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## Standing Committee on Finance

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EVIDENCE

**Tuesday, October 24, 2006**

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**Chair**

**Mr. Brian Pallister**

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• (1305)

[English]

**The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)):** We will commence—or I should more accurately say we should recommence.

The finance committee has been hearing submissions from across Canada for the past number of weeks. I want to commend my committee members for their dedication to this task, but I can tell you, I believe we are more stimulated and interested in the presentations now than we were at the outset. It has been a wonderful education, and we thank you for being part of that process of educating us on your point of view. We look forward to your presentations, and I thank you.

We are going to begin with five-minute presentations, but before we do that, I want to give you a little coaching here. I will give you an indication when you have one minute or less remaining, if you care to make some eye contact with me, and then we will unceremoniously cut you off at five minutes to allow all of us to participate in this process. I prepare you for that in advance. Thank you.

Now, from the Consortium of Women's Organizations of Nova Scotia, Stella Lord is here. Welcome to you. You have five minutes. Take it away.

**Ms. Stella Lord (Co-Chair, Canadian Research Institute for the Advancement of Women, Consortium of Women's Organizations of Nova Scotia):** Thank you very much.

First of all, I'd like to draw your attention to a letter I would like to have written into the record, from the Sisters of St. Martha in Antigonish, who also support our brief. As you'll see, the brief has been presented by a number of women's organizations in Nova Scotia.

We thank the committee for the opportunity to bring forward concerns and recommendations that speak to the importance of ensuring that strong social programs are recognized and essential for the social and economic development and well-being of Canada and of everyone who lives here.

The organizations that comprise our coalition have been working together to bring attention to the need to proactively address the widening gap in income between the rich and the poor, the weakening and dismantling of Canada's social programs, and the ongoing exclusion of many sectors of society from full participation in it.

We believe the federal government has a strong role to play in creating both social and economic policies that acknowledge the right of all to a decent standard of living and advance inclusion and full participation, regardless of where they live, the economic situation of their province or territory, or their personal social and economic situation.

As organizations that work with women, we understand that poverty and exclusion are linked and that they are the result of an economic agenda that is narrowly focused and does not take into account that the economic health of a country and its people is interdependent with social well-being. We also understand that there are high economic and social costs to poverty and exclusion, and that poverty and exclusion are gendered.

This means that poverty affects women more profoundly than men. In Canada, one in every seven women lives in poverty, and regardless how poverty is measured, women are disproportionately likely to live in poverty. This is most clear in the case of single mothers, where the likelihood of poverty is particularly high.

Because women live in the deepest and most persistent poverty, the measure of the effectiveness of any step the federal government takes to address it must be the impact the programs and policies have on the poorest of women.

If there is the political will to do so, we believe that poverty and the risk of poverty can be reduced, if not eliminated. Historically, the federal government has played an important role in developing programs that alleviate or prevent poverty. Without the federal government we wouldn't have housing programs and we wouldn't have had the Canada Assistance Plan. Many provinces would not have been able to provide welfare and other services.

But it appears that the federal government is now stepping back from the crucial role it has played historically in ensuring adequate and equitable social programs and services across Canada. This has been particularly evident with the elimination of the Canada Assistance Plan and the implementation of block funding through CHST in 1995, the cancellation of the federal-provincial child care agreements earlier this year, and the more recent cuts to programs in the last month or so that directly affect the health and well-being of women and communities.

Key problems that have emerged in the wake of these cuts and that have been identified by our coalition and other women's groups are: the deterioration of social programs; the absence of any coherent or consistent provision of basic social programs across jurisdictions; the failure of governments to establish mechanisms to ensure that programs comply with human rights, including women's rights to equality; the development of workfare; intensification of the discourse on provincial sovereignty; and an increasing lack of transparency in government decision-making.

Since my time is nearly up and I can't say what else I wanted to say, I draw your attention to our recommendations...which relate to the CST and equalization to the have-not provinces; strategies to ensure basic rights and standards for income assistance; increase the national child benefit to \$4,900, the amount recommended by the Campaign 2000; more funding for affordable housing; labour force development agreements in each of the provinces; rethink the current child care initiative and go back to the old plan, or even something better; income tax reform that really benefits low-income Canadians; full funding for the status of women program; a reinstatement of the funding for the court challenges program; restore the funding to the groups and organizations that were cut recently, such as literacy programs, CAP sites, aboriginal smoking prevention programs, and so on, which disproportionately affect low-income Canadians.

**The Chair:** Thank you very much, Ms. Lord.

We'll move on now to Jim Gourlay, who is here with Magazines Canada. Welcome, sir. Five minutes to you.

**Mr. Jim Gourlay (Affiliated Member, Magazines Canada):** Thank you, Mr. Chairman.

Members of the committee, my name is Mr. Jim Gourlay. I'm chair of the Atlantic Magazines Association, which is an affiliate of Magazines Canada. With me is Mark Jamison, who is the chief executive officer of Magazines Canada.

To the extent that this should be considered a brief to you, on behalf of the magazine industry nationally, Magazines Canada is a national non-profit association, representing Canadian consumer magazines all across Canada. About 90% of Canadian magazines have paid circulation in both official languages. Member magazines span a wide range of topics, including business, news, politics, sports, arts and culture, leisure, lifestyles, and the environment, among others.

In our brief you will have read several recommendations for the Canadian magazine industry. However, this afternoon we would like to focus our comments on an urgent situation we are facing with respect to the publications assistance program, PAP, as it is known.

The consumer magazine industry is bracing for a major change that will have a dramatic impact on how magazine distribution and the access Canadians have to Canadian content magazines proceeds in the future. The issue is this: Canada Post has announced its intention to withdraw its \$15-million financial contribution to the publication assistance program within the next five months, I believe.

The price tag of this decision is a \$15-million gap that will cause an immediate 31% increase in postage costs for the average magazine. This comes on the heels of staggering year-after-year

postage rate hikes and means that distribution costs will soar even higher. The situation will simply not be viable for many publishers. I will tell you that postal costs have increased about 100%. They have doubled in the last eight years, and we're looking at 31% on top of that.

The effects of Canada Post's decision are many. It could mean cutting back on the amount of editorial and Canadian content pages that can be produced. It could mean fewer jobs and assignments for Canada's writers, creators, illustrators, and photographers. The fact that some magazines will not survive could mean that there will be fewer Canadian magazines in the marketplace and less choice for readers.

This will also drastically alter the way magazines are delivered to Canadians, because Canada Post may no longer be an affordable option. The industry is forced into considering alternative delivery methods, and this could mean prohibitive distribution costs, especially in rural areas like Atlantic Canada, to the extent that Canadians living outside major urban centres will not have the same access as other Canadians to affordable Canadian magazines.

Canada Post's withdrawal from PAP effectively puts an end to a century-long distribution partnership and to a highly successful subscription-based delivery model that has evolved because of federal government magazine policy.

What we are asking you today is that the finance committee recommend that Canada Post's financial contribution to the publications assistance program be maintained, until a proper review and evaluation of Canada's magazine policy. In our view, Canada's highly successful magazine policy should first be reviewed and evaluated before such crippling cuts are allowed, with five months' notice.

Carving out space for a Canadian voice has always been a challenge in this country, for two reasons: first, the country's geography, with a relatively small population spread across a huge land mass, makes magazine distribution more difficult and more costly than in many other countries; and second, culturally competing with the enormous size and influence of the United States entertainment industry is daunting.

● (1310)

Indiscriminate cuts do not take into consideration how to best serve Canadian readers. Canada's magazine policy needs to consider how we can best ensure that rural Canadians and others are able to access Canadian information, perspectives, and stories at affordable rates. It needs to consider the importance of Canada's smart jobs—our writers, designers, editors, and illustrators. It needs to take into account the health of Canadian culture and all the small to medium-sized businesses that publish more than two-thirds of our diverse and rich collection of magazines.

● (1315)

**The Chair:** Thank you, Mr. Gourlay.

We'll continue with Mr. Robert McKelvie, who is here on behalf of the Canadian Restaurant and Foodservices Association.

Welcome. You have five minutes, sir.

**Mr. Robert McKelvie (Chairman, Canadian Restaurant and Foodservices Association):** Thank you, Mr. Chairman.

I'd like to begin by thanking you for the opportunity today to raise the concerns of our \$51 billion industry in Canada.

There are two substantive issues I'd like to raise here in the brief time I have available. The first is the GST and the second is labour shortage.

The one-point cut to the GST earlier this year was applauded by our industry from coast to coast. After more than 15 years, the GST remains a sore point for our industry. It is discriminatory and unfair, adding tax to our ready-to-eat meals while leaving ready-to-heat meals tax-free. I would encourage this committee to recommend that government move as quickly as possible to reduce this tax to 5%.

The other pressing issue is labour shortage. For members in western Canada, this is already a crisis. For the balance of the country, it is a growing problem. There's no getting around or wishing away the two realities that confront our industry: first, the country's birth rate has fallen precipitously in the last three decades, seriously constraining growth in the labour market; second, we're on the verge of the biggest exodus from the labour market in the country's history—the baby boomers are starting to retire.

When you look at these two factors, you can only conclude that these challenges ahead are daunting. The Conference Board of Canada projects there will be a shortfall of more than 950,000 workers in Canada by 2020 unless we do something to increase the available labour pool.

All industries will suffer from the labour shortage, but the outlook for the food service industry is particularly daunting. Our industry is skewed toward youth, and in fact the available workforce will be older. Food service today relies on young people for its workers. In fact, 44% of food service workers—more than 440,000 employees—are between the ages of 15 and 24, but projections suggest that by the year 2025 the population of that group, the 15-to-24-year-olds, will actually decline by 330,000.

In order to meet this challenge, we in the industry need to strengthen our recruitment and our retention activities. We will have to access older workers and look for new pools of talent to entice the industry, but we can't overcome the demographic reality confronting the Canadian labour market.

We need dramatic changes in public policy, including modernization of the immigration point system so that it recognizes the diverse needs of Canada's labour market; greater flexibility and easier access for temporary foreign workers; the working holiday program and the provincial nominee program; elimination of the clawbacks in our federal retirement benefits programs, which punish retirees for supplementing their incomes; and incentives for labour mobility within Canada, encouraging the unemployed to move from areas of high unemployment to areas of high demand.

We also recommend that government take a serious look at lowering the tax burden on low-income Canadians, thus encouraging them to enter the workforce. There are a number of ways government can lower the tax burden on Canadian workers,

including lowering the bottom tax rate or raising the basic personal exemption, and adding a yearly basic exemption of \$3,000 into the Employment Insurance program, as we already have in the Canada pension plan.

A yearly basic exemption in the EI program has been recommended twice in the past by this committee and twice by the human resources committee. The YBE would put more money into the pockets of working Canadians and provide targeted payroll tax relief to labour-intensive industries.

In summary, Mr. Chairman, the labour shortage is already a crisis in western Canada, and it will be the biggest single issue we face in the years to come. I believe that you and your committee should recommend to the Minister of Finance that he move as quickly as possible to address the labour shortage, so that we will be able to compete tomorrow.

Thank you.

**The Chair:** Thank you, Mr. McKelvie.

We'll continue with Jan Westcott, who is here on behalf of Spirits Canada. Welcome.

• (1320)

**Mr. Jan Westcott (President and Chief Executive Officer, Spirits Canada / Association of Canadian Distillers):** Thank you, Mr. Chairman and committee members.

The beverage alcohol market in Canada could well be the poster boy for the theme of this year's pre-budget consultations, Canada's place in a competitive world—a poster boy, that is, of what not to do to create a dynamic and a competitive market.

This is the spirits industry's first appearance before the committee in many years. We have not joined the legions of business interests who have extended their hands for the ever-greater, taxpayer-funded handouts and subsidies. We believe instead in the virtues of a level playing field and competition. Competence should decide relative winners and losers in a free market, not tax policy.

We indicated in our formal brief to the committee that a glass of wine, a bottle of beer, and a spirit cocktail each contains an equivalent level of alcohol. Yet the Government of Canada imposes a federal excise duty of 9¢ on a glass of wine, 11¢ on a bottle of beer, and 20¢ on a spirits cocktail. In essence, the glass of wine is afforded a 56% subsidy and beer a 47% subsidy when compared with the duty rate imposed on spirits. In other words, the federal excise duty on spirits is approximately twice the rate imposed on competing beer and wine producers.

This huge variance in relative fiscal federal burdens under the excise duty structure, including directly competing and substitutable beverage alcohol products, is the economic equivalent of a direct subsidy. This is a subsidy with the same familiar negative economic consequences, including the misallocation of resources, lowered productivity, slower growth, and a less dynamic consumer marketplace. In fact, if the federal Department of Finance had mailed out \$927 million in cash to the beer and wine industries, the effect would have been the same.

Surely there are more appropriate uses of federal taxpayer money than to distort the beverage alcohol market in this manner. Of course, the problems and inequities within the beverage alcohol market in Canada aren't confined to the federal government. A number of provincial governments have even more egregious behaviours and policies.

But the federal government has a leadership role to play, and instead of being part of the solution it is actually part of the problem. Since federal excise duties are the first level of tax applied within the value chain, any discrimination is magnified by compounding taxes on taxes before reaching its ultimate end point, the Canadian adult consumer.

October 17, 2006 is an inauspicious date in the history of Canada. On that day, the House of Commons approved a ways and means motion that implemented, retroactive to July 1 this year, even further subsidies to certain wine and beer companies, thereby increasing excise duty marketplace distortions. In respect of beer, the new excise amendments provide sliding-scale relief on the first 7.5 million litres of beer packaged annually in Canada. While the additional excise duty relief for beer was originally tabled in the spring budget as a small-brewer assistant measure, and was intended to benefit only those brewers whose annual production was less than 30 million litres, this already exceedingly high cap has been eliminated and the additional assistance is now available to every brewer in Canada regardless of size or circumstances. Coincidentally, October 17 this year was also the date that Sapporo Brewery of Japan, a \$4.3 billion conglomerate, formally assumed control of Sleeman Breweries.

The same ways and means motion also exempts from any excise duty all wine made from Canadian grapes and fruits. So instead of paying the already low 9¢-per-glass excise duty, a vintner can reduce that to zero if the wine is made from Canadian-sourced agricultural products. From an economic and even political perspective, we have to ask why Canadian spirits manufacturers and our farm suppliers are not given the same opportunity to avoid excise duties on our own products, most of which are made from 100% Canadian-sourced cereal grains.

The spirits industry's signature product is Canadian whiskey. Canadian whiskey brands like Crown Royal, Canadian Club, Wisers, and Schenley are iconic symbols of Canada exported around the world, yet they are severely disadvantaged in their own home market by their own federal government.

As members will be aware, there have been no beer or wine retail price reductions as a result of the excise duty relief in effect as of July 1. This won't surprise members, since this was the evidence provided to the committee by the beer and wine industries themselves. Additional excise duty relief would be pocketed by suppliers and at least in part reinvested in the marketplace to compete—to compete, that is, against spirit suppliers and grow their market shares at our expense. Lower excise duties for beer and wine provide those segments with higher gross margins, which are used to compete in the markets.

Spirit suppliers are constrained from fully competing here and abroad for our fair share of the market by artificially low prices in our home markets. If Canada wants a competitive beverage market

and a prosperous beverage alcohol industry, fundamental reform of federal excise duties is urgently required.

Thank you.

•(1325)

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

We'll now move on to the Nova Scotia Home Builders Association, Suzanne Bona.

**Ms. Suzanne Bona (Representative, Nova Scotia Home Builders' Association):** Good afternoon, Mr. Chair.

Thank you for the opportunity to speak to this committee.

The Nova Scotia Home Builders' Association is the provincial arm of the Canadian Home Builders' Association and represents the residential construction industry, including builders, renovators, developers, trade contractors, and the like.

My name is Suzanne Bona, and I am the past president of the province's largest home builders' association, local Central Nova, and the Nova Scotia representative for the national Canadian Home Builders' urban council. I am also president of one of Nova Scotia's largest home building companies, Scotian Homes.

With me today are Paul Pettipas, chief executive officer of the Nova Scotia Home Builders Association, and Sherry Grant, communications director.

The topics I will discuss today include infrastructure costs, downloading and affordability, GST reduction and indexation, skilled labour shortages, and the underground economy.

The first point I will look at is on the affordability and infrastructure costs. Currently, there is no mechanism in place for provinces and municipalities to be accountable for the federal moneys they receive. Are we certain that the federal money for the infrastructure is being spent in the areas where it should be? Is it being diverted into other areas, thereby forcing municipalities to download additional costs, fees, and charges on to builders and developers, which ultimately means the homeowner will be the one paying in the end?

For example, in Halifax the municipality is looking at increasing sewer redevelopment fees from 30¢ to 80¢ per square foot. This means that for homes similar to what our association recently built for Habitat for Humanity, the cost will have gone from \$547 to an incredible \$1,459. This alone will put the idea of home ownership out of reach for some families in Nova Scotia.

It is our recommendation that the federal government create a system whereby infrastructure money provided to the provinces be accounted for to ensure the well-being of Canadians.

When it comes to the affordability of homes, I will draw your attention to the numbers provided by CMHC on the average new single houses in Halifax from 1998 to 2007. The cost of new homes has risen from \$156,000 in 1998 to a forecasted \$328,000 for 2007.

This may not seem significant in comparison to the cost of houses in the western part of Canada. When you compare the average household income for a family in the Halifax area, however, you will see why this increase is having such a dramatic effect on the affordability of new homes.

Based on estimates from CMHC market analysis, looking at annual growth and aggregate personal incomes to all households, the average income per household is \$71,000. The average for owner-based households is \$89,000, with the average for renter-based households standing at \$44,000.

This type of income, coupled with the price of new houses, creates a challenge for families in Nova Scotia. In saying this, it is not only new home buyers who are affected by this. The resale markets are also often on par with new homes in regards to pricing.

This leads to my second point, on the GST reduction and indexation.

The 1% reduction of GST from 7% to 6% was well applauded and a positive step. We look forward to another 1% GST reduction.

In addition to the GST reduction, I would be remiss not to bring to the forefront the topic of indexation. With the introduction of the GST, it was the government's commitment for the GST rebate to be indexed on a sliding scale between \$350,000 and \$400,000. However, this has yet to occur.

As you can see from the drastic increases in housing prices in Nova Scotia alone, there will be a major problem over the next few years. It is already a huge problem in larger urban centres such as Vancouver, where 97.6% of the houses, almost all, are priced higher than \$350,000, therefore putting the GST rebate out of reach for homeowners.

The third point I would like to touch on is skilled labour shortages. This is an issue that we are faced with across the country and in many industries, as was already heard here today. In particular, the residential construction industry is facing a critical shortage, and we are continuing looking at ways to overcome this challenge. In particular, the immigration policies need to be taken into consideration to help manage the issue in the short term.

Our recommendation is to redevelop the point system to allow temporary skilled trades people into the country, which would be a recommendation in the short term.

In addition to this, the Canadian Home Builders' Association has developed and presented a human resources development action plan, which calls for the federal government to take a leadership role in the development and delivery of training through Canada's existing training and education system. It's important to move forward with this initiative to ensure the sustainability of the residential construction industry.

• (1330)

Finally, our fourth point concerns the underground economy. This accounts for a huge portion of the residential construction industry and severely impacts all Canadians. The existing contract payment reporting system that was introduced is not effective, and it is not doing what it was intended to do.

**The Chair:** Suzanne, we're going to have to allow the underground economy topic to be discussed in the question period. I invite you to include it in your response to any of the questions, regardless of what the question might be.

We'll continue now with Alex Arseneau, who is here on behalf of the New Brunswick Non-Profit Housing Association. Welcome to you, sir. You have five minutes.

**Mr. Alex Arseneau (Executive Director, New Brunswick Non-Profit Housing Association):** Thank you very much.

I'm here on a two-tiered mission, and I bet this will surprise you, but I'm here to thank the present government for what it did recently for affordable housing. I mean the \$1.4 billion that was recently transferred to the PTs by way of trust. In New Brunswick, we are looking at close to \$25 million, until March 2009, that we can spend on affordable housing. The only thing we can hope for in New Brunswick is that our new provincial government can get off the mark and work with us and spend that money before 2009, but spend it in the best possible manner. We think, if we're smart, we will add around 1,000 affordable housing units in New Brunswick, so that's the good part.

You might want to say to me, "What the hell are you doing here, then, today?" Well, I have another side. I think that the federal government should make affordable housing the foundation or the cornerstone of its social policy framework.

In the invitation that you sent us here, you asked us to tell you what the budget should have in it to ensure that our citizens are healthy, have the right skills, are motivated, and will do better for themselves and for their communities and their society. How can you be healthy, number one, if you can't afford to eat because your housing takes up 50%, 60%, 70%, 80% of your total income? Okay? So don't put money in health first. Put money in housing, because it ain't going to help. You're putting on a band-aid, but you're not fixing the wound.

It's the same thing for motivating people to educate themselves, for parents to motivate their kids to do something. When you are poor, and you can't even afford to feed your kids, and you got to take them to the food bank or the soup kitchen, how are going to be motivated to motivate your kids for the future? So there again, put the money where it would do the most good. If you have a safe and secure and affordable place to live, then these other things will come. You will be healthier. You will be more motivated. You will want to work. You will want to contribute. So that's that one.

My suggestion is, if you say to me that affordable housing is okay till March 2009, so shut up, I will ask you why you don't, in the 2007 budget, put a fair chunk of money aside, and in the 2008 budget do the same thing. When the end of this program comes in 2009, you will have another big chunk of money. It will not hurt as much, and then you'll be ready to continue to establish affordable housing as the cornerstone of your social policy programs.

We are concerned about some other programs, though, that we hear through the grapevine might terminate in March 2007. The RRAP program, the rehabilitation program for low-income housing, is a heck of a good program. It's been there a long time. It's created an industry within itself. It makes the stock more viable for the future. I can't believe for one minute that this government is going to cancel the RRAP program. One thing that you've got to tell us now, or tell us in early November is that you won't cancel it, because it's creating a heck of a mess in the industry.

The same thing goes for SCIPI, Supporting Communities Partnership Initiative. I'm part of SCIPI. It did a heck of a lot of good. It is doing a heck of a lot of good in the communities. It involves a lot of people who care and who volunteer, and it helps the people who need them. The reason we need SCIPI is that we don't have enough affordable housing. So unless we get enough of that, we're going to continue to need SCIPI, but there, again, tell us now, early in November, that SCIPI isn't going to be shut down come next March, because I know it's creating a heck of a lot of havoc in our areas.

There are other things. We're hear you're going to sell off CMHC. Please don't do it. It's served Canadians for 60 years. I don't believe that's going to happen anyway, but I'm saying use the funds that CMHC is bringing in; turn them around and put them into affordable housing, and then you won't have to have that in your budget.

• (1335)

I could go on, but thank you.

**The Chair:** You've done a very good job with the five minutes allocated, sir. Thank you.

We'll continue with the Greater Halifax Partnership. Fred Morley, senior vice-president, is here.

Welcome, sir. Over to you.

**Mr. Fred Morley (Senior Vice-President and Chief Economist, Greater Halifax Partnership):** Thank you, Mr. Chair.

I want to tell you today about one of Canada's greatest success stories. I want to tell you about Halifax.

In the last ten years Halifax has completely turned around its economy, and that's due to a unique partnership between the private sector and our business community here in Halifax. We now have our sights set on bigger goals.

In the last year, we have completed a cultural plan, an immigration strategy, a regional plan, and HRM's—Halifax's—first ever economic plan. That plan will build on the public-private partnership that has grown our community over the last ten years. This economic strategy is a plan to keep our kids, grow our community, be competitive, and build the best community in the world. A strong Halifax is good for Nova Scotia, and a strong Halifax is good for Canada.

Our economic strategy is all about people. It's about investing in creativity. It's about the world getting to know us here in Halifax a little better. It's about having confidence in ourselves and in doing so, building new partnerships. It's about having the best business climate in Canada.

We have an economic vision. We have a plan. We know exactly where we're going. We know exactly what we need to get there. We also know that the federal government will be a key partner with us in growing that future. So let me give you a few examples.

This strategy recognizes that communities have to invest in a social and cultural infrastructure that enhances quality of life. In this respect, Canada's bid to host the 2014 Commonwealth Games represents the best chance in two or three generations to fast-track this kind of investment in our community. We need this investment to attract and hold young people who will help us build the future. We are pleased that the federal government is a committed partner to these games.

Second, our partnership of business and government knows that we have to pay more attention to the largest employer in our community, and that's the Canadian military. They put hundreds of millions of dollars into our economy every single year, and they're going to grow, and we want them to grow here. So the business community, along with local government partners, is working to develop and enhance the value proposition and the business case for defence expansion here in HRM.

The third example is the Halifax gateway, which represents an important economic opportunity, not just for Nova Scotia, but for all of Canada. The Halifax Gateway Council is a partnership of public sector agencies and private sector organizations. This group has identified clear priorities for growing the Halifax gateway. Halifax represents a real alternative for Asian cargo coming to Canada. We are already handling Asian cargo coming through Suez. There is about the same distance between Halifax and Hong Kong as between Vancouver and Hong Kong. So Asian cargo flowing through the port is already building our business activity. Businesses have already discovered this route into Canada. Halifax is already an option for the business community moving Asian cargo into this country. It's time for the Government of Canada to follow business and move to a two-ocean gateway policy.

Finally, let me talk about our business climate. We have a lot of work to do here in Nova Scotia to meet our goal of having the best business climate in the country. Current discussions on fiscal transfers will have a big impact on that business climate and on our competitiveness.

For example, a simple measure like removing resource rents from the equalization formula could cost Nova Scotia a quarter of a billion dollars a year. That cost would have to be absorbed through local taxes or through a reduction in services. So any cuts or changes to federal transfers would undermine our competitiveness. I urge the government to be fair and balanced in these negotiations.

Thank you for the opportunity.

• (1340)

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

We'll conclude our presentations now with Jody Dallaire, who is here on behalf of the New Brunswick Child Care Coalition.

Welcome. You have five minutes.

[Translation]

**Mrs. Jody Dallaire (Coordinator, New Brunswick Child Care Coalition):** Thank you, Mr. Chairman.

The New Brunswick Childcare Coalition is happy to appear before the Standing Committee on Finance .

The Coalition is a nonprofit membership-based organization that includes individuals and organizations from across the province. We promote high quality, accessible, nonprofit childcare services provided by trained and well-paid staff for all children and parents in the province who want or need them. We are affiliated to the Childcare Advocacy Association of Canada, a national organization.

[English]

In order for Canada to prosper in the world today and in the future, it is necessary that we invest in our full potential. It is especially critical that we offer adequate support to ensure that children acquire the foundations for lifelong health, learning, and skill development.

As is already recognized in most other developed countries, quality child care programs help build these foundations and also help support ongoing learning, skill development, and labour force attachment for the parents. Public investments that improve access to quality child care services are affordable because these benefits significantly outweigh the costs involved.

[Translation]

As the Standing Committee on Finance conducts prebudget consultations clearly focused on Canada's place in a competitive world, we want to offer the following recommendations: the government should invest in quality childcare services providing support to children, families and communities, as well as to the economy, which will improve the global competitiveness of Canada.

However, the benefits of childcare will only be realized through a focused public investment strategy that ensures families' access to quality services. To build the childcare system that New Brunswickers and Canadians want and need, the New Brunswick Childcare Coalition calls on the federal government to restore and increase sustained, long-term federal funding to the provinces and territories. Federal transfers must be specifically dedicated to improving and expanding childcare services, based on provincial and territorial plans to advance quality, universal access and affordability.

[English]

Quality child care enhances the skill set and talent level of the Canadian labour force immediately and in the future. It offers parents, especially mothers, the opportunity to increase their labour force attachment and upgrade their skills while helping their young children get a healthy start, develop social skills, and build a foundation for lifelong learning.

These developmental benefits translate into greater contributions back to the community and reduce the chances that children will require targeted supports later in life. Social development and skill acquisition benefits not only citizens but also their employers. Canada's advantage in a competitive world is its people, and child care is a vital part of human capital and labour force development.

It is not surprising that the Bank of Canada's governor, David Dodge, the Vancouver Board of Trade, and a recent survey of executives in Canada's largest companies all have identified the economic importance of public investment in early learning and child care. It also helps to explain why the most comprehensive studies done show that the benefits of quality universal child care systems outweigh the cost by a factor of two to one, not including the additional benefits to children who are at risk.

The federal government is terminating the bilateral agreements that provided dedicated funding for provinces and territories to improve their child care services and replacing these funds with two piecemeal approaches: a taxable family allowance and a fiscal incentive for child care capital costs.

Though these approaches are intended to offer market-based efficiencies, years of experience and research indicate that they will not deliver the child care services we need because they are not tied to community-based strategies and therefore unlikely to respond to community-wide needs; will not create a national child care system, yet they hinder the provinces and territories in creating their own systems; and lack clear accountability for public funds. For example, what responsibility will the capital incentives recipients have to ensure access to new spaces by children with disabilities and lower-income families?

I'm going to go directly to my recommendations.

• (1345)

[Translation]

**The Chair:** No, that will be later. Thank you for your presentation.

[English]

We must conclude the presentations now, but we will continue this discussion with questions from committee members.

We'll commence with Mr. Savage.

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

Being the local boy here doesn't give me any more time, so I'm going to move very quickly.

I could ask you all questions. I'm going to start with Fred, and then go to Suzanne, and then to Rob McKelvie. Rob has, by the way, for when you guys are back here the next time, the best fish and chips in town at a place called "McKelvies" down the road, with real malt vinegar.

Fred, you talked about the economy in Halifax, and it's done very well. One of the factors that hasn't contributed much is the declining federal presence. We were hit hard by program review some ten years ago, and while other parts of Canada—certainly Ottawa—have rebuilt their federal presence in terms of human resources, we haven't. Could you comment on that?

**Mr. Fred Morley:** Yes, that's absolutely correct. We lost about 6,000 federal government jobs, mostly defence jobs, in the early to middle 1990s. And while the rest of the country has built that back in more recent years, Halifax has not.

We recognize the role that we've traditionally played in Halifax, as the headquarters of the navy and a centre of logistics for many of our international operations, and the business community is working with us to put forward a value proposition to win back some of that business, to win back some of those jobs that we lost. So that's where we're going with that particular opportunity.

**Mr. Michael Savage:** Have we been hurt more than any of the other top 10 or 15 cities in Canada? It's my understanding that Halifax has actually had a larger net loss than any other major community.

**Mr. Fred Morley:** Yes, Nova Scotia and Halifax has had the largest per capita loss of federal government jobs over the last ten years of any place in the country.

**Mr. Michael Savage:** Okay, thanks, Fred.

Suzanne, I should congratulate the Nova Scotia home builders, who have been very active with Habitat for Humanity. They had an opening of three new houses recently, and the home builders really stepped up to the plate on that one. I think all Nova Scotians are appreciative of that.

The new single detached house price in Halifax, as you mentioned, has gone from \$156,000 in 1998 to \$328,000 now. Does that include taxes and fees to the municipality? Is that included in the price?

**Ms. Suzanne Bona:** With a recent study by CMHC on what is called the capital cost contribution and download fees for municipalities, 20% of our cost of housing in Halifax, HRM, is due to those capital cost contributions. While we recognize that there needs to be a certain amount to new development, what we're asking is that the playing field be levelled. Recently the municipality has gone after dollars to have infrastructure bettered, but we're seeing that the charges keep being downloaded to our industry.

**Mr. Michael Savage:** You're saying that 20% of that cost is sort of fees and taxes going largely to the municipality.

**Ms. Suzanne Bona:** That's right.

**Mr. Michael Savage:** That's pretty significant.

You mentioned the underground economy and never got a chance to talk about that a little bit. That is an issue in Nova Scotia. We see it even in the fishing industry as well, where people sort of sell off their boats and don't pay tax. Can you talk about whether you have some specific recommendations in connection with your industry?

**Ms. Suzanne Bona:** What was started was a payment reporting system. Quite frankly, all that's done is to put a heavier burden on those of our companies that report, and it's not necessarily addressing the issue of people choosing to not pay tax and to avoid the system

altogether. We have no one recommendation. We ask that you look at closing the gap in a variety of ways and to really recognize the amount of tax you're losing and in turn end up charging the rest of us more. We do, and have come to the table several times with the government to recommend a variety of measures.

• (1350)

**Mr. Michael Savage:** I'm sitting beside the former Minister of National Revenue, and I'm sure he's listening with interest.

Am I still going, or am I done?

**The Chair:** No.

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

**The Chair:** But you did very well with the time you had.

[Translation]

We go now to Mr. Pierre Paquette.

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

I want to thank you for having sent us your briefs. I see that some of you have traveled from New Brunswick to Halifax to be able to give us your demands.

My first question is for Mr. Westcott. If I understand correctly, the basic unit for spirits is not the same as for wine and beer, which creates a distortion that is detrimental to spirits. The federal excise tax on wine and beer is based on liters whereas, for spirits, it is based on alcohol content. That's why you're saying that wine and beer receive a subsidy of 900 million dollars.

Did I understand correctly?

[English]

**Mr. Jan Westcott:** Yes. One of the issues in comparing tax systems, tax rates, or tax approaches is to have a common effect. The Government of Canada doesn't have a common approach to these things. Some products are taxed for excise on the basis of the amount of alcohol in them in terms of absolute alcohol, while some products are based on the amount of volume, so it's very difficult to even get a comparison, because of the different approaches.

We've been asking the Department of Finance for a number of years to at least adopt a common approach, so that when everyone looks at this, they can see what the relative tax burdens are. We've not yet been successful, but certainly one of the early steps that could be taken to help everyone understand the different levels that are being applied is to come to a common unit of measure in terms of the application of tax.

Honest to God, I think only the people in the excise division actually understand the nuances of the different approaches and how they compare with each other. It's very difficult for us to do that. We do it; certainly it would be very difficult for the ordinary layperson to do that, but unquestionably it is one of the issues that need to be addressed—so your understanding is correct.

[Translation]

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

This question is for the New Brunswick Childcare Coalition.

If I read you brief correctly, you're asking the federal government to reverse its decision to abolish the national childcare program which has been replaced by an amount of \$1,200 per child. That amount is taxable, I should underline.

Are you asking the government to abolish this measure in order to restore the previous program or would that amount be on top of the program? One could easily see the government paying \$1,200 per child per year through a reimbursable tax credit while at the same time restoring the national childcare program. I would like to know what your expectations are about this.

**Mrs. Jody Dallaire:** I believe that the \$1,200 measure has a different objective. The point is not that parents don't need money to pay the costs of educating their children but one should not believe that it is a childcare program. It doesn't create new spaces in any childcare program.

That amount cannot have the immediate effect that is desirable for low-income families. What we want is transfers to the provinces so that they be able to build a childcare system. In my province, only one child out of eight has access to approved childcare services. Also, when parents have access, the services are barely affordable. Parents have to pay an average of \$500 per month for services which are not always of good quality. Indeed, because of the salaries that they're able to offer, those organizations can't always hire and retain trained staff.

• (1355)

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

Mr. Morley, you've referred to the Halifax Gateway. As you know, we have passed legislation as well as a whole series of measures about the Vancouver Pacific Gateway.

Does the federal government support the concept of a Halifax Gateway?

**The Chair:** Unfortunately, you'll only have 30 seconds to answer. [English]

**Mr. Fred Morley:** I'll respond in English. Thank you.

I believe we have the support. We have not yet formally asked for support for the Halifax Gateway Council and the Atlantic gateway, but I believe that the Government of Canada will have a two-ocean policy and will step up when necessary.

**The Chair:** Merci, monsieur.

We continue now with Mr. Del Mastro.

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

I'm going to start with Mr. McKelvie.

First of all, I noted your approval for the reduction of the GST, and we heard your request to try to fast-track the reduction to 5%.

I wanted to ask about your recommendation number two, which speaks of no further harmonization of the GST with provincial taxes. Is it correct that you do have harmonized sales taxes here in Nova Scotia?

**Mr. Robert McKelvie:** Yes.

**Mr. Dean Del Mastro:** Could you talk a little bit about your experience with that? I know that in Ontario we see that as a positive step, because right now in business you have to file two tax returns. It's a very inefficient system.

There would be some savings, with the CRA collecting sales tax revenues. Could you talk about why you see that as a negative?

**Mr. Robert McKelvie:** I think that in Nova Scotia businesses in general applauded the harmonization of the tax, especially for the tax credit rebates that you receive.

**Mr. Dean Del Mastro:** So it's good to the level that you have it now; you just don't want to see it taken a further step. Is that what I'm to understand?

**Mr. Robert McKelvie:** Are you speaking about the GST?

**Mr. Dean Del Mastro:** You have a harmonized sales tax here now, and you're okay with that system.

**Mr. Robert McKelvie:** Yes.

**Mr. Dean Del Mastro:** That's great. I just wanted some clarification on that.

The Nova Scotia Home Builders' Association, again, is positive on the GST reduction, and that's duly noted.

We did put in significant incentives for training skilled workers. We've heard a lot from post-secondary education advocates, and I really believe skilled trades are a very valuable form of post-secondary education. In fact, I've argued many times that we haven't necessarily kicked in the workforce that is conducive to what we need in our economy right now. We have an enormous demand for skilled trades, and we're not really filling it.

Can you talk a little about the incentives we put in place to assist employers and workers in developing skilled trades and whether or not you think a continuation or an expansion of this would be warranted?

**Ms. Suzanne Bona:** It's certainly also a question of numbers. Our population isn't growing in exorbitant numbers. Our approach has been that you can deal with what you have here on the ground, but we're also dealing with global competitiveness for our skilled labour force. I think the government has to look at the immigration policies for that.

As well, we work actively with the community colleges across the country and different industry trades to create the best skill programs. Apprenticeship is certainly one of those that can help encourage employers to utilize younger tradespeople. We work on many levels to try to get the workers from where we can, but it is a question of numbers. The average age is still 58 for plumbers in Nova Scotia, and you're causing injury and accidents because you have people who are older trying to do jobs.

**Mr. Dean Del Mastro:** Right, and I think that may come back to the notion that one form of post-secondary education is necessarily much better than another. I think people need to be open to the notion that you can earn a very good living in the skilled trades.

**Ms. Suzanne Bona:** Definitely.

•(1400)

**Mr. Dean Del Mastro:** Mr. Morley, we made a number of announcements with respect to the Canadian Armed Forces, specifically new supply ships that would be based out of Halifax. Maybe you could speak a little on the benefit to Halifax of these investments that number well into the billions of dollars.

**Mr. Fred Morley:** These investments have been, and will be, very valuable going forward, both in terms of the fabrication and also where these ships will be based over time. This kind of investment certainly has been well received in Halifax. We are, at the foundation of our community, a military community. We still have a strong and committed attitude towards the Canadian military, so we applaud these kinds of investments. I'd like to see more of them.

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

We will continue with Madam Judith Wasylycia-Leis.

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

Thanks to all of you for your great presentations.

Do I have only five minutes?

**The Chair:** That's correct.

**Ms. Judy Wasylycia-Leis:** Let me start with Stella Lord, who is here representing 15 different groups, so an impressive consortium.

You've raised a very important set of issues around some of the changes in recent policies affecting different organizations, and cutbacks.

Given the changes in the status of women program and the new criteria, the \$1 billion cut that we heard about a couple of weeks ago and the failure to move on the national child care plan, tell us about the impact these changes will have on our population. Who is most likely to be affected? How will we see the results of these kinds of cutbacks and changes?

**Ms. Stella Lord:** Yes. We talk about this in our brief.

On the surface of it, the recent cuts look like they were across the board, all over the place. But when you actually drill down and look at where the cuts are in terms of the status of women and the court challenges programs, of course those affect the equality of women and their ability to participate in civic, political, and economic life.

When you go down below that and you look at the cuts to literacy and the cuts to CAP programs, and so on and so forth, all of those programs that were recently cut will disproportionately affect low-income people, and the majority of low-income people are women.

We see these cuts as being cumulative. They started in the nineties, and they have been cumulative.

The recent cut to the child care program is going to be devastating for low-income women who want to get into the labour force. If they earn anything over about \$25,000 a year in this province, they're entitled to hardly to any subsidy.

The costs of that and then the other cuts to programs, skills learning, and training are really going to affect the ability of low-income women in particular to participate, economically and socially.

**Ms. Judy Wasylycia-Leis:** Okay. Thank you.

You should know that the Minister of Status of Women, following a presentation to our committee by REAL Women, basically dismissed most of the groups you represent and most of the ideas you're presenting as ideological and of special interest and therefore not worthy of government support and funding. How do you counter that?

**Ms. Stella Lord:** How do I counter that? Well, I think that's ideological.

I mean, the fact is that the women's groups listed on our brief serve women on a daily basis in this province. Transition House Association of Nova Scotia—one of my colleagues is here today—and the women's centres in Nova Scotia mainly deal with issues affecting women at the very grassroots level in rural communities in this province.

I should say that a lot of the issues we're talking about and a lot of the cuts we're talking about on the CAP sites, skills learning, and literacy will not only disproportionately affect women but will also disproportionately affect rural Nova Scotians across the board.

To say these groups, which have been funded to carry out this kind of work, are ideological is an insult not only to the groups and the people who are working their butts off trying to do the work for less and less money every year, but also to the people they serve.

•(1405)

**Ms. Judy Wasylycia-Leis:** If I have a moment, let me ask Mr. McKelvie about this whole issue of supporting a labour force in your field that is largely female. Many of them work at the bottom end of the scale and struggle to provide for themselves, and there's not much support for child care.

From your point of view, would it make sense to ensure we have good working conditions and support for women workers, so that your area is in fact well served, rather than looking for cuts in taxes that only cut back on services?

**The Chair:** Thank you, Madam Wasylycia-Leis.

Mr. McKelvie, I expect you'll get another question. If you'd like to work a response into it later, that's fine, but she's used her time in the preamble.

My one question is for you, Ms. Lord, and it involves an ideological position that I've taken for a long time.

**Ms. Stella Lord:** What would that be?

**The Chair:** It would be the belief in the equality of aboriginal women. The rights they should have that the rest of the country takes for granted in terms of matrimonial property don't exist, as you know. There are no rules in place in most of Canada's first nations communities.

You're here representing a consortium of women's organizations and you are also the co-chair of the Canadian Research Institute for the Advancement of Women. I'm interested in knowing your views on the importance of establishing rules so that aboriginal women aren't forced to live in relationships they shouldn't be forced to live in and aboriginal women can have the kind of protection the rest of the country takes for granted.

**Ms. Stella Lord:** Well, I wish aboriginal women were here to speak for themselves. And I would like to put on record, before I answer directly the question, that frankly, when I looked at the website for these hearings, I thought, I'm surprised that there's anybody here speaking on behalf of low-income people.

**The Chair:** That's interesting, but—

**Ms. Stella Lord:** The way the questions were framed is not conducive to hearing groups.

**The Chair:** Madam, I'm interested in a specific answer to my question.

**Ms. Stella Lord:** Getting to the aboriginal women, I think not only the issue of property rights but the issue around marriage and second-generation or third-generation offspring of aboriginal women not having title is obviously a real concern for aboriginal women. It definitely needs to be addressed, along with a lot of other issues that affect aboriginal women, in terms of access to programs and services in their communities.

**The Chair:** It's the multitude of issues facing aboriginal women that has unfortunately been used in the past as an excuse for not dealing with this single issue that I asked you about. Again in your answer, I think you illustrated part of the reason that past governments in this country have been able to ignore this issue and put it on the back burner for so long. So I'll ask you again: do you—

**Ms. Stella Lord:** Well, why don't you invite the aboriginal women's association—

**The Chair:** Madam, we have heard—

**Ms. Stella Lord:** —to speak to you directly—

**The Chair:** We have heard from numerous aboriginal spokespeople. And in fact your condemnation of our promotional material is most unjustified. The fact is we have heard and continue to hear from aboriginal representatives.

If you have specific ideas after this meeting on how we could do a better job of advancing that cause, I'd be glad to hear them. But we will continue now, Madam, with questions from other committee members.

Thank you for your response.

**Ms. Stella Lord:** It's not your promotional material, it's that the questions you're asking are very much in terms of economic policy and so on and so forth. I think there needs to be much more focus on social policy, including the issues you just mentioned.

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

Now we continue with Mr. Pacetti, for four minutes—no, three.

**Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.):** That's the same treatment I get all the time. That's what happens when you're shorter than the chair, I guess.

Thank you again to all the presenters. It's tough to ask questions, but the submissions are interesting. Some of them, obviously, don't correspond to what we're looking for, but this is a finance committee, and we have some decisions to make. Nothing is easy.

I'm just going to try to ask a couple of quick questions. The first one is for Mr. McKelvie, from the restaurants association.

Recommendation number three, if you could clarify it a little bit, states that you recommend that the government revise the immigration point system to remove barriers and restrictions for entry-level workers willing to work in Canada. What exactly does that mean? Does it mean you're willing to lower the barrier so that anybody can come in? Are we looking to lower the barrier based on education and skill level, when everybody else is asking us to bring in more skilled people?

• (1410)

**Mr. Robert McKelvie:** I think the answer to the question is that we are asking the immigration department—we met with them two weeks ago in Toronto—to address this situation and try to loosen up the point system, allow more temporary foreign workers into Canada for longer periods of time—

**Mr. Massimo Pacetti:** But when you lower the point system, you're asking for people less qualified, maybe less educated, or with language barriers. Is there something specific—

**Mr. Robert McKelvie:** In certain positions we need just to open it up so that there are more skilled workers being allowed to come into Canada, at a quicker pace.

**Mr. Massimo Pacetti:** Do you have any idea how many more you would like to see come in at a lower skill level or less educated?

**Mr. Robert McKelvie:** I think I mentioned earlier that by the year 2025 we're looking at a shortfall of 330,000 workers in our industry.

**Mr. Massimo Pacetti:** I missed that part. That's great. Thanks.

This is for Spirits Canada, Mr. Westcott. This committee conducted some hearings based on the brewers and the wine people. I don't think there was much testimony from the spirits people.

Most of the products used to produce the spirits are not coming 100% directly from Canada, and I think some of the exemptions we had requested were for products that were 100% homegrown. I'm not sure if I'm explaining myself properly, but I think that was one of the criteria that were used in the last budget to lower the excise tax.

Am I off-base? I'm getting old, and it was about three years ago that we did the study.

**The Chair:** Unfortunately, Mr. Westcott, you'll only have about 15 seconds to answer that question. Proceed.

**Mr. Jan Westcott:** Very many spirits products produced in Canada are made from 100% Canadian cereals and grains—corn, rye, and wheat.

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

I'd urge all committee members to reduce their preambles in order to maximize the response time.

Monsieur Paquette, three minutes.

[Translation]

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

Mrs Lord, there's a whole series of recommendations at the end of your brief. The last one calls on the government to restore fully the funding of programs whose budgets have been cut by the Conservative government a few weeks ago. We're talking of about 750 million dollars.

You've referred to literacy, public assistance, smoking cessation campaigns in First Nations, the voluntary and community sector, and education and training programs, but you've never referred to the cuts made to the financial assistance program to social economy enterprises, even though it seems to me to be a promising program. Indeed, it's a program that can be helpful when the private sector doesn't want to take its responsibilities and when the public sector might not be the best player. That has been confirmed, for example, in the case of the Quebec childcare network. Social economy has an important role to play.

Did you forget to mention it or was it implicit?

[English]

**Ms. Stella Lord:** We chose just a few to mention here, but yes, the social economy program is obviously of concern to us and also to Nova Scotia. Nova Scotia has the kind of culture and history that are more amenable to that kind of approach to economic development. There were, I know, some very interesting and promising projects developing in Nova Scotia that will likely be affected by these cuts.

Social economy is really based on the notion of social inclusion, which means that people who go into the social economy field with that in mind are going to be more likely to integrate low-income people and so on into their enterprises.

[Translation]

**Mr. Pierre Paquette:** Mrs Lord and Mr. Arseneau, you've referred to social housing. I'd like to know what the situation is in social housing in New Brunswick and Nova Scotia and what are the government policies.

Do they meet your expectations? I'd like to have an overview of the situation.

• (1415)

**Mr. Alex Arseneau:** In New Brunswick, the need for affordable social housing is still the same. There are about 35,000 families who need social housing. There's a waiting list of about 8,000 people who would like to have affordable housing immediately. As a matter of fact, the list is not even complete because many people who've been waiting for a long time have stopped asking.

The Government should provide financial help and, if possible, more housing subsidies. Whether financial assistance is federal or provincial, the point is that more affordable housing has to be made accessible to people in need.

[English]

**The Chair:** Merci.

We'll continue now with Mr. Wallace.

**Mr. Mike Wallace (Burlington, CPC):** Thank you. I'll try to be as brief as possible.

Mr. Westcott, can I have a clarification on something you provided us with here? In the chart that lists annual beverage alcohol

exports, spirits are number one at \$407 million. That's in actual dollars, not per litre or per ounce of alcohol or anything like that, correct?

**Mr. Jan Westcott:** That's correct.

**Mr. Mike Wallace:** Is that driven by the fact that it's a higher-end product, with a value that's higher than for, say, a bottle of wine?

**Mr. Jan Westcott:** No. The fact is that Canadian spirits producers are significant exporters. About 72% or 74% of what we make leaves the country. We are a long-time export-driven business. Our largest market is the United States. Canadian whisky is the largest-selling whisky in the United States—scotch, bourbon, and Irish combined. We have been extremely successful around the world in selling our products against the scotch industry, the Irish, the bourbon.

**Mr. Mike Wallace:** I appreciate that.

Just to summarize, you'd like it converted to a single unit that's compared across all sectors that sell those beverages.

**Mr. Jan Westcott:** Well, it's the alcohol. Drinks can contain the same amount of alcohol, yet we have vastly different tax rates, which translate into margins, so some people come into the marketplace with a lot more money in their jeans to drive the business forward than other people.

**Mr. Mike Wallace:** Right.

I have one question for Ms. Bona. When we were out west, we got a comment from a real estate organization about the possibility of changing the guidelines on RRSPs in terms of allowing people to get into that house sooner, because house prices have gone up, but the amount you can withdraw or whatever hasn't changed.

Has your organization looked at that issue at all, and would you care to comment on it?

**Ms. Suzanne Bona:** Nationally they have reviewed that scenario. While it does offer a certain level to those who can afford RRSPs, it doesn't necessarily address the main issue, which is affordable housing—or a more affordable housing type—across the country.

**Mr. Mike Wallace:** I have one other quick question.

I come from the municipal world. In Alberta, for example, they have what they still call “lot levies”. I come from Ontario, which has development charges. Here you call it something slightly different.

Does it cover soft services, or all hard services? When I say “soft services”, that's like city hall and marinas and all those things.

It's all hard? I'm getting the nods from behind you. Is that all right? Is it all hard? Okay, thank you. I just wanted to clarify that. That's fine.

Do I still have a little bit of time?

**The Chair:** Sure; you have ten seconds.

**Mr. Mike Wallace:** Oh, I've got more time than that.

On the seniors issues—

**The Chair:** There won't be time for a reply, Mr. Wallace.

**Mr. Mike Wallace:** Okay, I'm sorry.

Thank you for that. I'll ask after.

**The Chair:** Mr. Westcott, having experimented somewhat with bourbon, I can understand the popularity of Canadian rye whiskey.

**Mr. Jan Westcott:** Thank you.

**The Chair:** We'll continue with John McCallum.

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

My colleagues wanted me to point out to Mr. Arseneau that the \$1.4 million for affordable housing was Bill C-48, which was passed by the Liberal government.

**Mr. Alex Arseneau:** I forgot to mention that.

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

I have two questions. One is to Mr. Gourlay. Not so long ago I was the minister responsible for Canada Post. At the time, as confirmed to my memory by your colleague in the room, I certainly didn't allow Canada Post to remove this magazine subsidy, because I don't think you can hide behind the commercial role of Canada Post; it's up to the government to set the social and policy context.

Is the government not supporting you, in terms of the PAP? Is the government simply allowing Canada Post to remove the subsidy? What is the situation?

• (1420)

**Mr. Jim Gourlay:** I don't believe, sir, that we know the answer to that question as yet. The minister certainly has voiced her support in recent days. It's a question of how this may manifest in the future.

The subsidy is also a strategy, and it's a strategy that has worked. I can tell you that in terms of our cultural media industry in Canada, with this great monolith to the south of us, magazines have the highest market share of all cultural media; it is 41%. By comparison, Canadian film has—

**Hon. John McCallum:** We don't have that much time.

What's the government doing, or what's the state of your consultation with the government? As you said, it's a very important issue to your industry.

**Mr. Jim Gourlay:** Minister Oda was saying that she supports the program; the question is how the government may interact with Canada Post in terms of its decision to withdraw its support for the program. How can we mitigate the \$50 million that's about to disappear?

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

Mr. Morley, my time in government leads me to be a decentralist in terms of public service, having seen how cost-effectively and how well government performs in such places as Charlottetown for Veterans Affairs Canada, and so on.

Is there a particular branch of the public service that you think would be well suited to Halifax? You said you were working on that subject.

**The Chair:** You have approximately 30 seconds, sir.

**Mr. Fred Morley:** Our interest is in attracting any organizations or capacities that make sense for us, given our business case and our value proposition. If we can demonstrate that we can do a good job

and that we can do it cost-effectively, then we would go after anything.

Our competitive advantage, we feel, is in the area of defence, given the current concentration here.

**The Chair:** Thank you, Mr. McCallum.

In the confines of the time we're allowed, I will have to reduce these last questioners to only two minutes, or a single question, if you would.

Mr. Dykstra, you can commence.

**Mr. Rick Dykstra (St. Catharines, CPC):** Okay. One question to Mr. Morley.

Given the Bloc's recent position with respect to Atlantic Canada about Halifax not being the gateway and that Montreal or Quebec should be the gateway to the Atlantic provinces, and the fact that we have one of the Liberal candidates running for leadership—Mr. Ignatieff's position made very clear on the weekend regarding Quebec—I wanted to give you the opportunity to comment on that and get your views, because you spoke very strongly about the focus that Atlantic Canada needs to play.

**Mr. Fred Morley:** Our interest is in serving the national interest. We simply happen to feel that Halifax represents an incredibly strong opportunity, not only for us but for all of Canada, to move freight, to move cargo through another avenue into our country and across North America.

We like the idea of competition in Halifax. We compete all the time. But we love the idea of a level playing field. Given a level playing field, we'll compete with anyone.

**Mr. Rick Dykstra:** Thank you.

**The Chair:** We will continue with Mr. Savage now.

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

Mr. Morley, you mentioned the 2014 Commonwealth Games and our hope that Halifax will receive the international bid for them. The Commonwealth stadium would be located in my constituency, as you know, in Shannon Park. I think that would be very good for the area and would leave some infrastructure to be used, hopefully, for kids and adults to help to build a more healthy society.

My question to you is, what should be the federal contribution? What is the number we're looking for from the federal government, and how sure is it we would get it?

**Mr. Fred Morley:** I don't have a number to give you. I can say I would expect the number to be in the same ratio as it has been in other of these kinds of events, as they've been funded and proposed across the country, in Vancouver and in other places.

**Mr. Michael Savage:** About 30% to 35%, is that it?

**Mr. Fred Morley:** My understanding of the Vancouver Olympics, for example, is that it's 50% federal and 50% local, provincially.

• (1425)

**Mr. Michael Savage:** Plus the municipality as well.

**Mr. Fred Morley:** I believe in Vancouver most of the municipal contribution comes later, in policing and security and those kinds of measures. I guess I'm not on the committee, so I can't speak for them, obviously.

**Mr. Michael Savage:** But GHP supports the 2014 bid.

**The Chair:** I have to cut you off there, Mr. Savage. I said one question and that's five. I don't want to be taken by the next panel as a soft touch here, so we'll continue and conclude with Madame Ablonczy.

**Ms. Diane Ablonczy (Calgary—Nose Hill, CPC):** Being a great reader, I am interested in your dilemma on magazines.

Do you know what has motivated Canada Post to take the position they took? That's an awful big whack all of a sudden.

**Mr. Jim Gourlay:** It's not all of a sudden. We've seen costs double in the last eight years. This comes on top of some very significant increases that are impossible to absorb, because they're so massive.

It would appear at a fundamental level that Canada Post's new mandate is profitability. Canada Post's old mandate, which was to allow Canadians across this vast country to communicate with one another, has taken a back seat.

**Ms. Diane Ablonczy:** Okay. Thank you.

**The Chair:** Thank you.

You're referring to a new and an old mandate. I'd just like to put a timeframe on that. When do you think that new mandate of profitability started?

**Mr. Jim Gourlay:** I'm not in a position to answer that. I would say when Canada Post was challenged to fix its books. I'm sorry, Mr. Chairman, I cannot put a date on that.

**The Chair:** A number of years ago, though.

**Mr. Jim Gourlay:** It was a number of years ago.

**The Chair:** Thank you. Very good.

Thank you all for your fine presentations and your forthright responses to our questions. We appreciate your presence here very much.

I will invite the next panel to make their way forward.

We will suspend only briefly and recommence in a moment.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
- 
- (1430)

**The Chair:** We will recommence with our second panel. Welcome, all, and thank you very much for being here.

I will invite each of the panellists to make some eye contact with me occasionally as you're doing your presentation. I do not want to cut you off at five minutes, but I am forced to. So I will give you an indication that you have one minute remaining or less, and then I'll cut you off. That's what the committee has told me I have to do. That's in order to allow the committee members to ask you questions and for you to engage in a dialogue with the committee members here today.

We are the House of Commons finance committee. As you know, we are empowered with the responsibility of preparing recommendations to the finance minister for the upcoming federal budget. We appreciate very much the information you've provided us with already. We look forward to the further information you will give us in your presentations and your responses.

We will commence with the representative from the Canadian Association of Research Libraries, Mr. William Maes. Welcome, sir, and take it away.

**Mr. William Maes (University Librarian, Canadian Association of Research Libraries):** I would like to thank the chairperson for allowing me the opportunity to speak at the committee today. I'm particularly glad to appear, given that one of the committee's principal goals is to look at ways of making Canada more competitive. This is a goal I firmly support, and I think research libraries play a significant part in achieving this objective by the information services and resources they provide directly in support of research and innovation.

The Canadian Association of Research Libraries represents Canada's major academic research libraries, as well as public institutions such as the Library and Archives Canada and the Library of Parliament. Our members' collections form the backbone of Canada's intellectual holdings in all disciplines. Collectively, our members spend more than \$500 million in new acquisitions.

Competitiveness and success are built upon a dynamic research sector, which in turn must rely upon access to information that is current and comprehensive. That's why, in 2004 alone, 40% of research activities took place in Canada's universities, which were fully supported by Canada's university research libraries.

The government has already recognized the importance of economic research by increasing funding to a number of grant councils and research programs in its budget of 2006, something that we applaud.

They are all important steps forward, but it is important also to look at other steps that need to be taken so that Canada's research institutions can best compete internationally.

I will focus on three of these today: the indirect costs of research program, the GST, and the new challenges of e-learning.

Concerning the indirect costs of research program, increases in funding to granting councils such as NSERC in the last budget ensure that Canada's strong research foundation reaches its full potential. But beyond supporting direct costs of research in Canada, we must consider their related indirect costs, particularly to Canada's research libraries. Whenever there is an increase in direct research grants, there is a corresponding increase in indirect costs. The indirect costs of research program helps offset these, especially at research libraries. Funding, for example, is used to expand access to electronic resources and journals and databases critical to all research, as well as acquiring the technologies that deliver these resources efficiently and quickly for our researchers.

Previously, the indirect costs of research program covered about 25% of the overall cost of research grants to universities. New investments in the last budget have raised that figure to 26%, but for Canada to be internationally competitive, we need to reach 40% coverage.

On the GST, presently university libraries receive a full rebate on the GST they pay on printed books and on subscriptions to most print magazines and periodicals. This means the budget goes further, resulting in more and new materials on the shelves. Nowadays, however, scholarly materials overwhelmingly are being delivered in an electronic format, to the point that now in fact we spend more on electronic journals and resources than we do on print. However, such materials are not eligible for the GST rebate. There is no apparent justification for this. An electronic journal varies only from the print edition in medium, and the funds freed up by rebating electronic materials can and should be used to purchase other materials. Here, a minor change in definition can have a major effect.

On e-learning, as Canada moves towards a knowledge-based economy, electronic or e-learning will become more and more important to serve the needs of learning communities. E-learning is a critical component in Canada's overall capability to sustain economic development and foster a cohesive civil society. It provides the ability to access and deliver high-quality educational materials, anywhere, at any time. Beyond the university, it helps Canada's scattered population upgrade professional and trade qualifications, as well as focus on lifelong learning.

A national e-learning strategy should be a natural Canadian priority. That's why we're pleased to be working with the Canadian Council on Learning to develop one. One of Canada's strategic goals should be to compete internationally with countries that are implementing strong national plans in this area.

I have two important closing notes that will be of interest to parliamentarians. First, CARL members are spearheading an exciting new project, called the Alouette Canada open digitization initiative, which brings together libraries, archives, museums, and other interested communities to present our cultural heritage, documents, and artifacts online to our citizens and to the world. Most importantly, Alouette Canada provides for ensuring access to that heritage. This is a project that will impact your constituents and is worthy of public support.

• (1435)

Secondly, I would be remiss if I did not highlight Mr. Lunn's recent decision to keep producing printed topographical maps and to keep the Canada Map Office open. This decision will mean that Canadians can continue to have access to printed maps that are critical for safety in so many traditional Canadian pursuits, such as hiking, canoeing, boating, and tourism.

**The Chair:** Thank you, Mr. Maes.

We'll continue now with the Face of Poverty Consultation. Ms. Carolyn Earle is with us. Welcome. Over to you.

**Mrs. Carolyn Earle (Co-chair, Face of Poverty Consultation):** Thank you.

I appreciate this opportunity to put forward some of our ideas.

The Face of Poverty Consultation is a group of representatives from various communities in the Halifax regional municipality who have been working together for some four years doing advocacy and education around poverty issues that are causing so much suffering in our community and our country. People knocking on doors and asking for help are familiar to all of us. Canada is one of the richest countries in the world, and it ranks 18th among 23 industrialized countries in terms of child poverty. Approximately 112,000 Canadians died in three wars and peacekeeping missions. Now, ten times that number, over one million children, are engaged in a war on poverty here in Canada. Over 1.7 million Canadians live in substandard or unaffordable housing, and at least 14,000 Canadians are homeless. If nothing else, these are very shocking statistics, and they represent people who live right here in Canada.

A fundamental tenet of each of the face groups represented in the Face of Poverty Consultation is "love thy neighbour". One of the ways we do this is to attempt to ensure that all our neighbours have shelter, food, income, health services, access to education, and employment—the very things we desire for ourselves. In our years of study and experience together, we have recognized again and again that persons living in poverty do not have these basic necessities.

Poverty goes far beyond the lack of daily needs. It forecloses choices and options that many take for granted. It deprives people of experiences that contribute to meaning and human development. We have only to look at recent situations in France, Australia, and in some communities here in Canada to realize the damage that poverty can do to a society. It is our contention that something needs to be done about poverty, right now.

The United Nations Covenant on Economic, Social, and Cultural Rights states that all citizens have a right to adequate shelter, food, income, health, and employment. Canada is a signatory to this and other UN documents of a like nature. We know that in May of this year, a United Nations report expressed concern about the high poverty rates in Canada. It recommended that Canada take all possible measures, to the maximum of available resources, to ensure the enjoyment of economic, social, and cultural rights for all. In fact, it did say that issues of hunger and homelessness should be termed a "national emergency".

Reports and studies from other sources, as diverse as the Toronto Dominion Bank, the National Council of Welfare, and the national child poverty report card, come to the same conclusions.

People are poor. People do not have enough money. This was one of the first comments made by a young mother we spoke to in a family resource centre. If people cannot earn enough money for themselves, then they are dependent upon others to help them with the necessities of life. Governments are agents who can make changes in this situation. Churches and other community agencies have supplied band-aids for citizens, when what is required is bold innovation by governments. We believe it is a human right to be free of poverty. Polls consistently indicate that Canadians value their safety net and that they want to help their fellow citizens to have a good life.

Politicians have often told us that they need to hear from citizens before they try to bring about changes to the system. Volunteers from all walks of life, old and young, give countless hours of their time, energy, money, and goods to help those in need. This seems to indicate that citizens do support any and all efforts to balance the inequalities in our society.

•(1440)

We are not asking for a shrinking of the federal government. We are asking for better government, government with accountability to and for all its citizens. We are asking for cooperation and negotiation among the various levels of government.

More specifically, we find ourselves able to support the recommendations made by the Citizens for Public Justice. They are calling for a poverty reduction strategy for Canada that would include, among other things, raising the child tax benefits—

**The Chair:** Thank you, Madam Earle.

We will move on now to Nick Busing, here on behalf of the Association of Faculties of Medicine of Canada. Welcome, sir.

**Dr. Nick Busing (President and Chief Executive Officer, Association of Faculties of Medicine of Canada):** Thank you, Mr. Chair, ladies and gentlemen. I'm Nick Busing, president and CEO of the Association of Faculties of Medicine of Canada.

My association, AFMC, represents the 17 faculties of medicine in Canada. We have a tripartite mission: undertaking health research to improve the lives of Canadians, educating future physicians of Canada, and providing clinical care in all settings, with a focus on the tertiary and quaternary environment.

Today I wish to focus on health research and on health human resources that are required for our mission and for the country. We can measure our prosperity and our competitiveness by looking at the research and developments taking place in Canada. The benefits of health research are seen across the country, in direct impacts upon the health of all Canadians, in identifying system-wide improvements to the delivery of health care, in creating economic benefits to the training of knowledge workers, and in providing widespread employment opportunities. The benefits of health research accrue over time and can only occur in an environment of sustained and long-term investments.

In recent years we in Canada have made impressive gains. We are equipping our major research institutions for the future through the CFI program, in partnership with the provincial governments. We have recruited and retained an impressive array of Canada research chairs to take advantage of our array of investments in infrastructure.

In fact, many recruited from abroad are helping to reverse the brain drain. Now our tri-council funding agencies have the ongoing responsibility to provide the operating grants to enable our researchers to fully capitalize on the outstanding facilities Canadians have provided to enable research across the spectrum of health care issues.

We're now in the interesting position where from a research perspective our place in the competitive global economy has improved, yet to both sustain this competitive position and improve upon it, we need to address the disparity between the facilities and researchers and the funds essential to their daily operations.

Canadians do not spend up to a decade investing in research, then flatline the operational funding base and expect to take full advantage of the opportunities created. If we are to address the number one concern of Canadians—an improved and sustainable health care system—AFMC along with other major health research partners have identified the need for increased funding to all tri-council agencies, with an emphasis on funding for CIHR as the number one issue for success in maintaining our competitive edge.

Today we are recommending that the federal government commit to a substantial increase in funding to CIHR to maximize and build on our gains to date and to allow Canada to become even more competitive in our global environment.

The second area we wish to address is that of health human resources. Data is mounting that we are short of nurses, physicians, and other health care workers. Yes, we can make system changes, such as working inter-professionally, extending hours of access to MRIs, changing scopes of practice, modifying payment practices, and introducing new models of practice—and so on. However, these reforms still require health care workers, and we do not have enough.

I'm sure you all know the statistics regarding physicians: we rank 21st among OECD countries; the average physician is about 49 years of age; there has been a 20% increase in the proportion of physicians in their fifties. Surveys show millions of Canadians are without a family doctor. The problem is not only with the number of health care providers, such as physicians. The problem starts with the lack of a coordinated national mechanism to understand the type and numbers of providers we need, in the face of all the system changes I have just referenced.

For years now, organizations have recommended a pan-Canadian planning process for HHR, with adequate funding. Recent sector studies and the Canadian Medical Forum have supported this.

•(1445)

If we really want to make system changes in how and where we deliver care, we need to understand far better the role and function of all health care providers and create a flexible, inter-professional workforce. It requires data collection, analysis, research, comparative study, forecasting, and recommendations. It would be a modest investment that could launch this essential planning tool for Canada, and we ask you to invest in it.

Thank you.

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

We continue now with the Sport Nova Scotia representative, CEO Jamie Ferguson. Welcome to the committee.

**Mr. Jamie Ferguson (Chief Executive Officer, Sport Nova Scotia):** Thank you, Mr. Chair. Thank you for the opportunity to take part.

As a point of information for the committee, in addition to my role at Sport Nova Scotia, I am also the chair of the Canadian Council of Provincial and Territorial Sport Federations.

I would like to speak very briefly about Sport Nova Scotia and then discuss a couple of Canadian sport issues prior to presenting three recommendations that we think will be critical for sport in our country.

Sport Nova Scotia is a federated organization made up of over 60 provincial sport organizations and more than 170,000 registered members across the province. As the numbers show, sport affects a large segment of our province's population. This situation is true not just for Nova Scotia, but across the entire country. In fact, we know that 55% of Canadians take part in sport in some capacity.

In addition, sport represents approximately 2% of jobs in Canada and 1.2% of the GDP. One of the reasons so many Canadians are involved is because of the broad benefits that sport delivers. In Nova Scotia the range of these benefits can be illustrated by the partnerships that Sport Nova Scotia has developed.

In government alone, we've worked with the federal Department of Justice and with Human Resources and Skills Development Canada. At the provincial level we've worked with the Department of Health Promotion and Protection and the Department of Community Services to deliver programs.

The most commonly cited benefit for sport is, of course, health. We often hear of the many health benefits that are provided, including decreasing the risk of heart disease, stroke, colon cancer, and type 2 diabetes. However, it is important that we realize the broader role that sport plays in our society. When we consider statistics that tell us that active children perform better in school and active people are less likely to suffer from mental illness, it becomes obvious that sport has the ability to cut across many different spectrums.

Given the scope of our work at Sport Nova Scotia as a provincial federation, I think it is fair to ask what the relevance of the federal budget is to us. We think we'll show that it has a very significant impact; we think that impact will grow over the coming years. That's why we made the effort to be here today.

In recent years federal, provincial, and territorial ministers approved the Canadian sport policy and the long-term athlete development model. Both are geared towards improving the quality and delivery of sport programs at every level for all Canadians. Most recently, the road to excellence program has also been launched.

The significant point for all these programs is the large role that provincial and territorial sport organizations will be asked to play in order to make these programs successful. A large segment of the Canadian sport policy is enhancing participation, which is geared to help us meet our goal of a 10% increase in sport participation; the long-term athlete development model also includes significant

participation and recreation components. In addition, the new road to excellence program specifically cites the key role of provincial and territorial sport federations across Canada.

The tie-in from these programs to the federal budget will determine whether Canada will be successful in achieving these goals. Currently the provincial and territorial sport organizations that will be asked to deliver much of these programs face real human and financial resource challenges. Nova Scotia is an example. Only 28 of 65 different provincial sport organizations have even part-time staff.

With that challenge in mind, we have three recommendations that we consider conditions for success in order to see Canada reach our participation goals. First, we'd like to see the implementation of the promise to spend 1% of the health budget on sport and physical activity, most importantly with specific collaborative measures to ensure that provincial and territorial sport organizations are resourced properly to allow the programs I've mentioned already to work.

Second, we believe an infrastructure strategy and fund for sport and physical activity need to be developed. Canada currently faces an estimated \$14 billion sport and recreation infrastructure deficit, and we will not achieve our goals if we don't address it.

Finally, we would like to see strong support for Halifax's Commonwealth Games bid as a mechanism to address the large infrastructure deficit in Atlantic Canada compared to the rest of the country.

I firmly believe that these investments are beneficial not only for Canadian citizens but also for our financial outlook. We have mountains of evidence that show us how much retroactive health and justice measures cost. We need to shift our focus to curtailing these costs by proactively addressing the risk factors that cause them.

The measures we are recommending today are part of a solution to these problems and part of a long-term vision that ensures we give our children the chance they deserve, and that's part of making Canada a healthy, prosperous place for their children.

Thank you.

● (1450)

**The Chair:** Thank you very much, Mr. Ferguson. We appreciate your presentation.

We'll continue with the Direct Sellers Association of Canada representative, Ross Creber. Welcome.

**Mr. Ross Creber (President, Direct Sellers Association of Canada):** Thank you very much.

Mr. Chairman, honourable members, on behalf of the 47 member companies of the Direct Sellers Association and 1.3 million independent sales contractors, we want to thank you for the opportunity to participate in this consultation.

The direct selling companies and the independent sales contractors market a wide variety of products and services directly to the consumer, usually in the consumer's home rather than in traditional retail establishments. The industry's combined labour force earned an estimated \$966 million in income, of which \$772 million was paid in bonuses and commissions to independent sales contractors, based on retail sales of \$1.96 billion.

The DSA applauds the federal government's reduction of the GST as an important step in getting money back into the pockets of Canadians. We also believe that personal income tax reductions are necessary to promote economic growth, job creation, and international competitiveness. While the DSA recognizes that such cuts must be balanced by the government's spending commitments, we believe that such tax reductions should remain an important priority.

The direct selling industry is a vital part of the small business sector in Canada, investing in entrepreneurial and human capital. The direct selling industry has a tremendous capacity to create jobs, promote entrepreneurial activity among Canadians, and in the process reduce dependence on social assistance programs.

The direct selling industry provides accessible business opportunities with little or no investment, usually less than \$500. It is open to all Canadians, without any restrictions with respect to gender, age, education, knowledge, or previous experience. This business opportunity is accessible to all men and women everywhere in Canada, whether they live in urban or rural communities.

Accessibility of these earnings opportunities is highlighted by the fact that close to 24% of all independent sales contractors have no more than a high school education, 49% have some post-secondary education, and 27% percent have either a graduate degree or undergraduate degree.

With 88% of the direct sellers being women operating their own small businesses on flexible hours in their homes, there is a lesser burden on the already strained child care system than there would be if these women were working in more conventional jobs with fixed hours.

The direct selling industry also offers a viable business opportunity that has an unlimited capacity to transform individuals who are dependent on social programs such as employment insurance into successful small business operators. Accordingly, the DSA recommends a partnership between itself and the government to educate and promote the direct selling business opportunity to individuals currently receiving social assistance and employment insurance.

For this partnership to work, existing EI rules must be amended, as there are currently barriers for those who are receiving such benefits. As an example, while there is now a provision that allows for a certain level of additional income to be earned from employment before social benefits are reduced, there is currently only uncertain and limited transitional relief for earnings from self-employment.

In the DSA's view, the current rules discriminate against the direct selling industry and inhibit the transition from dependency to independence, by discriminating amongst those who are serious from the outset in establishing their own direct selling businesses.

While the DSA applauds the government for its reduction in the GST rate, there are a number of GST-related issues that we believe need to be addressed, namely the GST treatment of dietary supplements and natural health products—and I direct you to page 9 of our submission—and the expansion of the GST direct sellers mechanism that is set out in detail on page 8.

While the GST direct sellers mechanism is operating in a positive fashion and has been beneficial to consumers, government, and the direct selling industry since the inception of GST, it currently discriminates against the independent sales contractors of the approximately 20% to 25% of the industry that operates through independent sales agents, a group that is excluded. DSA therefore recommends that the government introduce straightforward technical amendments so that the direct sellers mechanism applies throughout the industry without discrimination.

Mr. Chairman, I have a letter that outlines specifically how this could be done and I will give it to you after.

Now I want to turn to the subject of dietary supplements and natural health products, which increasingly Canadians are using on a daily basis as part of their daily diet and health routine. The Excise Tax Act provides complete GST relief to, or makes zero-rated, food or beverages for human consumption, with the exception of snack foods and carbonated beverages. The Canada Revenue Agency, however, changed its administrative interpretation of what constitutes zero-rated foods or beverages and has indicated that most if not all dietary supplements and natural health products are to be treated as taxable.

DSA seriously disputes the CRA's rationale and believes that most consumers consider such products as essential parts of their daily intake of food and beverages.

Mr. Chairman, the Direct Sellers Association and its members appreciate this opportunity to participate in the budget consultation process. As always, we are prepared to provide our support to the government to help achieve its goals.

• (1455)

Thank you.

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

We'll continue with a representative from J.D. Irving, the vice-president of administration, Riley Pye. Welcome, sir.

**Mr. Riley Pye (Vice-President, Administration, J.D. Irving, Ltd.):** Thank you, Mr. Chairman.

We appreciate the opportunity to speak here today. Mr. Irving sends his regrets that he wasn't able to be here in person today, due to another commitment.

Canadian manufacturers, and particularly exporters, have been challenged by a high Canadian dollar, increased energy costs, and increased transportation costs. In the forest products sector, recent pulp mill, paper mill, and sawmill closures highlight the human tragedy that results when capital investment is not made and productivity is not improved to ensure ongoing competitiveness. For many years, J.D. Irving has understood the need to continually reinvest in our people and to upgrade our operations.

Global capital investment in new pulp and paper capacity illustrates the glaring gap in Canada capital projects. From 2000 to 2007, there's going to be \$14 billion invested in pulp and paper in Asia, \$12 billion in Europe, \$7 billion in South America, and only a little over \$1 billion in Canada. This is an industry that we used to dominate. Recent studies confirm that for the past seven years, North American capital spending in the pulp and paper sector has been consistently below 100% of depreciation, and today is hovering below the 50% mark. Capital investment of anything less than annual depreciation, as a minimum, puts Canada seriously behind in this very fierce global competition.

We believe that current capital cost allowance rules and rates are one of the factors that are contributing to this problem. We recommend increasing CCA rates for manufacturing and processing equipment from 30% declining balance rates to 50% on a straight-line basis. This change reflects more appropriately the economic depreciation that's caused by rapid changes in technology that are occurring in a highly competitive world market. This will improve the payback and reduces the risk associated with very large capital-intensive investments.

We also believe the CCA rate for manufacturing and processing buildings should be changed from 4%—a very low rate—to at least a 10% declining balance rate. This will better reflect the economic depreciation associated with buildings and heavy-use processes.

The renewable power production incentive should be expanded to include modernizing existing facilities. Expansion or some modifications to existing equipment and facilities should be eligible for accelerated capital cost allowances, not just new facilities. This would allow us to make changes to our existing facilities to make them more competitive and more environmentally friendly.

We believe that the government should eliminate the half-year rule for new investments. Elimination of the half-year rule is one of the things that would significantly reduce the risk and improve the payback for large capital investments. Also, the current capital cost allowance regime has a "ready for use" rule that should be abandoned and changed to one that properly reflects assets at acquisition.

One of the other areas where we see there is opportunity for changes is in the regime around taxation of productivity improvements. Under the current taxation regime, when it comes to incentive pay or variable pay for improvements in productivity, it is taxed at very high marginal tax rates. We believe there should be some non-taxable or low-taxable category of employee income for productivity bonuses, up to a maximum of \$2,500 per year for employees who earn up to \$50,000 a year. This will place variable compensation for productivity improvements in the same category as medical and pension benefits.

Government and employees are also facing very significant challenges when it comes to containing health costs. There are three primary preventable contributors to poor health in employees: smoking, inactivity, and excess weight. Companies like ours are willing to make investments in wellness programs that would tackle these problem areas. For every dollar invested in comprehensive prevention and health promotions programs, we're saving \$3 to \$8 in

terms of a payback. However, the tax system is putting up roadblocks.

Every time a company today pays for a smoking-cessation program, a weight-reduction program, or a fitness club membership for employees, employees get an income tax bill. We believe the government should encourage greater participation in programs such as fitness programs or smoking-cessation or approved weight-loss programs. The government should consider employee reimbursement of these programs the same as they treat health care benefits—that is, they're not taxed in the hands of employees. We're recommending that employers fund these initiatives, not governments, but the government should get out of the way and allow it to happen.

Thank you for the opportunity to present here today.

• (1500)

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

We'll conclude our presentations with the Halifax Regional Municipality. Chief Administrative Officer Dan English is with us. Welcome.

**Mr. Dan English (Chief Administrative Officer, Halifax Regional Municipality):** Thank you, Mr. Chair. I'm pleased to be here today on behalf of Mayor Peter Kelly, who was unable to attend this session.

Thank you for the opportunity to discuss Halifax Regional Municipality's current economic and financial situation and our growing relationship with the Government of Canada.

As a regional municipality, we have a rich history and culture. We are unique in many respects. We are Canada's largest municipality, covering more than 5,600 kilometres, an area larger than the province of Prince Edward Island.

Halifax is the business and financial capital of the Atlantic region. While it has roughly 40% of the population, it accounts for nearly half of the provincial GDP. The 5.3% unemployment rate is below provincial and national averages.

I wanted to take the opportunity today to talk to you about what we see as the fiscal imbalance, some of the initiatives HRM has under way, and our key needs as you begin to plan for the next federal budget.

The Council of the Federation recently argued that there is a vertical fiscal imbalance in the country, with the federal government having more fiscal resources than it requires relative to its spending responsibilities, and the provinces having the reverse. This situation has become even more difficult at the municipal level.

In a province such as Nova Scotia, the difficulties are compounded. While HRM is the fastest-growing municipality in the region, it is simply not large enough to function without strong links to the federal and provincial governments. Other major cities have the benefit of other types of taxation—an example is transfer of fuel taxes—and greater cost-sharing from their respective provincial governments; Halifax is not in that position. Greater federal investments in municipalities are much needed and much appreciated.

In order to ensure we are a continually progressive, responsive, and responsible organization, HRM has taken on many initiatives of strategic importance for our community: for a decade HRM has had one of the leading solid waste collection systems in the world; in partnership with the provincial and federal governments, we have undertaken the harbour solutions project.

Since 1999, HRM has decreased outstanding debt by 20%, exceeding the goals of our debt reduction plan. HRM has an A rating with Standard & Poor's and continues to adhere to our own multi-year financial strategy.

We continue to build on these successes through initiatives such as our recently adopted regional plan, which lays out an integrated approach over the next 25 years to development in a sustainable and environmentally friendly manner. It's estimated that the regional plan will have a financial benefit of approximately \$250 million in cost avoidance over that time period.

We have recently undertaken a new municipal tax reform initiative. We also now have a cultural plan that establishes our mandate in this area and we are proud to have just begun the implementation of the region's first economic strategy.

As of last year, our council adopted a municipal vision for immigration in our community and an immigration action plan to guide our organization in being even more welcoming to all. We have as well undertaken a new infrastructure planning process to guide infrastructure investment within the region. Like many Canadian cities, HRM is striving to keep its aging infrastructure in adequate working condition.

Here are some considerations I would like to throw out as you consider the 2007-08 federal budget; I would urge you to consider them.

Regarding the 2014 Commonwealth Games, continued all-government support, both political and financial, will be key to our success.

With regard to infrastructure funding support, continued reinvestment in federal infrastructure funding programs such as the gas tax, revenue sharing, MRIF, CSIF, and strategic transit are of paramount importance to HRM and other Canadian cities. Without such funding, municipalities would not be able to make many of the investments that have been made to date in aging municipal infrastructure. However, much more work remains to be done.

Another thing we'd like you to consider is the Halifax Atlantic gateway support. The Halifax gateway accounts for \$1 billion in wages each year. Greater investment, integration, and partnership are required to grow the gateway and to ensure it is recognized and promoted as the east coast logistics hub.

There is also the community energy project. There is a unique opportunity in HRM to make a significant impact on cleaner air, as well as to enhance energy security through the community energy project. Federal support to implement the project is imperative. To match the provincial commitment, \$20 million in federal funding is required to bring this project and its substantial environmental, financial, and social benefits to fruition.

Federal funding for law enforcement is another important consideration. HRM continues to look forward to the federal funding for additional law enforcement officers for municipal police agencies that was announced in last year's federal budget.

● (1505)

As for the DND Standing Contingency Task Force, as the Department of National Defence continues to progress toward the establishment of a Standing Contingency Task Force, HRM will remain supportive and urge financial support to ensure its success.

● (1510)

**The Chair:** Thank you, Mr. English.

We appreciate all your presentations very much—an excellent job.

We're going to move now to questions. We'll begin with Mike Savage. You have five minutes, sir.

**Mr. Michael Savage:** Thank you, Chair.

I want to thank all the folks who presented. It was very good.

Jamie Ferguson, one of the things I get to talk about a lot across the country is that Nova Scotia is doing some good things in the area of health promotion. We were the first province to establish a department of health promotion and to take seriously the whole issue of the social determinants of health.

I know you've been involved in some neat projects at the school level. I'm thinking of the sport animator project. Is that something you could briefly talk about here?

**Mr. Jamie Ferguson:** The sport animator has been linked through the Department of Health Promotion and Protection to our after-school physical activity program. What that program involves is our going into communities to train high school students in the community to deliver after-school programs for children in grades four to six. It's geared towards children who are not already participating in sport.

We work at the school level, with the principals and the teachers, to try to identify and encourage those children who may not participate in sport at that time to get involved, with the goal being, over a 24-week period, that at the end of the program those children would feel comfortable, if they enjoyed a particular sport, in maybe signing up. More importantly, if they're out on their front lawn and there are some kids playing in their neighbourhood, they wouldn't be embarrassed or too shy to take part.

It's really geared towards giving them the very basic, fundamental skills. At the same time, it's providing some leadership skills for the high school students, so that you're creating the leadership piece of your community as well.

We're currently piloting one of those programs at one of the nine sites we're operating this year, where this high school leadership piece is going to be offered as a curriculum credit through the high school in efforts to expand the program.

**Mr. Michael Savage:** That's great. I think that's a project we should be looking at more nationally. I don't know whether other provinces are doing it, or copying it, or studying it.

**Mr. Jamie Ferguson:** We've had some meetings in about the last nine months to see whether we can....

**Mr. Michael Savage:** You mentioned the 1% of health funding for sport and physical activity. Presumably, that's sort of a mix of different mechanisms.

We've seen that the government has brought in a tax credit for kids to be involved in sport. That has spurred discussion as to whether enough kids are going to be able to take advantage of it, particularly those kids who are at the lower end of the socio-economic scale. Do you have any numbers that would indicate how many people might be included or excluded from taking advantage of it?

**Mr. Jamie Ferguson:** We don't have any numbers at this stage of the game.

As I think you know, we've had a program here like that, just about a year old now, with a healthy living tax credit. I think the initial numbers we've had have been positive. At the same time, we have to realize that it only affects those people who are receiving an income at the level where they are paying taxes.

To give you an indication, the program we have, which delivers financial assistance to underprivileged children so that they can participate in sport, has doubled in size over the past year in terms of the money we're allocating to children across the province, the same time as the tax credit has been in effect.

It needs to be a comprehensive approach. I think it's a great idea, a great step or measure, but I think we need to address other things at the same time.

**Mr. Michael Savage:** Dan English, is the community energy project the energy project we announced the funding for last year that was cancelled by the election?

**Mr. Dan English:** That's correct. Both the provincial and the federal government had announced \$20 million each towards that project.

**Mr. Michael Savage:** I recall making that announcement.

Carolyn Earle, that was a great presentation. I have just a quick question.

I have the opportunity to meet with you and your colleagues on a fairly regular basis. You come to visit me and very passionately put forward your arguments.

Does cutting the GST by 1% help those most in need very much?

**Mrs. Carolyn Earle:** I really can't answer that question. I don't know.

I've heard people say it would appear in the short term that it does, but when we think that for most people who live on low incomes all their money is spent more or less immediately on consumer goods, that certainly is a factor. If it means reducing the rebate, then it's probably a catch-22, because people are counting on the rebate as well.

**Mr. Michael Savage:** We could discuss that next visit, maybe.

**Mrs. Carolyn Earle:** We'll have to look into it.

**The Chair:** Thank you, Mr. Savage.

[Translation]

Mr. Paquette, you have five minutes.

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

Thank you for your presentations.

The Canadian Association of Research Libraries and the Association of Faculties of Medicine of Canada have both made a recommendation about the indirect costs of research of up to 40%. Several other organizations have referred to this and I have a question.

What is the meaning of "up to" 40%? Do you expect that, for each dollar, it will be close to 40%? If not, is it because indirect costs can vary between the various research fields? If so, what should be the average?

• (1515)

**Dr. Nick Busing:** Thank you for your question.

In our presentation, we've referred to direct costs but, in our previous presentation, we talked about indirect costs. There are four very important components to research, one of them being indirect costs. You know what they are.

Like the Association of Universities and Colleges of Canada and several other organizations, we have analyzed indirect costs and have come up with the figure of 40%. This percentage is the same in other countries. It is not fixed but I can tell you with certainty that, at the present time, the level of 25% or 26% does not cover indirect costs.

**Mr. Pierre Paquette:** At this time, it is 25% to 26%?

**Dr. Nick Busing:** As Mr. Maes told you, the percentage moved from 25% to 26% last fall.

**Mr. Pierre Paquette:** I have a question for Mr. Pye of JD Irving. You've made a recommendation that I have seen in the past in a letter from Domtar or Abitibi-Consol to Gilles Duceppe calling for the extension to the forest products sector of the Renewable Power Production Incentive.

Since there's a crisis in the Quebec forest sector, I'd like you to explain a bit more what extending this incentive would mean in terms of projects.

[English]

**Mr. Riley Pye:** There are a number of projects in the paper mills, pulp mills, and sawmills, particularly around energy consumption. Energy is a huge cost in both newsprint and specialty paper production, and in sawmill production.

Some of the projects we're looking at include some sort of cogeneration facility that may use biomass or even bark boilers, and converting current boilers, and so on. We're looking in particular at converting current boilers at sawmills, and at biomass boilers in a number of areas to generate electricity or steam.

There are a number of potential areas where we could convert boilers that today are using bunker oil, bunker C, to biomass generation. These projects have marginal paybacks, but they're certainly things we think we're going to have to do long term, as energy prices continue to improve.

Being able to access this program, which currently is only for new facilities, would allow us to make a significant series of investments in the very short-term future.

[Translation]

**Mr. Pierre Paquette:** Is this incentive program a form of subsidy or a tax credit?

[English]

**Mr. Riley Pye:** This is really through accelerated capital cost allowances, rather than through subsidies or grants. We believe that accelerated capital cost allowances are the appropriate forum for government to participate in capital projects.

This means that only successful companies that have incomes will be able to access the CCA. This means that successful companies and people with long-term, successful track records can access it. That way the government's investment is going to an area where it will get some payback.

[Translation]

**The Chair:** Thank you, Mr. Chairman.

[English]

We will continue with Madam Ablonczy now.

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

Several quick questions, I hope.

Mr. Maes, you and several other groups mentioned the need for supporting the indirect costs of research. When federal support for R and D is given, can that money not be spent on indirect costs at this time?

• (1520)

**Mr. William Maes:** In our case, a lot of the research grants are for research purposes, and if you start diverting those for expenses, such as the normal expenses a university encounters—for example, heat, light, administration, and so forth—these would really reduce the effectiveness of those grants.

At the moment, the universities are subsidizing those research grants in many ways, by taking money from other areas, be it teaching or other places where we would enjoy seeing it.

So it is important. We are at a disadvantage to our competitors in the U.K. and the United States, where we see moneys in the 40% to 70% range, depending on whether it's a public or private institution, and on accounting practices.

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

Mr. Busing, you talked about the need for increasing the research, but I particularly want to talk to you about the infrastructure and faculty costs, and particularly for medical practitioners. How much do you reckon we need to increase spaces for doctors' and nurses' training right now or in the next couple of years in order to meet up with the demand? How far behind are we on the curve? Has your research shown that?

**Dr. Nick Busing:** My research, perhaps not, but I can give you a suggestion that if you look at a number of the curves—and I alluded to them—if you look at the retirement curve for physicians, if you look at the numbers of nurses who go to another discipline, who we

currently need, we're talking in terms of physicians at least a minimum of moving from our current enrolment of 2,300 per year to 3,000 per year. That is not taking into account international medical graduates, and we are taking more and more of them into the system. I'm not on the nursing side of things, but I can tell you that we're talking about ten of thousands of nurses that we are short, not the thousands that we're talking about with physicians.

**Ms. Diane Ablonczy:** Are you aware of any plan to move ahead on this?

**Dr. Nick Busing:** We are in the midst of a rapid expansion in medical schools. As you may know, we were at a low point after some cuts in the early 1990s of about 1,500-plus medical school positions; we now have 2,300. We do have some plans to increase the campuses in all of the provinces and take in numbers. We're not targeting yet 3,000 positions; we're not even targeting 2,500. So in percentage terms, we still have a long way to go.

**Ms. Diane Ablonczy:** Okay, that's helpful.

Mr. Pye, you had some really practical suggestions. I was interested in your suggestion of a tax-exempt productivity bonus. We have seen where productivity bonuses, or bonuses for good work, or whatever, have been given in the public sector, but they're just kind of routinely given. They don't seem to be tied to a merit criterion. How can you make sure that such a bonus would actually be tied by employers to productivity rather than just kind of being an extra perk that benefits employers because there's a tax relief component to it?

**Mr. Riley Pye:** I think one of the things that happens in the private sector versus what may happen in other sectors is that companies certainly are going to be very careful before they hand out any extra money to employees that they don't have to. If there is to be extra incentive-based compensation that's brought to play, obviously we're going to want to ensure that we get some sort of benefit before we put that on the table.

We've been experimenting with a number of productivity measures and production bonuses over the years. The issue we have is that when we hand those out, the impact is definitely muted. It certainly doesn't have quite the same impact when you give somebody a \$200 bonus for the month and their cheque is only for \$100. It loses some of the impact.

In the private sector, though, there's a natural incentive there, on our own, to act properly to make sure that we don't hand out money frivolously, and we certainly wouldn't. I think all companies would tie it to some sort of hard and fast criterion.

**Ms. Diane Ablonczy:** It's just an issue that I raise here.

Thank you, Mr. Chairman.

**The Chair:** Thank you.

We'll continue with my favourite Manitoba MP on this committee, Madam Wasylycia-Leis.

• (1525)

**Ms. Judy Wasylycia-Leis:** I'm his only Manitoba colleague here, and NDP.

Thank you very much, Mr. Chairperson.

I'm going to start by thanking you all. Those were great briefs, and too little time to do it all.

I'm going to start with William Maes. Concerning your focus on research and e-learning and the emphasis you've put on developing a knowledge-based economy, we've just been dealing with a number of cutbacks that seem to detract from movement in this direction, significant cuts in literacy, huge cuts in research that provides for alternative policy work. How do you jibe the two? Don't we have to go back to square one and at least make sure that Canadians have access to basic literacy and numeracy in order to access the knowledge-based economy?

**Mr. William Maes:** That's a very good question.

It's difficult. I guess we have to provide the opportunities for people, and that's what we are trying to do through promoting e-learning. Certainly the rudiments have to be there. People have to know how to read and utilize what we offer. But on the other hand, the offering should be there when they're ready, if that's the case. So that's the area we're trying to fill by encouraging the government to promote the e-learning initiatives.

**Ms. Judy Wasylycia-Leis:** Let me go to Carolyn with a similar question.

You talked about poverty. We've been here for a couple of days now. We've heard from a number of groups about the serious impact that cuts in literacy, women's programs, the social economy, and volunteer initiative will have on our ability to combat poverty. Have you any evidence along those lines, or anything to add? What advice would you have in terms of those kinds of cutbacks?

**Mrs. Carolyn Earle:** Well, I would think they're not wise. Recently I attended a session speaking about the cutbacks in literacy, and people had concerns that their chances to improve their situations would be severely limited with changes to funding for literacy and numeracy.

People give good-news stories about how they were able to make positive changes for themselves and for their children. That's very significant, because these cutbacks are affecting not only one generation, but will also be affecting children as well.

We were talking about literacy, and people were concerned about the loss of the CAP sites and the ability to have the e-learning.

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

I am going to go to Nick Busing. There were also significant cuts announced in the area of health care and health research as part of this \$1 billion cut. Just this past week we have also learned that the government has decided to actually extend patent protection for another group of brand-name products and brand-name drug firms, which is going to add significantly to the health care costs.

How, in fact, do we move forward with an affordable, quality health care system in the face of this kind of onslaught and assault on our health care system?

**Dr. Nick Busing:** How we move forward is a rather challenging and broad question, and I'm sure there's lots of wisdom around the room.

Health research is what I'm talking to you about today. To be honest with you, I want to emphasize that it's a key component of moving forward in that manner. In fact, it is a key component in addressing some of the issues I've heard brought here to the table, issues such as poverty and so on. If you look at CIHR, CIHR has a research strategy that is much broader than what you may think of in terms of the traditional biomedical strategy. There is research in other pillars.

I would argue that from the research point of view, we've built the infrastructure, as I've indicated, and we have the researchers, but unless we provide the operating grants, we won't be able to deliver; we won't be able to deliver across the board. I realize it's not an easy one- to two-year vision, but unless we do that research now, that's what will impact us 10 and 20 years down the road for the health of the country. I would urge you to see it in that manner.

• (1530)

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

We'll continue now with the second round and four minutes for John McCallum.

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

First, Mr. Busing, I certainly am a strong supporter of medical and all other research. I think we've done very well over the last several years, but I've heard it said that a number of the high-powered medical researchers who've come to Canada from elsewhere are at risk of going back home because the funding to sustain them hasn't been forthcoming or guaranteed for the future, the reason being that the budget didn't have that much money last time around.

Is this a concern? Is my information right? Is there a state of some urgency out there?

**Dr. Nick Busing:** In our view, there is clearly some urgency. Of the acceptable grants put before CIHR for funding, less than 25% were funded; that, to us, is a significant mark.

My association is currently doing an assessment of what we describe as scientists at risk. They are both PhD scientists and physician scientists who are at risk across the country. We estimate there are several thousand of them; they are people who rely on grants and on other kinds of support. If that doesn't flow, many of those people are in jeopardy, because they have no other funding to fall back on.

**Hon. John McCallum:** Mr. Ferguson, I guess in sports as in public transit and as in other things, we can debate whether it's better to spend taxpayers' money building things such as sports facilities or public transit or giving money to students, or whether it's better to have tax breaks, whether for sports activities, for students, or for transit users.

If you had a choice between one or the other to encourage sports in this province, which one of these two vehicles would you consider more important?

**Mr. Jamie Ferguson:** I think it's a very comprehensive thing, just as it is in other areas, to develop sport. If I were stranded on an island and could only have one and not the other, I guess the answer would be that funding for programs would be the key, because that's what you can then offer for access. Programs can be so varied that they can address all different socio-economic levels. That's the key

But you have to preface this by saying that unless everybody wants to have the program in their living room, we also need facilities, places where we can offer them. But the facilities can be adaptable.

**Hon. John McCallum:** Thanks.

I have one last question for Mr. Pye.

I, like my colleague Diane Ablonczy, am interested in your productivity proposal. My concern is that if any company could get \$2,500 tax-free as part of the salary, then there'd be an incentive between the worker and the company to make sure you use that tax-free component.

You say it's documented and verifiable. I like the idea, but I don't see how it's doable without everybody simply taking advantage of that effective tax reduction.

**Mr. Riley Pye:** I can only speak to our company's experience, where we certainly spend a great deal of time documenting and putting out these programs. Most of the programs we have in place are in areas where we have organized labour. All of these agreements we have in place are outside of the labour agreements. Anything that's inside the labour agreement simply doesn't count and is not eligible towards this.

So anything we have with regard to incentives is outside of and over and above labour agreements.

Typically the issues you have in collective bargaining are more around employees looking for something that is more tax-effective, such as enhanced health care benefits or enhanced pension benefits. Things that put pure dollars in their pockets sometimes are less meaningful, if they're going to be taxed at high marginal rates.

I can speak to ours. We certainly have very documented, methodical programs, with very specific measures and very specific caps. There's no question that it would have to be the variable pay that's at risk. In that way, the \$2,500 cap is not simply \$2,500 that can be split up.

I think most labour groups are not going to want to put any of their compensation at risk; they're going to want to have it firm. I don't think you're going to see the types of abuse that maybe you could if it weren't at risk.

• (1535)

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

Monsieur Paquette.

[Translation]

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

My question is for the Canadian Association of Research Libraries. You're calling for a change in the GST applied to electronic documents.

From what I understand, the full GST is reimbursed on the purchase of traditional books but only half or none is reimbursed on the purchase of electronic documents.

Could you explain why that is?

[English]

**Mr. William Maes:** Currently, the way it stands especially for magazines and journals, if they contain less than 5% advertising there is a full GST rebate, and of course it's true for books, where there is typically no advertising. For electronic journals, however, there is no rebate. It doesn't matter whether they contain advertising or not. It's exactly the same text and product, except that it's delivered in a different format—electronic, as opposed to print. The current taxation rules don't cover this new format, if you like, even though in any terms there's no difference.

[Translation]

**Mr. Pierre Paquette:** I wasn't aware. It's rather strange.

Mr. English, at the beginning of your presentation, you referred to the fiscal imbalance. In Quebec, on December 19 of last year, Mr. Harper made the commitment to find a solution to the fiscal imbalance issue in the first budget of his government, that is to say next February or March. Obviously, there's no agreement among the provinces on the appropriate solution.

On December 19, the federal government knew very well that the provinces wouldn't agree on a solution to the fiscal imbalance issue. Despite that, do you think the government has the duty to come up with a solution in the next budget?

[English]

**Mr. Dan English:** Through you, Mr. Chair, I would hope that the whole fiscal imbalance issue will be resolved. In Nova Scotia, our premier has committed to continuing any dialogue that may be necessary to resolve it. But nobody can resolve it except the federal government at this point in time. How it's going to shake out in the final analysis will depend on further dialogue. I know there are some areas of the country that don't seem receptive to discussing it any further. But in talking to our provincial officials, I know there's still interest in pursuing it.

[Translation]

**Mr. Pierre Paquette:** I asked the same question this morning. I would like to know what the Halifax region expects from the federal government about what is called the gateway, the Atlantic Gateway. In Quebec, we refer to the St-Lawrence corridor which we would like to see better used than it is at this time because it is underused.

What kind of proposals do you expect from the federal government?

[English]

**Mr. Dan English:** The province is currently undertaking an analysis of the whole gateway concept, and the Halifax Regional Municipality is working very closely with them. At this point in time, we haven't articulated exactly what we'd be looking at, but that's the idea of preparing our proposal and that's what we're in the midst of.

But obviously it all has to do with transportation corridors, integrating all our transportation initiatives, and so on. So both Halifax and the provincial government are hopeful that the federal government will see fit to support the initiative, similar to what they did with the Pacific gateway.

**The Chair:** We'll continue with Mr. Dykstra.

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

I want to correct a misstatement or certainly a misunderstanding. My colleague, Judy Wasylycia-Leis, said that research funding was cut from the budget. That is not the case. In fact, we're going to be investing \$200 million into support for university-based research, and some of that is for indirect costs.

I wanted to ask you this question, William: have you been consulted? Is this the type of funding you were talking about, in terms of trying to address the issues you face?

• (1540)

**Mr. William Maes:** Yes, I think so, and any other funding we would hope would be on an ongoing basis, as it is now, rather than just that envelope. The regional indirect costs program was for three years, I believe, then it was extended. I don't know what the future of it is.

We are looking at how we can be competitive with our neighbours who are reaping the benefits of a program that's been in place in the United States, for example, since 1947—and ours was instituted only four or five years ago.

**Mr. Rick Dykstra:** Thank you.

I did want to ask Riley a question. I was looking for you to comment on the forest industry and the difficulties it has faced over the last number of years, and the fact that we were able to secure a softwood lumber deal with our counterparts in the United States. What positive impact will this have on the industry? Also, how will that translate into a more viable and positive outlook on the industry itself?

**Mr. Riley Pye:** There's no question that our company was one of the companies that supported the lumber deal that was recently reached by the Government of Canada, particularly with regard to getting an exemption for Atlantic Canada or the Maritimes, which historically we've had in many other past agreements.

The returning of the duties will have some impact on us as well. I think the biggest long-term impact is the certainty that we now face in the regime when we cross the border. It makes for a better environment for being able to make capital investment decisions.

Capital investment decisions in sawmills have been very problematic over the past four or five years, as we had no idea what we were going to face, and whether we were going to have access to the U.S. market. So having some peace on that front certainly gives us some stability.

**Mr. Rick Dykstra:** I'm sorry that all the members of Parliament from the east couldn't support the deal, but I appreciate hearing what you're saying.

Mr. Creber, I have a question for you. You intrigued me with the comment about 80% of direct sellers being women and running

home-based businesses. I wondered if you could comment a bit on the benefit of the child tax credit for those who are working from their home and obviously looking after their children there as well.

**Mr. Ross Creber:** I think it certainly enables the family to make their own choices in terms of where they're going to use that credit. I think it also takes a lot of the strain off the day care facilities as well, with that number of women who are working from home. They're able to spend portions of their day at home with their children, as opposed to having them in day care.

**The Chair:** Thank you.

We continue with Mr. Massimo Pacetti of Montreal.

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

Mr. Busing, I understand you're looking for an increase. I think some of my colleagues have already asked the question, but in terms of practicality, how do we evaluate what we're getting?

I know you asked us to have a vision, but how do we evaluate, after a year or two years or ten years, whether it's worth putting money in CIHR or some of the other research councils or foundations? How do we evaluate? What is our objective with that increase in money? It's not a typical business of the kind that will give a 10%, 20%, or 30% return on our money.

**Dr. Nick Busing:** No, I appreciate what you're saying. There are some very specific evaluators you can look at, and CIHR has developed some outcome measures that are flagged on their website.

That's why I say you need a long-term vision. This is not about something you can measure in a year or two; this is about the health of Canadians. For instance, let's take our aboriginal population. The state of their health in terms of diabetes is, as you know, incredibly poor; they have significantly high suicide rates—

**Mr. Massimo Pacetti:** I understand that, but is the goal for CIHR to reduce sickness among Canadians, or is to find better ways for medication to be lower, or is it for our health care system to be more efficient? What is the ultimate goal, or is it a factor of all of those?

• (1545)

**Dr. Nick Busing:** You've named three of them. There's a significant component about improving the efficiency of our system and how it works. There's a significant component around basic research. There's a significant component about population health and how we improve population.

**Mr. Massimo Pacetti:** That's done in conjunction with the CIHR and who else—stakeholders?

**Dr. Nick Busing:** CIHR is one of the organizations that's funded, and other organizations have appeared before you; the Heart and Stroke Foundation does funding, which should hopefully impact on heart disease. The other agencies will do some funding that has indirect impacts on health, if you're looking at the social determinants of health or other determinants of health. It's a real combination of all these factors.

**Mr. Massimo Pacetti:** I just wanted to get an overall view of where we're going with this.

I have a question for Mr. Ferguson of Sport Nova Scotia. You asked for two different types of money. You asked for 1% of the health budget, and then you asked for infrastructure. You didn't state how much it was, but it's written in your brief. Do you want to put on record how much you think the requirement is across Canada?

**Mr. Jamie Ferguson:** Do you mean the requirement for infrastructure?

**Mr. Massimo Pacetti:** Yes.

**Mr. Jamie Ferguson:** Well, I think we mentioned we were looking at what's been estimated in the CPRA study. The Canadian Parks and Recreation Association estimates there is a \$14 billion deficit right now for sport and physical activity infrastructure.

**Mr. Massimo Pacetti:** So we have an infrastructure deficit for hard infrastructures. What is the 1% going to be used for?

**Mr. Jamie Ferguson:** We would hope the 1% would be used to increase the number of Canadians who take part in sport and to improve the quality in the delivery of sport programs for all Canadians.

**Mr. Massimo Pacetti:** Would that go to volunteers? It wouldn't touch infrastructure.

**Mr. Jamie Ferguson:** It's both. That would include volunteers as well.

**Mr. Massimo Pacetti:** Would we be paying the athletes as well?

**Mr. Jamie Ferguson:** I think good strides have been made in terms of Canada's athletes. I think the most pressing issue we have here right now is participation.

**The Chair:** Mr. Pacetti, your time is up.

We will continue with Mr. Del Mastro.

**Mr. Dean Del Mastro:** Thank you, Mr. Chair. I appreciate the opportunity.

Thank you, everybody, for your presentations today.

I wanted to start with Dr. Busing.

One of the things we heard yesterday is something I really am passionate about. It is training people to become doctors and medical professionals from rural parts of the country, because we do have a real deficit. In my riding we're only an hour and 20 minutes outside Toronto, but we have 22,000 people without a family doctor.

Can you talk a little bit about how we might encourage a little bit more participation from rural residents?

**Dr. Nick Busing:** I personally, from my background as a family physician, share your perspective, and so does the association. What we're doing in medical school education is one of the direct ways of impacting on it, and most of the expansion in medical schools that I've alluded to is in distant campuses.

In British Columbia we now have a four-year training campus in Prince George. The University of Sherbrooke has a campus in Moncton. The evidence from the literature is that you are more likely to retain people from the environment in which you train them, so there is a definite move to train more in the communities. That's one very concrete example to address this very particular issue.

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

We're currently spending about 1.3% of the health budget on health research. Personally, I feel that we're on the cusp of some major breakthroughs, and one of the ways to limit how much we're going to spend on health care—a lot of people have made the argument that we're running toward a brick wall with the increases in the health care budget—and to really cap it is to invest in research and make people healthier.

How much should we be investing in health research?

**Dr. Nick Busing:** One quick fact, and then I'll give you a number. If you look at CIHR's funding compared with that of NIH, which is more or less a similar organization in the United States, and you adjust for population, CIHR has approximately one-third the funding that NIH has, adjusted for population.

We would support the proposal that's been brought forward by a number of organizations, that we need a minimum of \$300 million in addition to the current funding for the CIHR.

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

Mr. Pye, you spoke about CCA and the half-year rule. Personally, I agree with you that CCA is an area we can definitely look at for attracting greater investment that provides for stronger economies and more well-paying jobs.

On the half-year rule, as it's currently constituted, are you arguing for a full year's depreciation in the first year?

● (1550)

**Mr. Riley Pye:** Yes.

**Mr. Dean Del Mastro:** Just so that it's on the record, you might want to comment.

CCA is often misunderstood, quite frankly. People think you are giving tax dollars to corporations, but in reality you attract investment on which you later collect tax dollars, and once that asset is fully depreciated there is no write-off. Is that correct?

**Mr. Riley Pye:** That's absolutely correct. The CCA is simply a percentage of the asset that's applied against income over time. The issue we have is that the extension on some of it is over extremely long periods of time, using declining balance methods that don't permanently write off an asset for up to 100 years, in some cases.

If you take a manufacturing plant, today the building that goes around a manufacturing plant is depreciated at the same rate as a downtown office tower, even though obviously that building has no other purpose than to be a manufacturing plant. And it's a 4% declining balance, which actually doesn't depreciate most of the building until after about 68 years. It's an extremely long period of time and doesn't even reflect current accounting standards.

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

**The Chair:** We'll go to Mr. Wallace now.

**Mr. Mike Wallace:** Thank you, Mr. Chairman.

Thank you for coming.

I have one question for Ms. Earle. You may or may not have thought about it.

One thing I've heard from seniors in my riding of Burlington in Ontario—and the poverty issue tends to be with seniors, to be frank with you, or at least the ones who are coming to see me—is that they're often getting clawed back if they find a part-time job, or a job of some sort.

Has your organization thought about your position on clawbacks and whether you would be encouraging us to review that issue?

I've also heard, even today, at 5.4% unemployment.... I know it's not the whole issue for poverty, but employment is part of it.

I'd like to know what your comments or your organization's comments are on what you feel about clawbacks for those who are on social assistance.

**Mrs. Carolyn Earle:** We wouldn't be strongly in favour of clawbacks.

Our practical experience here in Nova Scotia is where the question is whether the child tax benefit is clawed back or not. It's not helpful to people who are living in poverty to have clawbacks, no.

**Mr. Mike Wallace:** Does your organization see it as part of the solution that some people be able to earn some money and still continue to collect social insurance until they get back on their feet, so to speak? Have you thought about that at all?

**Mrs. Carolyn Earle:** Yes, we would encourage people to be able to earn some money, because after all, this is the way they're going to be able to work themselves out of the poverty situation. The clawback should be one they can work with. Nobody wants to work and then have everything they've earned clawed back, certainly not.

**Mr. Mike Wallace:** I appreciate that.

Mr. Maes, in your report you say about 38% of research is done at the university level. I don't know whether that's somewhat correct. That means the majority is done by the private sector, then, or other organizations.

Is that an accurate statement, or does part of this include government that's not included in the 38%?

**Mr. William Maes:** I'm not certain. Dr. Busing might be able to answer that better than I. I think part of it does not include government, I'm pretty sure, in some of the research that's done there.

**Mr. Mike Wallace:** My NDP friend asked the question about the eight years that we've allowed pharmaceuticals to keep their intellectual property before they have to share it with everybody else, so that they can make money on it.

Do you not agree there's a fair amount of research done at mainline pharmaceutical companies for health care reasons? Mr. Busing, you can answer that question; I don't know if it was asked to you or not.

**Dr. Nick Busing:** I agree there's a fair amount. In fact going back to the original questions, if you look at where research is done, the private sector in Canada does relatively less research when compared to many other jurisdictions, and there is larger support from our government. So I would argue for both, under those circumstances. Clearly we need more government support through CIHR and

others, but we don't have the most robust private sector research either.

**Mr. Mike Wallace:** Do you understand why that would be? Do you have any answers for me as to why?

**The Chair:** Mr. Wallace, you'll have to cut it off at that point and conclude our questions with Mr. Savage now.

**Mr. Michael Savage:** Thank you, Chair.

I appreciate the opportunity to have the last question here in Halifax. We've had a very busy day, a good day, and some very good presentations.

As we say farewell to Nova Scotia and head off to Quebec for tomorrow, I want to specifically mention the 2014 Commonwealth Games. We had international visitors come in last week to check out Halifax as a spot. I think the reviews were all very positive.

There has been some issue about the Commonwealth Games and financing. In my view, we have to have confidence in the team we have in place: Fred MacGillivray, Scott Logan, and representatives of government.

I have a lot of faith that this would be very good for Nova Scotia, because I think the infrastructure that's left behind can be good for sport in Nova Scotia. I wonder, Jamie, or maybe Dan, if you could talk very briefly about the infrastructure and why this is good for Nova Scotia.

• (1555)

**Mr. Jamie Ferguson:** Regarding the infrastructure, the key is going to be the ability for the usage by all the citizens of Nova Scotia and indeed Atlantic Canada. So what's going to be left behind here is the infrastructure that will allow us to deliver programs for all ages, all levels of ability, and all levels of interest.

It is infrastructure that absolutely does not exist now. Similar types of facilities do exist in all other regions of Canada, with the exception of Atlantic Canada. So this would allow us to get a bit of a catch-up and give us an opportunity to put some programs in place for people—not just those who want to be high-performance athletes who might come in, but most importantly for people within the communities who want to use them.

Dan.

**Mr. Dan English:** I agree with Jamie. There haven't been international games in Atlantic Canada. I think the closest we've ever come to hosting them was in Quebec a number of years ago. So we do lack proper facilities for hosting events and training elite athletes. We're hoping that if we're successful with the Commonwealth Games, this will leave a lasting legacy for those types of facilities.

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

Thank you all very much. We've enjoyed and appreciated your sharing your time with us today. You've been most gracious.

We must now bid you adieu and be on a plane in a few minutes for our next venue in Quebec.

I assure you that all of us, and especially Mr. Savage, will be back, but the rest of us will be back as well to partake of your gracious hospitality.

Thank you, all.

We are adjourned.

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