and restructuring issues to the detriment of remaining holders, many of whom have pension plans. So we would call for that to be changed.

The last issue—realizing time is short—is the proposed FIE-NRT rules. These are complicated rules. They were drafted in June 2000, then amended August 2001, and again in October 2002, October 2003, and June 2005—and deemed to have retroactive effect from January 2003.

● (1225)

It's incredibly intense. There is an administration that is unduly pushing costs on Canadians, and it's a disincentive for people to invest abroad to their long-term benefit. These rules apply to pension plans that shouldn't even be subject to the tax regime. They are viewed like the gun registry system. There is almost $2 trillion out there in investable assets, and this needs to change.

● (1230)

The Chair: Thank you, sir.

From the Pembina Institute, Amy Taylor is with us. Welcome.

Mrs. Amy Taylor (Program Director, Pembina Institute): Mr. Chairman and members of the committee, thank you for hearing from me on this day. I'm a program director with the Pembina Institute, which is pleased to have the opportunity to appear before you today.

I am here to recommend that the Minister of Finance eliminate the accelerated capital cost allowance for oil sands. This measure would put the oil sands on a level playing field with natural gas and conventional oil.

In 2000 the Commissioner of the Environment and Sustainable Development undertook a study on the level of federal government support for energy investments in Canada. One of the key objectives of this study was to determine whether this support favoured the non-renewable energy sector relative to the renewable energy sector.

The commissioner was particularly interested in support provided through the federal tax system, as this type of support is less transparent and more difficult to track and quantify. The commissioner found that in most cases federal government support for energy investments, including support through the tax system, did not particularly favour the non-renewable sector. He found oil sands to be an exception.

His analysis revealed that oil sands receive a significant tax break. More specifically, with respect to the income tax, oil sands projects qualify for a 100% accelerated capital cost allowance—the ACCA. With this generous provision in place, a company only pays federal income tax on the income from an oil sands project once it has written off all eligible costs.

These tax rules make oil sands projects much more attractive than they would otherwise be. According to the Commissioner of the Environment and Sustainable Development, this situation results in a significant tax concession. Conventional oil and natural gas, for example, qualify for a 25% capital cost allowance, significantly lower than that provided to the oil sands.

In 2001 the Department of Finance estimated that the benefit of this tax concession was between $5 million and $40 million for every $1 billion invested by oil sands, and that between 1996 and 2002 expenditures on the accelerated capital cost allowance amounted to $41 million.

Since the time of that study, capital expenditures in the oil sands have continued to skyrocket, exceeding previous predictions. Between 1996 and 2005, capital expenditures increased 677%, from $1.3 billion in 1996 to $10 billion in 2005. This means potentially billions in deferred tax revenue up to today.

To put the oil sands on a level playing field with conventional oil and natural gas, the Pembina Institute recommends that the Department of Finance eliminate the 100% accelerated capital cost allowance for oil sands. This can be done by creating a new capital cost allowance class within the Income Tax Act for oil sands and setting the capital cost allowance at 25%, the same rate received by conventional oil and natural gas.

The 100% accelerated capital cost allowance for oil sands is a waste of taxpayers' money. The money saved by eliminating this preferential tax treatment could help facilitate the transition to a sustainable energy future by providing funds for investment in renewable energy and energy efficiency.

Implementing this recommendation will result in a wise use of public funds, because of the elimination of an unmerited tax benefit to the oil sands projects; an increasingly fair tax regime, by levelling the playing field between oil sands and other energy sources, including conventional oil and natural gas; and an opportunity to invest in Canada's energy future, owing to the availability of significant funds for investment elsewhere.

Prime Minister Stephen Harper recently said that Alberta must become a world leader in environmentally responsible energy production. By eliminating the accelerated capital cost allowance for oil sands, the Government of Canada will be making available significant funds that could be used to facilitate Canada's transition from energy superpower to environmentally responsible energy superpower.

Thank you.

The Chair: You have a minute remaining, if you wish to use it.

Mrs. Amy Taylor: That's okay.

The Chair: Thank you very much.

We'll continue now with the Writers Guild of Canada, Sughith Varughese.

Mr. Sugith Varughese (Councillor, Writers Guild of Canada): Thank you.

The Writers Guild of Canada welcomes this opportunity to appear before the Standing Committee on Finance in the pre-budget consultations.

The WGC is the national association representing more than 1,800 professional screenwriters working in English language film, television, radio, and digital production in Canada. The WGC's primary job is to negotiate and enforce collective agreements with engager organizations like the CFTPA, the National Film Board of Canada, and the CBC. I come to you today as a working screenwriter who's been elected by our members to our board.

Screenwriters are the primary creators of Canadian film and television productions. They are the voices that ensure our national identity is expressed and preserved in those media. WGC members are the creators of uniquely Canadian stories, such as the hit TV series *Corner Gas*, and feature films like *Bon Cop, Bad Cop*.

With previous government support, the Canadian film and television industry flourished. Small companies like Atlantis Films Limited have grown to become world-class public corporations like Alliance Atlantis Broadcasting.

Canada has spawned a generation of internationally renowned writers, directors, and performances. Names like Paul Haggis, Denys Arcand, and Kiefer Sutherland resonate with audiences around the world. But our indigenous production sector needs further government investment in order to stay competitive in a global marketplace.

The Canadian film and television industry employs over 119,000 highly skilled individuals working in a $3 billion industry. The film and TV sector, growing at an average annual rate of 5% from 1998 to 2004, outpaced the overall economy by 1.5 percentage points. The film and television production industry outpaced the overall economy in job creation with an average growth rate of 2.6% to the overall economy's annual job growth rate of 2.1%. All of this is done by leveraging government investment, primarily through the Canadian television fund, Telefilm Canada, and the Canadian film or video production tax credit, in partnership with the private sector, which provides financing through licence fees and equity investment. The industry is sustained by sales throughout the world and on various platforms.

After years of steady growth in all sectors of the industry, we are facing new challenges. At a time when government investment has been eroded by inflation and private sector financing has been diverted to cheaper American programming, it is much cheaper to purchase pre-existing American shows and piggyback on U.S. network promotion of those programs than it is to create and promote original Canadian programs. Additionally, export sales for Canadian audiovisual works have weakened since other countries have recognized the importance of creating their own programs—they aren't as interested in buying ours. All of this leads to less private sector investment and, ultimately, less homegrown drama.

Our industrial sector is also in trouble, primarily due to the higher Canadian dollar compared to the U.S. dollar. It simply isn't cost-efficient to shoot big-budget productions in Canada any more. There are more savings to be had in eastern Europe and several U.S. states that have aggressively implemented incentives to keep production at home. This drop in foreign production has taught us a valuable lesson. The only type of production that Canadian screenwriters can rely on in this industry is Canadian content, created for Canadians by Canadians.

But audiovisual productions are expensive to produce, and our small market is further divided into French and English audiences. Unlike the U.S., we cannot recoup the costs of making competitive productions in our own market. We need to partner with the Canadian government. It is important to note that this is not a unique situation. Most countries support indigenous programming through tax credits and other investment initiatives.

With government investment, the Canadian film and television industry, led by writers, can face the current challenges, develop innovative solutions, and produce high-quality, uniquely Canadian programming that we all can be proud of and that attracts international sales.

Here's what we need in order to have a viable indigenous industry: one, increased long-term funding for the Canadian television fund—the CTF, Telefilm's feature film fund, and the Canadian new media fund; two, increased long-term funding for the CBC; and three, a rate increase to the Canadian film and video production tax credit from 25% to 30% and an increase of the cap from 15% of production costs to 18%. This tax credit is an essential element of production financing and the development of a strong, stable production industry.

The WGC urges the finance committee to recommend that our government follow through on its stated support for our creators by implementing our three measures. The investments we are recommending will help to ensure the continued development of a strong and competitive production industry that can weather uncertain times and ultimately succeed at home and abroad.

● (1235)

Economically, the investment will be rewarded through job creation, private sector investment, and export sales. Culturally, the rewards will be even greater. Audiences, both here and abroad, will profit from our talent pools and the cutting-edge programming they create.

Thank you very much.

● (1240)

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

From Quinte United Immigrant Services, Mr. Orlando Ferro.

Mr. Orlando Ferro (Executive Director, Quinte United Immigrant Services): Mr. Chairman, I would like to thank the Standing Committee on Finance for providing me with the opportunity to express our concerns and expectations regarding the 2007 federal budget.

As the federal government is aware, the importance of immigration is vital for national economic and social development. Several industrial nations compete to attract the best and most educated immigrants. Social programs are vital for planning, implementing, and executing strategic goals set for the purpose of attracting and retaining immigrants.

The non-profit, community-based sector plays a very important role in this process. Through the voluntary sector initiative accord and codes of good practice on policy dialogue and funding, we have established a partnership with Canada in working toward those goals.

For the first time in many years, and thanks to the last federal government budget, the sector has been properly funded. I would like to acknowledge that. We would like to see the recommendations on the last budget remain for the next one.

We also have some concerns. I would like to present just a few of those concerns in the short time I have, and I would welcome any questions you have during the panelling section.

On September 25, the finance minister and the Treasury Board president announced $1 billion in federal program cuts to be implemented over two years. Although the announced elimination of funding does not directly affect our current funding through Citizenship and Immigration Canada, it will affect services currently being accessed by immigrants. Of course, due to time restrictions, I will just mention a few.

The Canadian volunteerism initiative is one of them. The Canadian volunteerism initiative, or CVI, is a national program to encourage Canadians to volunteer, to improve the capacity of organizations to involve volunteers, and to enhance the experiences of volunteering. Through the CVI, the Department of Canadian Heritage provides funding to volunteer initiatives at local, regional, and national levels. The $9.74 million cut resulted in the elimination of supports to the Canadian volunteerism initiative. Funds that supported national and local volunteer initiatives, volunteer outreaches, and innovative research will no longer be available.

How will the cuts affect communities? Volunteers are critical to our activities. Without volunteers the sector would be hard-pressed to deliver many of its essential programs and services to the community. Despite the extent of volunteer involvement in Canada and its importance to organizations and communities across the country, the federal government has deemed the CVI a non-core program and eliminated its funding.

Status of Women Canada is a federal government agency that promotes gender equality and the full participation of women in economic, social, and cultural...as well as in the political life of the country. The agency works in three areas: improving women's economic autonomy and well-being, eliminating systemic violence against women and children, and advancing women's human rights. The women's program has provided funding to women's organizations and equality-seeking groups since 1973. It was established in recognition of systemic discrimination and the need for systemic advocacy in advancing women's rights. With the $5 million reduction reflecting a 38.5% cut to SWC's operating budget and the elimination of women's equality from SCW's goals, the efforts to advance the rights of women in Canada will be deeply affected. Many national women's organizations previously funded through the women's program will either lose their funding or have to profoundly shift their mandates. Early indication suggests that the loss of women's program funding will put the survival of many women's organizations in jeopardy. This will affect not only Canadian women but also the most vulnerable immigrant women.

The court challenges program, CCP, funds court cases that challenge laws that may violate human rights. It was established in 1978 to provide funding for individuals and groups to advance language rights following the introduction of the Canadian Charter of Rights and Freedoms in 1983. The program was expanded to include equality rights test cases. The rationale behind the program lies in the fact that access to justice requires significant financial resources that are beyond the research of most individuals and groups, particularly those most marginalized. Without financial supports to test the constitutionality of questionable laws, constitutional rights are only protected for the wealthy who have the resources to access the courts.

The CPP has supported several important challenges. Some examples relate to the Chinese head tax and exclusion act redress, employment, disability...and many more challenges affecting the most vulnerable in our society.

● (1245)

This program has also enabled many community-based agencies to undertake court challenges regarding laws and polices that negatively affect the racialized communities, immigrants and refugees, and other disadvantaged groups in Canada. By contributing to the cost of important test cases—

The Acting Chair (Mr. Massimo Pacetti): Could you conclude?

Mr. Orlando Ferro: That's what I meant to do. Basically, I would just like to see that in the next budget some of those cuts are reviewed.

Also, I would like to acknowledge that for the first time in many years we have been properly funded through CIC, and we would like to recommend that this level of funding continue.

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

[*Translation*]

Mr. Gaffield, from the Social Sciences and Humanities Research Council of Canada,

[*English*]

You have five minutes, please.

[*Translation*]

Dr. Chad Gaffield (President, Social Sciences and Humanities Research Council of Canada): Mr. Chair, thank you very much for this opportunity to appear before this important committee to talk to you about two key factors for the future of Canada; the advancement of knowledge in the humanities and the development of the talent necessary for the advancement of the Canadian economy and society in the twenty-first century.

[*English*]

I am here today as the new president of the Social Sciences and Humanities Research Council. The SSHRC is the federal government agency that invests in research and training in fields that range from law to linguistics, history to marketing, and education to economics. In other words, we are Canada's research agency that focuses on people. We invest in world-class research about how human beings—individuals, communities, and societies—interact with each other and with the natural world we all share.

The knowledge generated by our researchers is a crucial part of the answer to the question you have asked us to address: how can Canada prosper in the new competitive world? Our answer to this question is twofold: first, by increasing our capacity to generate the knowledge we need to address our challenges as a society; and second, by further developing the talent required for the labour force of the knowledge economy.

[*Translation*]

The research funded by the SSHRC helps better understand individuals and groups, develop policies based on conclusive data and improve the way society operates.

Allow me to give you a few examples.

[*English*]

SSHRC-funded researchers at the University of Toronto are looking at the social dynamics of innovation, explaining why certain towns and cities attract creative and innovative workers. Our researchers at the University of British Columbia are developing ways to authenticate digital records, allowing inventors to establish patents for their ideas and products. Our researchers at the University of Winnipeg are working with inner-city residents to revitalize historic neighbourhoods. Our researchers at HEC Montréal are creating tools for forensic accounting, protecting investors and employees against white-collar crime.

[*Translation*]

In supporting research, the SSHRC also invests in people, the talent we increasingly need both in and outside the country. In recent years, most of the jobs created in Canada have been for people with postsecondary diplomas. Our students become corporate CEOs, lawyers, educators, community leaders and policy development officers.

[*English*]

Evidence shows that the knowledge, capacity, and experience our students gain from working in world-class research environments help fuel Canada's economic growth and success as a society.

In the statement you have before you, we explain that increased investment in the research environment is needed, particularly to support the work of the thousands of new researchers in the social sciences and humanities. We need to keep them here in Canada. We need to give them the means to do world-class research and to attract and train graduate students for a changing labour market. Standing still means losing ground internationally.

With an additional investment of $35 million this year, we can begin responding to the increased demand for knowledge and talent. We will enhance support for the new generation of researchers, enrich the training environment for our students, and maximize the impact of knowledge for society.

Mr. Chair, the equation is straightforward: by building knowledge about people and developing talent, Canada will indeed be able to assert its place as a leader in the competitive world of the 21st century.

Indeed, Mr. Chair, you may not be surprised to know that I think about our present challenge from an historical perspective. I think that in a world in which the challenge of simply co-existing seems daunting, we now need more than ever to gain better understandings of how individuals and groups can best share this planet.

Thank you.

● (1250)

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

From the Computers for Success Canada, Mr. May.

Mr. John May (Chair, Computers for Success Canada): I'm the volunteer chair for Computers for Success Canada. All our board members are volunteers. We coordinate the computers for schools program. My first point is, don't be misled by our name, Computers for Schools; we now provide 20% of the computers we produce—110,000 units last year—to various NPOs and all manner of charities, which in turn provide training, literacy, and computer literacy to help people get off the street, and so on.

We have a huge recycling program. We have our own huge training program, and we're the model of choice in over 35 developing nations for the transfer of knowledge dealing with computer literacy, training in computers, how to educate with the computer, and so on.

We've been recognized as the leading computer refurbisher and recycler in the world. Bill Gates testified to that at the World Leadership Forum conference a year ago and ensured it was in his press release.

We are by far the largest provider of IT waste disposal services to the federal government, which means electronic computer waste, with surpluses in excess of 70,000 computers every year. We leverage four dollars for every dollar received from the government. Last year we got about $6 million and we leveraged another $25 million with that $6 million.

We're the only program in the world that obtains free operating licences from Microsoft, last year to a value of about $12 million, roughly $80 million in the aggregate. Transportation services are provided to us free, aggregating somewhere in the area of $40 million so far, about $3 million last year. We have a large number of private sector partnerships, both regional and national, including Alliance, SaskTel, MTS, Bell, Telus, TelecomPioneers, the Canadian Imperial Bank of Commerce, RBC Financial Group, and so on.

Last year our budget was about \$6 million, \$2 million of which came from HRSDC to provide us with training money for various people, including youth at risk, and we provided over 200,000 hours of training last year alone. The rest of the \$4 million goes to manage the program. Notwithstanding that our funding over the last three or four years has declined from about \$7.3 million to \$6.1 million and we've taken a further 25% reduction this year, we've grown the program by 52%.

When we started, the computer-to-student ratio in Canada was twenty to one; now it's five to one. In the Atlantic provinces, two-thirds to 80% of every computer in every classroom comes from us. Across the country the average is one in four.

We service aboriginal communities. In the Northwest Territories, 80% of our production goes to aboriginal communities, and in Saskatchewan more than 25% of it goes there. Five of our provinces have refurbishing offices and shops in aboriginal communities, where we provide additional training.

Various consultants retained by the government have said not only have we leveraged \$4 for every \$1 we received from the government, but on a cost-benefit ratio the number is more like 10.75 to 1. They've also told Industry Canada that if it were to take on its recycling program and disposition program alone, that would cost it in excess of \$10 million. We do it for \$4 million and we put 110,000 computers back into the community every year.

We've responsibly disposed of over 60 million pounds of IT waste and we have diverted another 63 million pounds through reassignment and refurbishment, putting those computers back into the community.

We are now in various institutions operated by CORCAN, including Headingley Correctional Institution and the prisons in Prince Albert. CORCAN wants to expand our services into every institution in the country.

We service rural communities disproportionately. Based on its definition of rural living, Statistics Canada will tell you that about 20% of the population lives in rural areas. Across the country, 40% of our production goes to rural areas on average. In some areas of the country it's 60% to 80%.

We have hundreds of volunteers working for us every year, and last year we had at least 170,000 hours of volunteer time.

There are three issues, the third one being to ask, is the job done? I would suggest to you, no. We've got 800,000 computers out there, but everybody recognizes the need to renew IT assets from time to time on a cyclical basis, and that need is no less keenly felt in the communities in which we distribute.

Are we in a provincial area of responsibility, in education and the environment? We may be, but it's the government that provides training, it's the government that deals with international situations, and at the very least, the government has the responsibility to responsibly dispose of the 70,000 computers it surpluses each year.

We're asking only that our funding be restored to previous levels and that we be put on a better than monthly basis.

● (1255)

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

From the Mining Association of Canada, Mr. Stothart.

Mr. Paul Stothart (Vice-President, Economic Affairs, Mining Association of Canada): Thank you, Mr. Chair.

I'm the vice-president of economic affairs with the Mining Association of Canada. MAC members account for most of Canada's production of silver, gold, nickel, zinc, diamonds, and other base and precious metals.

Let me say a quick word about our industry. As you may know, Canada is a global mining superpower ranking among the leading producers of many minerals. The industry employs 388,000 Canadians and contributes \$42 billion in Canadian GDP. The industry paid \$1.6 billion in federal corporate income tax in 2004, as well as large sums in royalties. An estimated 2,500 companies also benefit from the mining industry each year by providing engineering, environmental, transportation, financial, and other expertise. Internationally, TSX-listed companies have 4,000 mining projects in play in foreign countries; an estimated 1,000 Canadian exploration companies are active in other countries; and our industry has around \$50 billion in direct investment abroad.

Times are good within the Canadian mining industry. Driven by demand from China and other growing markets and technologies, mineral prices have increased in recent years, as have exploration expenditures, profits, royalties, and taxes. However, while times are buoyant, we do not believe this means the industry or government should develop a sense of complacency. There are several important challenges on the horizon, including the need to improve the federal project review process and the need to address human resource issues.

Of all the challenges, however, one ranks high above the others in both the threat it poses to the industry's long-term prosperity and the ability of the federal government to contribute to a solution. Our submission focuses on this one issue—the crisis in Canadian levels of mineral reserves.

Over the past quarter century, Canadian levels of proven and probable reserves and key minerals have declined by 50% to 80%. Silver reserves, for example, have declined from 34 million tonnes in 1980 to 7 million tonnes today. Canadian smelters and refineries rely upon a stable supply of quality inputs in order to operate. In 2004, for the first time ever, Canada actually imported more raw concentrate than it exported. If domestic reserves are not replenished, this is unlikely to be a sustainable economic model over the longer term.

There are two commitments the federal government should make to address this crisis. First, the federal government's annual investment in basic geoscience, particularly in mapping by the Geological Survey of Canada, has declined by 50% since 1988. The result is that some Canadian regions are largely unmapped or poorly mapped. Nunavut, for example, is attracting significant global resource interests but is some 73% unmapped. At the current level of investment, it will not be fully mapped for another 80 years. It is important to emphasize that investment in modern and accurate geological mapping is a core public infrastructure responsibility for government. It is essentially the price of admission for governments that wish to entice smart and effective private sector exploration. It is estimated that every dollar invested in basic mapping triggers $5 in exploration spending, which could translate to the discovery of new resources worth $125. In response to this decline, MAC has advanced the CGMS strategy, as developed through cooperation at the federal, provincial, and territorial levels. We believe the federal government should offer its wholehearted commitment to this strategy, which promises to become a key driver of national growth and prosperity.

Second, we believe the federal government should adjust the definitions of the exploration and development categories of the Income Tax Act so as to provide greater incentive for exploration in proximity to existing mines. The present system discourages exploration in exactly those areas in which prospectivity is greatest. It is much more expensive to explore at depth than at surface. If the federal government wishes to address the declining reserves crisis, then it should provide the appropriate incentive to explore in these deeper, more expensive, yet more promising areas.

To conclude, in his September 28 address at Queen's University, Minister Flaherty declared that liberating the forces of investment would be among the government's top economic priorities. We could not agree more with this priority. The two requests outlined in this submission are directly linked to liberating the forces of investment. These federal government actions will contribute to the sustained investment of billions of dollars in exploration and to related project development, engineering, financing, and other activities. We will be providing our formal pre-budget submission to Minister Flaherty and committee members over the next week or so, and it will focus on these two issues.

Thank you.

● (1300)

The Chair: Thank you very much, sir.

Thank you all for your presentations. We'll move to questions now and begin with five-minute rounds.

Mr. McKay.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you all for your submissions.

My first question goes to the Investment Counsel Association. Your first recommendation has to do with, effectively, more stock exchanges being listed as eligible for RRSP investment. The last Liberal government changed the foreign investment rule, increasing eligibility. Has there been a measurable impact in the composition mix of people's investments at this point?

Mr. Thomas Johnston: The Canadian investment industry generally is fairly conservative. It's very consultant-driven. What we're seeing to date is that most of the expansion into foreign asset classes with the removal of the 30% foreign content limit is on the fixed income side, but we're also seeing, at the same time—and again, it's triggered by the demographic blip of Canadians getting older and the pension crisis—a move to more higher alpha products. It's probably a little bit beyond the submission here, but without question the restriction in terms of the 36 stocks identified in regulation 3201 of the Income Tax Act is a bar, a block, an impediment on Canadians in their attempts to optimize their investments to save for retirement.

Hon. John McKay: If, say, you doubled the number of stock exchanges, would that merely mean the alpha investments, the bond equivalent to a Canadian savings bond, that money, would migrate out to those stock exchanges?

Mr. Thomas Johnston: For Canadian RRSPs, it would immediately allow them, and the individual Canadians, to increase the universe of potential investments to other markets where there are potentially higher growth opportunities and to essentially provide for security for them and their families in their retirement years.

Hon. John McKay: Thank you very much. I'm sorry to be moving along so quickly, but we have little time.

To the Pembina Institute, your proposal to reduce the 100% to a 25% capital cost allowance is probably dead in the water, given that the Prime Minister is from Alberta. That said, give me your argument as to why a very capital-intensive entity such as the oil sands can continue to expect to attract the capital it needs, if in fact this 100% write-off is not available to it.

Mrs. Amy Taylor: The most important factor driving the oil sands development is the price of oil. So this is a facilitating incentive, but it's not a determining incentive. It's our opinion that even without this incentive in place, oil sands will be successful in attracting capital investment. Oil sands projects needed the global price of oil to be above about $25 U.S. per barrel. We're seeing prices well above that now, so this is a profitable industry that no longer needs this incentive.

● (1305)

Hon. John McKay: I agree with you. I thought they needed about $30, but we'll take your number, $25. They're at about $60 now. In theory, they have a good profit going here: $30 to $35. But I'm given to understand that none of these investments, particularly the one we saw, the western oil sands investment, will actually turn a profit until the year 2010, and that's even with the 100% write-off. So what's your argument there?

Mrs. Amy Taylor: In fact, just over 60 projects are taking place right now in the oil sands, and about half of those have reached payout. That means they are either currently paying a 25% royalty as opposed to the 1%, or it means they have paid, at some time, the 25% royalty. As soon as that happens, they're paying income tax, because the royalty regime requires them to recover their cost plus a return on investment. In the case of accelerated capital cost allowance, they just have to recover their cost. So if they're already paying that higher royalty, that means they're turning a profit; that means they're paying income tax. So we actually would see a benefit in terms of revenue gain from reducing that.

[*Translation*]

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

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

I'm speaking to Ms. Taylor.

I must say I liked your presentation and brief, which is very well done. You clearly know what you're talking about, and you can rely on my support and that of the Bloc québécois in this matter.

Can the same accelerated depreciation rate apply to wind or hydroelectric power development work? If not, what rate does apply to it?

[*English*]

Mrs. Amy Taylor: In terms of renewables and efficiency, they do not qualify for the 100% accelerated capital cost allowance. They are more on the scale of the conventional oil and natural gas, around 25%. But there are some different rules that apply to that sector, and in some cases they qualify for a 30% capital cost allowance.

So right now I would say renewables are more on the playing field of conventional oil and natural gas, with oil sands receiving the subsidy.

[*Translation*]

Mr. Thierry St-Cyr: All right.

Could an individual who has solar panels or a windmill installed at home receive a tax credit?

[*English*]

Mrs. Amy Taylor: There are some incentives. The wind power production incentive is in place for wind power. Other incentives vary by region. They will be able to write off the capital investment at that 25% to 30% rate.

[*Translation*]

Mr. Thierry St-Cyr: All right.

What you're proposing is a very interesting step toward reducing greenhouse gas emissions. The government will have to want to head in that direction. However, that's not what we're currently seeing. The only person who thought it was important to reduce greenhouse gas emissions was expelled from the Conservative caucus yesterday. That's quite revealing.

The current strategy is to try to confuse the public by associating the fight against smog with global warming. And yet, from what I understand, you can fight smog by filtering emissions and particles that contribute to smog without reducing greenhouse gas emissions, since CO2 would be filtered. The reverse would be more effective, that is to say to reduce greenhouse gas emissions by lowering our fuel use at source, which would have the effect of reducing smog.

Do I have a good understanding of the problem?

[*English*]

Mrs. Amy Taylor: Well, I'm not an expert on climate change or local air quality, but I do understand that when you reduce greenhouse gas emissions you do have an impact also on those other emissions, so you'd want a comprehensive policy to address both the greenhouse issue and the air emission issue.

[*Translation*]

Mr. Thierry St-Cyr: All right.

What does your organization think about the effectiveness of the EnerGuide Program, which was cancelled by the Conservatives? Would you want that program reinstated?

● (1310)

[*English*]

Mrs. Amy Taylor: I'm not in a position to speak to it. I'm not familiar with it.

[*Translation*]

Mr. Thierry St-Cyr: All right.

How much time do I have left?

The Chair: You have one minute left.

Mr. Thierry St-Cyr: All right.

How would you answer those who tell you that the taxes that the oil companies aren't paying now, they'll pay later and that, ultimately, this isn't really a gift they're being given?

I don't agree, but I'd like to have your opinion.

[*English*]

Mrs. Amy Taylor: Well, in fact we are, because money today is worth more than money tomorrow, and the thing with this incentive is it allows companies to write off investments faster than they otherwise would. That is a loss of revenue. In fact, the federal Department of Finance has done the study that has quantified the expenditure associated with it.

[*Translation*]

Mr. Thierry St-Cyr: Currently, what's the dollar amount of the gift being given to the oil companies?

[*English*]

Mrs. Amy Taylor: I don't know the answer on a per year basis, but if we look at the Department of Finance's estimate, which is that the expenditure is between $5 million and $40 million for every $1 billion invested in the oil sands, and then we look at the trend in capital expenditure that we've seen, we would estimate that between 1997 and 2005, for example, the expenditure would be between $207 million and $1.65 billion, based on the Department of Finance's estimate.

[*Translation*]

The Chair: Thank you very much, sir.

[*English*]

It would be wrong of me to refer to anyone who is here in the audience specifically, so I won't mention that Mr. Dykstra's parents are here, and they must be very proud.

Mr. Dykstra, over to you.

Mr. Rick Dykstra: Yes, thank you, Mr. Chair. Now I'll have to be extremely polite, which is certainly unfortunate as I love to spar with my good partner, Mr. McKay.

I do have a couple of questions, Amy. I guess the big question I have is on the difference between what is happening with respect to the oil sands and the amount of money and infrastructure cost that occurs there versus in a conventional oil field. What analysis have you done that shows how much further investment it has taken to get the oil sands up and running—a project that has not been under construction for the last 30 or 40 years, but finally started—versus conventional oil fields?

Mrs. Amy Taylor: I haven't done the level of detailed analysis that you're speaking of, but what I do know is that the capital costs are higher in the case of the oil sands versus conventional oil. The exploration costs are lower in the oil sands versus conventional oil, because they don't have to drill. They have a good sense of the reserve; they know where it is and how to access it. So there are some trade-offs there, depending on which costs you're looking at.

Mr. Rick Dykstra: In terms of moving it forward, do you think that investment would have been made in the oil sands had this not been invested or had this policy not been implemented, from a tax perspective?

Mrs. Amy Taylor: I think there's no question that this policy was important in the early stages of development, when the price of oil was much lower than it is today. But now, with the increased price of oil, we feel this incentive is no longer needed. In the mid-1990s they put the tax and the royalty regime in place to spur the development. It was needed at the time. It's no longer needed.

Mr. Rick Dykstra: Actually, we were recently out west on our consultations, and I'd never been to the oil sands before. We were in Fort McMurray, and one of the things that caught me with surprise, shaking my head, was the equipment that's needed to produce the... and obviously to go through the process. A lot of it, within a year or two, basically needs to be replaced. This suggests to me that you actually need to have an accelerated depreciation, because within 12 or 24 months a lot of the equipment is actually not in use and needs to be replaced. Aren't we talking a little bit more about the fact that we actually need to accelerate it, based on the time of use of a lot of the equipment that's used there?

Mrs. Amy Taylor: Well, there's a lot of room between the 25% and the 100%, the 25% being that which conventional oil and natural gas receives. Perhaps it would be worth doing an assessment to see where exactly we need to fall on those different pieces of equipment. But given the price of oil, we certainly don't think the 100% is justified.

● (1315)

Mr. Rick Dykstra: You're driving your message well, I can assure you.

I think my dad will appreciate this question, and it's in regard to the offshore. In one of your recommendations, Thomas, you talk about the fact that there are abuses in offshore tax avoidance, and you're suggesting the proposed legislation is too complex and it impacts companies.

There's a company in my riding, Port Weller Drydock. It is in pretty significant financial difficulty, based on the fact that they simply cannot get work because the shipping industry, by and large, is flying flags of convenience, and a lot of it falls under this. I wonder if you could comment on that.

Mr. Thomas Johnston: Well, the offshore investment rules really are complex. Tax lawyers in the big downtown Toronto firms are scratching their heads at understanding them, and the problem is that they've been changed so many times. Every time they've fixed some of the rules problems, they've created new ones.

Let me give you an example, to show you how ludicrous some of these provisions are. Actually, on the way down here, I was sitting next to John McNaughton, who was the chair of the Canada Pension Plan, which is the second-fastest pool of money on the earth. Again, the gravity of this issue is affecting our money. When they invest abroad and they want to use a trust, if they invest in a trust that has less than 150 unit holders, if that trust holds a single stock.... Let's say that trust was an international equity fund in Germany and it had 150 stocks in it, if one of those stocks has a preferred class of shares or had a preferred class of shares or acquired a company with a preferred class of shares, the one investor, in this case the Canada Pension Plan, would deem that offshore German fund to be doing business in Canada, liable for tax on its worldwide income, and it means his non-taxable pension plan will be jointly and severally liable. That's absurd. That needs to be changed.

This has an international aspect, because the entire global financial community is looking at Canada. It's the only country in IOSCO that doesn't have a national security regulator, other than Bosnia and Herzegovina. We have a restricted banking regime, and all these foreign managers are having problems, but more importantly, our Canadians are not being given the ability to invest.

The Chair: We'll move now to Madam Wasylycia-Leis.

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

I apologize for missing some of your briefs. I had to go and vent in the House against the Liberals' opposition day motion, so I feel much better again.

Let me start with Mr. Chad Gaffield. If you look through the cuts of the government—I know it's been a couple of weeks—and you add up all the different research-related things, health policy research, Law Commission, the social economy initiative, the social development partnership, court challenges, the Canadian Policy Research Network, you're looking at about $80 million of lost research capacity under the social sciences and humanities umbrella. What's that going to do, in terms of your ability to partner with other groups, to make the money go further? And what do you need to make up for that gap, that vacuum?

Dr. Chad Gaffield: Mr. Chair, obviously it's the challenge today in advancing knowledge about society and developing talent, and in fact we do partner between the university and the campus. One of the most exciting aspects of research we've seen in recent years is the way in which campuses are joining with groups outside the campus, in terms of defining research interest and identifying how we can move some of our research findings into everyday life. I think those sorts of partnerships are really essential.

In fact it's not simply within Canada now. Just before coming here this morning, I had a meeting with a series of presidents from Dutch universities. Increasingly now, the kind of challenges we're all facing around the world are being addressed through what we're thinking about as global research networks. So we're trying to connect the campus and the community within Canada and internationally as best we can, to try to come to grips with some of the very difficult challenges we're facing that touch all sectors in our society.

● (1320)

Ms. Judy Wasylycia-Leis: Thank you.

I'm going on to Mr. Johnston, and then hopefully I'll have time with Amy Taylor.

Thomas Johnston, do you have a position on the income trust matter?

Mr. Thomas Johnston: Actually, that's a very controversial question, and I don't really have sufficient research on it, other than to say that it's obviously a huge and increasing portion of our capital markets. It's more of a tax deferment issue, but I decline to talk on that.

Ms. Judy Wasylycia-Leis: Okay.

Would any of your changes take away the interest in or the attractiveness of income trusts?

Mr. Thomas Johnston: No, they would not have an impact.

Ms. Judy Wasylycia-Leis: Okay.

Amy, all of us were in Fort McMurray where we saw firsthand the results of a very rapid, and what seemed to be unplanned, oil exploration exercise. In human and economic terms, we heard from the mayor and all kinds of people. It's a real mess, in terms of both human and environmental issues. Has this rapid, massive expansion happened because there are so many subsidies for oil companies? Would it actually help slow things down, so we could plan a bit better, if we moved in the direction you're calling for?

Mrs. Amy Taylor: It's certainly the case that in the mid-1990s, when the royalty regime and some changes to the tax treatment came into effect, they did provide an environment that facilitated the pace of development we're seeing today. More of what's driving it today is the price of oil, so that kind of launched it, and now we're seeing the price of oil as the major factor.

We haven't done the analysis to see what impact removing the accelerated capital cost allowance would have on the pace of development. We believe it may have the effect of slowing it somewhat, but as I said, the price of oil is the major factor there.

If it did have the effect of slowing the pace of development, this could be a good thing from a few perspectives—certainly from the environmental impacts perspective. It would also reduce some of the cost overruns, which we're seeing in new projects that are going through approvals right now, where we're experiencing overruns of up to 300%.

If the pace was slowed, then the scarcity of materials and inputs wouldn't be as significant, so some of those cost overruns would decline, which would mean we'd get royalties sooner, in the case of Alberta, and we'd receive the tax revenue sooner, in the case of the federal government.

The Chair: Thank you very much.

We'll move to Mr. Pacetti for four minutes, sir.

Mr. Massimo Pacetti: Thanks to all the presenters. We appreciate it.

Again, our time is limited, but I want to ask a quick question to the Pembina people.

Why are the oil sands getting the 100% write-off? Is it because of the location, or because of the kind of equipment they're using?

Mrs. Amy Taylor: Sorry, did you ask why they received the 100%?

Mr. Massimo Pacetti: Yes, why are they entitled to it?

Mrs. Amy Taylor: They kind of inherited it originally from the mining sector, because they receive 100% capital cost allowance for their developments. Originally most of the oil sands were developed essentially through open-pit mining, so they were treated the same as mining for tax purposes.

Now we're seeing more oil sands development take place through in situ, it's called. This means that they put hot steam into the ground and the oil comes up, and they just transferred the same tax treatment from the mining side to the in situ side in the mid-1990s.

Mr. Massimo Pacetti: Would the mining industry have the same advantage, a 100% write-off?

Mrs. Amy Taylor: Yes, the mining industry also receives the 100% capital cost allowance.

Mr. Massimo Pacetti: That brings me to my next question.

Mr. Stothart, I see that you're taking some notes. I'm not sure whether you're ready for some answers, but I need to ask a question.

How do you feel about this? Should some of the benefits of writing off equipment be reduced, or should we continue doing what we're doing?

We don't have your brief, but in your proposal I think you've said we should probably relax some of the mining exploration rules and expand, so that you can get at some of the reserves that are actually easier to get at, so that you can become more profitable. I'm not sure where you stand on this.

Mr. Paul Stothart: I think it would have to be viewed in a global sort of context, because these companies compare the tax regimes in different countries around the world. Obviously, in the mining sector they are interested in the geology as well, but companies can invest in different countries and explore in different countries. The projects are capital-intensive, clearly. We have some concerns about the project approval process. We think the federal government has to dramatically improve that.

But the issue for Canada—

● (1325)

Mr. Massimo Pacetti: I don't mean to interrupt, but the risk/reward is there. It's capital-intensive, but the reward is there. It's like any other industry that is going to invest capital; whether it's in a machine or a piece of equipment, I think it's the same thing.

Mr. Paul Stothart: Yes. The challenge for Canada is that our reserve levels are declining significantly. The mining sector employs a lot of people and pours a lot of revenues back into provincial and federal governments, so there have to be steps taken to increase our reserve levels.

One proposal we have made is the geological mapping, but the second is to provide an incentive for exploration at depth. This issue gets quite technical, but right now, in the areas where our companies would say there is the highest likelihood of finding stuff, there's a disincentive to invest. It's very expensive, because these areas are a thousand metres below ground; it's much more expensive than exploring at surface. So it depends on how badly the government wants to—

Mr. Massimo Pacetti: Thank you.

Mr. Gaffield, in your area of research, social sciences and humanities—something that's not necessarily tangible—you haven't discovered something at the end. How do we determine whether what you're doing is successful? How do we evaluate at the end? What is the ultimate goal? What are we looking for? Do we get value for the money invested? I guess that's the question.

The Chair: You'll have to demonstrate the effectiveness of the investment in the humanities with a fifteen-second answer to the question.

Dr. Chad Gaffield: I would say it's easy.

In the nineteenth century we invested in public schooling. In the twentieth century we built good universities. In the twenty-first century, it seems, in a knowledge economy, the world of research is the underpinning in terms of our educational system and in terms of building the kinds of individuals who are going to succeed in the knowledge economy.

[*Translation*]

The Chair: Thank you, sir.

Mr. Paquette, you have four minutes.

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

I'd also like to speak to Mr. Gaffield. Unfortunately, the events of this morning disrupted our schedules, and my question may already have been put to you.

Do you feel that the federal government supports the humanities as much as the sciences, for example, or other types of scientific research?

Dr. Chad Gaffield: Thank you, Mr. Chair.

That question concerns a key element and, to a degree, the question previously asked.

It's important for us to bear in mind that underlying all the issues are people and groups. It's unrealistic to separate science and technology, medical questions, the humanities. For us, they form a whole. The humanities must be included in all the questions that are currently being asked.

Technological questions affect the human beings who use the technology. We must always analyze, understand and study human beings, when we ask questions concerning technology or other subjects that affect society. We emphasize the fact that, ultimately, we must understand human beings in order to move society forward.

Mr. Pierre Paquette: You didn't answer my question.

Do you feel you get the same support from the federal government as for all other areas of scientific research, that is the sciences or other fields?

Dr. Chad Gaffield: The question is whether we have been successful in convincing Canadian society of the importance of the humanities, something we're currently working on a great deal. We take it for granted that the impact in certain fields is very concrete, but that's not the case for the humanities.

Our graduates become business CEOs, lawyers and leaders in society. If we can make that contribution apparent, we'll get the necessary support of Canadian society.

● (1330)

Mr. Pierre Paquette: Some even become members of Parliament.

Dr. Chad Gaffield: Thank you.

Mr. Pierre Paquette: That's unusual, but...

Dr. Chad Gaffield: That's true.

Mr. Pierre Paquette: Mr. May, I wasn't at all familiar with your organization. I read your document and it's remarkable, but, in it, you make no particular demands.

Are you appearing before the committee as a preventive measure, to ensure that government assistance won't be cut, or do you have a specific request to make?

[*English*]

Mr. John May: What we've asked for, sir, is that our budget be restored to about the $7 million it was four or five years ago. At this point we're operating on $4.5 million. We were at $6 million for the period that ended March 31, 2006, and we'd like to be put, if possible, on a more stable funding basis. Over the last three or four years we've been funded sometimes annually, sometimes by the half year, sometimes quarterly, and literally sometimes monthly, which makes it difficult to deliver 110,000 computers every year.

[*Translation*]

The Chair: Thank you very much, sir.

[*English*]

We continue with Mr. Del Mastro.

Mr. Dean Del Mastro: Thank you, Mr. Chair. I'll start with Mr. Stothart.

Mr. Stothart, you made two specific recommendations relating to what you term the crisis in reserves. One was prospecting assistance and the other to adjust the definition under the tax act.

Can you just talk briefly about the importance of the government investing in the mapping and so forth of these reserves for northern communities and Canada's north in general for the prosperity of those regions?

Mr. Paul Stothart: Yes, thank you.

The example I mentioned in my remarks—and we will be submitting our formal submission to all of you and to the minister next week—is the case of Nunavut. About 73% of the territory is unmapped in terms of geological mapping, yet there's a lot of global interest in that part of the world, uranium and diamonds, etc., and this is really a basic infrastructure that a government has to provide.

Companies are used to looking for needles in haystacks, but they need to have a sense of where the haystacks are, and that's what geological mapping provides. That's why it's a basic investment of countries around the world that want to attract this.

The Geological Survey predates Confederation, in fact, and the problem is the investment, the money for that organization and for geological mapping has decreased by quite a bit over the last fifteen years. We would like it increased so that a more active geological mapping program and quality mapping can exist.

Mr. Dean Del Mastro: Thank you.

I don't disagree with you. If we want them to look for a needle in a haystack, let's point them to the hayfield. Unfortunately, I don't have a lot of time, but I do agree with you.

Ms. Taylor, I think partly in making the recommendations you're making you might actually be causing a negative, environmentally. I say that because we all toured the Albian Sands project, which is a much newer project. It's much more efficient—they're recycling water, they're burning much less natural gas than the older establishments around them—and I would argue that this place was built primarily because we put incentives in place to encourage the investment to build an efficient plant.

Have you thought about the consequences of that? Oil sands production is going to continue; what may not continue is investment into efficient research and efficient practices.

Mrs. Amy Taylor: Well, I agree that oil sands production will continue, and as long as there's an incentive to become more efficient and save money, which is a large driver of the natural gas savings and the water savings that are taking place within the oil sands, there will be an incentive to invest in those more efficient technologies. In fact, if we spread the investment over a longer period of time, that gives us the opportunity to get further up the learning curve in terms of technological advances. So we might see that in doing so we receive an environmental gain.

Mr. Dean Del Mastro: One of the things that encourages investment for companies to build better technology is having a market for it that's going to buy it. Without that I don't believe it will happen. Regardless of whether it was the Prime Minister from Quebec who put this policy in place for the oil sands or the current one, who happens not to be from Quebec, I wouldn't recommend this specific change.

One thing my colleague mentioned was useful life. We looked at a specific pump that's used in the conventional oil part of the drilling industry. It lasts three years on a conventional oil rig. It lasts twelve weeks in the oil sands; it's a rugged environment.

When we're going to set up a CCA rate—and by the way, if they claim all their CCA this year, next year they pay full tax—we are getting more investment. You said a dollar today is worth more than a dollar tomorrow. Well, no dollars today means no dollars tomorrow. I'd ask you to keep that in mind.

● (1335)

The Chair: Merci beaucoup, monsieur.

We're on to Mr. McKay now.

Hon. John McKay: Ms. Taylor—you seem to be quite popular today—if you utter the phrase “carbon tax” around here, Pavlov's dogs go into full howl mode. Yet you can't continue to treat the atmosphere as a free waste disposal unit. We've come to that conclusion with respect to water, that somehow or other there has to be a cost attributed to what heretofore had been a free good.

What is the Pembina Institute's position with respect to the abuse of the atmosphere generally, not only with carbon dioxide emissions, but with NOx, SOx, and all that whole palaver of stuff? How would you use market instruments to recognize that we can no longer use the atmosphere as a free dumping ground?

Mrs. Amy Taylor: What we'd like to see is simply that prices reflect true costs, and that means financial costs and environmental costs as well, so that when a company is making a decision about an investment or an expansion or whatever the case may be, the bottom line they're looking at doesn't consider just the cost of the equipment, but looks at the cost of the environmental impact as well and incorporates that into the decision. If the costs are too high, the expansion of the project simply doesn't go ahead.

Hon. John McKay: How would you drive that to the bottom line?

Mrs. Amy Taylor: You can do that a number of ways. You can do it through stricter regulation; you can do it through environmental taxes, where you actually impose a cost directly; or you can do it through permit trading. There are a number of different options available for internalizing those costs.

Hon. John McKay: Would you put the cost at the production end or at the consumption end?

Mrs. Amy Taylor: It would depend on a lot of factors, but administratively it's often easiest to impose a tax on the fewest entities. So you might do it, in the case of oil sands, at the well level, and then have it be passed on, so that the incentive is passed down.

Hon. John McKay: You propose in your paper a trading regime of credits. I'm assuming that's on the assumption of Kyoto being in place. If Kyoto were no longer in place, is your presumption of a trading regime relevant any longer?

Mrs. Amy Taylor: A trading regime can still be a very efficient way to reduce greenhouse gas emissions; Kyoto or not, it's still an efficient policy for reducing greenhouse gas emissions.

Hon. John McKay: Is this a domestic trading regime?

Mrs. Amy Taylor: It could be domestic, or it could be with other partners through a separate agreement, or that kind of thing.

Hon. John McKay: Were you overly bothered by buying cow farts in Kenya? That was one of the ways in which you did it. You bought a farm in Kenya and bought up the credits, and therefore you didn't do anything for the atmosphere other than—

Mrs. Amy Taylor: Right. We'd certainly like to see emission reductions take place at home in Canada, but from a climate change perspective it doesn't actually matter, as long as the emissions are reduced at the end of the day, because it's a global issue.

Hon. John McKay: Thank you.

The Chair: We have Madam Ablonczy to conclude.

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

We appreciate all your presentations. We wish we had more time. I want to speak with Mr. Varughese, though. We need fuel for our culture as well as for our industry.

One of your recommendations is to increase funding to the CBC. You know, of course, the recent concerns about the CBC news being deferred for American programming.

What satisfies you that additional funding would actually benefit Canadian writers and screenwriters?

Mr. Sughith Varughese: Unfortunately, for most of our members, the CBC is pretty much the only game in town for doing drama.

Development is where our members live. I have made a living writing scripts that don't get made, but that's the process: we're the R and D of the industry. Of the major networks and the small specialty channels, the CBC is the volume buyer of that development. The other networks, because they just don't have the broadcast time—they're too busy showing *CSI* and other shows—don't have room for Canadian drama.

Without the CBC being the prime mover in developing and then hopefully producing drama.... It's not happening anywhere else anyway; that's why we want increased funding for CBC.

● (1340)

Ms. Diane Ablonczy: Yes, I understand. That's a good clarification.

Has there been any exploration of getting a PBS kind of initiative in Canada for our made-in-Canada drama?

Mr. Sughith Varughese: I think that was the theory behind what the CBC was doing. Theoretically, they're not driven by commercial concerns—and ratings. But of course, they are.

If you go to India, you'll see indigenous programs, and the production values are pretty low. But the audience is huge, because they can't see themselves watching *Friends*, which is there too. So if they want to see themselves, they're willing to put up with the lower production values.

But in Canada we're spoiled. We see *CSI* and we just turn the dial and we see a Canadian show. If our product can't compete on a production-level basis, it's very difficult to capture an audience that has the clicker in their hands.

Personally, I would love to see a channel that shows only Canadian drama and is funded by the taxpayer. I don't know if the taxpayers would be interested unless we could show that the drama speaks to them.

Part of our problem is that we've created at least a generation or more that has grown up on American and Hollywood programming. They can project themselves into a show like *Friends* and think they're seeing themselves, whereas if you show them a story that's set in our country, it's somehow not as cool.

So we have a lot of work to do that way. I think that idea would be marvellous, and sure, let's throw that into the wish list.

Ms. Diane Ablonczy: Okay, thank you very much, and good luck.

Mr. Sughith Varughese: Thank you. We'll need it.

[*Translation*]

The Chair: Thank you very much, sir.

[*English*]

Thank you all for your presentations and your time today.

I want to also publicly congratulate the members of this committee, who have for the last month engaged in a rather intensive process and probably got not enough exercise, if I'm any example.

In any case, we do appreciate your time today very much and we thank you.

Committee members, we look forward to seeing you Monday in St. John's.

We're adjourned.

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

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

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