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## Standing Committee on Finance

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**Thursday, October 26, 2006**

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**Chair**

**Mr. Brian Pallister**

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•(0900)

[English]

**The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)):** Good morning, ladies and gentlemen. Thank you very much for being here with us this morning.

We are the House of Commons finance committee. We've been charged with the responsibility of consulting across Canada over the last several weeks. This is the day I'm sure some of our committee members will admit they have been looking forward to: this is our final day of consultations. I'm sure we'll pay rapt attention to your presentations. We appreciate your submitting your briefs.

You've been asked to keep your presentations to five minutes, and I assure you I will hold you to that. I will give you an indication when one minute or less remains and then I will unceremoniously cut you off and move to the next presenter. This is all in an effort to make sure the committee members have a chance to have an exchange with you after your presentation.

**An hon. member:** He's very good at cutting people off.

**The Chair:** Yes, I specialize in that.

Again, thank you very much for being here.

We will commence now with KAIROS, Michael Polanyi, coordinator. Welcome, sir, and over to you.

**Mr. Michael Polanyi (Coordinator, Canadian Social Development Program, KAIROS (Canadian Ecumenical Justice Initiatives)):** Thank you.

It's good to be here. Thank you for the opportunity.

KAIROS is a national ecumenical social justice organization engaging in education and advocacy for social justice in Canada on behalf of its member churches, which include Anglican, Catholic, Christian Reform, Lutheran, Mennonite, Presbyterian, Quaker, and the United Church. Their membership numbers in the millions of Canadians.

Budget-making is a core function of government. You know your budget will affect the attitudes and the behaviours of Canadians, and it will shape the Canada we have. I'm glad you're getting input, and I hope you're listening for two kinds of input. I hope you're listening for input about the values and objectives that should inform the budget, and I trust you're also looking for input about concrete measures that will achieve those objectives.

When I saw the press release you issued in June, I was a little concerned because the four questions you posed all related to

measures and means. You proposed some objectives, but you didn't explicitly ask Canadians for input about what the objectives for the budget could or should be. So that's what I want to take a couple of minutes to emphasize, and that's what I emphasize in my brief. The onus is really on you to try to identify some shared values and shared principles you can agree on. Your parties disagree on lots of things, but looking at your party documents, I think you also share some common values, and I think Canadians share some common values as well.

The five values our church membership believes in, which are reflected in the Canadian public and also reflected in your party documents, I outline in my brief. They are: prosperity, which you emphasize, but I think there are some other values as well; opportunity; compassion; fairness; stewardship or sustainability; and citizen engagement. In our brief we give one or two policy measures or budget measures we think could advance these values.

We call for a poverty reduction strategy to ensure there's prosperity for all Canadians. We call for a working tax income benefit, something both the Liberal Party and the Conservative Party have called for, so that every Canadian who works has the opportunity to make a decent living.

We call for the continuation of the supporting communities partnership initiative for homeless people and an increase in overseas development assistance, and that's to build a compassionate Canada.

We call for strong reductions in greenhouse gas emissions, as per the Kyoto Protocol, and that's so we can build a sustainable Canada that's addressing the major environmental issue of our time.

Finally, we call for you to think about how you interact with citizens during this process, because you have a great opportunity to create spaces for citizens of different backgrounds and different views to come together around common values. I'm not sure you're making full use of that yet. There are ways to democratize the budget-making process. That's part of engaging citizens.

To conclude, you've got a big task ahead of you. My plea is that you take the time to try to identify your shared values and that you set some specific objectives in the budget that link to the core values you can agree on and Canadians agree on, and then you can talk about the measures you need to achieve those objectives.

If you do go to values, there's an opportunity in the 2007 budget to develop a visionary document, a document that unifies us rather than divides us, and that captures the best of Canadians and Canada.

Thanks.

● (0905)

**The Chair:** Thank you very much, Michael, and good words.

We'll continue with Calvin Weinfeld, from the Toronto Real Estate Board. Welcome, Calvin, and over to you.

**Mr. Calvin Weinfeld (Member, Government Relations Committee, Toronto Real Estate Board):** Thank you. I appreciate being here today.

The Toronto Real Estate Board is an association of approximately 23,000 members from across the GTA, or the greater Toronto area. As one of those realtors, I can tell you we're proud of the contributions we make to our communities and to the economy. Whether it's supporting local minor sports leagues or organizing charity fundraisers, realtors are always at the forefront of community service. Realtors understand that the success of their businesses and their communities is indelibly linked.

In this regard, we believe the proposals presented to you last week by the Canadian Real Estate Association would create significant benefits for Canadian communities and the economy. From the perspective of Canada's largest urban region, we believe the Canadian Real Estate Association's proposal to promote reinvestment in real estate, to provide funding for rehabilitation of residential properties, and to adjust the homebuyers' plan for inflation are particularly important in addressing some of the key issues facing not only the GTA, but communities across Canada.

The first issue is the proposal to amend the Income Tax Act to allow for the deferral of the capital gains tax when an investment property is sold and the proceeds of the sale are reinvested in another property within one year. I want to stress that this would be a deferral of tax and not a forgone revenue for the federal treasury. The deferred taxes would eventually be paid when the investment property is sold and the proceeds are not reinvested. Furthermore, it is important to note that many owners of investment properties are not selling their properties because of the capital gains tax they would have to pay if they did. Therefore to some extent, the Canadian Real Estate Association proposal would be maintaining the status quo from a tax perspective, while creating new economic and social benefits for many communities.

From an economic perspective, the benefits of this proposal are clear. The sale of investment properties triggers economic spinoffs, such as renovations and everything associated with them. A study recently prepared for the Canadian Real Estate Association by Clayton Research Associates Ltd. indicates that each housing transaction generates close to \$25,000 in spinoff spending over and above actual residential property sales, which last year meant \$12.4 billion to the economy. Spinoff spending of investment property tends to be significantly higher.

In addition to economic spinoffs, there are a number of other benefits from this proposal. The Canadian Real Estate Association already articulated many of them to you last week, so I'd like to focus my comments on the benefits from this proposal that the Toronto Real Estate Board believes are most relevant to our region, specifically the quality of life in our urban centres.

The second issue I'd like to discuss is the residential rehabilitation assistance program, otherwise known as RRAP. This program helps

homeowners with lower or fixed incomes to finance essential home repairs and upgrades and bring housing units up to a minimum standard for health, safety, and accessibility. A significant number of Canadian households are in dire need of this program.

Home ownership helps to form the basis for the economic well-being of families as well as individuals. Policies and programs that help Canadians with lower incomes access home ownership have significant economic and social benefits. The RRAP program plays an important role in this regard. The current federal funding commitment to RRAP ends in March of next year, and we're asking the committee to recommend a further three-year extension of RRAP funding to 2010.

The last issue I'd like to discuss is the highly successful homebuyers' plan, which allows homebuyers to borrow from their RRSP. This program has helped more than 1.5 million Canadians fund the down payment on their first home.

The continued success of this program depends in part in making sure it keeps pace with current real estate markets. Currently, first-time homebuyers are allowed to borrow up to a maximum of \$20,000 from their RRSP to put toward the down payment of a home. This limit was set in 1992 and has not been adjusted since then to reflect inflation and specifically the considerable increases in home prices. As a result, down payments funded through the homebuyers' plan are covering an increasingly smaller portion of the purchase price of a home. In this regard, we are asking the committee to recommend the maximum loan be raised from \$20,000 to \$25,000 to account for inflation.

The Toronto Real Estate Board and the Canadian Real Estate Association both believe these issues are important, not only to realtors but also to the people and communities of Canada.

I hope you found our views helpful. Thank you for this opportunity. I'm sorry I raced through that last part; I wanted to squeeze it all in. Of course, I'd be happy to answer any questions.

● (0910)

**The Chair:** Thank you very much, Mr. Weinfeld. I'm sure the translators appreciate your apology. They've risen to the challenge all week and have done very well with it.

We'll continue with Annalisa King now, who is with Maple Leaf Foods Inc.

Welcome, Annalisa. Over to you.

**Ms. Annalisa King (Senior Vice-President, Vertical Coordination, Maple Leaf Foods Inc.):** Thank you.

Thank you for allowing Maple Leaf to participate in this process.

As a leading Canadian agrifood processor, Maple Leaf Foods is confronting the consequences of currency appreciation and intense global competition by making some tough choices: driving for scale, efficiency, and innovation in every aspect of our business and doing some significant restructuring and refocusing to allow us to compete effectively in the future. This has involved some painful choices. I am here to ask the government to embark on a courageous journey of its own, built on better federal-provincial coordination, to strengthen our home-field advantage while building our global opportunities.

Ironically, most of the important items in our brief are not money issues. The areas of regulatory climate, trade policy, and labour market issues are fundamentals of business prosperity, which in turn will grow the economic and tax base to assist in meeting the government's other important goals. Pivotal to all these areas is the need for better federal-provincial coordination. I understand the difficulties and complexities of this, but being caught in between legislation, combined with duplication of some efforts, can diminish our ability to be nimble and competitive.

I'll talk about a few items in our brief. With regard to regulation, we would like to see revisions to the federal legislation for food safety, quality, and animal and plant health. We encourage more responsive federal and provincial government mechanisms and increased funding to deal with the growing number of food safety issues. Sometimes, smart regulations mean deliberately protecting the home-field advantage and not just assuming regulatory harmonization with the U.S. is the best solution to maximizing our competitive position. Yes, we want a level playing field when it comes to our primary input, but as we go up the value chain, we need to make strategic choices in terms of harmonization, just as our competing countries do.

With regard to trade, globalization means today, more than ever before, countries are competing on a global basis. A key component of creating a global competitive advantage for Maple Leaf's supply chain is ensuring that a highly efficient transportation gateway and corridor is available. Improved port and surface transportation infrastructure, especially in western rail service, the Deltaport container facilities and the container facility at Prince Rupert, and the investment in the Pacific gateway are vital to our export businesses.

With regard to labour, along with many other companies, we face significant labour recruitment and retention problems in western Canada, especially in our meat processing plant. We need quicker and easier access to the foreign worker program. Specifically, we need changes in legislation to facilitate the more rapid entry of workers into sectors where labour shortages are currently experienced. This includes a simplified efficient process to get workers into the country, an approval process that doesn't allow unions and competitors to block, and a clearer process on how foreign workers can eventually become permanent residents.

With regard to science and innovation, the federal government can strengthen partnerships with industry, academia, and the provinces to achieve a more cohesive national agrifood science and innovation strategy, joining efforts with a few key centres of excellence across Canada. All these priorities should be built into a new agricultural policy framework that places a specific focus on innovation and makes Canada unique and valued on the world stage as an innovator in food production.

Finally, with regard to financial stability for our farmer partners, this is critical. We have to move beyond a reactive, crisis-driven approach in income support to building policies and programs that support sustainable growth, innovative competition, and wealth creation in the whole agrifood value chain. The food industry, not just the farm sector, needs to be more fully brought into policy and program design and funding decisions. A new APF, better balanced

toward innovation, food safety, and international trade, will be of great assistance.

In conclusion, Maple Leaf Foods is committed to a growing and prosperous Canada. We are now counting on the government to provide action in the five areas I have spoken of: one, implementation of smart regulation, with a more strategic approach to harmonization; two, an open, predictable trade environment, including improved infrastructure to facilitate competitiveness; three, better, more efficient access to foreign workers; four, a more strategic federal-provincial approach to science and innovation; and five, stable support for our farm sector.

Thank you for your time, and I appreciate the consultations you're embarking upon.

● (0915)

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

We continue with Elizabeth Ablett, or should I refer to you as E. Elizabeth Ablett?

Welcome today. I'm curious as to what the "E" signifies. You don't have to tell me, but you can if you wish.

**Ms. Elizabeth Ablett (Executive Director, Ontario Coalition for Better Child Care):** It's Emily.

**The Chair:** Beautiful. It's five minutes to you, Elizabeth.

Elizabeth is here on behalf of the Coalition ontarienne pour de meilleurs services de garde d'enfants.

**Ms. Elizabeth Ablett:** My name is Elizabeth Ablett. I'm the executive director of the Ontario Coalition for Better Child Care. The OCBCC was founded in 1981 to advocate for universally accessible, high-quality, non-profit, regulated child care in Ontario. Since then, as a non-partisan advocacy organization, the OCBCC has continued to press successive governments at all levels to improve child care to benefit children and families across Ontario.

Our membership includes representatives of more than 500 organizations and individuals from across the province from education, health care, labour, child welfare, injury prevention, rural communities, first nations, francophones, social policy, anti-poverty professionals, student and women's organizations, as well as community-based child care programs and local child care action. We're also a member of the Child Care Advocacy Association of Canada, and I'm the Ontario representative on the CCAC board of directors. Our presentation today is based on the submission by the CCAC to the federal Standing Committee on Finance last month.

The OCBC defines early learning and child care as a non-compulsory program that supports the optimal development of learning of children aged zero to twelve years at the same time as it enables parents to work, study, and care for other family members and participate in their community. It provides supports and resources to help parents become active participants in their children's early learning and promotes women's equality. An effective child care system works to provide a range of high-quality and inclusive service options for all families.

As a society, Canada invests less in early learning and child care services than most other developed countries. The OECD's recently released study, *Starting Strong II: Early Childhood Education and Care*, shows that of the fourteen industrialized countries included in its findings, Canada ranks the lowest in terms of public investment in early learning in child care, lower even than Mexico. The OECD's study is only one of the most recent of many conducted over the last thirty years. I have a few of these with me today. Most of them are studies and research conducted by Canadians about Canada. Report after report concludes what we should already know as citizens, parents, and advocates: publicly funded, high-quality, regulated early learning in child care is good for children. What is shocking is that even after thirty years of conclusive evidence, we still hesitate to take the steps needed to provide Canadian children and families with the early learning and child care programs they both deserve and need.

The best way to do this is through sustained focused public investment in these programs and services, not targeted, not exclusive, not patchwork. Ultimately, focused public investment in these programs benefit not only our children and families but our communities and our economy as well. Not only do quality early learning and child care programs help children acquire the foundation for lifelong health, learning, and skills development, but they also support the ongoing learning, skills development, and labour force attachment of their parents.

Investment in these programs represents an investment in the potential and competitiveness of all Canadians today and in the future. Therefore, the OCBC calls on this federal government, first, to adopt the recommendations in our briefing to restore and increase sustained long-term federal funding to the provinces and territories dedicated specifically to the development of early learning and child care programs that are high quality, non-profit, universal, accessible, fully inclusive, and meet the needs of every child; second, to enact legislation that recognizes the principles of a pan-Canadian child care system; third, to replace the capital incentives for child care spaces with dedicated capital transfers to the provinces and territories; and finally, to provide effective income supports for all Canadian families.

Thank you so much for the opportunity to present today. I appreciate it.

• (0920)

**The Chair:** Elizabeth, you're not quitting because I gave you that signal?

**Ms. Elizabeth Ablett:** No, I was right at the end. I timed it for four minutes.

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

We'll continue with Jay Heller, who is with Vengrowth Private Equity Partners.

Welcome, Jay. Over to you.

**Mr. Jay Heller (General Partner, Vengrowth Private Equity Partners):** Thank you very much. Good morning. It's my great pleasure to have the opportunity to speak to you today.

I work with Vengrowth Private Equity Partners, and I'm going to be speaking to you this morning about Canada's supply of venture capital. By way of background, Vengrowth is Ontario's largest venture capital firm. Since 1982, we've invested over \$1.1 billion in 180 small and medium-sized Canadian businesses. The funds we manage have been raised from over 180,000 individual investors as well as from institutions such as banks and pension funds.

Venture capital is the financing entrepreneurs use to turn ideas into businesses. Companies need venture capital to conduct R and D, build new products, and ramp up sales. Venture capital is particularly critical to start-up companies in the high-tech and life sciences sector, which require on average over \$50 million apiece before they reach profitability. With sufficient access to capital, these types of companies have the potential to grow into giants, employ thousands of people, and serve as the economic development engines for their regions.

Most of Canada's leading young companies were funded with venture capital, including Research in Motion, Tundra Semiconductor, and Angiotech Pharmaceuticals. Disruptive technologies are continually being generated and commercialized in start-up companies. In the U.S., firms such as Microsoft, Intel, Cisco, and Amgen, which were born within the last generation, are now on a list of the world's fifty most valuable companies and they employ thousands of people. If they had not been able to raise venture capital at their formative stages, they would not exist today, and if Canada wants to grow companies like these, we need a stable supply of venture capital.

However, the supply of venture capital is highly cyclical, generally following the technology markets. When the tech sector is hot, as was the case in the late 1990s, the supply of venture capital naturally expands. But when returns from technology investing are weak, as has been the case since 2001, the supply of venture capital contracts.

In Canada, that contraction has been very significant, and a lack of early-stage capital has become a crisis in Ontario. I'm going to give you some numbers. First-time venture financings in Ontario totalled \$440 million in 2001. This declined to about \$260 million in 2003 and collapsed to \$130 million in 2005, and it looks as if that decline is continuing in 2006. Historically, Ontario has trailed jurisdictions like California, Massachusetts, Texas, and New York in venture capital investment, but through the first half of 2006, Ontario also fell behind second-tier states like Pennsylvania, New Jersey, Washington, and Maryland, and historically we've been far ahead of them.

If this trend does not reverse quickly, Ontario will simply cease to be a place where entrepreneurs can set up shop.

What can the federal government do to help? Currently, the federal government supports venture capital through the labour-sponsored venture capital program or LSVCC, as well as through the Business Development Bank. As other sources of venture capital contract, the government should look carefully at ways to deliver more capital through these programs.

LSVCCs have been essential to Canada's entrepreneurs. Since 2002, they have supplied almost 30% of all of Canada's venture capital, more than any other source. For the youngest companies raising venture capital for the first time, LSVCCs have provided 40% of the money. This has enabled hundreds of young companies to ramp up their operations, creating thousands of high-paying jobs in cutting-edge sectors. The program is a uniquely successful partnership between the federal government, the provinces, and hundreds of thousands of individual investors, including over 500,000 people in Ontario and over 600,000 Quebecers.

The financial security of all these individuals is tied to the success of the LSVCC program. The federal government can help the program to continue to prosper by enabling LSVCCs to raise more money. This can be achieved by raising the maximum annual investment in LSVCCs from \$5,000 per year to \$15,000. The cost to the federal treasury should be modest. A 2002 study shows the payback period to the federal government for its contribution to the program is only thirteen months.

Apart from helping LSVCCs and maintaining support for the Business Development Bank, the federal government can do many other things to help our young companies to succeed, and they're outlined in more detail in my written submission.

Enabling the growth and development of innovative companies must be one of our most important economic goals. A large and stable pool of venture capital is essential to achieving this goal, and I hope you will find our submission to be of assistance in formulating policies that will help our entrepreneurs access the capital they need to succeed.

Thank you.

• (0925)

**The Chair:** Thank you very much, Mr. Heller.

We'll continue with SenTax. Daniel Braniff is here.

Welcome, sir. Over to you.

**Mr. Daniel Braniff (Past Chairman and Co-founder, SenTax):**

Good morning. My name is Dan Braniff. I'm representing SenTax here today, but I wear several hats. I'm also the chairman of the Georgian Bay chapter of CARP. There are 10,000 of us and about 400,000 in CARP, and I represent them here as well. I'm also the founder and past chairman of SenTax, but I'm most of all the representative or the liaison for nineteen organizations that have chosen pension splitting as their focal point and their issue.

You've heard from eight of these in your submissions. Several have presented to you in previous committee hearings, so I'm not going to try to repeat what they've already said. The issue, of course, is that we wish to have pension splitting for all registered retirement income, as we have now with CPP/QPP. Our argument is based on fairness and equality, and we believe it is substantiated by the Charter of Rights and Freedoms, section 15. We see pension splitting as an issue of family, particularly our generation, and we see it particularly as a women's issue, because women have suffered the most from this penalty.

The nineteen organizations I mentioned represent 2.4 million members. That's a significant force—possibly the largest organization of this kind on one issue ever assembled in Canada. If you're wondering who these organizations are, they are the Royal Canadian Legion, the Federal Superannuates National Association, and the various corporate pension workers' groups. They represent Quebec very strongly: FADOQ, which has 280,000 members in Quebec and represents seniors in Quebec. The list goes on, and I think it's on your record for referral.

We believe pension splitting has a universal appeal, because even you young people here—I exclude John McCallum—have to look forward to being able to retire with some degree of dignity some day.

I'm glad you're here, John, because I felt alone with this young group.

• (0930)

**The Chair:** Perhaps you're alone in being glad he's here too.

**Voices:** Oh, oh!

**Mr. Daniel Braniff:** Maybe I'm really alone now.

If you look at these organizations, you'll find they represent all generations—predominantly seniors and pensioners, but all generations—because everyone has the right and the expectation to retire with some degree of confidence and security, when their time comes. As the principal founder of this movement, I'd be happy to answer any questions you have. I realize your time is limited, but I'm going to stick around, so if you have some questions that don't get answered, I'd be glad to answer them.

I like a challenge. I might be older than most of you, but don't worry about exciting my heart too much; it can take it.

We think you people in government—politicians, not just the ones in this room—have already recognized this as an issue that has to be dealt with. You've done it many times. Family law recognizes the rights and entitlements of both spouses to assets and pensions, and if you don't understand that, you probably haven't gone through a divorce, because divorces separate, and you can split.

CPP/QPP has recognized this. You're allowed to share—in fact, you're encouraged to share—your pension with your spouse. If you look at the website, it spells out that there's an incentive: you can save taxes. And when you introduced the spousal RRSP in 1985, you recognized there was an entitlement for that other spouse. The problem is we don't think you did it in the most universal way, because it discriminated against some people—people who had pensions other than RRSPs and people who couldn't afford it because of financial reasons. So we see it as a precedent. You've done it already, and what we're asking you to do is to do it right, now.

Thank you very much, Mr. Chairman.

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

Thank you all for your presentations.

We'll begin with questions now.

Mr. McKay will commence with a six-minute round.

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

So many good presentations, so little time.

As the senior member on the committee—

**Voices:** Oh, oh!

**Hon. John McKay:** —I'll ask Mr. Braniff the first question, and there are a couple of other questions I'd like to ask him.

Let me put it this way, Mr. Braniff. Canadian seniors are, as a demographic, among the most affluent in the world. They occupy, disproportionately, the upper 25% quartile of income and capital assets. Yet you say that income splitting, which would overwhelmingly favour that upper quartile, is a matter of fairness and equity. I'm hard pressed to know how the Government of Canada should be favouring what is already an affluent demographic over, say, groups like young families, or middle-income families, or single families, or things of that nature. So I'd be interested in your argument as to how you framed this question of fairness, and I appreciate that one of the arguments you will likely make is that when you're on a pension, your income is frozen. I appreciate that argument. Nevertheless, I think you'll agree with the premise of my question. I'd be interested in your response on the fairness issue.

**Mr. Daniel Braniff:** Thank you for the question.

First of all, it follows that if you spend more time in the workforce, you've had more time to save and you have learned how to save, and if you've worked hard, it follows that you might have accumulated some degree of wealth. I don't think we should penalize people for doing that.

Secondly, I think the issue as to the seniors... If you look at averages—I'm not qualified to challenge your figures—it doesn't

sound like the group I'm representing. If you look at the nineteen organizations, they aren't the upper echelons of our society in terms of wealth. They are people who have worked hard, they've worked overtime, they've saved as much as they can, and they're trying to survive and be independent and self-sufficient. I think we should encourage that in our society, and I think the overall thrust of this section is to make Canada more competitive. Certainly we don't want to penalize people who have in fact made their contribution to society.

As far as the rest of society is concerned, as I mentioned, in our group, and I think represented here...I doubt if there's a person here who doesn't anticipate the idea of being able to retire and fulfil their life dreams with some degree of dignity and independence. As I mentioned, the persons who suffer the most are women. I'd refer you to the November issue of the CARP magazine, which has an article about the widow's tax, because the accumulated penalty of these taxes in the long run falls on the woman in a family because she lives longer. It's not just to accumulate more wealth. She lives longer and she's the one who might be left alone. Maybe she had a husband who had a pension that died with him. She's the one who has to downsize, move into smaller quarters in order to survive, or be dependent.

• (0935)

**Hon. John McKay:** Unfortunately, I have very little time. I will have to talk to you afterwards on several of those points. I have to keep moving here.

To Mr. Weinfeld, the Conservative Party, in its platform, promised you your first ask here, which is deferral of capital gains, and they have basically abandoned that because it's administratively impossible. They ran into the realities of the Department of Finance, who basically told the Minister of Finance that this is a crazy idea and it just won't fly. So would an alternative idea, say something in the order of a \$100,000 lifetime exemption from capital gains, be an idea that would be a second choice for you?

**Mr. Calvin Weinfeld:** I'm not sure that benefits either side of the fence. It's a pretty minimal amount of money to the individual, and it's a significant loss to the government, I would think.

I think the Canadian Real Estate Association—and correct me if I'm wrong—addressed this to a small extent in their proposals. But I noticed when I was reading through them that it's not necessarily an administrative issue, because people have to account for it in their own taxes. It's already a responsibility, and they're breaking a law if they don't come clean about it.

**Hon. John McKay:** The issue is that you're going to be chasing this capital gain around and around and around, and there are going to be all kinds of weaves and dodges and things of that nature, making it difficult.

I agree with your RRAP issue. I think that's a good program that should be extended.

How much time do I have left?

**The Chair:** None. Thank you very much, Mr. McKay.

We'll continue with Mr. Dykstra.

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

The tough part for you folks, as well as for us, is that almost every one of your organizations has made presentations in the last few weeks, so we're tapping each other on the shoulder trying to determine how we can make sure we ask some questions that are not going to repeat what we've already done. We appreciate the work and effort that have been put into them.

I did have a question, Calvin, with regard to your point about the deferral of capital gains. In a way, that already happens with respect to...you can depreciate the property over a period of time, and when you sell it, pay the deferral on that. How would this pay off the deferral of the depreciation? How would your recommendation be different from what currently exists?

**Mr. Calvin Weinfeld:** I'm not sure I understand the existing principle. I deal with a lot of smaller investors. This category affects an enormous number of people who are generally not thought to be in this category. We're talking about average Canadians who have managed to muster enough to get some investment, thanks to things like RRSP involvement, which may give us—

**Mr. Rick Dykstra:** That's exactly whom I'm referring to. Your point is clear. I'm not trying to cut you off, but we don't have a lot of time, so you can fire away at it.

Currently, on smaller apartment buildings—for example, duplexes and triplexes—you can depreciate the property in terms of the amount of money they're worth from one year to the next, based on the capital depreciation.

I wonder how that would be different from what you're suggesting in terms of the deferral.

• (0940)

**Mr. Calvin Weinfeld:** I'm not sure I understand the accounting side of this enough to be able to give you an intelligent answer.

**Mr. Rick Dykstra:** Fair enough.

Annalisa, one of the things that we committed to in our last budget was the \$200 million that we've invested in university-based research. You talked a lot about the importance of that, spending more money in that area. We have committed \$200 million over the next two years to do that.

I'm wondering how you work with universities in terms of research, not specifically your company but within the industry.

**Ms. Annalisa King:** There are a couple of things. One is that we appreciate the fact that you've committed this money.

Where we think there can be some improvement is rather than putting it into the hands of universities that may duplicate their approaches in terms of charging after one specific thing, diversify it into centres of excellence. One would be animal health; one would be food safety at various universities or various government facilities across the nation that allow us to be more efficient with that spending, as opposed to some of the redundancy that exists between federal and provincial desires to improve. That would be one area. It's not actually a money issue; it's not putting more money against it.

**Mr. Rick Dykstra:** Yes, I was going to say that.

**Ms. Annalisa King:** It's creating a little bit more focus in terms of where that money goes and coordination between what the federal and the provincial governments are providing. Sometimes you're laying money on top of each other. In some cases, we could see it going to different areas or, for that matter, assigning certain areas of the country as certain centres of excellence.

Saskatoon has a unique centre of excellence around veterinary science. Manitoba is great with grains.

Targeting the funding as opposed to putting more....

**Mr. Rick Dykstra:** Fair enough.

Elizabeth, I'm going to ask you a bit of a tough question. I know I don't have a lot of time left, but I do want to get this in.

One of the folks sitting beside you is venture capital and one is obviously business. Your focus is in terms of delivering child care.

One of your comments struck me in terms of making sure there wasn't a cost or a budget amount attached to what you would like to see happen. What do you say to the two people sitting beside you in terms of the investment they're going to have to make to be able to get to the level you are suggesting? I'm putting aside whether or not we agree or disagree on the delivery of child care. What do you say to them when it comes to having to cut into what they're trying to do in terms of providing jobs and making sure that people are working? One of the things you pointed out was equality to women, and obviously the busier business is, the more opportunity women are going to have to get into the job force and stay in the job force and improve.

**Ms. Elizabeth Ablett:** I would say that what we're asking for doesn't in fact cut into anyone else's needs or interests. I would say that it actually complements it. It has been shown, and we can go through some of the research—I'm afraid I don't have it memorized—that an investment in children and early learning, and a quality environment for these children, actually is an investment that benefits across the sector, as I said, through labour force attachment and through allowing women and parents to participate more actively in the economy and in these people's businesses. I would say that it doesn't cut into anyone else's interests by any means. It in fact contributes to and complements it.

**The Chair:** Thanks, Mr. Dykstra.

Just as a follow-up to Mr. Dykstra's question, one of the initiatives the government has spoken about is an initiative to partner with businesses in the development of quality child care spaces. I'm just curious. Annalisa, perhaps you could outline if that's something your company does engage in now, or is that something you might be interested in engaging in?

The reason I ask the question is because we've heard from several other presenters on the day care topic who have been quite pessimistic about the potential for that working, and I want to know what potential you see, if any, in that particular direction.

**Ms. Annalisa King:** We would be interested in something like that. We cover Canada. We have over 120 manufacturing facilities, many sales offices, and so on. So one-size-fits-all wouldn't necessarily work for us.

We do see a significant number of women in the workforce, particularly in the processing areas, where the incomes aren't as high. Something like that would be a benefit, and it certainly would help with our labour strategy and some of the issues we have. Again, particularly in western Canada, but in Ontario as well, it's hard to get workers within the processing facilities. Those are the types of things that provide added value that we would partner with government on, quite frankly. It wouldn't be something that would be solely provided by government. But those are the types of things that allow us to combine our efforts, get more labour into the facilities, and make them happier. It would work.

● (0945)

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

Judy Wasylycia-Leis.

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

Thanks to all of you for your presentations.

While we're on the topic of child care, why don't we stay on this for a moment? I think one of the concerns we've heard about the government proposal investing in child care through cooperation with businesses is not opposition to the idea but the fact that the numbers are so small that it's not going to make up for the loss of the programs that were in the works with each provincial government. I think we need to just hear a little bit from Elizabeth in terms of the need, and perhaps responding as well to Rick Dykstra's question about the fact that it helps create a competitive advantage for Canadian business and is a real investment for the future.

**Ms. Elizabeth Ablett:** I would say on the federal child care spaces initiative—and we know there are large employers, both public and private, who might have the capacity or interest in investing their own resources in creating child care spaces—there are two major problems with this. One is that it really cuts out a whole swath of communities across the country, particularly, I would say, in Ontario, where there are not large employers, where you're really cutting out smaller employers. For them, although they would love to participate and would love to create child care spaces, the cost of creating that space and operating that space over the long term in a stable, high-quality way is just far too high.

It has been tried in Ontario before, under the Harris government, and, quite frankly, there wasn't very much uptake. There were some large corporations and public employers who did this; however, when it came down to it, a lot of them didn't follow through. It was truly unfortunate.

So the first issue really is on the uptake, the interest, and the capacity to invest in this over the long term.

The second issue is that although it's great—I'm very pleased to hear that Maple Leaf Foods and other large public and private employers would be interested in creating these spaces in their workplaces—the fact is that it takes it out of the community. One of the benefits of the system we advocate for, this non-profit, universally accessible system, is that it really ties in families with their communities, it increases their involvement in communities, and it allows the child care services and programs to really be customized to the community's needs—not just the workforce's needs, but the community's needs. I think that's a huge factor.

So, yes, absolutely, I applaud the idea of employers being willing and interested, but I think there's a greater need than that, and that comes from the communities.

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

How much time do I have, Mr. Chairperson?

**The Chair:** You have three minutes, Madam.

**Ms. Judy Wasylycia-Leis:** Oh good.

I just wanted to say one more thing to Elizabeth. I've often said to my colleagues that if we could organize a field trip to some of the day cares you represent, it might help them to understand that we're not talking about, as they sometimes think, institutional child care places that aren't creative places of learning and development. I just thought it might be useful on that score for you to circulate the photos of children that you've brought, just so everyone can get a good picture of happy kids.

**Ms. Elizabeth Ablett:** Absolutely, happy kids.

● (0950)

**Ms. Judy Wasylycia-Leis:** Let me go to Michael for a moment.

First of all, Michael, I want to thank you. Back in the spring, when our committee was considering this budget process, you were kind enough to submit a paper called "Budget-Making: From Public Consultation to Citizen Deliberation". That was circulated to our committee and it was part of our discussions.

As you can see, we probably haven't really reflected a lot of your ideas. It's hard to change this process because we are sort of constricted in terms of time, in terms of money, and I think in terms of ideas.

I'm just wondering, now that you've sat through a bit of it... First of all, I'd like you to submit again, for this coming year, if you would. Secondly, based on what we have to do in a certain period of time, what could we do to change this process to make it more democratic?

**Mr. Michael Polanyi:** I guess it depends on who you want to hear from. Do you want to hear from paid professionals who articulate arguments for their membership? I think that's important. Do you want to hear from community members? Do we, sitting at this table, represent Canadians? Do we? I don't think so.

I think you need both. I think you need to hear from us—

**The Chair:** Just a quick question. If you don't, why are we listening to you now?

**Mr. Michael Polanyi:** No. I'm saying, yes, listen to us—

**The Chair:** You do, but—

**Mr. Michael Polanyi:** Can I finish, please?

**The Chair:** Well, sure, but I'm curious.

**Mr. Michael Polanyi:** Okay. Let me finish.

Yes, I think you want to hear from the paid professionals, because we have something to say—we've thought about the policies—but I think you also want to hear from diverse groups of Canadians, low-income Canadians, aboriginal people, people who are more diverse than us.

I think you can do it. You are in seven or eight cities. Why not create a space for a hundred randomly selected Canadians to come together and dialogue? We don't really have the chance to dialogue. It might be interesting to see if Canadians, if they have the chance to dialogue, could agree on certain policies and values.

It was done in the Romanow commission. It was done in the Ontario participatory budget hearings. There are lots of ways to do it, and I think it would be very beneficial.

**Ms. Judy Wasylycia-Leis:** You mention in your—

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

We'll continue with Mr. Savage now, for five minutes.

**Ms. Judy Wasylycia-Leis:** Mr. Chairperson, on a point of order

**The Chair:** There is no point of order.

Mr. Savage, for five minutes.

**Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.):** Mr. Polanyi, while we're chatting with you, we've heard from a number of KAIROS organizations across Canada. They're always very good presentations, but I think you're the first one who has actually mentioned the 0.7% of GNI and the necessity of reaffirming poverty reduction as a primary objective. Considering that Development and Peace and the Primate's World Relief Fund are part of the organization, that makes sense. I'm also sure you'd agree with me that my colleague John McKay's private member's bill, Bill C-293, which reaffirmed that, is a step forward in the right direction. So I'm glad you mentioned that.

I'd like to ask both you and Elizabeth, if I could, a question on child care again. I don't believe in universal child care benefits. I don't think they're the way to go. I think we were on the right track last year, building the infrastructure of child care across the country.

In my own community, a lot of people were excited about it, especially parents of children with special needs, parents of francophone or minority-language children. They were finally going to have an opportunity to provide child care to their kids. That \$1,200 does nothing for them. But the real problem with the \$1,200 is the way it was handed out and then taxed back in such a way that lowest-income Canadians aren't necessarily the beneficiaries of it at all. At the very least, if it was going to be done, perhaps doing it through the low-income supplement of the child tax benefit might have been a better way to direct the payments to those who need the assistance the most.

I'd like your thoughts on that, Michael and Elizabeth, if you have any.

**Mr. Michael Polanyi:** Yes, you're right. It was inequitable and a proportion of it was clawed back. I think Elizabeth is more of an expert, so I'll defer to her, but my sense of the issue is that, first of all, as a parent—and I see there are other parents in the room—you know how far \$1,200 a year goes for child care. That doesn't provide adequate funding for child care.

Maybe I'll just defer to Elizabeth, and she can talk about the principles and other things.

**Ms. Elizabeth Ablett:** I'll just answer very briefly on this. I'm sure you've heard this before. Yes, the \$1,200 doesn't go very far for child care. The fact that it is taxable and that low-income families do not necessarily benefit from this as fully is a real shame, I have to say.

We certainly do call for income supports. As I say in my briefing, that money is fine, but we need more than that. We need the universally accessible child care system, and just doing this through the \$1,200 isn't enough.

• (0955)

**Mr. Michael Savage:** How am I doing?

**The Chair:** You have two minutes.

**Mr. Michael Savage:** I'm not sure if you're familiar with the Caledon Institute of Social Policy, but they had indicated that under the study they did, a two-income family making \$30,000 a year will return less of that than a single-income family making \$200,000 a year. Clearly that's inequitable and has to be considered unacceptable, yet some people say they'll have both.

The problem is, there's only a certain-amount-sized pie that the federal government has, and you have to look at what benefit you're getting with that \$1,200. It seems absolutely unconscionable that it would go to those who really don't need it the most. At the very least, it seems to me that all of us who believe in the universal child care system need to advocate that you can't do the \$1,200 and still provide that other child care.

Do you think it's fair to say that, Elizabeth? And if I'm leading you, you can certainly tell me that.

**Ms. Elizabeth Ablett:** No, I think it's fair to say that. As I said, our real emphasis—and it's the same thing with the CCAC—is advocating for the universal system first and foremost. Income supports that fit in with existing income supports for low-income families are perfectly acceptable, but I think we really need to have the emphasis on—

**Mr. Michael Savage:** I agree with that, but it shouldn't be called a universal child care benefit. It should be called a gift to Canadians from the Liberal surplus, because we've heard from RESP dealers that some people are putting it into RESPs, which is wonderful. But most families who can't afford child care simply can't afford RESPs either.

**Ms. Elizabeth Ablett:** I concur.

**Mr. Michael Polanyi:** Can I have ten seconds?

**The Chair:** That's up to Mr. Savage.

**Mr. Michael Savage:** You can have my ten seconds.

**Mr. Michael Polanyi:** I was just going to say that it relates to the question about what kind of child tax benefit the government is committed to provide to families. I know it's stalled around \$3,300 to \$3,400. A lot of groups are calling for that to be increased up to \$5,000, to reflect the full costs for low-income Canadians of raising a child.

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

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

On that gift from the Liberal surplus, which number were we using for that surplus, Mr. Savage, the first predicted number, or the second, or the third?

**Mr. Michael Savage:** The one you guys used. We'll go with that.

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

We'll continue with Mr. Del Mastro.

**Mr. Dean Del Mastro (Peterborough, CPC):** Thank you, Mr. Chairperson. I'm going to start with a bit of a lengthy preamble, because I feel I need to get a couple of comments on the record.

First of all, I feel child care is somewhat different from day care or even babysitting. I think child care is everything that goes into the care of a child, which includes providing shelter, providing clothing, and providing guardianship and stewardship through the day. So to say this doesn't help with what is effectively day care...I don't believe that's saying it's not a child care benefit.

I also don't like how we're so willing to discriminate against certain members of society: those who would not use a day care centre. I think we need to be cognizant of the fact that this system was discriminatory. I might have children and I might not get a subsidized space, but my neighbour might, yet we pay the same taxes. I think that's a discriminatory system and I think that's wrong.

Mr. Polanyi, here's just a comment. You talked about putting heads together and talking. In my personal opinion, focus groups are terrible. I can sit in on a focus group with 25 people, and by the end of the focus group I can have most of them talking in exactly the same language that I'm talking in just because I happen to be the type of person who will fight for my point. I've sat in on focus groups for auto companies and discussed what people want in a car, and by the end of it they all come out saying that what I think is good in a car is what they want. Quite frankly, focus groups are terribly unreliable.

McDonald's goes into focus groups and everybody comes out saying people want salads and muffins, and then their sales go down. Do you know why? When people go to McDonald's they want fries and hamburgers. That's the truth of it. They don't go there for health food.

**Mr. Michael Polanyi:** Do you want me to reply to that?

**Mr. Dean Del Mastro:** No, I didn't ask a question.

Ms. Ablett, what percentage of people who work in day care centres would be women versus men, approximately?

**Ms. Elizabeth Ablett:** I can check on the statistics, but I think one statistic that I saw said it was 90%, and there may also be up to 98% women working in child care.

**Mr. Dean Del Mastro:** What would the average income of day care workers be?

**Ms. Elizabeth Ablett:** I can check that out for you.

**Mr. Dean Del Mastro:** I'll tell you that my wife makes about \$12.50 an hour.

• (1000)

**Ms. Elizabeth Ablett:** It really ranges across the country, I'd have to say. It's anywhere from minimum wage to upwards of \$15. The wage levels are quite inequitable.

**Mr. Dean Del Mastro:** Let's use \$15 an hour, 40 hours a week. That's \$31,200. That's significantly less than the average personal income. Does that promote equality?

**Ms. Elizabeth Ablett:** The wages?

**Mr. Dean Del Mastro:** Yes. For women working in day care, is that equality? The fact is that they are working for exceptionally low wages.

I agree that it's early learning and it should be part of education. That's how I think you'd actually get fairness in a day care system. But I would argue that providing day care and providing more spaces is actually perpetuating inequality, because the women who primarily work in day care are not treated fairly.

**Ms. Elizabeth Ablett:** We do advocate for higher wages. That is one of the major issues that we do advocate for. The wage inequities happen and pay inequity happens within early learning and child care, specifically with child care workers and ECs.

I agree that it's not equitable, but that's no reason to slam a universal child care system based on that. If you fix the—

**Mr. Dean Del Mastro:** I'm not slamming it. First of all, I think day care is a provincial jurisdiction. The provinces should be addressing it in a meaningful way by putting it under the heading of education, because I agree that it's early learning. My wife works on curriculum, she works on teaching, and I think it's very important that we recognize this. It's important that we treat the people who work in day care fairly and equitably with people who teach at other levels.

Mr. Braniff, you're arguing for income splitting for seniors. I think what Mr. McKay was getting at—and I tend to agree with him—was the question of why we aren't talking about household income splitting as a whole. I think the major groups of seniors would benefit from income splitting, and I'm not opposed to the notion at all. In fact, it's in our broader policy guide.

Why are seniors' groups not coming forward and saying there should be household income splitting? Why are they specifically talking about pension splitting?

**Mr. Daniel Braniff:** First of all, we have said that and we do support it. But you argued this in 1999 before this committee, and it became entwined with the arguments I hear here about child care, only it was mixed in with the cost of commuting to work and there was no discussion about seniors.

**The Chair:** Sorry, Mr. Del Mastro, but you're done.

Michael, I know the committee appreciated the paper you submitted. I wanted to outline very quickly for you some of the ideas that you did bring forward and that we did implement, as I don't want you to feel they were not.

The first one was in terms of the panels. The panels are more mixed as a consequence of the implications of your suggestion that there needed to be a greater diversity of views. We wanted a diversity of views with the panels.

Also, we actively took an egalitarian approach on the opening up of the invitations. We did not extend invitations; we simply made the information available and responded to people. We didn't invite certain groups and not others.

The third thing was that we encouraged MPs, through a kit that we developed, to do their own town halls in their own areas. And in terms of the focus group suggestion, I would also comment that MPs receive input on a regular basis. Of course, it's up to their own initiative, but certainly many of the MPs do a very good job, I would say, of asking for and receiving input from their constituents.

Finally, on the issue of those groups that are a concern to all of us and are, some would say, on the periphery of society in some respects—aboriginal women or aboriginal people, seniors, low-income Canadians—we did get a really good sample of people who presented on behalf of those folks. We were also assured by the presenters that they had done their consultations in advance of coming to us. We were counting on that happening too, and I didn't want you to feel your ideas weren't listened to.

I've used up too much time, but I'm going to use a little more by asking you something, Annalisa.

In respect of Maple Leaf's operation in Manitoba specifically—thanks for having it there—how many people do you employ?

**Ms. Annalisa King:** In Brandon or in Manitoba?

**The Chair:** In Manitoba.

**Ms. Annalisa King:** It's probably close to 3,500.

**The Chair:** When did you set up your operations there?

**Ms. Annalisa King:** Brandon was built in 2000.

**The Chair:** Prior to you setting up your operation, there was a single-desk marketing agency for hogs.

**Ms. Annalisa King:** Yes.

**The Chair:** Would you be there if that single desk still existed?

**Ms. Annalisa King:** We would not have built in Brandon.

**The Chair:** For members, I want to draw a parallel to the Canadian Wheat Board, where in fact people do not set up value-added operations in my home province and Judy's home province. I've heard from many of them that they will not as long as they have a sole, single-desk supplier of the commodity they are engaged in processing. They will never locate in Manitoba until such time as they are able to deal directly with the suppliers of the commodity.

**Ms. Annalisa King:** We agree.

**The Chair:** Thanks for your business in Manitoba. I know a lot of farm families who really appreciate it, and we certainly should too.

And I would again draw that parallel for panel members in terms of the Canadian Wheat Board proposals for dual marketing.

We will now continue with Mr. McCallum.

• (1005)

**Hon. John McCallum (Markham—Unionville, Lib.):** How much time?

**The Chair:** You have five minutes.

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

Dean's comment about the unfairness of child care because of his neighbour reminds me slightly of the argument that the health care system is unfair because I'm well and my neighbour gets sick and only my neighbour gets to use it. I don't accept that. But there's one point he made that I do agree with, even though it might have caused me to question my beliefs, and that's on this question of income splitting.

To Mr. Braniff, I don't understand why we should discriminate by age against the young, the middle, or the old. If we have a limited amount of money—and I agree with the principle of income splitting—why don't we say that all households can income split up to, say, \$60,000 joint income, or \$50,000 or \$70,000 or \$80,000, depending on how much money we have available in the budget? Then it would be available to all, except we would ration it out not according to how old you are but according to your income. As resources become available over time, we could then raise that threshold income. Why is it old people and not middle-aged people? Why not do it according to need?

**Mr. Daniel Braniff:** Thanks for that question.

I'm not sure you should discriminate in that respect, but if you wanted to put a priority on it, then it should be based on the fact that today's working person or family has more facilities to split income than ever existed before. This household plan, for instance, was introduced in 1985. That was the year I retired, so we have limited options to split our income unless we're very wealthy.

Mr. McKay mentioned the wealthy. If you look at the arithmetic, there's a point where splitting your income doesn't do you any good if you're up in the higher echelons of income.

The point is that the group I represent is on a fixed income. Generally, these people came from the generation of homemaker and breadwinner. The institutions at that time pressed forward the idea of the woman staying at home and having kids. My sister had eight kids, and there wasn't much of an option for her to go out and work. That's a rarity these days. So I say that you start there because that's the generation that is suffering the most under these circumstances today.

**Hon. John McCallum:** I don't really agree, but I'll go on. I think those suffering the most are those with the lowest income, whether they're old or young, and that's the way in which we should ration this good.

I'd like to move on to child care, vis-à-vis how Elizabeth would respond to her neighbours. I would think that the child care argument is primarily a social one, but it can be made in terms of competitiveness. Look at our health care system. The availability of universal health care in Canada versus the lack of it in the U.S. is of huge benefit to companies, to car companies. It seems to me that child care would have the same competitiveness advantage if it were available.

Would you agree with that rationale?

**Ms. Elizabeth Ablett:** I would, but at the same time I hesitate to put our children in what is purely an economic light. I absolutely concur that it would be a competitive advantage if employers across the country or employees across the country could have access to quality child care services in which they felt comfortable placing their children, knowing that they were in a healthy early learning environment, but I want to emphasize that children are not widgets.

**Hon. John McCallum:** Okay. I said first the primary motivation is social, but if you want to dress it up in competitiveness garb, then I think you also have a strong point, and that was the question of my colleague here.

**Ms. Elizabeth Ablett:** Absolutely.

•(1010)

**Ms. Annalisa King:** Yes, absolutely. We do a lot of business with Japan. China is a growing area for us, as a company. It's a new environment. We're very intrigued by it, but there's a lot of work to do. It provides a tremendous opportunity in the future, as do countries like Mexico, which also has huge potential for us as a company. Although Mexico is included in NAFTA, the whole trade dispute area is an area of concern for us. It takes time to resolve trade disputes, and the inefficiency associated with those things costs companies like ours money, meaning we aren't able to actually contribute back to the economy, and thus help fund all these other people.

Thanks.

**The Chair:** Thank you. Mr. McCallum's questioning time is up.

Over to you, Mr. Wallace.

**Mr. Mike Wallace (Burlington, CPC):** Thank you, Mr. Chairman. I'm going to be relatively quick.

To Mr. Polanyi, you had thirteen recommendations, I think, in your proposal. Are they in order of importance?

**Mr. Michael Polanyi:** No. They're just by value, by objective.

**Mr. Mike Wallace:** Are there one or two that you would like to point out to me that are more important to your organization than others?

**Mr. Michael Polanyi:** I highlighted four or five, I think, in my speaking notes. I think a lot of different groups are calling for the poverty reduction strategy. At least let's recognize that poverty is a problem and set some targets regarding poverty.

**Mr. Mike Wallace:** Is there one other one? Can you give me another one?

**Mr. Michael Polanyi:** I think certainly greenhouse gas emission reduction is another one. Canadians care about it. They're looking for leadership and action from the government, and that's a win-win for everybody.

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

I don't have any questions for the Real Estate Board. I completely understand that issue.

Regarding our day care presentation, I just have one real question. I'm not going to debate the issue itself with you. You have four recommendations, and let's say for argument's sake you're right, that tax incentives won't work and that we have to turn them into actual capital requests or capital funding. The question is this: why would the federal government turn it over to the provinces? Is this a provincial matter or a federal matter?

**Ms. Elizabeth Ablett:** My understanding is that child care is indeed under provincial jurisdiction.

**Mr. Mike Wallace:** So really up until the on-paper promise from the Liberals, day care was always funded by the provinces, never funded by the feds. Is that correct?

**Ms. Elizabeth Ablett:** I'm not sure whether that's correct. I know it is legislated and monitored and overseen by the provinces, but it relies heavily on assistance from the federal government.

**Mr. Mike Wallace:** So you're not aware that there was federal money ever in the day care system up until we took government?

**Ms. Elizabeth Ablett:** I'm relatively new to this, so no, I can't answer that question.

**Mr. Mike Wallace:** Okay. Thank you for that.

I have a question, Mr. Heller. I think your presentation said that part of the increase for venture capital is to \$15,000 from \$5,000? Is that accurate?

**Mr. Jay Heller:** Yes.

**Mr. Mike Wallace:** Is that an industry standard? I could be completely wrong, but I thought I heard \$10,000 on my little tour around the country.

**Mr. Jay Heller:** It's possible that some of our other organizations—the venture capital industry—had lower expectations. I mean, \$10,000 would be fabulous.

The underlying goal is to access a higher net worth crowd and raise money in bigger chunks, run our businesses more efficiently, and deliver more venture capital.

**Mr. Mike Wallace:** Okay. Thank you for that.

I have a question for Mr. Braniff. Some of my questions have been asked, but I want to be accurate. You're looking for pension splitting for people who are over 65. Is that an accurate statement?

**Mr. Daniel Braniff:** Yes.

**Mr. Mike Wallace:** So my father who retired at 58 and collects a pension from a power company and my mother who has always been a stay-at-home mom do not qualify for your pension splitting plan at this particular moment. Is that correct?

**Mr. Daniel Braniff:** I imagine you'd find the same principle that you have with CPP and QPP. And that's where we're lined up. With CPP, you can get a pension at 60. Hey, if you want to make it 55—

**Mr. Mike Wallace:** But you have to apply for it at 60. Is that not correct?

**Mr. Daniel Braniff:** That's correct, but very few turn it down.

**Mr. Mike Wallace:** My father is over 60 and he doesn't collect it, so I was just wondering—

**Mr. Daniel Braniff:** He should.

**Mr. Mike Wallace:** He doesn't collect it yet.

The numbers we've seen were significantly different from what I asked for from the finance department. Could it be because you're dealing with those who are over 65, and they're dealing with everybody who's collecting a pension, even a private pension?

• (1015)

**Mr. Daniel Braniff:** I think this would be open to discussion. The previous legislation made that age 65. If it was earlier, I would have no argument with that, and I don't think any of our organizations would have an argument with that.

**Mr. Mike Wallace:** The cap was mentioned. Most people automatically think of it as fifty-fifty, but could it be twenty-eighty? When you say split, are you advocating for fifty-fifty, or could it be another combination?

**Mr. Daniel Braniff:** I'm not in a position to discuss the matter for the nineteen organizations, but that's the way we're positioned right now. It is based on the precedent that exists with family law; it's the same precedent that exists with CPP. If you ask my wife, who's in the audience right now, she'll probably tell you that she really earns 60% of my pension.

**Mr. Mike Wallace:** Okay. Do I have any more time?

**The Chair:** No. Thank you, Mr. Wallace.

I would like to follow up on Mr. Wallace's questions, though. So part of the rationale for your argument on splitting is essentially this: if the one partner earned more than the other throughout their life, they've already paid considerably more because of the method of taxation in this country and therefore both of them should be treated the same under the tax law. Is that in essence what it means?

**Mr. Daniel Braniff:** That's it exactly. It's a restitution at a certain age. If you want to argue that there has been discrimination all

through their working life, I would not disagree with that, especially for my generation.

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

Diane Ablonczy.

**Ms. Diane Ablonczy (Calgary—Nose Hill, CPC):** Yes. Thank you for your presentations.

Mr. Heller, venture capital can move anywhere in the world. Is that correct?

**Mr. Jay Heller:** It's not entirely correct. Early-stage venture capital, generally speaking, is done close to where the money is. When you're funding a new start-up business, you really need to be on scene and working with the entrepreneur a couple of days a week. It's hard to do that from two or three time zones away.

Later-stage venture capital can, and does, move anywhere in the world.

**Ms. Diane Ablonczy:** You talked about removing barriers to investment in Canadian venture capital by foreigners.

**Mr. Jay Heller:** Yes.

**Ms. Diane Ablonczy:** I assume that would be venture capital that can move anywhere in the world?

**Mr. Jay Heller:** What I was speaking to on that point is that U.S. institutions, primarily big pension funds and endowments, that would like to invest in venture capital firms managed locally in Canada run into technical problems with the Income Tax Act. I think other folks have spoken to the committee about this, but it has to do with how limited liability corporations are treated under section 116 of the Canada-U.S. tax treaty. There are a host of technical problems that inhibit those large pools of capital from being invested in local Canadian-managed venture capital firms. I would certainly encourage this committee to look at that.

**Ms. Diane Ablonczy:** All right. That's what I wanted clarification on.

Ms. Ablett, as a mother and a grandmother, I have to say I have some real questions about this universal child care system that you talked about. I have seen a lot of different permutations and combinations, my own and many others.

I read something very interesting on Monday in the *Globe and Mail*, which was that the Swedish trade minister—I don't know if you saw this—two weeks ago had to resign because it was found that she had an undeclared nanny. The story gets more interesting because just last week the Swedish culture minister resigned also because she had an undeclared nanny. Then it came out in the same article that the Norwegian Prime Minister has recently disclosed that he didn't pay the necessary taxes on child care arrangements that he made fifteen years ago. It struck me that here are countries with fully developed, universal, state-run child care systems, which are supposed to be the benchmark for the whole world, and yet you have their leaders choosing alternative kinds of child care. It just seems to me that there is more and more evidence that you can't have a one-size-fits-all system, because it doesn't work.

What do you make of these kinds of examples?

• (1020)

**Ms. Elizabeth Ablett:** One of the great benefits of a national universal child care system is that it is non-compulsory. You can choose to participate, and it's not a matter of—

**Ms. Diane Ablonczy:** Well, just let me answer up to there, because as I understand it, the estimate we've had in committee is that it would cost \$11 billion a year to set up this system. That, I assume, is the best-case scenario, meaning if we do what some are talking about and give better wages to child care workers and do other expansion, it's going to cost a lot more than that. If it costs that much more, it becomes compulsory in the sense that the tax burden is such that everybody has to work and use it in order to make it function. Isn't that the truth?

**Ms. Elizabeth Ablett:** I wouldn't necessarily agree with that. You're implying that everyone would have to use it. Requiring someone to go into a regulated system is not something we would ever advocate. It's just providing options for the majority of Canadians who, one, want this system, and two, would benefit from some elements of it, whether it is part-time or full-time or whether it's offering parenting supports and family supports. It's absolutely not the whole story.

**Ms. Diane Ablonczy:** I understand what you're trying to say, but I just think it's going to be pretty tough, when you have that costly a system, for people to pay for other alternatives. I think you need to think about that.

**The Chair:** Thank you very much, Madam Ablonczy.

Thank you too, Elizabeth.

We'll conclude with Judy Wasylycia-Leis.

**Ms. Judy Wasylycia-Leis:** Thank you, Mr. Chairperson.

It would be useful for Elizabeth to comment on the fact that we aren't talking about a homogenous, uniform system. The whole purpose of the federal money was to help establish a system across the country in which the diversity of this nation could be actually considered—I will use Manitoba as an example—a system in which everything from night day care to rural day care to at-home child care to special needs day care was part of this division.

In response to Dean Del Mastro, this money wasn't just to go into boxes and institutions of child care. It was to go into a system including support for child care workers so that the workers, who are largely women, are not always at the bottom of the income scale. You should comment on that.

While I have the floor, I'll just ask Michael to comment on two things. The first was Dean's comments about focus groups; I don't think you were talking about that. The second was this notion of the diversity of our panels, which is something we are trying to do, in the hopes that it is better. It doesn't really get at the issue of dialogue between groups. Does it reflect citizens across the land?

Could we hear from first Elizabeth and then Michael?

**Ms. Elizabeth Ablett:** Thank you, Judy, for that.

You're absolutely right, and I concur that the system that was planned and the system that we advocate for certainly is not one where everyone is put into a one-size-fits-all box, where we all must

behave the same way and we're all expected to have the same values, or interest, or capacities, or circumstances. This system we advocate for, a universal system, seeks to work with communities to address their local issues, whether they're in rural areas or urban areas. Particularly in the city of Toronto, we're dealing with many different language groups and communities of different socio-economic interests. Just supplying a cheque for someone to choose without providing the services it can help to build in those communities is a real shame.

**Ms. Judy Wasylycia-Leis:** Thanks.

Michael.

**Mr. Michael Polanyi:** Deliberative dialogue is different from focus groups. In the brief I gave, there were examples of dialogues that really are an exchange. One of the striking things about these dialogues and the evaluations is that people come in thinking they can't find anything to agree with, with other people. But when they have a chance to listen to other people's life experiences and think about common values, they do find some common ground.

**The Chair:** Thank you very much for that, Michael.

Thank you all very much for being here today. We appreciate your time, we appreciate the ideas you've expressed and the policies you've recommended to us, and we appreciate the values they emanate from.

Thank you very much for being here today. We will suspend now for a few moments to allow the next panel to come forward and replace this panel.

All the best. Thank you.

• \_\_\_\_\_ (Pause) \_\_\_\_\_

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• (1035)

**The Chair:** We will recommence.

I welcome our witnesses this afternoon.

I invite those who have conversations not pertaining to these deliberations to take them elsewhere.

We are the finance committee. We are charged with the onerous responsibility of making recommendations to the finance minister on the upcoming budget.

We very much appreciate your time today.

I can tell you that if you get a sense of a little celebratory mood here, it's at least in part due to the fact that we've been doing this for five solid weeks.

I also want to compliment my colleagues on the committee for their dedication to the task.

We have communicated with you. I know a couple of you are splitting time, but the rest of you will be given five minutes. I will give you an indication that you have one minute remaining, and I will then rather abruptly be put in the position of having to cut you off at five minutes. Of course, this is because we want to allow time after your presentations for an exchange with committee members, and I know you'll welcome that.

Thank you again for being here.

We'll commence with the Ontario Municipal Social Services Association, Rick Williams. Welcome, sir. Five minutes to you.

**Col Rick Williams (President, Ontario Municipal Social Services Association):** Thank you.

Good morning. My name is Rick Williams and I'm here as president of the Ontario Municipal Social Services Association, or OMSSA. I'm also the community services commissioner for the district of Muskoka.

OMSSA is the collective voice of social and community services staff at the municipal level in Ontario, and our mandate is to make positive progressive change happen in the areas of early learning and care, homelessness and housing, and social assistance. For Canadian citizens to be productive and contributing members of the economy, OMSSA believes the federal government must increase investments in social infrastructure. We ask you to note the following issues of concern to us.

First, governments must recognize that access to affordable housing is critical to the economic and social vitality of communities across our nation. Poor housing imposes enormous and far-reaching costs, impacting on health, public safety, education, and participation in jobs. For instance, research and experience shows that the greater the incidence of housing inadequacy, instability, and unaffordability, the greater the use of emergency health and social services. Furthermore, children in stable, adequate housing have much better school outcomes.

OMSSA was pleased to see the federal government pledged to increase the supply of affordable housing in the 2006 budget. However, we believe more can be done. For example, the supporting communities partnership initiative, or SCPI, has been successful in increasing the availability and access to a range of services and facilities, which support various homelessness initiatives. However, funding for this initiative ends next year. Should SCPI or a similar type of funding not exist throughout 2007 and beyond, many homeless prevention projects will have to cease. The current SCPI program is restricted to urban centres. Homelessness exists mostly in cities but has its roots in all communities.

OMSSA's second concern deals with economic security. A healthy, thriving society needs all its members to participate fully. For Canada to be a competitive global force, it must alleviate the unnecessary costs associated with poverty, such as health and justice expenses, loss of human capital, and the diminished productive capacity of those living in poverty. Therefore, the federal government must work with all concerned parties, provinces, and municipalities to address the following issues.

First is to broaden the eligibility requirement for EI benefits. At present, only 38% of the unemployed have access to EI, whereas several years ago close to 76% of Canada's unemployed were eligible. Also, the federal government needs to help create a coherent national approach to providing adequate social assistance rates and improved and expanded employment supports. A potential model for this now exists within a recent report called MISWAA. In addition, we ask that the federal government provide funding for training and development, including special supports to disabled and multi-

barriered recipients, to encourage participation in community activities and long-term capacity building.

Finally, OMSSA believes the link between investing in high-quality early learning and care and building healthy, successful communities is clear: high-quality early learning and care isn't just taking care of children's physical needs and it's not babysitting; it's supporting children to achieve their optimal development in learning, and starting them on the solid paths of social, physical, and intellectual development. A recent study by Dr. Lawrence Schweinhardt showed that adults who received high-quality early learning and education grow up to show economic and social gains and have less interaction with the criminal justice system. Consequently, OMSSA requests that the \$250 million this government has earmarked for additional development of child care spaces be allocated to the regulated system, planned and delivered in cooperation with all concerned governments. Since the government's announcement that the 2005 federal-provincial early learning and care agreement would be terminated in 2007, stakeholders have been facing serious challenges in sustaining the important early learning and care programs that are already in place, many in our rural and most vulnerable communities.

To summarize, OMSSA encourages the Government of Canada to address the following: one, play a lead role in homelessness prevention and work with concerned governments on this issue, including an extension or redevelopment of the SCPI program; two, continue the phased expansion of affordable housing initiatives in collaboration with the province and municipalities; three, create a coherent national approach to provide adequate social assistance rates and improved and expanded employment supports and training; and four, play a stronger role in creating a national early learning and care policy framework to benefit all children and families, including the annualization of the \$250 million pledged to the development of new spaces.

• (1040)

Societies that succeed and thrive are the ones that understand how important it is that every member of the community have the opportunity to contribute meaningfully. These are the societies that see the value of investing in social infrastructure. These are the societies that believe investing in people makes sense.

Thank you.

**The Chair:** Thank you very much, Mr. Williams.

We'll move on now to Mr. Dave Toyce. Dave Toyce is here with World Vision Canada. Welcome, sir. Over to you.

**Mr. Dave Toyce (President and Chief Executive Officer, World Vision Canada):** Great. Thank you.

My name is Dave Toycen and I'm president of World Vision Canada. World Vision is the largest relief, development, and advocacy organization in Canada. I am speaking really on behalf of our more than 400,000 supporters who give regularly financially to support our work. We work in more than 90 countries.

My mother always told me I should say thank you first, so I want to do that. You'll note in our submission that there is a thank you section, and I want to particularly note the fact that we're really grateful for the change in the credit regarding stock gifts to charities. That's been a wonderful thing, and we appreciate that.

I want to concentrate in my little time this morning on increasing Canadian development assistance and making sure there's a legislated mandate to make it accountable. I guess the question is what it will take for Canada to do its fair share. When will we reach the 0.7% target? Every minute we delay, another 20 children die of hunger and hunger-related diseases. Last year, all political parties unanimously voted in favour of calling for a plan to increase Canada's aid budget to the international target of 0.7%.

We have tens of thousands of Canadians who have demonstrated their support for increased aid and the other goals that would make poverty history. The concern for the poor overseas, I really believe, is at the highest we've ever seen it. We have more than—as I said earlier—400,000 supporters who vote regularly with their financial giving. They see this as a priority. Of the G-8 countries, only Canada, Japan, and the U.S. have failed to make a commitment to 0.7%.

We have a huge surplus. In fact, yesterday's paper talked about a \$6 billion surplus. We have numerous NGOs who can leverage our government aid to have an even greater impact. What will it take? Expert after expert says that we have the resources to end world poverty and that all we lack is the political will. Every side of the House has shown support for Bill C-293. It ensures that poverty eradication gets the attention it deserves. Frankly, as our government and parliamentary representatives, it's really up to you. It's about leadership and doing the right thing for those who have the least in our world.

I'd like to speak very personally. I came to this country from the United States via Australia 18 years ago. Ten years ago, I became a Canadian, a proud Canadian. As an adult, I made a free choice to join this country because I believe in what Canada stands for. Yes, I have employment and a comfortable place to live, but my choice was more about the spirit of Canada and its character. A common perception is that Canadians care about others, even those who appear to offer very little in return.

In my work I travel frequently to developing countries. When the people there discover I'm a Canadian, there is both a respect and an affection for what we stand for. It's not just about money; it's about who we are. That identity has been shaped by the investment Canada has made in people overseas who often have nowhere else to turn. This budget needs to support and respect these values.

Recently I met an elderly grandmother whose children had died of AIDS. She is the caregiver for two beautiful little granddaughters in Tanzania. Pauline is blind in one eye. She has leprosy. All that's left on her hands are a thumb and one finger. All her toes are gone, yet

somehow she walks to a market every day and begs for enough money to care for her granddaughters. Her house is falling apart. She lives hand-to-mouth, yet amazingly she is a radiant person, and she refuses to give up. But because of underfunding, her granddaughters will not go to school. In fact, their very lives are under threat. Right now there are 12 million children orphaned by AIDS, and unless we do more, the number is going to reach 15 million by 2010.

Finally, I just want to share one more story. This is about how the choices we make in our country, and you as a government make, can make a difference. Down the road from Paulina is a couple named Elisha and Magdalena. I first met them 18 months ago. They were farmers living in a simple mud hut. Both were HIV positive. Magdalena was lying on a mat under a tree. Her husband was emaciated. The children were traumatized watching their parents die before their eyes. Six months later I returned and asked to see them. I was surprised that the staff said yes. Walking to them, I got one of the surprises of my life. They came walking around the corner, a picture of health. Why? They'd gotten anti-retroviral drugs and they'd been on them for a year. Now there are two fewer dead parents and we don't have two orphaned children.

The drugs were provided by the global AIDS fund, which Canada supports, and we arranged for the testing. It's a miracle. There are two parents now alive.

The world is watching and waiting for Canada's role, and I'm simply asking, what will it take for Canada to do its fair share to end poverty? It means increasing our aid by 18% annually, committing to a plan of 0.7%, and simply recommending this legislated mandate to hold us accountable to make poverty our priority.

Thank you very much.

• (1050)

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

We'll continue with Tanya Gulliver, who is here on behalf of the Toronto Disaster Relief Committee.

Welcome.

**Ms. Tanya Gulliver (Coordinator, Toronto Disaster Relief Committee):** Thank you for the opportunity to appear today. Sharing my time will be Rainer Driemeyer, who is a member of our steering committee.

The Toronto Disaster Relief Committee is a group of social policy, health care, and housing experts; academics; business people; community workers; social workers; AIDS activists; anti-poverty activists; people with homelessness experience; and members of the faith community. We provide advocacy on housing and homelessness issues.

We declare homelessness as a national disaster and demand that Canada end homelessness by implementing a fully funded national housing program through the 1% solution. There are approximately 300,000 Canadians homeless every year, including 65,000 youth and 10,000 children, and 1.8 million people lack adequate shelter.

In 1998 we called for federal emergency relief money to provide disaster relief for communities struggling with increasing homeless populations. That call led to the introduction of SCPI, the supporting communities partnership initiative, part of the national homelessness initiative.

The national homelessness secretariat reported that in the first 4.5 years of the program, more than 9,000 beds in transitional housing were created, 725 homeless shelters received funding, 49 federal properties were made available for the creation of new homes, and 3,600 services were funded. This money is desperately needed across the country and makes up our first recommendation of \$202 million for homelessness funding, \$67 million of which would be new.

The federal homelessness program is to expire in March 2007. Many services will have to shut down earlier if there's no commitment to renew and extend this funding. TDRC urges the government not to wait for the next federal budget for this item, but to act now to renew and expand homeless funding. Additionally, we are recommending that the current funding be increased by 50% from the 2006 fiscal year to allow for additional funding in communities across the country, many of which receive no funding presently.

It's important that Canada redeem itself not just on the world stage but here at home. This is a national emergency, a national disaster. From the end of World War II until 1993, our national housing program built 650,000 units of affordable housing and two million Canadians were housed; now we build a fraction of that amount.

TDRC has called for the implementation of the 1% solution, \$2 billion per year from the federal government and an additional \$2 billion from the provincial and territorial governments. This funding, divided between supply and affordability, would support 20,000 or more new homes annually, which would go a long way toward preventing some of the crises we see on our streets. The Calgary Drop-In and Rehab Centre, for example, which has a capacity of 11,000, is turning away 125 people a night, and that is expected to double to more than 300.

In the 2006 budget, \$466 million for new housing was allocated for each of the next three years, so the net new dollars required to meet the target of the 1% solution in 2007-08 is slightly more than \$1.5 billion.

Another program due to expire at the end of the 2006 fiscal year is the federal residential rehabilitation assistance program, better known as RRAP. This program assists homeowners and landlords to bring aging buildings up to standard and to make the necessary upgrades to heating and other systems to promote conservation and cut utility bills. RRAP has also been used by creative developers to build affordable housing. Last year the former federal government proposed a \$100 million annual increase in rehab funding

specifically dedicated to energy conservation, but this initiative has been cancelled.

Our third recommendation, therefore, is that the federal housing renovation funding be increased by 50% over planned 2006 fiscal year spending, and that \$150 million be added to assist low-income homeowners and tenants with energy conservation. The net new spending would be \$114 million.

It's been almost eight years since the big city mayors' caucus of the Federation of Canadian Municipalities declared homelessness to be a national disaster. In that time the situation has only become worse. This month Toronto's homeless memorial will register the name of the 500th homeless person who has lived and died on the streets of Toronto.

• (1055)

Now I'm going to turn it over to Dri.

**Mr. Rainer Driemeyer (Steering Committee Member, Toronto Disaster Relief Committee):**

All right. To put it very simply, politicians like to make promises. They make promises that make them feel all warm and fuzzy inside. Unfortunately, those promises do not keep anybody warm. It's time for the politicians to quit making promises; it's time to sign the cheque.

Come across—save somebody's life.

**The Chair:** Thank you, sir, and thank you, Ms. Gulliver, for your presentation as well.

We continue now with Cecil Bradley, vice-president of the Toronto Board of Trade. Welcome, sir.

**Mr. Cecil Bradley (Vice-President, Policy, Toronto Board of Trade):** Thank you, and I'd like to thank the committee for this opportunity. I'd like to start off as my colleague down the table did, with a note of thanks. We'd like to favourably comment on the recent announcement by the federal and the Ontario governments to cooperate on integrating and harmonizing corporate tax collection in Ontario. It's going to save businesses a lot of red tape, it's going to simplify the system, and it's all going to be done without any net loss in tax revenue to either government. So it sure looks like a win-win-win to us, and evidence of smarter taxation and better government. I'd like to be on record in commending the governments for making that move.

We think that in the upcoming budget the federal government has an additional opportunity to encourage economic growth and success in Toronto. We've outlined in our submission actions that we believe will benefit the Toronto economy, and we think that by boosting the Toronto economy, the benefit will be felt across Canada.

Canada's competitiveness is dependent on large cities as the prime creators of jobs, opportunity, and economic activity. One example is that the nation's nine largest cities, home to about 50% of Canada's population, were home to 65% of the net new jobs created between 1996 and 2002—an example, we think, of cities punching above their weight in economic terms.

Cities are also the major source of federal tax revenue. In 2002, the federal government realized a \$20.6 billion surplus with the nine largest cities while recording an \$11.6 billion deficit with the rest of the country. The lion's share of those revenues comes from Toronto. Since 2000, Toronto taxpayers have contributed an average of some \$20 billion a year to the federal government. With per capita federal revenues from Toronto rising faster than the city's GDP and per capita spending on behalf of Torontonians falling further behind the national average, the economic engine of Canada is being slowly starved of fuel.

To its credit, the government has recognized that fiscal imbalances do have a municipal dimension, and our submission calls on the federal government to make good on its commitment so that all levels of government in Canada have the resources they need to provide the services they are obliged to offer. Put bluntly, cities need a larger share of the fiscal pie. We're looking to the federal government to ensure that happens.

Whether through increased federal investment or decreased federal taxation, Toronto and its business community need additional resources to address some of the largest impediments to competitiveness—traffic congestion and taxation.

On traffic congestion, a recent Transport Canada study put the cost to the greater Toronto area at \$1.8 billion a year. We think that's a conservative estimate. A recent survey of CEOs in Toronto identified traffic and transit issues as their top concern. A strong majority of business leaders agree with transportation experts that increased investment in public transit is key to addressing the city's competitiveness and economic development challenges.

The federal government has in recent years taken significant steps to increase its support for public transit. Whether that's been through gas tax revenue sharing or through infrastructure funding, the picture is improving. However, even with these initiatives, the federal government addresses only a small portion of the need and plays a smaller role in urban transit than its resources would allow or national policy interests require. Canada remains the only G-8 country without a nationally funded urban transit program.

On taxation, the government should continue its effort to reduce corporate taxes in order to help the business community in Toronto and across the nation to be more competitive. We have made progress, but more needs to be done. Our brief has recommendations on how that could happen.

From the Toronto perspective, we believe including municipalities in intergovernmental financial negotiations, reducing the tax burden on the business community in order to encourage investment, and increasing its own investment in public transit would address the fiscal imbalance in the most productive ways possible.

Our written submission goes into considerable detail on the rationale for and the expected positive results of these steps, along

with a renewed call for commitment to the development of the next generation of skilled workers in Canada. I commend the submission to the committee for its review and thank you for your time and attention.

• (1100)

**The Chair:** Thank you very much, Mr. Bradley.

We'll continue with the Toronto District School Board. Bruce Davis is here.

Bruce, welcome. Over to you.

**Mr. Bruce Davis (School Trustee, Ward 3 Etobicoke-Lakeshore, Toronto District School Board):** Thank you very much.

I'm Bruce Davis with the Toronto District School Board.

I'm going to apologize in advance for being cranky and for being a little testy this morning. We were up into the wee hours of the morning to cut \$84 million from our school budget, so we could balance the budget.

I'm here because we pay \$10 million a year in GST, and that makes no sense at all. I'm asking the committee to recommend to the Minister of Finance that the excise tax be amended to rebate 100% of the GST to school boards across Canada. As you probably know, because I've written to many of you and spoken with many of you, we pay GST on heat, light, utilities, pencils, software, computers, and construction. If we build a new school in Toronto, we pay \$350,000 in GST. If you build a new prison in Toronto, you pay nothing. This makes no sense at all.

Across Canada, school boards pay \$195 million a year. This is an area of exclusive provincial jurisdiction that the federal government is taxing. This makes no sense at all. In 2004, the former Liberal government rebated GST for municipalities. They went part of the way. They didn't do it for school boards.

Let's look. We have cities and school boards side by side. If you're a child who commutes to school in a yellow bus, that bus pays GST. If you're an adult who commutes in a TTC bus, that bus doesn't pay GST on its gas and its operating costs.

Swimming pools. The Toronto District School Board owns and operates 85 swimming pools. We own or operate more swimming pools than anyone in North America. It's a legacy of the way we used to fund programs in the old city. You have a city swimming pool that pays no GST on heat, light, utilities, chlorine, and we have a school board swimming pool that pays GST. We get some rebate, but the net at the end of the day—remember, for us, at the end of the day after rebates, we still pay \$10 million a year.

Sports equipment. If you are on a high school team and you buy sports sweaters, you pay GST. If it happens to be a parks and recreation program, you don't pay GST.

There are dozens of excellent public policy rationales for why we should get rid of this. It's a tax on a tax; it's a tax on a provincial area of jurisdiction, poor neighbourhoods. When you look at horizontal equity issues, schools in poor neighbourhoods and rich neighbourhoods pay the same GST in those neighbourhoods. There is no Canada child tax benefit equivalent for school boards.

That's why I'm a little testy this morning. I'm a little cranky.

The opportunity is this. Which party wants to take credit for funnelling money back to our children? We all have this opportunity. Which one of you wants to be the one to say, "What a brilliant idea"? I've had thirty members of Parliament across the country support this concept, some of whom are here today. From coast to coast, caucus to caucus, from Mr. Doyle in Newfoundland to Mr. Epp in Alberta, your colleagues are supporting this. I need you to recommend to the Minister of Finance that he rebate 100% of the GST payable to school boards.

I'm happy to answer any questions.

As you may know, we have a website, [www.donttaxourschools.ca](http://www.donttaxourschools.ca), and we have some promotional information, if you need more information. We list all the members of Parliament who are coming on board. It's a little bit out of date, but we're listing, so there are lots of opportunities to spread your name, if you support the campaign.

Thank you very much, Mr. Chairman.

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

From the Anishinabek Nation, Mr. John Beaucage, grand council chief, is here.

Welcome, John. Five minutes are for you.

**Mr. John Beaucage (Grand Council Chief, Anishinabek Nation):** Good morning, ladies and gentlemen.

I am Grand Council Chief John Beaucage, elected from the 42-member first nations of the Anishinabek Nation. I am pleased to offer you this submission on behalf of the Union of Ontario Indians and the Assembly of First Nations.

I share the national portfolio for housing and infrastructure with National Chief Phil Fontaine and Yukon Regional Vice-Chief Rick O'Brien. This document builds on the pre-budget submission by the Assembly of First Nations and is the position of the first nations of Canada. I respectfully submit this brief for your review.

National Chief Phil Fontaine has met with the Hon. Jim Prentice, Minister of Indian and Northern Affairs Canada, and briefly with the

Prime Minister on this plan. Both were quite receptive to these ideas, which move to establish creative financing for the purposes of a legitimate free market housing process on reserve. That being said, we cannot ignore the substantial needs for social housing and the right to shelter of those who are unable to access capital under this proposed market housing regime. The proposed comprehensive framework takes steps to provide creative financing for first nations to establish sustainable access to capital for both private market housing and public social housing through the same business case envelope.

The most innovative proposal in this comprehensive framework is the establishment of a first nations investment trust. The investment trust would consolidate federal funding for first nations housing. It will act as a sustainable revolving loan fund and an indemnity fund. It will provide delivery program funding through the members of a first nations housing authority and a first nations housing institute, which is also being proposed under this comprehensive initiative.

I can't stress enough that both first nations and the government need to make significant transformative change in the way we fund and administer our housing programs. Dollars currently being spent by Indian Affairs and CMHC housing programs are simply going out the government door and building houses dollar for dollar. We need to make those housing dollars go a lot further through investment options as well as public and private partnerships.

Our recommendation for first nations housing is a \$1.2 billion investment in the 2007 federal budget—specifically, an allocation of \$395 million the first year for development and startup costs, together with a \$215 million annual allocation for the next four years to facilitate ongoing operation costs and capital investment in the first nations investment trust. We also recommend that the government consider annual investments in first nations infrastructures of \$300 million over the next five years.

Without a doubt, there is tremendous need for government action for on-reserve first nations housing. Our estimates indicate a backlog of some 80,000 units. Those who have a home are living in deplorable conditions—overcrowding, mould contamination, and a lack of basic amenities. There is a significant lack of basic infrastructure to sustain our communities right across the country.

Ladies and gentlemen, these are not just catch phrases or embellishments. These circumstances are real. This is happening in my home community of Wasauksing. This is happening throughout the Anishinabek Nation. This is happening right here in Canada. We ask that you do your part in eliminating first nations poverty. We cannot afford to ignore these conditions any longer.

*Kichi meegwetch.* Thank you.

● (1105)

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

We continue with Rick Miner, president, Seneca College of Applied Arts and Technology.

**Dr. Rick Miner (President, Seneca College of Applied Arts and Technology):** Thank you very much.

I appreciate the opportunity to speak before the committee. I am president of Seneca College.

As you would have noted from our September submission, Seneca is the largest Canadian college, with 10 campuses in the greater Toronto area. We service over 100,000 students annually. We are a comprehensive institution with over 150 programs ranging from and through apprenticeship, skilled trades, diplomas, certificates, and applied degrees. We deal with both skills upgrading and a host of professional areas.

Our brief, and my remarks today, support much of what you have already heard from representatives of the post-secondary education system in Canada, whether it be college or university presidents, associations of higher learning, or student groups. There is a convergence among all these voices that there needs to be a dedicated federal transfer mechanism for post-secondary education. Seneca clearly endorses that approach. For the record, we specifically endorse the recommendations you have heard from ACCC, ACAATO, NAIT, ACTI, and Polytechnics Canada.

However, I want to focus my short intervention today on two points where consensus is not always present but action and leadership is certainly needed. With respect to the committee's concern regarding Canada's competitiveness and productivity, there are two principal actions the committee could endorse.

First, given that skills shortage is a primary concern of this committee and that the solution is to fund those sectors that produce the skilled workers, Canadian colleges, institutes, and particularly the polytechnics are best positioned to produce the high-quality skilled workers the Canadian economy needs. This could be achieved through a range of programs—a one-year certificate, two and three-year diplomas—that provide fast returns. In this context, it's critical not to commit errors in our race to produce qualified workers. We recognize and understand that the Canadian economy needs all types of skilled workers. The recent focus by the new Government of Canada on apprenticeship and Red Seal trades is to be applauded.

But we must exercise some caution in that the vast majority of Canadian colleges deal with technologists and technicians. This in fact is the largest growing area of the labour needs, in the area of services such as information services, health services, financial services, manufacturing services, as well as in the area of technology, be it biotech, informatics, building technologies, or simply lab technicians. These are the skills we will need for the 21st century, and these are the skills that can be provided by colleges, institutes, and polytechnics in Canada.

Much has also been said about the underutilization of our immigrants and newcomers to Canada. As mentioned in our submission, Seneca College is in that part of Canada that receives the largest number of immigrants. We respond to those newcomers as best we can by providing language training, career counselling, workplace skills and upgrading, credential evaluation, and bridging-to-work programs. But the demand far, far exceeds our capacity to respond.

You will be receiving a written submission about an innovative GTA proposal that will address this need. Hopefully, you'll receive that shortly and you can take it under consideration.

My second point is that while there appears to be a consensus that Canada's poor rate of commercialization of research is a factor in our productivity lag, we continue to overlook the very sector that is best placed to commercialize the ideas and innovations of industry, that being our colleges, institutes, and polytechnics. Precisely because of their close ties with industry and the local community, as with Seneca, we are positioned to provide market-driven solutions for small and medium-sized enterprises. We have faculty who are tied to industry and students who are involved in research as part of their program.

Yet the stranglehold of the universities on the federal research funding continues. It has not yielded the returns on investment the government has sought. In many ways, we have turned dollars into knowledge, but we have not turned knowledge into productivity.

The time has come to level the playing field for publicly funded research. The 2007 budget should address the sectors of post-secondary education that have regrettably been ignored, undervalued, and that have suffered from underinvestment.

● (1110)

Many voices will argue for the status quo. Some will argue for increased funding of the status quo. We think there needs to be a bold action on behalf of the government to look at colleges, institutes, and polytechnics as a source for improving Canada's commercialization.

In addition, a suggestion for your consideration—

**The Chair:** I'll have to ask you to stop there, but there will be time for questions afterwards, I assure you.

Thank you, Mr. Miner, for your presentation.

We'll conclude our presentations now with the Task Force on Modernizing Income Security for Working-Age Adults. I understand that John Stapleton and Jill Black will be splitting their time up somehow.

Welcome, and proceed.

**Ms. Jill Black (Project Director and Co-Chair, Task Force, Toronto City Summit Alliance, Modernizing Income Security for Working Age Adults):** Thank you.

I am Jill Black, and I was the co-chair of the working group for the task force for modernizing income security for working-age adults, sometimes called MISWAA. John Stapleton, the other co-chair, and I are sharing the presentation today, and we want to thank you for enabling us to be here.

The task force was formed in September 2004 by the Toronto City Summit Alliance, or TCSA, and St. Christopher House. The TCSA is a broadly based coalition of civic leaders that has launched a number of initiatives dealing with issues facing the Toronto region, ranging from accelerating immigration settlement to helping stimulate tourism post-SARS. Our 2003 action plan for the Toronto region, called "Enough Talk", highlighted the issue of income security as being critical to major cities—not just Toronto, but cities across Canada. St. Christopher House, a multi-service neighbourhood centre in Toronto, was the ideal partner in forming the task force because it had extensive experience in involving the community in formulating policies and programs to help improve the situations of people living on low income.

The task force was made up of a steering group of about fifty leaders from business, labour, community organizations, advocacy groups, academia, policy institutes, foundations, and government. Working with St. Christopher House, we put together a community reference group of low-income people—who were directly involved in formulating the recommendations—as well as an extensive community consultation process with almost 300 low-income adults and a similar number of staff from community agencies. Finally, we had a working group that included policy analysts from the Conference Board of Canada, the C.D. Howe Institute, T.D., Scotia Economics, the Caledon Institute, CPRN, the Canadian Labour Congress, and a number of community and advocacy groups, including the Daily Bread Food Bank and the Workers' Action Centre.

We believe the task force was unprecedented in a number of respects: in getting leaders from all those sectors, including business, together at the same table to talk about income security; in having all of those think tanks involved in one working group; and in the extent of the involvement of people directly affected by the problems with the system. We didn't obtain consensus on all of the recommendations, but everyone agreed on the issues. Members are united in the belief that the system is broken and that all orders of government must come to the table to secure the needed reforms. Our submission sets out recommendations, and they may also be found in our report "Time for a Fair Deal", at [www.torontoalliance.ca](http://www.torontoalliance.ca).

Many members of the task force believe the federal government needs to be accountable and play a more prominent role in the income security for working-age adults, much as it does today with seniors and children.

I'll turn it over to John to elaborate.

• (1115)

**Mr. John Stapleton (Research Director and Co-Chair, Working Group, Toronto City Summit Alliance, Modernizing Income Security for Working Age Adults):** Thank you.

Turning to our senior citizens, a resident of Ontario who turns 65 with no savings, no Canada Pension, or no other income of any kind receives a base guarantee of \$15,200 a year through old age security, the guaranteed income supplement, and provincial credits of various sorts. This base guarantee has been kept up to date for decades.

Benefits to seniors represent 49% of all income security expenditures in Canada, and this portion will soon rise to more than 50% and grow much larger post-2011, when those in the baby

boom generation start turning 65 years old. Our ongoing support for seniors represents good policy. Our income security program should be kept up to date and we should ensure that benefits don't erode with inflation.

What is bad is that programs and policies for working-age adults are not similarly kept up to date, not even for those who are not capable of working. Consider the following facts.

Single welfare recipients can receive less than \$6,500 a year, down 45% in real terms since 1993. The rates have now fallen to pre-Centennial levels, again in inflation-adjusted terms. Welfare costs now represent 5% of the overall expenditures in the income security system in Ontario. A single disabled recipient obtaining a disability allowance in Ontario now receives just under \$11,500 a year, down more than 20% in real terms since the early 1990s, and now \$3,700 a year less than the neediest senior.

Minimum wages, despite increases, are much lower in real terms than they were in the 1970s and less than they were in the 1990s. Single minimum wage earners net 18% less than the neediest single senior. If they redouble their efforts and earn the extra money, that will bring them up to the level of the neediest senior, but 36% of their gross pay is deducted from their paycheque in the form of EI and CPP deductions, income tax, and reduced tax credits. EI benefits have decreased in real terms for the 22% of the unemployed in Toronto who are eligible for them. At the same time, the EI fund has accumulated a significant surplus.

As a result, low-income wage earners increasingly cannot afford to live in our cities where the work is, and there is no sign of redress. Income security programs for seniors continue to be protected through indexation, while no benefits or policy measures for working-age adults are protected in any way. They just continue to erode.

**The Chair:** I must cut you off right there, but I'm sure there'll be time for questions.

We'll begin our questions now.

Thank you all very much for your presentations. They were all well done.

We'll begin with five-minute rounds.

Mr. McCallum.

•(1120)

**Hon. John McCallum:** We have an embarrassment of riches here today, which I'm sure my colleagues will agree is not a surprise in Canada's world-class city, but I would like to begin—that was meant to be a joke.

**Voices:** Oh, oh!

**An hon. member:** You could have warned us, John.

**Hon. John McCallum:** I would like to begin with a macro issue on the budget, in terms of our overall availability of money to fund the kinds of tax cuts or expenditures all of you are talking about. The government is talking about a second GST reduction, from 6% to 5%, which would cost a huge amount of money, like \$6 billion per year, which risks crowding out various other initiatives.

I've done this in other parts of the country, with other groups. I'd like to do a very quick poll and ask each of you, starting on my left. Either representing your organization or as a private citizen, would you wish to go ahead with this GST cut, or would you rather not and use the \$6 billion a year for other priorities? So it's either, "No, don't go ahead with the GST", or "Yes, do" or, if you prefer, "No comment".

**Col Rick Williams:** Our organization would strongly support a retention of both the annualization of child care and the SCPI funding as critical components toward the future. If that competes with tax reduction, we would see the investment as a priority, as compared to tax reduction.

**Hon. John McCallum:** Okay.

**Mr. Dave Toyce:** Yes, I would take a similar position. We're convinced the move toward point 7 and the other initiatives in our brief are really critical. If lowering the GST is going to somehow undermine that, we wouldn't be in favour.

**The Chair:** We've got to back up to Rainer, who was missed.

**Mr. Rainer Driemeyer:** Taxation is the cost of living in a civil society. We want to live in a civil society. We don't care about tax cuts.

**Hon. John McCallum:** Great.

Thank you very much, but I'd like to go quickly, or else I'll have no time. Just "yes" or "no", please.

**Ms. Tanya Gulliver:** Yes, we would rather spend it than have a tax cut.

**Hon. John McCallum:** So you mean, no—no to going ahead with the GST.

**Mr. Cecil Bradley:** John, our brief gives you some particular advice on that. We're suggesting that any change in the GST be used in the renegotiation with the provinces and municipalities on redistributing the fiscal pie of Canada. I think there's an intelligent way to go about GST reduction and there's a less intelligent way. We're recommending the intelligent approach.

**Hon. John McCallum:** Which is to give the money to the provinces. Okay.

**Mr. Cecil Bradley:** To put it in the pot.

**Hon. John McCallum:** Yes.

Mr. Davis.

**Mr. Bruce Davis:** The board doesn't have a position, although the 1% reduction received to date has saved us about \$1.5 million, for which I am very happy. I personally don't support it, but that is a clear reduction for our school board, I agree.

**A voice:** Take it personally.

**Hon. John McCallum:** I'll take your personal view.

**Mr. John Beaucage:** Taxation shouldn't really bother our communities that much in that we're paying taxes through the treaties and the sharing of the land. We would like the treaties to be followed; then we would be very well off.

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

**Dr. Rick Miner:** Redistribution first, tax cut second.

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

**Mr. John Stapleton:** No, that money should go into income security programs.

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

Let me first say to Mr. Davis that our Liberal team here is 100% in agreement with you on the GST in schools, and we will try to convince our tight-fisted Conservative friends to agree with us on this.

I'd also like to turn to social housing, and I agree with your positions on homelessness and social housing. Unfortunately, I wouldn't be too optimistic, because if you read the budget, the government explicitly singles out housing and homelessness as areas of provincial jurisdiction and not appropriate for a federal role, not to mention the finance minister being on record as wanting to make homelessness illegal, as his solution to the problem.

My question to one of you, on the housing front, is—

**The Chair:** Thanks very much, Mr. McCallum.

Order, please. Same respect over there that you expect when you're asking a question would be nice to remember.

Madam Ablonczy, over to you for five minutes.

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

I really appreciate all the presentations and the caring and the thought that went into them.

I'd like to start with Seneca College. You made a couple of very interesting suggestions. One was to develop a national credentials framework and one was to support the internationalization of Canadian higher education. Can you very briefly expand on those two for me?

•(1125)

**Dr. Rick Miner:** Certainly, we have a huge issue in Canada in terms of an individual's mobility across the country and credential recognition. It is an inhibiting factor I think in our productivity. This is particularly evident with—

**Ms. Diane Ablonczy:** Who isn't recognizing credentials?

**Dr. Rick Miner:** There are associations and universities that deal with transfer credits and credentials, and it's not always apparent that there's reciprocity and that people can move, have them recognized, and get to work.

The international area is an absolutely huge area where Australia and New Zealand and Britain have been very aggressive. It has not only been a significant advantage in trade, but it has provided revenue for post-secondary institutions that—

**Ms. Diane Ablonczy:** What is that exactly?

**Dr. Rick Miner:** It's actually providing Canadian education in an international venue, either physically, by setting up campuses elsewhere, or by encouraging visa students.

**Ms. Diane Ablonczy:** Okay. Those are good thoughts, and there are many others.

This is for the school board. I'm sorry you had a terrible night, but sometimes it's good to be crabby; you make your point more strongly.

I imagine that this isn't the first time you've brought this issue up. I'm new on the committee; others are new on the committee. What push-back have you gotten? It almost seems like a no-brainer, but what are the arguments against?

**Mr. Bruce Davis:** It's a slam dunk. Just to be clear, since 1991, school boards have been paying GST. That's a lot of GST. The Canadian School Boards Association has been fighting this for a long time, and I have reams of their submissions to standing committees on this issue, going back several years.

**Ms. Diane Ablonczy:** But what are the arguments you get against it?

**Mr. Bruce Davis:** The province will claw the money back. My answer to that is that actually they haven't clawed it back. The 1% you've given us, they have not clawed back. I get the argument that it's an exclusive area of provincial jurisdiction, that K to 12 is a provincial jurisdiction. So I say, "Okay, that's great. Then, why are you taxing it? If you're going to use that argument, it makes no sense at all." I get a few little arguments, such as if we give you the money, how do we know it will be used for things for children? Well, if you sat through our meeting last night, we agonized over programs, music programs. We will spend the money wisely to the best of our ability.

So I get push-back on some political questions.

**Ms. Diane Ablonczy:** That helps me understand a bit more, and I appreciate that. And good luck. I think you're finding some sympathy here, at least.

**Mr. Bruce Davis:** It is a no-brainer.

**Ms. Diane Ablonczy:** Speaking for the Toronto Board of Trade, Mr. Bradley, you talked about looking to the federal government to ensure a bigger share of the fiscal pie for cities. And we've heard that

from other submissions. The problem is, of course, that municipalities are creatures of the province. They are formed under provincial legislation. How can you justify the federal government sticking its nose into this arrangement, so to speak, with the provincial governments and sort of going over them to fund municipalities? I think that's a key jurisdictional issue. Maybe you've thought about that and have some answers.

**Mr. Cecil Bradley:** Yes, there can be a jurisdictional problem. But I think it's worth looking back over Canadian intergovernmental relations for the last couple of generations. I think the federal government has been able to be active on files that are critically important or disproportionately important to cities, without getting into jurisdictional wrangles.

**Ms. Diane Ablonczy:** Can you give a quick example?

**Mr. Cecil Bradley:** For example, there is immigration settlement. To the extent that the federal government shoulders the burden, some or all of it, for immigrant settlement, it can be a real help to cities.

**Ms. Diane Ablonczy:** Do they give directly to cities, though?

**Mr. Cecil Bradley:** Well, that's a mechanical question. The money can go to community groups that provide immigrant settlement services. The issue is that we have a problem in the major cities where immigrants are having a difficult time integrating into the community, getting the language training they need, getting the job integration services, and so on and so forth. And in most instances, the problem is a lack of money. If the federal government can be a more generous partner with community groups or city agencies in providing immigrant settlement programs, then we're going to have a smoother process for new Canadians.

•(1130)

**The Chair:** Mr. Bradley, I must cut you off there.

Madam Ablonczy's time has elapsed, and it's Judy Wasylcia-Leis's opportunity to ask questions now.

**Ms. Judy Wasylcia-Leis:** Thank you, Mr. Chairperson, and thanks to all of you for all your presentations.

Going very quickly, starting with Jill and John, you've presented a very innovative proposal for modernizing the income security system. I think it would be important for you to tell this committee who you brought together to arrive at this proposal, how you involved business in the development of the proposal, and why business as well as community organizations think it's a cost-effective way to go.

**Ms. Jill Black:** The people involved from the business side are listed in our report. They included, though, very senior people. We're talking about two senior economists from two of the major banks, Don Drummond and Warren Jestin, and people like the chairman of Noranda, the CEO of KPMG—a number of people—as well as people from all of the other sectors I mentioned when I spoke.

I think that's important. The people who were involved in some cases were involved on the part of their organizations, but in a number of cases they were involved because they personally care about the issues and felt they were important.

**Ms. Judy Wasylcia-Leis:** How could we advance this idea, because it is so major? Is there a way to do it on a pilot basis, or is there a way for the government to move on it on a phased-in basis?

**Mr. John Stapleton:** Well, the proposals we have for a working income tax benefit are already on the books. They were in the last economic statement of the Liberal government as well as carried over into the budget of Mr. Flaherty. So that's a very important entity to support.

We also talked about refundable tax credits. We have a number of boutique credits right now, the single-purpose credits like the GST credit and various different refundable credits in Ontario. We think we need to bring all of those credits together in a way that is really much more transparent. It would be very easy for work to begin to bring those credits together and to support a working income tax benefit that works in harmony with the refundable credits.

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

Moving on, Tanya, Rick, and Rainer, is it true that Canada is one of the few industrialized countries in the world that doesn't have a national housing policy? What's the impact of that?

Secondly, with respect to SCPI funding, which we were worried about this summer—it was put back—from the Treasury Board website it now looks like this government may be eliminating 99% of the program, going from \$133 million down to \$2 million.

What would be the impact of the loss of SCPI, or most of SCPI, to the work you're doing?

**Ms. Tanya Gulliver:** Thank you.

Yes, we are one of the only countries without a national housing policy, which means people die on our streets every day. Two to four people die every week in the city of Toronto as a direct result of homelessness. There are millions of people who are precariously housed and at risk of becoming homeless at any time.

In terms of SCPI, some people would call the services it has provided a band-aid, but I would call them a lifesaver. It's more like a compress than a band-aid, because there's no other place for people to go. We would rather see a national housing strategy and not need to have millions of dollars going into services that are just making life a little more comfortable for people and keeping them warm. But 9,000 beds in transitional housing were created in the first few years of the program. Programs that were funded included psychosocial services, emergency health addiction services, education, and life skills. Those are things that will help people maintain housing once they're able to achieve it.

Dri, for example, is a former tent city resident who has now been housed for four years as a direct result of a rent supplement program. Those are the kinds of things that are really important. We spend \$5,000 easily to keep a family in a shelter for a month. We spend \$1,000 to \$2,000 to keep a single person in a shelter for a month. A few hundred dollars in a rent supplement program or providing social housing would eliminate those high costs.

**The Chair:** Dri, there are just a few seconds left. Go ahead, please.

**Mr. Rainer Driemeyer:** It's cheaper to do it the right way, and it saves lives. We are losing I don't know how many people across this country because of homelessness. The SCPI is important.

• (1135)

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

We continue now with Mr. McKay, for four minutes, sir.

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

Sorry to be so brief about this, but Mr. Toycen, thank you for the endorsement on Bill C-293. We were before the foreign affairs committee on Tuesday, and it was well supported by that committee. So again, thank you for your hard work.

Mr. Bradley, I'm glad to see that the Martin-McGuinty agreement on corporate tax collections has been fulfilled by this government. Let me ask you a particular question.

As you know, the TTC is a pretty important mover of people around here, and its capital stock leaves something to be desired at times. The government's proposal is that transit passes somehow or another will solve all those problems. So if your choice was between capital improvements for the TTC—be it buses, subways, whatever—versus a transit pass, and you had to choose, what would you choose?

**Mr. Cecil Bradley:** I'd hate to be put in the position of either/or, because I think we have to work on both sides of the market. A transit pass encourages people to give transit a second look. It lowers the net after-tax cost of transit and makes it a more attractive alternative to the private automobile or other options that people have, and to that extent it's a good idea.

Where the difficulty comes, at least in some cities in Canada, is that the supply of transit services has been dramatically constrained over the last decade. We simply haven't been building system capacity, and I think that is particularly true in Toronto. We desperately need really suprisingly large amounts of money in order to refit or retrofit the capital that we have installed, and we certainly need large amounts of money to expand the system capacity so that we can serve new passengers that hopefully tax credits will bring to us.

**Hon. John McKay:** Thank you. I'm a big supporter of the Scarborough subway, as you well know, and it's \$100 million per kilometre. No amount of transit passes is going to cover that \$100 million.

To these other folks here, in the very few seconds I have left, I'd like to address WITB, the working income tax benefit. It is a great idea, but I can't get my head around how you're going to do it so that the folks on the low end of the scale, working from support to income, are actually going to get that benefit. In whatever time I have left—three seconds—can you encapsulate that idea and how it would work?

**The Chair:** You have a minute and a half.

**Mr. John Stapleton:** It would be a refundable credit that you would put through the tax system and through the income tax return. In fact, when somebody reported their employment income and that employment income was at a certain level, they would simply be paid a cheque, whether on a monthly basis or some other regimen, in the same way as the national child benefit supplement is now paid to low-income people.

**Hon. John McKay:** What would happen to the benefit I received, if I'm on welfare assistance or some other form of assistance? That's the big issue. There's a transition point between employment and unemployment, where it's almost better to be unemployed. Help me through that transition point.

**Mr. John Stapleton:** That's the most important part. If you take a province like Ontario where there's a 50% recovery rate on social assistance, when people start to earn and they reach a certain threshold amount, which we have suggested is about 600 hours a year, they would start to receive, through their income tax return, an ascending amount of funds. That's exactly how the working income tax benefit is set up. So in the subsequent year you would start to receive that income.

Some people who are on social assistance and working at the same time may be able to receive a small amount of money from a working income tax benefit, while those who are completely off social assistance would be able to get the full amount, over a range of income.

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

We'll move to Dean Del Mastro now, for four minutes.

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

Mr. Davis, I'm actually quite happy to hear that you're cranky here this morning. It shows me that you're passionate about what you do, and that means a lot, as far as I'm concerned, for somebody who is in a public service capacity.

You mentioned—and this is less a question about the GST and more a question about the role you were playing last night—\$84 million was cut from the budget last night. Did you have an overall budget reduction, or did you have increases in expenditures, or was it a combination of both?

• (1140)

**Mr. Bruce Davis:** The gross budget for this year is larger than the gross budget for last year. However, when the province gives you additional money, they typically earmark it for very specific things such as a new program, a new initiative, or whatever. The wiggle room or the discretionary budget we have after certain priority programs are paid for is actually shrinking. As our heating bill goes up, for example, we don't get any more money for the heating bill.

We're being squeezed on some of these non-aligned expenditures, so we're having to cut. For example, we're taking ESL funding from children who are new to Canada and we're using that ESL funding to pay our heating bill. So last night we had to make some tough choices. But the gross is actually going up, based mostly on salary increases, 2% increases per year for the next three years. That money has come from local property taxpayers.

Your piece of the puzzle doesn't solve all the world's problems, but if we can plug that into some things that children need...or we could be creative—and I'm speaking to a member of the government side here. We could be creative, and if you wanted to give us that GST rebate and earmark it for energy efficiency projects or to plug it back into some neat, innovative things, we would entertain that.

There are lots of ways of doing this in a smart way so that we can provide an ongoing dividend for years to come.

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

As a sidebar, hospitals also pay GST. I know that my hospital in Peterborough saved \$64,000 due to the reduction in the GST that Mr. McCallum is not in favour of. It was a form of direct funding to my hospital.

**Mr. Bruce Davis:** Your Peterborough school board came out two weeks ago endorsing this GST cut. I don't know if they sent you the letter yet.

**Mr. Dean Del Mastro:** They're good friends of mine.

Mr. Beaucage, is the initiative for aboriginal housing on-reserve and off-reserve of \$750 million over two years—there are also some social transfers in that money—a step in the right direction?

**Mr. John Beaucage:** Yes, it is. I guess one of the things we're looking at is to create more initiative on the part of first nations to solve their own problems. We're looking at years and years of Indian Affairs and CMHC providing housing to first nations, and we know it doesn't work. Our proposal is give us the tools and the environment so we can do it ourselves, and then get out of the way.

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

Mr. Stapleton, the employment tax credit that the government put in place this year will certainly help low-income earning families. It will help families right across the board in the form of savings in personal income taxes. Your group has to be positive on that move.

**Mr. John Stapleton:** We're mostly in favour of refundable credits, especially for people who are making minimum wage, can barely make ends meet, and are trying to support their families. We think more money should go through the working income tax benefit. We're very pleased to see that Mr. Flaherty has brought that into his budget and will hopefully be rolling it out to the provinces very soon.

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

**The Chair:** Thank you very much, Mr. Stapleton and Mr. Del Mastro.

Mr. Savage.

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

Thank you to all the panellists who've come today.

I want to talk to Mr. Miner. You have experience at both the university level in Canada and the college polytechnic level. I guess it's pretty obvious that colleges don't get their share of research money. In Nova Scotia I had the opportunity to go to the College of Geographic Sciences, part of the Nova Scotia Community College network. They're doing some tremendous stuff, but they haven't had access to research.

You've laid out some pretty good ideas on research and innovation. The summary of it is that you strongly advocate that the federal government increase the budgets of federal research granting agencies, with requirements that funds be dedicated to stimulating applied research done by colleges, polytechnic institutes....

Can you tell me specifically what agencies you're talking about and what you think the total dollars might be?

**Dr. Rick Miner:** You're now looking at agencies like the Canada Foundation for Innovation, the Canada research chair program funding, NSERC, SSHRC, the Medical Research Council—those federal agencies that provide research. The difficulty is that most of the focus on that research is on basic research. We've done very well as a country in our basic research—in fact, we're very well recognized in the world—but what we have not been able to do very effectively is turn that knowledge into a commercial product. The difficulty we see is that while universities are very good at the basic research, they're not particularly good on the commercialization side. The colleges are not very good at the basic research side, but they're very good at the commercialization side.

So depending on what the objective is—and I think there's value in both objectives—that would drive your proportion. If you felt one-third of it should be commercialization, then give one-third to the college. If it were one-quarter, one-half, or whatever.... You need that continuum, and we're only halfway down the continuum.

• (1145)

**Mr. Michael Savage:** I appreciate that. I think there is a disparity between the money that goes into research and our ability to commercialize it. I would also say there's a disparity. We have done well in research. It has tended to go to U of T, McGill, McMaster, and UBC, which have the capacity. Smaller universities, even like St. Mary's, where you used to work, have not received as much either, and then there's the disparity with the colleges. So thank you.

You talked about the dedicated transfer and you put something in there that I agree with if we're going to do it, which is that there have to be conditions; there has to be accountability. We were in Quebec yesterday and that point of view was not well adhered to at all. In fact, what we heard was, give the dedicated transfer and then get the hell out of the way and let the province and/or the university determine what happens to the money.

I'd be interested in your thoughts on that. Do you still see a role for the federal government in research and perhaps student access issues—students who are unable to access post-secondary education, be it community college, upgrading, or university?

**Dr. Rick Miner:** I'll answer both of those very quickly. Accountability is a hallmark of the college system, so we have no trouble whatsoever being accountable ourselves, and we see no reason why the province shouldn't be accountable if there's transfer

funding. There may be various ways of achieving that accountability, but we think it's part of the relationship.

I think the federal government has a broader role in PSE than it realizes. There are a whole bunch of mobility issues that are obviously federal issues; they're not provincial issues. Increasingly, there are access issues around skilled trades and development, which are federal issues. So I see a much broader role for the federal government in post-secondary education than it has taken to date.

**The Chair:** Thank you, Mr. Savage, and Mr. Miner as well.

We continue now with three-minute rounds. Mr. Dykstra.

**Mr. Rick Dykstra:** One thing I want to point out, somewhat in response to Mr. McCallum's question, is that the National Anti-Poverty Association's 2005 study on the impact of the GST, on both lower-income and higher-income earners, showed that of all the GST collected in this country, lower-income earners pay 8% of it, whereas higher-income earners only pay 4%. So a cut in the GST has a significantly more positive impact on those earning a lot less than it does for those earning a lot more.

Further, Statistics Canada—and I've got the document here—showed that over 50% of lower-income earners spend more money than they make in a particular year, which means they're purchasing a lot more. Again, this feeds into the theory that they're paying more GST. So the purpose around the cut, because it's a regressive tax, was to ensure that those with lower income were actually going to benefit from something that was put forward.

Mr. Davis, I have one question. It's more on a personal basis than anything else, and I'd like to remove the politics from it, if I can. You don't support another cut in the GST on a personal basis, but you do support the elimination of the GST on the educational side. It makes me think that you're being somewhat selfish, on a personal basis, about where that money goes, versus all of the other people sitting at the table here.

**Mr. Bruce Davis:** No, let me be clear. The school board has no official position, and if we asked them, it would probably take us three days to come to a position, but we don't have—

**Voices:** Oh, oh!

**Mr. Rick Dykstra:** Actually, I've seen the increase in your administrative work costs, so I would imagine that would be the case.

**Mr. Bruce Davis:** Last night we cut those by \$10 million to \$14 million; it was very difficult. I know we can all joke about it, but it was very difficult.

**Mr. Rick Dykstra:** I'm not joking; I have no smile on my face.

**Mr. Bruce Davis:** On the question about the GST, the school board has benefited directly from the GST cut, as I explained. We have proposed a very targeted GST cut, but we are still benefiting from the broad-brush cut the government implemented. So I don't want to be churlish and say that we're not interested, because that cut has benefited the school board.

My personal view is different, because I understand that we need government revenues to pay for income supports and housing. So if the school board debated the issue, I would have to agree with whatever the school board decided. At this point, I don't have the luxury of leaning on whatever the school board decided, because it has no position.

I have a pretty strong personal view about how and when we should be taxing people, but I don't want to be churlish. The school board has benefited directly from your cut.

• (1150)

**Mr. Rick Dykstra:** Okay.

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

We'll continue now with Mr. McCallum, for three minutes, sir.

**Hon. John McCallum:** I thought I had run out of time.

Thank you very much.

**The Chair:** Well, sir, if you've run out of ideas, we can move on.

**Voices :** Oh, oh!

**Hon. John McCallum:** I'll come up with something. No, I haven't run out of ideas.

Perhaps I'll go back to where I was before I asked my question, and you certainly didn't have an answer. That was this idea that if you have a strict interpretation of the Constitution, housing is provincial, and I guess that's probably true, but nevertheless, as the Liberal government, we did see a role for the federal government there.

So I'd like to ask your view on whether you support the idea that housing is essentially provincial and the federal government should get out. Presumably you don't, so how would you respond to that argument, whoever wishes to answer this?

**Col Rick Williams:** We obviously see an interesting mixed role—certainly, historically, with the joint funding of the affordable housing expansion in 2005 and CMHC's role as a funder and coordinator of support services. We also see it as being part of an essential service within a community.

So I would think that until such time as there is a full and complete separation of tax points and responsibilities, there certainly is a transitional role.

**Hon. John McCallum:** Mr. Miner, I know that we in Ottawa, in all parties—and in the provinces as well—are struggling with this matter of how to deal with credentials of immigrants. It will only become more important over time as our labour force increasingly is dependent on newcomers.

You seem to be saying—and I'd like you to explain a little bit more—that the colleges might have a particular advantage or ability to help out in this area. Could you explain that?

**Dr. Rick Miner:** If you look at it from various vantage points, one of the issues is that a lot of newcomers to Canada don't realize they have a credential problem until they arrive in Canada, which is really a mistake. They should have prior knowledge of the issue.

Second, colleges in Canada are distributed in every constituency in this country. They can perform a role for a significant number of the new Canadians in the areas of technology, technologists, and services. For example, a lot of the immigrants who come in as engineers are probably more akin to technologists in the Canadian system, and colleges could play a very vital role in evaluating their credentials and upgrading those credentials.

They certainly cannot provide that service across the board, but even in the health profession, with nurses, there is a very vibrant role for Canadian colleges. We see them as a vehicle for assisting others in not only evaluating the credentials, but providing educational experiences where needed in order to achieve their credentials.

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

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

We'll conclude with Mr. Wallace now.

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

Since I have only three minutes, I'll likely just focus on our friends, Mr. Stapleton and Ms. Black.

I'm intrigued by the income tax refundable tax credit. I understand—and just so I'm clear, personally—you would consider that a household at \$21,500 is at the minimum poverty level. Would that be an accurate statement?

**Mr. John Stapleton:** No. In fact, the proposal we have in the MISWAA report would have the various credits we propose actually end at that point. The reason is that at that level, the national child benefit supplement starts to phase out, so we want to make sure we don't try to occupy both zones.

• (1155)

**Mr. Mike Wallace:** You don't want to get in that zone.

What confuses me a little bit, to be frank with you, is that you've got a combination of the income tax refundable tax credit, which is of interest, and then you are creating a new income supplement and combining those together. How does the supplement work? I don't understand that.

**Mr. John Stapleton:** The main difference is that one is provided based on all income, whereas the working tax benefit is provided on the basis of employment earnings.

**Mr. Mike Wallace:** So somebody could be getting social services and be working a little bit and get the supplement. Is that correct?

**Mr. John Stapleton:** Likely not, because with the way we've structured the supplement in our design, it would start at 600 hours of work per year. So you couldn't be working just a little bit and get the supplement.

**Mr. Mike Wallace:** Okay. I may follow up with you on that just so I have a better understanding.

Do I still have a couple of minutes?

**The Chair:** You have half a minute.

**Mr. Mike Wallace:** I'm going to ask Mr. Williams a question. It's been a while since we heard from. You actually work for a municipality. Is that correct?

**Col Rick Williams:** That's correct.

**Mr. Mike Wallace:** You talk about the federal government getting involved in housing, which is a fair comment. I come from a municipal world, with thirteen years as a regional and local councillor, for the city of Burlington in the region of Halton. The first time I ever heard about the tax cut for school boards was when I got to Ottawa, not when I was in Burlington.

Would you not think it's a fair statement that the municipalities would rather have social services off the municipal base and on the province's base? And does that argument not still hold true when you talk about federal money for housing?

**Col Rick Williams:** Currently all services—housing, child care, and social assistance—are co-funded under a very complex formula between the province, assisted by federal contributions, and the municipality. So there is a movement, certainly, to try to clarify that responsibility, just as there is between the province and you.

The provinces announced a review of funding and the capacity to provide services. Our role, I guess, is primarily to say that the delivery is best managed and most accountable, most accessible, probably most efficient at the local level. So the municipal level as a provider of service I think is part of our enshrinement of—

**Mr. Mike Wallace:** But it's not actually as the funder?

**Col Rick Williams:** The cost sharing is probably something more complex.

**Mr. Mike Wallace:** Okay, thanks.

**The Chair:** Thank you very much, Mr. Wallace, and thank you, Mr. Williams.

If you'll indulge the chair for no more than a few minutes, I'd like to make some concluding comments today, as it is my last opportunity to do so.

In the last five weeks we have engaged in a rather intensive process of consultations. We have met with and heard from well over 400 different groups and individuals across Canada, from St. John's,

to Whitehorse in Yukon, to Vancouver on the west coast. Most of these committee members and staff have seen nothing of the communities we've been in except these rooms, and they have dedicated themselves admirably to this task. Without the support and help of our technicians, our researchers, the clerks, that translator and her friend, we couldn't have done this job, so I'd like us to show our appreciation to the staff for their fine efforts.

**Some hon. members:** Hear, hear!

**The Chair:** Thank you for that.

I would also be remiss in not thanking the members of the committee. This has been an amazing experience for me personally, and for you, I'm sure, with over a month of our lives dedicated not only to the other responsibilities we have as members of Parliament, which are numerous, but to engage so fully in this process. We've met so many amazing people; we've heard perspectives, conflicting at times, but nonetheless heartfelt, from people who care deeply, as we do, about the future of this country. I would conclude by saying thank you to my committee members, though we of course disagree. But as my grandfather used to say, "If two people always agree, one of them is probably unnecessary."

**Voices:** Oh, oh!

**The Chair:** And we are going to disagree. I believe something we share, and certainly, panellists, I know we share with you, is an incredible love for this country and a concern for the people of this country and their future. So it is with that that I also conclude by saying I think we have, as a group, perhaps shown a face of parliamentary work to Canadians that they may not see when they see clips of question period in the House of Commons. For that, I thank very much the members of our committee, who are an incredibly dedicated group of hard-working and genuine people, regardless of political stripe.

I thank you, panel, for your participation. It was a very enjoyable and stimulating experience to share with you, and we wish you all the very best.

We are adjourned.

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