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Chair

Mr. Brian Pallister

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● (1300)

[*English*]

The Vice-Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good afternoon.

Thank you to the witnesses for coming by and taking time out of your day.

We're here pursuant to Standing Order 83(1) on the pre-budget consultations for 2006.

We're going to allow you five minutes for your opening comments and opening briefs. We are going to keep you to the five minutes because the MPs are going to want to ask questions.

I am going to go in the order I have here.

From the Greater Kitchener Waterloo Chamber of Commerce, Ms. Korgemets. Go ahead for five minutes, please.

Mrs. Linda Korgemets (Senior Management, Tax, PricewaterhouseCoopers LLP, Greater Kitchener Waterloo Chamber of Commerce): Thank you.

I chair the taxation subcommittee at the chamber of commerce as a volunteer. My day job is being a chartered accountant. I work at PricewaterhouseCoopers.

Sharing the presentation with me today is Art Sinclair, a policy adviser with our chamber.

Actually, a lot of you are from southwestern Ontario, so I don't have to tell you our success story in Waterloo: Research In Motion, DALSA, life insurance companies, Piller's, Schneiders, Brick Brewing. There are all sorts of great things happening out where we live.

We need the government to help us succeed as well, and that's why we're here today. We have great universities out our way. We have the Perimeter Institute for Theoretical Physics. There are many excellent things happening out in Waterloo and Kitchener, mainly because of the people out there and the help we get from the government.

We have recommendations related to the government's fiscal agenda, and we actually have to thank you for a lot of things. We have to thank you that spending didn't increase this past year—the year ending in 2006. Our message to you on that is to hold the course, to keep spending in line with inflation and population growth.

Regarding tax reduction, thank you again. There are no more capital taxes federally. That's great news to business. That really helps. And it helps me do my job, because they're just a pain to compute.

Here are our recommendations for 2007. We need a reduction in personal income taxes. Our top tax rates kick in at $118,000 per annum. We need that threshold raised. We also need the lower tax bracket decreased for individuals. We don't want to see complexity in the system by introducing piecemeal tax credits like those we saw in Budget 2006, things like a bus pass credit, an employment tax credit, a child fitness tax credit, and other such tax credits. We want broad-based tax relief, not things that make the system complex.

Lower the corporate tax rate by one point starting next year. Introduce more favourable tax depreciation regimes by increasing tax depreciation in the year of acquisition. This will encourage our businesses to invest in capital, something that's definitely needed. Also, change the way research and development tax credits are taxed. Currently, they are taxed. We'd like to see them not subject to federal taxation. Ontario doesn't tax them. Also, we'd like to see the tax credits refundable for all companies, to give them further cash to invest in innovative research and development.

On debt repayment, you've done a great job. We're all happy about the $13 billion, but where did that come from? We probably paid too much tax last year, hence the tax reduction request. We're very encouraged by the fact that the excess went towards debt. We want the debt to keep going down. We encourage the government to get to a guideline of a debt-to-GDP ratio of 25% by 2012.

Every year I come here and ask for the employment insurance surplus to break even on a more regular basis. We often ask for rates to come down. Rates have been coming down beautifully. I think what we'd really like to see for our members in Kitchener Waterloo is that the employer rate decrease from 140% of the employee rate down to 100%—a matching contribution, but no higher.

Now, I would like to turn the mike over to Art Sinclair, who's the policy analyst, because you don't want to listen to me any more. He will talk about strategic investments.

You have to be really quick. We don't have a lot of time.

● (1305)

Mr. Art Sinclair (Policy Analyst, Greater Kitchener Waterloo Chamber of Commerce): Thank you very much, Linda.

The Vice-Chair (Mr. Massimo Pacetti): Mr. Sinclair, just to let you know, you've got a minute and twenty seconds.

Mr. Art Sinclair: I've got a minute and twenty seconds? I'll speak fast.

The Vice-Chair (Mr. Massimo Pacetti): And you're the policy analyst?

Mr. Art Sinclair: I'm a policy adviser, yes.

The Vice-Chair (Mr. Massimo Pacetti): Okay.

Mr. Art Sinclair: I will briefly outline some proposals that your members have identified as crucial initiatives for continued growth, prosperity, and job creation in the Waterloo region. We have provided a series of recommendations in our brief related to the elimination of employment barriers for internationally trained professionals and tradespeople.

A paradoxical situation is occurring where employers require more skilled and educated people to fill their vacancies, while at the same time qualified newcomers to Canada are unable to find work in their areas of training. We have proposed the inclusion of credential pre-assessment as part of the immigration process. It would provide new professionals with realistic expectations, allowing them to make more informed decisions on available opportunities and required upgrading.

Investment in the transit system remains a priority for the Waterloo region. We propose that as fiscal circumstances permit, an additional $1 billion be provided annually through the strategic infrastructure fund to further support public transit investment in Canada. On a local level, we seek a further financial commitment, subject to the outcome of ongoing technical studies on environmental assessment, to the region of Waterloo's transportation strategy that includes the rapid transit system.

Business in the Waterloo region is becoming increasingly dependent upon export markets. Current annual exports exceed $12 billion, with approximately $10.7 billion destined for the United States. The just-in-time delivery system utilized by many manufacturers requires an effective and efficient border system, particularly at Windsor and Detroit. Increasing trade volumes and an aging infrastructure place heavy pressures on the current system. It is now estimated that if no new improvements are made to border crossing capabilities in the Detroit River area by 2030, a total of 70,000 Canadian jobs will be lost.

We therefore propose that the federal government, in cooperation with the municipal and provincial levels of government, lead and expedite an environmental assessment process to build a new Windsor-Detroit border crossing before 2011.

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

The next presenter is Mr. Nantais from the Canadian Vehicle Manufacturers' Association.

Mr. Mark Nantais (President, Canadian Vehicle Manufacturers' Association): Thank you very much, Mr. Chairman and members of the committee.

I'm here on behalf of DaimlerChrysler, Ford, General Motors, and International Truck and Engine Corporation, which are member companies.

Let me begin by simply saying that in today's ultra-competitive environment, the auto industry is undergoing very significant global restructuring that impacts both regional capacity and investment decisions. It offers new opportunities, but also real threats to the future of our industry.

These threats have been realized in Canada with the recent closing of three assembly plants and several major parts operations. However, at the same time, and in just two years, our industry has benefited from partnerships with the federal and provincial governments, with a reinvestment of about $7 billion, of which $5.2 billion has been through CVMA member companies.

In today's global context, however, vehicle manufacturers must continually fight for new investment in order to remain competitive. A friendly regulatory and tax environment is critical to continue to attract investment and remain the engine of Canada's economy. In this short presentation I will not get into some of the other major issues we've addressed in our more detailed presentation. But I really want to focus on an issue that has received a great deal of publicity of late, and that's the recently introduced Clean Air Act and the role of Canada's auto industry in the environment.

As an industry, we are committed to environmental improvements in the design and development of vehicles and improvements made to their manufacturing processes and facilities. In 2005 we were the only industry sector to step up to the plate and actually sign a voluntary agreement to reduce greenhouse gas emissions from our products to the tune of 5.3 million tonnes by 2010.

Canadian and U.S. emission standards are integrated and provide for the manufacture and sale of common vehicles in Canada and the U.S., which has the most stringent light-duty vehicle emission standards in the world. We can use the economies of scale from the integrated market to provide maximum benefit to consumers at least cost. Any attempt to regulate Canadian vehicles on a unique basis would limit product offerings, increase prices, and delay the introduction of new environmentally friendly technologies.

We believe a better approach for government is to support the leadership of the auto industry by actually assisting the consumer with the adoption of environmentally friendly—but more costly, I might add—advanced technologies and alternate fuels.

The most effective way to clean up Canada's on-road vehicle fleet is to remove the older, higher-polluting, less fuel-efficient vehicles from our roads and replace them with these more environmentally friendly vehicles. Just to give you an example, a 1987 vehicle has 37 times more emissions than a current-day vehicle, and there are over one million of them on Canadian roads.

The magnitude and rate at which these advanced technology vehicles can enter the market really depend on the affordability of these technologies. Assisting the consumer would go a long way in helping to remove the older, higher-polluting vehicles and getting these more fuel-efficient vehicles on the road.

As such, we recommend the introduction of consumer incentives for the purchase of advanced technology vehicles. We believe that new federal incentive programs should be applicable to a broad range of technologies, be based on the level of environmental benefit offered by that technology, and be a direct credit to the consumer.

In addition to advanced technologies, alternative fuels can play a key role in reducing vehicle emissions. We have introduced a wide range of cleaner-running alternative fuelled vehicles. The cost of these could be offset through incentives that would help not just the consumer...but if there's no fuel in the infrastructure to support these technologies—E-85 or other alternate fuels—we simply won't achieve our environmental goals. We recommend the implementation of measures to support the use of alternate fuels and encourage the development of the necessary infrastructure that goes along with them.

We've also focused on a set of recommendations on both the environment and new investment. A lot of those recommendations are in the more detailed document. There is also information in the other accompanying documents that you might find very useful on the economic importance of our industry, the investments that have been made, and where we are going from an environmental standpoint that will ultimately help Canada to achieve its environmental goals.

That concludes my presentation. I'll be glad to answer any questions.

● (1310)

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

From the Hospital for Sick Children, we have Ms. Janet Rossant.

Dr. Janet Rossant (Chief of Research, Hospital for Sick Children): I'm Dr. Janet Rossant, the chief of research at the Hospital for Sick Children here in Toronto. I'm going to talk to you today about the importance of health research.

Research is integral to the health care mission at the Hospital for Sick Children. Our vision is: healthier children, a better world. This vision speaks to the vital role that children play in Canada's future and the importance that has to be placed on their health. Investment in the health of children is an investment in a future generation of healthy, productive Canadians.

At all stages, research informs and improves the health of our children and the delivery of care. While improved health for Canadians is the outcome we seek, we also recognize that health research is one of the key drivers of today's knowledge-based economy. By supporting innovation, health outcomes for Canadians improve, the health care system becomes stronger and more efficient, our economy is bolstered through commercialization in biotech, and our skilled workers are encouraged to stay in Canada, contributing to our nation's prosperity.

SickKids, as we call the Hospital for Sick Children, wants to acknowledge the importance of federal investments made in support of health research in recent years. These investments have brought benefits to the children we serve across Canada and around the world. SickKids receives research funding from many different sources, including voluntary health agencies and partnerships with industry. But the federal government is our largest single source of external research funding, promoting the basic research we undertake.

We have a proven record of turning research funding into research discoveries that improve the understanding and treatment of children's diseases. Recent discoveries enabled by federal funding include a major finding that childhood and adult brain tumours originate from cancer stem cells. This is going to change the way we treat cancer in the future, and we expect it to suggest new targets for drug therapy.

We've identified possible new genetic mechanisms behind congenital heart defects. We've just completed the first population-based study in Canada looking at the impact of asthma in children. We've also developed novel interventions to help learning-disabled children within the educational system. So we have conducted a wide range of research. It's the funding tools in the federal government—CIHR, CFI, and Canada research chairs—that have enabled the rapid advancement of health research at SickKids and at research institutes across Canada.

We're facing new health challenges in Canada today: an epidemic of obesity in children, the devastating impacts mental health issues in children and other vulnerable populations, the effect of environmental factors such as air quality on asthma in children and adults, and the growing impact of chronic diseases. Only continued investment in health research will help us deal with these impending crises.

So the Hospital for Sick Children, along with Research Canada and other supporters of the health research endeavour, have a number of recommendations to make. We believe that CIHR is delivering on its promise to address these fundamental health issues. We recommend that the government increase the base budget of CIHR; that the increase be set at $350 million phased in over the next three years; and that the government consider disbursement in envelopes targeting strategic health issues, from which CIHR would administer funds addressing problems such as obesity and mental health.

Investment in CFI, the Canada Foundation for Innovation, has provided vital research infrastructure to hospitals, universities, and research entities across Canada. Reinvestment in CFI is going to ensure the continued development of this infrastructure, which is vital to the development of a strong economy in Canada's future prosperity.

The indirect cost programs provide the support within the institutions for the research that's carried on. Operating grants need to move towards the real indirect cost rate, which is about 40%. This funding should flow directly to the institution where the costs are incurred, not passed through higher structures such as universities.

At SickKids, we want to ensure that children's health is a national priority. Investment in children is an investment in the future. We recommend that a children's health advisory council be established that could fund specific children's health initiatives, including research. This would improve the health prospects of all Canadian children.

Thank you.

● (1315)

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

From the Greater Toronto Airports Authority, Mr. Kaldeway.

Mr. John Kaldeway (President and Chief Executive Officer, Greater Toronto Airports Authority): Good afternoon. I'm John Kaldeway. Thank you for the opportunity to appear here this afternoon.

As you are most certainly aware, Toronto Pearson is an economic asset of unparalleled importance to southern Ontario, and indeed to all of Canada. As a critical component of the nation's transportation infrastructure, our airport connects Canada with the world and generates thousands of jobs and billions in annual economic output, wages and taxes.

However, there are three core issues impacting our competitiveness that I would like to address to this committee today. The first is infrastructure. The first challenge we face is to ensure that Canada's airports are equipped to compete with the world's best, by making sure the right infrastructure is in place. Today the GTAA is nearing the completion of a decade-long $4.4 billion infrastructure redevelopment project, which has seen the replacement of obsolete and derelict facilities in order to handle the current and future demand for air transportation services.

Prior to the transfer to the GTAA, the federal government was operating with a large national debt, and funds for airport infrastructure simply did not exist. The GTAA's development program was privately funded, through the issuance of debt securities; it received no government funding. The project will be completed on time and on budget.

The airport is now well equipped to meet future demands with a world-class facility that is modern, safe, and secure. With our new facilities we are now in a position to continue to play a crucial role as Canada's premier gateway, which would not have been possible with the facilities we inherited in 1996.

The second issue is air policy. With the right infrastructure now in place, the core issue impacting our competitiveness is the policy framework governing Canada's air policy. It is critical that the government's international air policy, as well as individual bilateral air service agreements with other countries, not impede the industry's ability to compete. A less restrictive market would allow Canada's entire airport system to grow and to flourish.

We recognize that the federal government is moving towards a more open and liberalized policy. I must say we're particularly pleased with yesterday's announcement of Transport Canada's consultation process to liberalize Canada's international air policy. The GTAA encourages the government to continue this approach and to abandon the former practice of negotiating agreements containing restrictions that hinder airports and air carriers from meeting the needs of the competitive market.

The third and most important factor that impacts the ability of an airport to compete globally is fiscal competitiveness. Much has been made of the cost of operating and redeveloping Pearson. Everyone agrees that the airport was in need of redevelopment. We have put into action a responsible plan to do that and to contain costs, maximize revenues, and develop new sources of non-aeronautical revenues to ease the pressure on the landing fees of air carriers.

One such source of non-aeronautical revenue I'd like to specifically mention is something called “arrivals duty free”. Such arrivals are not possible today in Canada. It's only possible—through the rules of the Canadian government—to have departures duty free, which creates a competitive disadvantage for Canadian airports and reduces the potential revenues that could be generated from international arriving passengers.

More than 45 jurisdictions or countries in the world have implemented an arrivals duty free program, and this has eroded the Canadian departures duty free program. Arrivals duty free would generate various economic benefits, including jobs, wages, tax dollars, and so forth. Our estimate is that these sales could generate as much as $338 million a year of additional revenue for Canadian business. In order to succeed as a global gateway, these types of initiatives that drive competitiveness have to be in place.

The third one, which I'm sure you've heard before is fundamental to us, is the issue of airport rent. As you've already heard from some of our industry partners, airport rent negates the competitiveness of not only Canadian airports but also the air transportation industry as a whole. The Greater Toronto Airports Authority has paid more than $1 billion in rent to the federal government since 1996. In 2005 the landing fees at Pearson, which you hear so much about, could have been 34% lower if there had been no airport rent.

We have given you a proposal in previous papers. It has been presented to the Department of Transport as well as to the Department of Finance, and it would make a major difference on the airport rent issue. It is a key financial policy change that we continue to ask for; it is critical to us. We've invested $4.5 billion basically in building a new airport on top of an existing one while keeping one running, but we need assistance to get the inequities out of the way. This solution could also apply to all other airports in Canada and provide some benefits to all of them.

● (1320)

Thank you very much.

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

From the Greater Toronto Hotel Association, we have Mr. Seiling.

Mr. Rod Seiling (President, Greater Toronto Hotel Association): Thank you. I'm also representing the Ontario Tourism Commission. Thank you for the opportunity to appear here today.

Tourism's GDP is equal to that of agriculture, forestry, fishing, and hunting in Canada. Total GDP attributable to tourism is 11.8%. From a policy perspective, it is both underappreciated and undervalued for what it contributes to the economy. Tourism represents 615,000 direct jobs and $57.5 billion in spending. Governments take one-third of all revenues, with the federal government in 2004 receiving almost 50% of the $17.5 billion the industry generated.

Tourism is a growth industry worldwide. Governments have recognized the inherent value of tourism to their respective economies, and they are investing in it. Investing in tourism provides immediate economic returns that allow the government to fund their priorities, such as health care, public safety, education, and infrastructure.

Unfortunately, Canada is losing market share in this growth market. Arrivals to Canada have dropped from twelfth place to seventh, while receipts have fallen to twelfth place from tenth worldwide. Our U.S. market, Canada's largest foreign market, is in free fall in terms of visitation. While international visits are increasing, they cannot make up this deficit, and the country's travel deficit is over $4 billion and increasing. Tourism is an economic generator, and it's time the government recognized this fact and treated it as such, both from a policy perspective and in resources.

The federal government has literally starved the Canadian Tourism Commission, the CTC. The CTC is unable to fulfill its mandate, which is the following: harness Canada's collective voice to grow export revenues, sustain a vibrant and profitable tourism industry, and market Canada as a desirable tourist destination.

The CTC's budget has gone from $98.66 million in 2001 to $75.83 million in 2007, with another $3 million cut coming. Taking into account inflation, the CTC's budget is about $50 million less than when it was established in 1995.

Cuts to the CTC translate into less tax revenue for the government. Since 2003, government cutbacks to the CTC have seen a reduction in Canada's share of the U.S. leisure travel market. If Canada had maintained the 30.5% leisure market share it had in 2002, it would have achieved the following: $3.1 billion in additional revenues, $453.2 million in additional federal tax revenues, and 6,380 jobs saved.

Canada is losing the awareness consideration battle. Canada and its partners spend less than 5% of their total advertising spending in the U.S. market. Mauritius, that little island in the Indian Ocean, has a larger share of voice in that market than does Canada.

As for competition, federal funding for competing tourism agencies is increasing. Australia has earmarked $121 million, while the U.K. contributes $118 million to its marketing agency.

What are the opportunities for Canada? Canada needs funding to become a national priority. The time is now. Canada's competitors are investing heavily in their traditional markets, and they are trying to steal away share in the new and emerging markets. Research has shown that for every $1 million invested in tourism marketing, the following benefits accrue: tourism demand goes up 20 times, 300 to 600 new jobs are created, and new tax revenues go up eight times.

The federal government needs to increase its funding to the CTC. It is good business, and the ROI, which has been shown to be immediate, will more than make up for the initial outlay. I'm not going to walk through the tables showing what $25 million, $50 million, and $75 million increases will do; it's there in front of you.

The Government of Canada is responsible for the Canada brand. Canada's image is at stake. Image and reputation are intertwined with investment and foreign policy and so on. The government can demonstrate that it understands the size and scope of the tourism industry. Continued failure to give it its due will guarantee that fewer visitors will choose Canada, more jobs will be lost, and the government will have fewer dollars to spend on priorities.

With respect to infrastructure, there has been no real improvement to Ontario border-crossing capacity in more than 70 years, resulting in increasing border-crossing delays and problems, notwithstanding that, for example, at the Windsor-Detroit crossing, car traffic is at 1972 levels and truck traffic at 1998 levels. Causes include the effects of 9/11, exchange rates, and increased security. Similar problems have occurred at the Niagara crossings, again caused primarily by the mix of cars and trucks.

This is more than a tourism issue. Manufacturers and large retailers that operate fleets of tens of thousands of trucks depend on efficient transportation systems to maintain just-in-time inventory systems, as do small businesses. For example, more than $65 million worth of goods crosses the Peace Bridge at Niagara every day. Douglas Duncan, president and CEO of FedEx Freight, predicts that by 2025 there will be twice as many cars and trucks as there are today on the road, and the U.S. Department of Transportation projects that freight tonnage will increase by 70% by 2020.

Expedited construction of new border crossings is necessary for the economic security of Canada and the United States. This can most easily be achieved by the separation of passenger and commercial traffic.

● (1325)

The Canadian Chamber of Commerce has estimated the existing delays at the Windsor-Detroit border are already costing the Canadian and U.S. economies $15.5 billion annually, with additional hidden costs in lost jobs and incomes.

We must also raise the issue of the proposed cancellation of the GST visitor rebate program. This proposal, if enacted, will put Canadian jobs, economic growth, and government tax revenues at risk, but also immediately increase Canada's tourism prices by 6%, a factor competitors are already raising with our customers at a time when Canada's tourism industry is already suffering from a soft market. Tourism is an export industry. Under GST regulations, export products are not subject to this tax. World-wide, every country that has a VAT system provides a visitor rebate program.

The government has mistakenly used incomplete information on which to make this proposal, saying there is only a 3% take-up rate and that it will save $78.8 million annually. This take-up rate is likely closer to 11%, which is similar to other countries' visitor rebate programs. The take-up rate for conventions and tour groups is close to 100%. These important sectors of industry will be devastated.

Thank you.

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

You went way over. I was trying to get your attention. We have to get moving. Members will be asking questions.

From the Canadian Plastics Industry Association, Mr. Sharma.

Mr. Atul Sharma (Chief Economist and Executive Director, Ontario, Canadian Plastics Industry Association): Thank you for the opportunity to present today. Basically, I will talk today a bit about the erosion of the manufacturing base. The handout—which was circulated, I believe—contains a lot of statistics about the industry itself, which I won't go through. But certainly, during the Q and A, I'd be happy to answer questions on that and focus in on the recommendations.

Historically, the Canadian plastics industry has grown at about twice the rate of general manufacturing. Over the past few years it has weathered the storms of change in the economy, the literal storms caused by the hurricanes in the past couple of years, and we're not really here today to ask for a handout to assist the industry, but for the establishment of a business climate to ensure that the plastics industry continues to prosper.

The question you may ask yourself is, well, why now, if it has done so well in the past? The answer is that the industry is currently facing, to continue with the storm analogy, a perfect storm of challenges: the high Canadian dollar; competition from low-cost jurisdictions; skilled labour shortages; weakening U.S. demand; soaring energy and commodity costs. Practical and immediate steps are needed from the federal government, and there are things that can be done very easily and very cost effectively.

The first main recommendation we would propose is the establishment of a vision for manufacturing within Canada. The Canadian government must take a lead to show that manufacturing continues to be an important part of the Canadian economy. This is very important for the plastics industry because it is, according to StatsCan, the largest manufacturing employer in Canada, with nearly 95,000 employees across the country.

The vision must include a commitment to developing industries that can provide value-added production to our natural resources. Again, for the plastics industry, as you know, plastics is based on a resin produced primarily from natural gas. Canada is a large producer of natural gas. Why not process some of that natural gas within Canada and develop the resins so that we have a security of energy supply and a feedstock supply for the industry? We can do all of this and still meet our NAFTA requirements.

The other recommendation we would make is with regard to the capital cost allowance for a two-year writeoff for investments in new manufacturing capital expenditures. This will help kick-start an innovation and productivity boom in Canada. And frankly, with the high Canadian dollar, it allows companies to take advantage of that situation with their purchases of capital equipment from the U.S.

We would also like to see improvements in the SR and ED tax credits. As you've heard from previous speakers as well, we would like to see more companies take advantage of them. Specifically, make the credits refundable, exclude them from the calculation of the tax base, provide an allowance for international collaborative research and development, and extend the tax credit to cover costs for patenting, prototyping, product testing, and other types of pre-commercial commercialization activity.

We would urge the government to maintain the commitment to reduce the federal corporate tax rate to 19% by 2010, but to also further reduce the rate by two percentage points by 2012. As well, we would like the government to look at a competitive regulatory regime to allow our companies to become much more efficient in their dealings with the federal government.

Lastly, we'd like to see the government continue to improve access to skilled labour through the funding of the Canadian Plastics Sector Council. CPIA is a partner with CPSC, and we have been working with them to take the message to students in high schools and in universities. As you can imagine, plastics isn't always the first industry of choice, but it's a very important one, and once we show students what's involved and the high technology that's involved within the industry, there seems to be a lot of excitement about it. We want to continue that and ensure that we have a future labour force within Canada.

In conclusion, we'd like to see the focus on a positive business climate in Canada, where value-added manufacturing can flourish and continue to contribute to the Canadian prosperity.

I'd be happy to take questions at the end of our session.

● (1330)

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

The House of Commons industry committee is preparing a report on the manufacturing situation in Canada. I'm just wondering, were you asked to testify?

Mr. Atul Sharma: Yes, we made a presentation in June.

The Vice-Chair (Mr. Massimo Pacetti): Okay, thank you.

From the Directors Guild of Canada, Ms. Brand.

Ms. Pamela Brand (National Executive Director and Chief Executive Officer, Directors Guild of Canada): Good afternoon, Mr. Chair and members of the committee.

We thank you for giving us the opportunity to appear before you today.

I'm Pamela Brand, the executive director for the Directors Guild of Canada.

I will beg your indulgence, because I'm fighting a very bad sore throat. I'll try not to get too hoarse.

You've probably read in the written submission we made in September that the Directors Guild represents almost 4,000 creative and logistical personnel in the film and television industry across Canada. We also have more than forty years of experience in contributing to film and television policy in Canada. It's not me who has being doing that for forty years; it's the guild.

I would like to take these few moments to highlight one of the key messages from our written brief, and that is that the film and television sector contributes significantly to Canada's competitiveness, economic prosperity, technological development, cultural strength, and social cohesiveness. Providing stable, long-term support for Canada's audiovisual sector helps fulfil multiple national objectives. It is an efficient and effective use of public resources, and it is also sound public policy.

Due to the economic realities of film and television production in Canada and around the world, building and maintaining a viable film and television production sector in Canada has required an integrated set of policy instruments, including financing and tax measures. The Directors Guild brief recommends that the upcoming budget ensure that the existing support structures for film and television production are maintained. In particular, the entire audiovisual industry would be very pleased to see this committee recommend stable A-based funding for the Canadian Television Fund, at least at its current level of $100 million per year.

Along with Telefilm Canada, the CTF is a critical program in supporting Canadian production, because its contributions leverage significant additional production funding. For example, the $100 million federal contribution to the Canadian Television Fund joined with contributions from the cable and satellite industries that triggered total production worth $841 million in the 2004-05 year.

A permanent A-based funding allocation for the fund would bring much greater stability to the industry. It would allow the production community and the Canadian Television Fund to better plan and make commitments to Canadian productions, and it will give further funding sources confidence that projects and partnerships will be viable over the long term.

In the recent past, this committee's pre-budget report has recommended stable, longer-term funding for the Canadian Television Fund and Telefilm Canada; a funding increase for the CBC, Canada's public broadcaster; and an increase in the rate of the Canadian production tax credit. The Directors Guild hopes this finance committee will once again recommend that these important measures to support our indigenous film and television industry will be made for this upcoming budget.

We also hope that the committee will recommend renewed funding of the Canadian Coalition for Cultural Diversity as it continues its work towards the global ratification and implementation of the UNESCO convention on the protection and promotion of cultural diversity in cultural expression. Canada has been a leader in the creation of this important international agreement. With the unanimous support of Canada's Parliament, it was the first country to ratify it.

We appreciate this opportunity to appear before you. We are pleased to answer questions.

Thank you.

● (1335)

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

Okay, members, we're doing well, so we're going to do a first round of seven minutes.

We're going to start with Mr. McCallum and then Mr. Wallace and then Mrs. Wasylycia-Leis.

Mr. McCallum.

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

Thank you to all of you for your presentations.

I'd like to start with two very quick comments and then ask some questions.

First of all, Mr. Seiling, I totally agree with you about the wrong-headedness of getting rid of this visitors' GST rebate. Indeed, we pushed for hearings to be held on that subject. We're going to have two hours, I believe, of hearings on that issue in a month or so, so we'll come back to that.

I'd also like to congratulate the Greater Kitchener Waterloo Chamber of Commerce, not only for your point that reductions in income tax are superior to consumption taxes and your proposal to get the lowest income tax rate down to 15%, where it was in 2005 before it was raised—we agree with that—but also in particular because you're speaking out about this myriad of piecemeal tax credits. I agree that it not only complicates the tax system but is also almost a kind of social engineering, government knows best attitude when you give special money for soccer players but not for dancers. We agree with you totally in the primacy of broad-based tax relief.

Turning now to questions, to the SickKids hospital, I'll say that I totally agree with you about the importance of health research. We've been hearing a number of people across the country on this issue, and I've heard it said that the situation in health research is urgent, if not desperate, in the sense that funding that has been given in the past to health researchers is coming to an end soon because the government has not yet stepped up to the plate. And many of the people who have come to this country from the U.S. and elsewhere will be forced to return unless new money is forthcoming, so we'll have a brain drain instead of the brain gain that had been induced by past research.

That's what we've heard. Has that been your experience too?

● (1340)

Dr. Janet Rossant: I think one has to recognize that in the last few years there has been a major reinvestment into health research in Canada that has led to a real growth in health research and health researchers, but what's happening is that it is suddenly plateauing and not continuing to grow. The researchers who have joined and come to this country are here and are applying for grants; we're seeing applications for grants going like this and the research funding going like that. The application pressure is enormous, and enormously strong, really excellent research is not being funded. It will be dire unless we see continued growth in the area. The investment is there and the potential is there, and cutting it off now would really prevent the realization of that investment.

Hon. John McCallum: Thank you.

I'd like to turn now to the manufacturing sector. We have two representatives here, and I have a double-barrelled question to ask to Mr. Sharma and Mr. Nantais.

The manufacturing sector, as we all know, is in some trouble because of the high dollar, high energy prices, and other factors, and job losses have been occurring. What would be the single most important thing government could do to help the manufacturing sector? Would it, for example, be a more favourable capital consumption allowance versus corporate income tax cuts? What do you think would get the most bang for the buck—not just your industry, but manufacturing in general?

The second question, which is for Mr. Nantais only, is about global warming. If some future government at some point were to get serious about global warming, wouldn't it be appropriate for the auto sector to have compulsory rather than voluntary requirements? I ask partly because that seems to be a corollary or an implication of getting serious, and also because I spent a lot of time in Alberta when I was the natural resources minister, and there was always the knee-jerk reaction out there; if we were saying we were going to get tough on oil sands or oil and gas, the reaction would be, “Oh yeah, you're from Ontario and the auto industry gets off scot-free; you just pick on us.” I think there's a sense of national fairness. That would be another case for compulsory rather than voluntary emissions.

That last question is only for you, Mr. Nantais, but the first one is for Mr. Sharma.

Mr. Atul Sharma: Simply put, the number one thing that could be done would be changing the capital cost allowance to a two-year cycle. I think that will help all manufacturing, but certainly our sector is a very technology-driven, capital-intensive industry, and anything that could provide some relief there would be of benefit and would help spur some investments.

We've seen some reports recently that there's a lot of liquidity within the industry and companies are essentially holding back on investments to see which way the government's going to go on this. If there is an indication that changes will be made, I expect we'd see some release of the pent-up demand.

Hon. John McCallum: Thank you.

Mr. Mark Nantais: In answer to your first question, Mr. McCallum, we would agree that the accelerated capital cost allowance would be very useful, as is the case for any industry or manufacturing sector that is very capital intensive. So we would support that.

Certainly, as it relates to the auto industry, there is nothing in Canada to keep us here any more. There's no Auto Pact, there is no other thing that would require us...and capital is very fluid. We now see people moving to other, lower-cost jurisdictions to build components and to make parts and actually to assemble vehicles. It is very critical that we have as positive a tax environment as we can have here in Canada, for all sectors, because right now we can move anywhere. We are a global industry. We can move anywhere in the world to do what we have to do, and if we don't have these positive signals, then I think it's a problem.

In answer to your second question about global warming, first off, I would be glad to answer the question about fairness. As I mentioned, we're the only industry to step up to a voluntary target of 5.3 million tonnes in 2010, from our products. No other industry has done that. We've also adopted the most stringent national emission standards. Those are the smog-related standards, and they are the most stringent in the world. We're an industry, we believe, quite frankly, that surpasses every other industry in Canada. We have always followed a U.S. regulatory program because we are a very integrated industry. The program for fuel efficiency, for instance, which gets the CO2 as one of the main global warming gases, has always been mandated there, but we did it voluntarily in Canada. And guess what? We've superceded those requirements.

So I would suggest—

● (1345)

Hon. John McCallum: If you always meet or exceed your voluntary requirements, what's wrong with making it compulsory?

The Vice-Chair (Mr. Massimo Pacetti): Sorry, Mr. McCallum, I have to wrap it up. We're over the seven minutes.

The next member is Mr. Wallace, please, for seven minutes.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chair.

I appreciate everyone coming this afternoon to talk to us. I do appreciate the presentation from Kitchener Waterloo. I understand the accountant is not excited about having to do the work that tax credits provide, but I'll just remind everybody that we did offer $20 billion over the next two years in tax cuts to individuals, which is more than four Liberal budgets put together, so it's still significant.

An hon. member: Wrong, wrong.

Mr. Mike Wallace: We're getting a little punchy over there.

I do have some questions. I am going to start at the far end, if that's okay.

We have heard about general personal income tax cuts, and that will be discussed at committee. As far as I know, you're the first one I've seen—it may be elsewhere—to raise the upper level from $118,000 to $150,000, and ultimately to $200,000, as the top marginal personal tax rate. How did you settle on $150,000? Do you know what that would cost the federal treasury?

Mrs. Linda Korgemets: Actually I haven't done the math to know what it would cost, and it is very important to understand the decrease in revenue. The $150,000 is a magic bullet number that we look at south of the border in the U.S., and in the U.S. it kicks in around $150,000, or it might even be $168,000. We're just trying to ask if there is any way we could have a number that even somehow parallels the U.S. top tax bracket, even recognizing, then, that we wouldn't be on the same footing, because as you are probably aware, in the U.S. they deduct their mortgage interest. We just want—

Mr. Mike Wallace: They also pay capital gains when they sell their homes, do they not?

Mrs. Linda Korgemets: They do, but they can roll that over if they buy another home of equal or more value.

Mr. Mike Wallace: Eventually it comes out.

Mrs. Linda Korgemets: Eventually it comes out here too, in your....

Mr. Mike Wallace: I appreciate that. I just wanted to be clear. We have a lot of presentations, of course, and in reading your recommendations, that is the first time I've seen the upper—

Mrs. Linda Korgemets: No. It's in the Ontario or the Canadian Chamber of Commerce. We do align ourselves, I'll be quite honest. There is no use reinventing the wheel, and we think the Canadian Chamber and the Ontario Chamber do very good work.

Mr. Mike Wallace: I have one other quick question for you.

There has been lots of discussion of infrastructure. You represent a municipality that's growing; the other side of the greenbelt might cause you to grow a little more. Do you think the federal government, in terms of infrastructure dollars, should flow that through the province, or should it be directly to the municipalities?

Mrs. Linda Korgemets: Directly to the municipality? Is that what you were saying?

Mr. Mike Wallace: That's my question. Has the chamber taken a position on that yet?

Mrs. Linda Korgemets: No, we have not. I don't have a position myself on that.

Mr. Mike Wallace: Okay, that's fair.

For my next question I'm going to go to SickKids, to Ms. Rossant.

I just want to be clear. For indirect costs, we've heard about this 40% mark from university researchers that we're looking for. Could you explain to me whether that actually covers the cost, or is that just a partial cover? What is covered now?

Ms. Janet Rossant: This is the cost of doing research. It's particularly important for research institutes such as ours in a hospital, where in order to pay salaries, pay researchers, pay for heating and lighting, all the background indirect costs of running a lab.... We have no funds from either federal or provincial agencies other than the indirect costs that come with grants. In addition, our only other source of funding is from private charities, so SickKids Foundation, in our case, pays some of those indirect costs. Forty percent of the external funds we bring in from grants, we have calculated that that will in fact cover.... If you look at our budget for the research institute right now, 40% is what we have to get from other sources.

● (1350)

Mr. Mike Wallace: Okay. Are you competing with universities for research dollars, or is that strictly for health care?

Ms. Janet Rossant: Are we competing for research dollars? As researchers, we compete. In other words, there are researchers within universities, there are researchers within hospitals, and we all compete for research funds through granting agencies in the peer review system, but we're not directly competing with the universities.

Mr. Mike Wallace: Okay.

I'm going to skip back to Mr. Nantais. You brought up Canada's Clean Air Act in your presentation. I appreciate the economic advice you've given us. I was a little bit unclear. I heard a big kerfuffle over mandatory requirements from my friends across the table when we first introduced Canada's Clean Air Act; I'm hearing something different today.

My understanding—and I live in Burlington, so I have a lot of Ford workers in my area, and I want to clearly understand—is that right now you have a voluntary pact with the federal government that is part of Canada's Clean Air Act. Is that a correct statement?

Mr. Mark Nantais: I don't know if it's part of Canada's Clean Air Act, but it's certainly in place with the federal government.

Mr. Mike Wallace: Okay. Then we're looking at going from voluntary requirements to mandatory requirements in 2010. Are you telling me today that you don't think your industry can meet those targets?

Mr. Mark Nantais: On the voluntary program?

Mr. Mike Wallace: No, on the mandatory. If they're doing them voluntarily, why can they not meet them mandatorily in 2010?

Mr. Mark Nantais: I didn't say that. I didn't address that aspect at all. Because we're a very integrated industry, it all depends on how one intends to regulate us. What I didn't get to say was when you look at new vehicles and their contribution to greenhouse gases in Canada in terms of the totals, it's less than 1%. So that means we could shut down and not sell one more new vehicle in Canada and we'd still have 99% of the problem to deal with.

We would ask ourselves...we can have a voluntary program, which is our preference. It would be modelled after or aligned with the U.S. regulatory requirements; it gives us much more flexibility, fewer regulatory costs in Canada. If the government chooses to regulate us, then there's a way to regulate versus not and a way of doing it properly, because we are such an integrated industry—that's what's so critical as we go forward—and it's a principle we will be insisting on in the forthcoming consultations.

Mr. Mike Wallace: Okay, I appreciate it.

Do I have more time?

The Vice-Chair (Mr. Massimo Pacetti): Twenty seconds... fourteen....

Mr. Mike Wallace: Would you rather be playing hockey, Mr. Seiling, or not?

Some hon. members: Oh, oh!

Mr. Mike Wallace: That's my time. I'll give it up. Thanks.

The Vice-Chair (Mr. Massimo Pacetti): I wasn't sure. So you are the Mr. Seiling—

Mr. Mike Wallace: Yes, he was with the Leafs, the New York Rangers. There you go. Get his autograph later.

The Vice-Chair (Mr. Massimo Pacetti): I'm not a Toronto Maple Leafs fan, but I have your hockey card.

Some hon. members: Oh, oh!

The Vice-Chair (Mr. Massimo Pacetti): It's much more valuable.

I just ate up five seconds.

Ms. Wasylycia-Leis, for seven minutes, please.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): I'd like to mention he's also from St. Jacobs, my hometown, and a very important part of our country.

I wanted to start with Rod Seiling on the question of the GST visitor rebate. You've outlined in your brief that this cutback, if proceeded with, could be quite devastating to the tourist industry.

I can't stop it, since it requires a ways and means motion. It's before the House; it hasn't been called. I'm wondering what you can say to convince my colleagues across the way to vote against this motion or to not call it, so we don't have to deal with this blow to our economy.

Mr. Rod Seiling: We would suggest that it isn't a cost saver; it's actually going to end up costing the government money. The numbers they're using...the $78.5 million is really only a part of the issue. That takes up the revenues and costs dealing with the individual travel. No account was taken of the meetings, convention business, or the tour and travel. Those are the most important segments of the whole visitor rebate program, and those numbers never touch your books.

We believe the real number is somewhere around $1.28 billion that is used in the visitor rebate program. Every country that has a VAT system in the tourism industry offers rebates, so what you've done is to give us an automatic 6% increase in our costs, and I can tell you, our competitors are already using it. It hit the web the next day: Canada's pricing just went up 6%. Not only is it going to cost you that direct revenue, but it is also going to cost in lost opportunities. In terms of jobs, in terms of the taxes on goods and services of those visitors who would have chosen to come to Canada, they are not going to come any more because this is such a competitive business. Every country in the world has identified tourism as being clean, as being green; it's an export industry. What you've done is make us uncompetitive, and you've done it with numbers that aren't even correct.

We would ask you seriously to take a look at it. Wherever the numbers came from, they're wrong. The impacts are way more significant and the numbers are much higher than you've been led to believe.

● (1355)

Ms. Judy Wasylycia-Leis: Thank you. That's very helpful.

Let me ask you a question, and perhaps Pamela as well. We often have this debate in our committee about whether it is wise to take all your surplus and put it against the debt, to pay it down, or find an approach where you put some against the debt, some toward programs, some toward tax cuts, and so on.

I am glad Mike is here, because in fact we just debated this yesterday and he said, show me some area where you could put this money into a program that would actually grow the economy and help bring down the debt just as fast as if we put all of our surplus against it directly. I would think tourism might be a good example of that and also arts and culture. So I wouldn't mind both of you commenting on the return on investment one gets by focusing on your areas of concern.

Ms. Pamela Brand: Thank you very much for that question. I just want to say that film and television—and I'm talking about film and television audiovisual in particular, not books, music, and publishing, which is a much larger part of the cultural industry, If you put that all together, there's a lot of return on investment to the government for the investment it puts into the cultural industry—but for film and television in particular, it is now a $5 billion industry. It is part of Canada's knowledge economy. It creates very highly skilled, highly paid, and environmentally benign jobs across the country.

There are 73,000—almost 75,000—people across the country within film and television and related industries. Economically, the investment in the CTF, and certainly the investment through the production services tax credit, which means productions coming in mostly from the U.S. but also from other countries that are done in Canada.... I don't have those numbers with me, but I was told by the previous Minister of Finance, his senior bureaucrat, that it is now a revenue-making program for Canada, unlike the Canadian tax credit, which is for the indigenous production, but indigenous production needs a little more of a boost so that it can catch up with the service production.

Also, there are cultural objectives, which are not always easy to express clearly, but film and television and culture really is a way.... This gentleman beside me was speaking about branding Canada. There's no more powerful and effective way of branding Canada than through its books, its music, its film, and its television.

If you want to have an image of Canada presented around the world, the most cost effective and efficient way of doing that is through film and television, which goes throughout the world. Film is in the theatres all over the world. Television goes directly into the homes. There are mass audiences. The Americans are very good at it. With the investment the Canadian government would put into film and television, we could be as good, because with the minute resources we have compared to America and the European Union, we have famous directors and creators around the world. We hear about them all the time.

There's the economic as well as the cultural policy objectives, and as far as nation building goes....

Are you going to cut me off now, or are you getting bored?

● (1400)

Mr. Mike Wallace: No, keep going. I'd like to see what's left of Judy's seven minutes.

Voices: Oh, oh!

Ms. Pamela Brand: All right, I'll stop.

The Vice-Chair (Mr. Massimo Pacetti): Ms. Brand, the only person who'd cut you off would be me.

I think Judy still has thirty seconds.

Ms. Judy Wasylycia-Leis: Good.

I wonder if Rod would just answer as well.

Thank you very much, panel.

Mr. Rod Seiling: We think in Toronto that investment in tourism is an investment with immediate returns. For example, a $25 million increase in tourism marketing will give you an immediate increase in tourism demand of somewhere between three-quarters of a billion dollars to over $1 billion. Return investment is 28% to 54%, and your increased federal tax revenue is somewhere between $104 million to $200 million.

So the returns are immediate, and they will pay you and allow you to invest in your core priorities.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Seiling, and thank you, Ms. Wasylycia-Leis.

The next "*demandante*", as the chair would normally say—sorry about that—will be John McKay.

We have enough time, so we're going to give five minutes to Mr. McKay, Mr. Dykstra, Mr. Savage, Mr. Del Mastro, and Ms. Ablonczy.

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

Again, Toronto scores big because of the quality of its presentations.

I feel sorry for Mr. Seiling. If he were still playing hockey, I think he'd be riding the bench. As I count your plus-minus, you're at least minus four at this point. You've lost your funding, the GST rebate got cancelled, museums got severely downgraded even though, as another witness told us, 60% of tourists go to museums, and your China program is going absolutely nowhere. I'm not quite sure what this government doesn't like about tourism, but they seem to be well on their way to pretty well killing a growth industry.

I wanted to, however, question the folks from the Greater Kitchener Waterloo Chamber of Commerce. You're pretty categorical—yours was probably one of the more categorical presentations—with respect to the 1% reduction in GST. You question whether it was the correct method to decrease overall personal tax burdens, and you go on to recommend that basically consumption taxes are the last thing you'd cut. You'd prefer to cut CCAs, CITs, BITs—pretty well anything but consumption taxes.

For the benefit of members opposite, can you expand on that?

Mrs. Linda Korgemets: Certainly.

This really comes from a line of thought that when you look at income taxes versus consumption taxes, consumption taxes are good taxes and income taxes are bad taxes. I'd have to be a theoretical tax person to explain that better to you. I'm only repeating the published tax efficiency of both those types of taxes.

I said we question it, but we don't know. The party line—not any of the parties here—in tax theory is that consumption taxes are the way to go, and income taxes are not, if you're trying to raise revenue.

Hon. John McKay: Exactly. Any tax theorist knows that our mix of taxes is overbalanced to personal and underbalanced to consumption. The only economist in Canada who thinks that's wrong is the Prime Minister of Canada.

I'd also like to talk to you, Mr. Kaldeway, about the GTAA and particularly the problems at Pearson. We've talked about this before, and I suspect we'll talk about it again. As far as I know, no airport authority was tortured when entering into these agreements, and up to now they have enjoyed a relatively good ride on rent. But now it's getting a little expensive.

I appreciate that Pearson's problems are probably unique in the nation. If the government picked up your recommendation, the cost of carrying debt as a result of necessary investments in airport infrastructure is not considered revenue. How would that affect the formula for Pearson?

Mr. John Kaldeway: Thank you for the opportunity to explain that.

Let me go back to an earlier comment you made about us not having been forced to sign a deal—and you're absolutely right. But quite frankly, back in 1994-95, when the airport authority was first formed, there was a very intense negotiation with the officials of Transport Canada to work through a transfer process that had two characteristics that are a little different from today, I think.

One of them is the nature of the aviation industry.The profitableness, if you will, of the aviation industry in those days was somewhat different from what it became in later years, especially in recent years. The other thing is, there was a very strong push on the part of the community-based organizations here to have this deal done, and the deal that was in front of us was really the only deal that was available or it wasn't going to get done.

The expectation was that to do the deal—in the first few years the rent was not so onerous that it was going to be as difficult as it is today, with the full expectation on the part of the board at the time that there would be an opportunity to cut it in future years. And now is those future years.

The other part of your question was, how would this make a major difference? The rent regime that was announced last year changes the rent from a passenger-based formula to a revenue-based formula. Because our costs have had to be so much higher than many other airports, because of the massive building we've had to do, the revenue we generate to cover that is also much higher. Therefore, we end up paying quite a lot more rent per capita than anyone else does.

The formula we proposed provides a much more equitable solution to that, so that by 2010, rather than paying two-thirds of all of the country's rent—which we will do under this formula—the change to the formula that we have suggested would bring that down to roughly 40%, which is closer to about one-third of the nation's traffic that we have, and therefore makes it more equitable.

● (1405)

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

Mr. Dykstra for five minutes.

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

I think we're all making our points here this afternoon, and it must be because it's one of our last sessions.

Ms. Wasylycia-Leis continues to talk about the reduction in expenditures that we made in the last month. One of the things she doesn't refer to is an over 5% increase in this year's spending and this year's budget allocated to a number of priorities, including post-secondary education, affordable housing, overseas development assistance, improving a public transit system, and $16.5 billion in infrastructure. This budget obviously goes in the right way, and if Bill C-48 wasn't bad in terms of where the money was going, obviously you would support the increase in expenditures that we had to do.

I guess what I'm trying to say is that we actually find now that even though we're finding ways to cut taxes and making sure working families have the ability to keep a little more of the income they earn, we actually have some extra money—so far, at least—in this year's budget. Obviously, positive things are happening in the country. So I hope you're not all thinking that because of what you're hearing across the way, it's doom and gloom; it's actually very positive.

Mr. Seiling, I look forward to the two hours that we're going to actually spend reviewing the issue you've put forward. It's something that is obviously going to get the finance committee's attention, and I appreciate that.

I know Mr. McCallum was responsible, as he sort of headed up the expenditure review for the Liberal Party and the Liberal government over the last number of years, and he continues to talk about the $11 billion in savings that they found. We've often been trying to see where it was. Well, I found it. At least, I found some of it. The $100 million you received in 2001, you've actually been cut by 25%. Mr. McKay is absolutely right when he says you've been hit from all sides. The thing that interests me about this is that that cut is directly to the services you deliver. I understand the reduction we made is a reduction and it has an indirect impact on you. But the fact that you've been cut by 25% since 2001, I think speaks volumes to the investment, or at least the consideration that the former government gave to tourism in this country. Could you comment?

Mr. Rod Seiling: Certainly, we're concerned that government simply hasn't been aware of the economic value of tourism. When you take a look at the GDP, and if you look at the size of our...we are larger than farming, hunting, and agriculture, all those put together. So it speaks volumes about the misperception of the value of the industry. We're simply saying it's time that governments need to take....

The difference between tourism and a manufacturing plant is that when a manufacturing plant closes and 500,000 jobs disappear, that's big news. What's happening to our industry, because it's made up mostly of small businesses, we lose two jobs here, two there. This is an industry that goes from coast to coast, from the 49th parallel right up to the Northwest Territories, to our indigenous people, so it's important, whether you come from a rural or an urban riding. It hits home everywhere.

We're very appreciative that you're talking about it, and maybe you'll do something about it.

● (1410)

Mr. Rick Dykstra: The good thing about this government is that they're prepared to listen. Messrs. McCallum, McKay, and Savage were driving the getaway car. We are going to work with you on that.

The other point is on debt reduction. I'd be interested to get your thoughts on this. We had David Dodge in last week, and he spoke to the issue of debt reduction and the commitment we should have to it. It strengthens the economy and produces an additional $660 million in revenue, which could be put in the next budget. I'm wondering if you could elaborate a little on where the chamber thinks we should go on this.

Mrs. Linda Korgemets: Debt reduction is still a very important issue for us, because we're looking at demographics. We look around the room, and we look at who might be retiring, going out five to ten years. We feel we need to get the interest expense of this government down. It's been at about $40 billion. That's when we're raising $210 billion in revenue. It's a huge amount, and if we could get our interest expense down, we'd have a lot more flexibility in spending money on tourism and health care. We believe we should reduce the debt when we can, when times are good, so that when times aren't good, we're not constrained by the interest expense.

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

Mr. Savage.

Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.): First of all, I have a comment for Mr. Seiling. All the parties have tried to get you to say awkward things about everybody else. I just want to let you know you stickhandle very well for a defenceman.

I want to talk to Dr. Rossant about CIHR. I used to be on the board before I was elected at the IWK in Halifax, and I'm a huge fan of CIHR. I also had an involvement with a non-profit charity, and about ten years ago we used to be asked to fund a lot of research, because the old MRC was almost out of the business.

I think one of the most significant things that we've done as a nation in the last seven or eight years is to re-invest in research and reverse the brain drain. As you said, with research you can't just go up and down. You don't keep quality people if you do that. We have to keep what we have now and keep ramping up, because there are more and more people applying for grants.

Is there an institute of pediatric health within CIHR? Is that one of the thirteen institutes?

Ms. Janet Rossant: Yes, one of the thirteen institutes is the Institute of Human Development, Child and Youth Health. It's very important.

Mr. Michael Savage: You mentioned work on asthma. Nova Scotia is alleged to have the highest incidence of asthma in the country, so that matters to me. But what I really like about CIHR is that we've gone beyond basic biomedical, clinical research to some broader work on populations and health systems. Your point is that the existing money is good, but it shouldn't come out of CIHR.

Ms. Janet Rossant: Yes, CIHR has invested in what it calls the four pillars of health research—discovery, sort of biomedical research; applied research; clinical research; and applications to the population and the health system. They are trying to find out how to deliver the results, how to get the return on investment from the clinical work into the health of Canadians.

There's enormous expansion, and it's about ready to deliver on those promises. The CIHR, the institutes, are ready when you have an issue. So child health is an institute that can address that. If you're looking at respiratory problems and asthma, there's an institute of lung diseases, so you're ready to look at those. But there has to be a continued growth. We're not asking for an enormous increase. We're just asking that the ramped-up projects be continued. Otherwise, we will lose the investment.

● (1415)

Mr. Michael Savage: In essence, if you don't ramp it up, the people who are here will go where the research funding is available, to the NIH perhaps.

Ms. Janet Rossant: That's right. It's the young people who've come back because of the improved environment here that we will lose again.

Mr. Michael Savage: On indirect costs, the Heart and Stroke Foundation, which I have an association with, came to me last year when our economic update moved to 40% in indirect costs. They said they were getting burned. They used to fund the research that nobody else wanted to do, but last year they were having a hard time getting researchers, because we don't do the 40% of indirect costs. You are affected a little by that yourself—working in a hospital as opposed to a university.

Ms. Janet Rossant: That's right. We only get indirect costs on the federal grants, but we really recognize the importance of voluntary agencies as well. There has to be a balance between the two.

Mr. Michael Savage: Great work. Thank you very much.

I just have a quick question for Art and Linda. I really enjoyed your presentation for a lot of the reasons that have been pointed out.

You mentioned something to the effect of the fiscal imbalance. We were in Quebec yesterday, and we heard about the fiscal imbalance once or twice or a thousand times. It's very important to the people of Quebec. It's important across the country. Whether you believe in it or not, the whole issue of equalization certainly matters.

Yesterday we heard that there shouldn't be piecemeal arrangements made on equalization. In fact, they were very much against the Atlantic accord. I come from Nova Scotia. We believe in the Atlantic accord. We were in Newfoundland earlier this week, where they said that, as a basis, nobody should be hurt. In fact, whatever we do with equalization, no province should get less revenue than they get now, and I wonder if you have an opinion on that.

Mrs. Linda Korgemets: I have a definite opinion. I don't like piecemeal. I've never liked piecemeal. It's like a bandage approach to something that's broken. We all recognize that equalization is broken. I think it's been in play for maybe forty years, since the seventies, although I'm not quite sure when it all came in. But obviously something that old can't work today, based on the country that we are and the federation that we are.

Our chamber doesn't have a magic bullet or a quick fix, but, boy, do we ever want it looked at seriously. It's a very complex problem, and we can't go at it on a piecemeal basis. We really need a solution, and that's going to take time, even though we say in our submission that we want this national gap thing fixed in a year. We want it immediately tabled, so we're concerned that it's not moving forward fast enough.

I actually thought we were going to hear something from the federal government this fall. I know the fall's still happening out there, but I was expecting an announcement of some description in the last month and I haven't heard anything.

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

Mr. Del Mastro, for five minutes.

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

Ms. Rossant, first of all, you touched a little bit on asthma in children. In fact, we have a bit of an asthma epidemic across all age groups, and breathing problems. The Lung Association certainly talked about that. One of the big causes of this is smog, which is low, ground-lying pollution. Two things go into smog: nitric oxide and hydrocarbons, which are essentially unburnt fuels. They combine into something called nitrogen dioxide.

The clean air plan specifically is set out to bring in regulations to reduce smog-causing pollutants, something not at all addressed in the Kyoto plan. Is that a good idea?

Ms. Janet Rossant: I think that is an important component. Addressing issues of air quality is important. However, while that's part of what is causing an epidemic of asthma, it may not be the only thing. We need to understand more about the causes, and also how to really control asthma in the population.

Mr. Dean Del Mastro: Thank you.

Ms. Korgemets, you spoke a little bit on the GST, and these guys were leading you in directions...trying to get you to come down hard.... In fact, they've been practising politics with guests all day. They agree with everything. Everything's a good idea, except anything we came up with. But they agree with all of you today, just so you know.

Anyway, the GST had a very important effect on inflation, didn't it? According to the Bank of Canada last week—

● (1420)

Mrs. Linda Korgemets: Did they link it?

Mr. Dean Del Mastro: —inflation actually went down substantially, and they claimed that the GST reduction—

Mrs. Linda Korgemets: I realize it did. I thought it had to do with my gas prices at the pump.

Mr. Dean Del Mastro: Part of it did, but it was also the GST, because obviously the cost of goods was reduced when the GST went down.

When we contain inflation, we also control interest rates. Is that pretty important for business?

Mrs. Linda Korgemets: Interest rates are absolutely important for business, and they're important for the government too.

Mr. Dean Del Mastro: So good, sound financial—

Mrs. Linda Korgemets: You're leading the witness.

Mr. Dean Del Mastro: I'm not. I'm just asking if a good, sound financial practice by the government that leads to lower interest rates is very positive for business.

Mrs. Linda Korgemets: Creating the right business climate is important, so controlling inflation is important.

Mr. Dean Del Mastro: And low interest rates are important.

Mrs. Linda Korgemets: Low interest rates are important. Is the GST rate reduction the way to do that? If you talk to our members who had to do whatever tweaking they had to do to their business systems to deal with the GST, they wouldn't be that enamoured of the cut.

Mr. Dean Del Mastro: Just so you know, major members of the Chamber of Commerce are very positive on the GST reduction, including home builders, restaurants, and food associations, which are major members of your association. You may want to talk to them a little bit about GST reduction.

We also believe in broad-based tax relief, targeted tax relief, to actually direct where people are going, through things like the transportation tax credit to encourage people to ride public transit. We've seen transportation ridership go up. These things are working.

Mr. Seiling, I'm from Peterborough. We like to think it's the home of some pretty good hockey players, but we're also the capital city of the Kawartha Lakes. I personally agree with you that we need to make significant investments into tourism. If we took the $80 million from this change in the GST and invested it into marketing, where do you think we'd be?

Mr. Rod Seiling: You'd be robbing Peter to pay Paul. You need to do both. It is bad—

Mr. Dean Del Mastro: If we offered you both, would you rather have the money spent on marketing or would you rather give it to people who were leaving the country?

Mr. Rod Seiling: I think we need to spend some time talking about it, but quite frankly, doing the GST rebate cancellation is bad policy. You're not saving any money; just moving it from one side to the other is not.... You're fooling yourself.

Mr. Dean Del Mastro: But I personally have travelled to countries that charge you money to leave and it's never discouraged me from going back.

Mr. Rod Seiling: But what we're talking about is those people never coming here. What you're not understanding is that for meetings and travel, and tour and travel, there is an automatic exemption. That money never even comes into your books, and it far exceeds—far exceeds—what we're talking about in individual travel. The number that's been provided to you is simply for individual travel into Canada, and that's the smallest number of the three groupings of international travel here. What's happened, and is happening, is that our competitors are already using it. You've just increased the price of travel to this country by 6%.

Mr. Dean Del Mastro: Thank you.

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

We're going to end up with Ms. Diane Ablonczy for five minutes, please.

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

You had good presentations, and good points were made. I wish I could talk to all of you, but I want to start with Ms. Rossant.

You talked about the epidemic of obesity in children. As you know, one of the things we've done to try to address that is to bring in a children's fitness tax credit. The commission studying how that should be applied reported today; they earned $1 each for their efforts.

They recommended physical activity that contributes to cardiorespiratory endurance; that there had to be a minimum of one session per week for eight weeks; that it must include a minimum of thirty minutes of sustained moderate to vigorous physical activity for children under ten, and sixty minutes for those ten and over.

They had other recommendations too, but in general, do you think this will be helpful to kids in giving them something to encourage them to participate in activity?

Ms. Janet Rossant: There's no question that increasing physical activity in children—in fact, in all of us—is a good idea. But I think we need to know more about the differences between children; some children, and indeed adults, are more susceptible to obesity and more susceptible to cardiovascular disease and diabetes. So we not only need to be able to put in general measures, but we also need research to understand the specificity of this, so we can really produce targeted measures that go beyond increasing health fitness to really address the underlying problem.

Ms. Diane Ablonczy: Yes. I'm looking for when the gene that makes us overweight can be taken out of our bodies.

Ms. Janet Rossant: Well, there clearly are genetic components; they are not the only things, but in obesity, as with almost all our attributes, there is a genetic component.

Ms. Diane Ablonczy: I've read that. That's good.

We had the Governor of the Bank of Canada in front of the committee last week in Ottawa, and he was asked about the paydown of the debt when we have an unexpectedly large surplus. He said:

> ...in periods when revenues are a little stronger than anticipated, I think it's extraordinarily important to use that opportunity to pay down debt. That's how the system is supposed to work. Indeed the accounting rules mean that if you get more revenue, you don't spend it; you have to pay down debt.
>
> It is important to take advantage of strong periods to do that. As I've said before, it's very important—important not only for the Government of Canada, but important in provinces where there is very large revenue growth—to take the opportunity to either pay down debt or put money aside for the future. That helps in the short run; it really helps in the long run.

Would you agree with the Governor of the Bank of Canada, Ms. Korgemets?

● (1425)

Mrs. Linda Korgemets: Well, it sounds like I said the same thing about ten minutes ago, so yes, of course, I agree, but I want to temper that with the following.

Our surpluses have been absolutely astounding over the last seven years under both governments—just so you people on both sides of the table know that we've had this budgeting process that creates large surpluses. It's a little bit odd. You've got lots of different things built in there for prudence and conservatism. So I'm thinking that the budget process isn't necessarily as fine-tuned as it could be. And, yes, we need some squishy room in there to deal with things that we aren't expecting; if we got some sort of avian flu, or whatever, we'd have a real economic bounce.

But I think budgets should maybe be looked at again, because if we keep generating $10 billion and $13 billion surpluses, we will effectively have overtaxed everyone around this table and everybody out there.

Ms. Diane Ablonczy: Well, that's a good point, and that's why we cut taxes to individuals by $20 billion over the next two years, this year and next year. We also raised spending by 5%, by the way. So we're spending more on programs; we're returning some money to individuals—we think that's important. And of course, by debt paydown, we will have every single year forever $650 million a year to work with that we wouldn't have had otherwise. So that's how we're trying to be responsible on all levels.

But I wanted to ask something with respect to the airports, which has been a huge issue in front of the committee. Can you explain, not just to me but to regular Canadians, what would happen if airport rents were reduced as you're asking? How would that affect the air traveller, regular Canadians?

Sometimes people need it translated into personal terms.

Mr. John Kaldeway: Yes, thank you.

The total airport rents that Toronto Pearson pays this year equates, as I think I mentioned in my submission, to about 34% of our landing fees—roughly a third of the landing fees. The landing fee at Pearson is an impediment to certain airlines coming here and providing services. That's one possible impact, and one that I know is a strong one. Having airlines come in and provide services that you could take advantage of to various parts of the world that are not now well served would be a very positive result of my costs going down.

The other part of it that I have less control over is that we've committed that whatever rent reduction we'd get, we would pass on to the airlines and reduce their landing fees. I would hope that this would at some point result in some reduced airfares.

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

Thank you, Ms. Albonczy. Thank you, Mr. Kaldeway.

Just quickly, Ms. Rossant, in terms of your research money, how do the hospitals and the universities work together? Is that being done?

Ms. Janet Rossant: How do the hospitals and research institutes work together?

The Vice-Chair (Mr. Massimo Pacetti): When it comes to research.

Ms. Janet Rossant: All of the researchers like me who work within hospitals are also university professors. I'm a professor at the University of Toronto. We take graduate students, and we teach at the University of Toronto.

The Vice-Chair (Mr. Massimo Pacetti): Is there a duplication, or is it controlled through CIHR?

Ms. Janet Rossant: We're not duplicating. We are doing different research; we're working in different areas. The children's research is at the Hospital for Sick Children.

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

Mr. Nantais, on this pamphlet that you have here, the fourth item says that one cord of wood burned in your fireplace would generate more smog-causing emissions than ten vehicles over their useful life.

Who prepared this?

Mr. Mark Nantais: That's based on the emission regulations that are now in place—and these are mandatory, the most stringent in the world—as well as the performance of the vehicle. A calculation is derived from that.

The Vice-Chair (Mr. Massimo Pacetti): There's a lot of wood being burned in my area. I think we have a major problem.

I want to thank the witnesses. It's been very interesting. It's a challenge for us. I don't get to say that we've saved the best for last—that's going to be for the next panel—but the members actually behaved themselves, so I appreciate that.

The meeting is suspended, and we'll be back in five minutes.

Thank you.

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(Pause)

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• (1435)

The Vice-Chair (Mr. Massimo Pacetti): Colleagues, let's not all lose hope; we're at the end. As I just said, we've saved the best for last, so please do not disappoint—I speak to the panellists. Don't worry about the pressure; you're only witnesses number 400 to 410 or so.

The way it works is this. We're here pursuant to Standing Order 83.1 on the pre-budget consultations for 2006. I will allow you five minutes to make your presentation. I will interrupt you after five minutes, because the members are going to want to ask questions. Time is limited, and there's more than one of you, so if you can keep your presentations to five minutes, we'd appreciate it.

I'm going to go in the order I have here. The first group to go up is Opera.ca, Mr. Baile. Thank you.

Mr. David Baile (Secretary-Treasurer, Opera.ca): Good afternoon. My name is David Baile. I'm the general manager of Opera Atelier here in Toronto. I'm also the secretary treasurer of Opera.ca, a service organization; it's the national voice of opera in Canada.

I'm very pleased to be able to address the Standing Committee on Finance. Opera.ca believes that arts play a vital role in the prosperity of our country's economy, and we value the opportunity to engage with you in this dialogue.

In the budget presented last May, the federal government acknowledged the contribution of the arts to our economy. With this recognition, they addressed the urgent need for arts investment by providing the Canada Council for the Arts with $50 million over the next two years. This is an excellent first step and is welcomed by the opera sector, and indeed the entire arts community. We'd like to thank the government and all parties for this clear demonstration of support.

I'd also like to echo the recommendations of others and stress the importance of securing stable and predictable long-term funding for the arts through the Canada Council. It is critical to the stability and potential of this sector that this welcome infusion be made permanent.

Opera.ca also urges members of this committee to further invest in stable, long-term funding to the Canada Council. Specifically, we are calling for an additional investment of $100 million over time.

The reasons for stable public investment in the arts are twofold. First, a federal investment provides the foundation and leadership to lever other funding from the private sector, other levels of government, patrons, and foundations. It is a linchpin in effective business planning and management of our volunteer-driven, not-for-profit companies.

Second, it allows for the inherent risk of creating and showcasing new Canadian talent. Risk is essential to artistic innovation, much as it is in business or science. The need for working capital and research and development activity is key to the advancement of all industries.

As members consider these recommendations, I wish to stress that I and my colleagues across Canada appreciate and recognize that the federal investment in the arts is only part of a healthy mix of revenue sources. For my own company, for instance, federal contributions represent less than 8% of our gross revenues; earned and other contributed income are by far the most significant sources for us. However, the federal investment is critical, and as a result, for each production we engage in excess of 100 professional artists and technicians, including 10 principal singers, 12 dancers, 20 chorus members, 30 musicians, and another 40 people behind the scenes.

The committee has asked us to address very specific questions about the role we play in the economic health and prosperity of Canadian citizens and businesses. Art is essential to the vibrancy of a rich and engaging way of life. The arts are a key partner of creating vibrant communities that attract investment, business, and competition.

Canada's future rests in the hands of its children and youth—cliché, perhaps, but unquestionably true. With the erosion of arts education in schools, there's a huge demand on arts organizations to fill the gap. Communities that offer artistic opportunities, such as Opera Atelier's "Making of an Opera" for youth, enable them to learn discipline, good values, teamwork, and leadership, and in turn create healthy communities. With this program in particular, Opera Atelier is now in the position that we turn away literally hundreds of youths because of a lack of resources.

Training in the cultural sector also affects Canada's prosperity. Artists and other professionals working in the field aren't typical employees. Opportunities for professional development and training are sporadic and scattered at best. It is for this reason that Opera.ca urges the government to move forward on the implementation of the labour market partnership agreement, a Canada-Ontario initiative.

Another of the committee's questions asked about securing Canada's competitive place in the world. My position at Opera Atelier has provided a unique window for me to see firsthand how the arts can open doors to business opportunities in Canada. Opera Atelier has toured internationally for years now, and in the past few years primarily to Asia. Two years ago, performing at the Seoul Arts Center, Opera Atelier set a record for single ticket sales. We've been invited back this year but still do not have confirmation of support from the Canadian government.

It is a paradox that the Canadian government is contemplating cuts to our foreign cultural diplomacy programs, when recently the United States announced an infusion of resources, tripling their commitment to these initiatives. It is with this experience at hand that Opera.ca urges the Government of Canada to ensure that it continues to sustain its DFAIT investment in ensuring that organizations like Opera Atelier have the opportunity to hold Canada's flag high in other parts of the world.

In closing, I would like to thank the committee for allowing me to be here today. I look forward to discussing our recommendations with you in detail. Thank you.

● (1440)

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

From Campaign 2000, we have Ms. Rothman.

Ms. Laurel Rothman (Director of Social Reform & National Coordinator, Family Service Association of Toronto, Campaign 2000): Thank you for the opportunity.

Campaign 2000 is a cross-Canada public education movement of more than 110 organizations. We're pleased to have the opportunity again.

Nearly a generation has passed since the House of Commons unanimously committed to end child poverty by the year 2000. Clearly, 2000 has come and gone, but family poverty is unfortunately with us. We remain committed to pressing for implementation of that commitment, and we join with our partners in Make Poverty History, who I know were here this morning, to press for poverty eradication in the developing world as well.

It's time for Canada to become a leader in overcoming child and family poverty, not remain a laggard. With almost 1.2 million children and their families living in poverty—almost one child in every six—Canada ranks 19th, worst, out of the 26 OECD nations. That's far from acceptable, I think many would agree. Let's join the U.K. and Ireland, who have set targets and taken a determined approach and have had some success in ratcheting down the numbers.

Quebec and Newfoundland here in Canada have demonstrated admirable leadership by committing themselves to a defined strategy to reduce poverty. Newfoundland is just beginning, but after several years, Quebec is having some evident success. The rate of child and family poverty is decreasing in Quebec more quickly and steadily than anywhere else in the country. By strange contrast, it's going up and is stubbornly high in B.C., of all places.

If we're going to seek a social inclusion agenda, which I submit we must, since we're relying on immigration to refill, if you will, and support our population growth and labour force development, we have to be an inclusive society. We have to also deal with growing inequality, whereby the incomes of the richest top quintile rose by 10% between 1990 and 2000, while those of the poorest 20% remained stagnant.

The poverty rate tells half the story. We also have the average low-income family living $7,200 below the poverty line, and a stubborn figure of more than 40% of food bank users are children.

We think Canada can and should adopt a comprehensive poverty reduction strategy. It's affordable; it's achievable. It will require significant investments, but we made some important decisions for seniors in the 1970s that have brought our rates down to the lowest in the OECD for seniors in this country, and we can do the same for children. Minister Flaherty recently spoke of the government's determination to make "practical progress on the crucial economic, geopolitical and social infrastructure priorities". We think that includes a poverty reduction strategy.

I'll cut to the recommendations.

With regard to the tax measures, I guess we will make this strong statement and urge you to reject the blunt instrument of general tax reduction, either through income taxes or the GST reduction. We've had that. It certainly has benefited some, but not as significantly people in the lower 10% or 20%.

Instead, focus on the Canada child tax benefit; increase it to $5,000 a year. We're about two-thirds of the way there. If a lone parent in this country could earn $10 an hour, work full-time, and get a $5,000 child benefit—a balance of a labour market measure and a public investment measure—many or most of those families would be able to lift themselves out of poverty.

Along with that, these parents and other parents need high-quality early childhood education and care. You must return to it. We support the private member's bill introduced by the NDP, and supported, as I understand it, by all the opposition parties.

We need a national housing strategy. I just came from the release of a new blueprint for housing for the city of Toronto. They've calculated that if the federal and provincial housing programs had not been cancelled, we would have had 27,000 more units than we have now.

I know my time is running out here. Let me just say that we also, on an emergency basis, must continue the support of the communities partnership initiative and the residential rehabilitation assistance program. We're not going to have secure populations to fill our labour force or schools if we don't have housing.

● (1445)

We also have to improve EI, and we hope that as a federal government you will take on reinstituting the federal minimum wage and put it at $10 an hour as an important symbolic measure.

Thank you.

The Vice-Chair (Mr. Massimo Pacetti): Thank you. Good job. That was just five minutes exactly. We appreciate it.

Ms. Ecker, from the Toronto Financial Services Alliance.

Ms. Janet Ecker (Executive Director, Toronto Financial Services Alliance): Thank you very much, Mr. Chairman, and congratulations to the committee on your stamina.

You have a copy of our submission. I'd like to just hit a few points today, if I may, but first, quickly, here is a little about who we are.

The Toronto Financial Services Alliance is a public-private partnership between the City of Toronto and the financial services sector, dedicated to promoting the city and the region as a premier financial services centre in North America. We encourage initiatives to strengthen Toronto region's financial sector through competitive regulatory and taxation policies, strong post-secondary education and training opportunities, improved infrastructure, and quality of life investments in Canada's financial capital.

Our group includes the major players in the financial services sector: banks, insurance, securities, trade associations, as well as the professionals who support the sector, such as lawyers, accountants, information technology, etc. We also have the support of post-secondary institutions in our region.

With more than 250,000 people directly employed in the sector, and approximately that number again working in jobs that depend on the industry, Toronto's economic success depends on a strong financial sector. Canada, too, has a lot at stake, because the sector is Canada's largest industry and contributes more than 6% to our national gross domestic product.

The sector also tends to be generally more productive than other sectors, as we generate that 6% while employing 4% of the national workforce. Productivity and our concerns about lagging productivity in Canada are the main focus of our submission.

In terms of competitiveness, the World Economic Forum says we have slipped three spots on the global scale to number sixteen. Canada used to rank third among OECD countries; today we're seventeenth.

Our productivity growth has lagged behind our main trading partner, the United States, since the 1980s. Here in Ontario, our manufacturing heartland, we lag our peer states in the U.S. by a significant margin. Our GDP per capita is 12% below the median of our peers, 30% behind the leader. Quebec does even worse. In both cases, the primary cause of this prosperity gap is the difference in GDP per capita between Canadian and American jurisdictions.

The sector makes an extraordinary impact and contribution to the nation's economy and to the well-being of individual Canadians. The sector, especially the financial cluster that has developed here in Ontario, presents a unique opportunity to support the productivity agenda of the federal government. Many of our members are among Canada's strongest, most internationally competitive institutions, with great potential to be Canadian-based global enterprises that can generate significant benefits for Canadians and our economy. For that to be the case, these firms, however, must have a local economic environment that can support that growth through competitive tax and regulatory policies. We have mentioned several initiatives in our submission to deal with this.

We support the government's spending reduction and expenditure management approach in paying down debt and the fiscal flexibility that this will provide the government. If program spending had been limited to 4%, which would have covered inflation plus population growth, there would have been a $25 billion fiscal room picture for this year, and that could have helped finance any number of productive tax reductions across the board: personal income, corporate income tax rates, etc.

A major drag on our productivity is, of course, the capital tax. The C.D. Howe Institute, which you will be hearing from later today, has been very clear in its research about the negative impact of that on our productivity. I don't propose to go into more of that, because I suspect we'll hear more from the institute on that, but we hope the federal government will address these concerns and also use its influence with provinces to have them reform their tax systems as well.

Specifically, we mention reducing general corporate income tax on a faster scale, eliminating the corporate surtax, capital tax, and the part VI capital tax on financial institutions as quickly as is feasible.

We also support good, strong securities regulation, and we commend the committee for its work on this. Supporting a common regulator would encourage them to continue to do that, because we generally like the model put forward by the Crawford Panel.

As a final word, we also believe that a city agenda is extremely important, as our financial institutions tend to be headquartered here, where they gather in clusters and benefit, one from the other, from that proximity.

● (1450)

Making our cities work and making them attractive places to live will encourage retention of the skilled workforce. One of the major ways to do that is dealing with infrastructure and the problems of congestion. We strongly recommend that the federal government and the provinces use greater involvement of our private sector with public-private partnerships to do that.

In closing, Mr. Chair, let me stress that the issues we are discussing today need a long-term economic view that sets out a national economic plan encouraging productivity and economic growth, because we will all benefit from that.

Thank you very much, Mr. Chair.

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

From the Nishnawbe Aski Nation, we have Mr. Fiddler.

Deputy Grand Chief Alvin Fiddler (Deputy Grand Chief, Nishnawbe Aski Nation): Thank you, Mr. Chair.

Thank you to members of this committee for giving me this opportunity to make this presentation here this afternoon. My name is Alvin Fiddler and I'm one of the deputy grand chiefs from the Nishnawbe Aski Nation. I want to begin by telling you a little bit about the place I'm from, my home territory.

The Nishnawbe Aski Nation represents 49 first nations communities that signed Treaty 9 back in 1905-06 and again in 1929-30. It represents 45,000 people who reside in that territory and covers a wide geographic area. If you look at the map in your package, you can see that it covers two-thirds—or over 200,000 square miles—of northwestern and northeastern Ontario. We speak three distinct languages in that territory: Cree, Ojibway and Oji-Cree.

As I said earlier, this year marked the 100-year commemoration of the signing of Treaty 9. We did not call it a celebration, even though I know some government circles called it a celebration. We call it a commemoration, because we strongly feel that there is no reason to celebrate the 100-year anniversary of the treaty. I'll talk more about that in my presentation.

The message we sent out this summer during the commemoration events is that while we have kept our terms of the treaty, our bargain to live in peaceful harmony with the settlers who came into our territory 100 years ago, Canada and Ontario have failed, and failed miserably, to live up to the commitments they made to our forefathers when that treaty was signed 100 years ago. So I come to you today not as a stakeholder or as part of an interest group, but as a treaty partner.

As I said, if Ontario and Canada had made an attempt to fulfill even some of those terms of the treaty, our communities would probably be among the most prosperous in the country. Instead, if you look at our communities, if you visit our communities, you will find that many of our communities are caught in a poverty trap. We are one of the poorest regions in Canada.

If you look at the news last year involving Kashechewan and the other communities that declared emergencies with water and with other natural or health disasters, you will see that many of our communities mirror the third-world countries. Health conditions are among the worst in Canada. There's a lack of effective public education.

You will also see that we are one of the fastest growing demographics in Ontario, if not in the country, so this is adding to the economic strain in our communities and our territory. Our communities are a scar on the conscience of Canada.

We have said that the policies this government has created and has implemented in our communities are not working. There is little in the region's current dynamic that promotes an escape from this poverty I am speaking of. Current federal transfers simply maintain the basic necessities of life.

As I said, the rapid growth in our population is only compounding the problem. Out of our population of 45,000, 67% of the people are under the age of 27. Because 35 of the 49 first nations communities that I represent are fly-in communities and do not have roads or railways that connect them to their community, the cost of transportation is extremely high—travel, receiving goods.

● (1455)

The region carries a disease and a health burden that is unique in Canada in its severity. In recent years the most prominent issue in the region has been clean drinking water. Last year I think it was a good example when Kashechewan—

The Vice-Chair (Mr. Massimo Pacetti): Mr. Fiddler, could you please conclude? Your five minutes are up.

Deputy Grand Chief Alvin Fiddler: I want to briefly mention the solutions that we think would work. The Kelowna Accord is a beginning. When we signed it last year and all parties agreed to it, we felt it was a good start. I think this government needs to implement that accord, along with other solutions that we think would work for us.

Revenue sharing—there is a vast wealth of resources in our territory. De Beers is opening up a new mine there this year, and other potential sites are being explored for gold and diamond mines. We need a share of those resources. We need to have a revenue-sharing arrangement that's going to work for us.

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

We have to move on. From la Campagne contre la pauvreté des enfants, we have Ms. Di Giovanni.

Ms. Caroline Di Giovanni (Director, Campaign Against Child Poverty): Thank you.

My name is Caroline Di Giovanni. I'm a steering committee member of the Campaign Against Child Poverty, and since 1998 we have presented to this committee and to members of government at all levels—when we can get ourselves in the door—to focus on the issues of child and family poverty in Canada. Why does it continue, despite the fact that Canadians put a value on all citizens living out of poverty, and how can citizens and politicians of goodwill bring about a serious and meaningful reduction to child poverty over the next decade?

One of the main accomplishments of our little steering committee is to try to raise public awareness by putting ads in the papers that are distributed across the country. We also distribute them to all the MPPs and MPs across the country. You'll have a copy of our latest ad, which focuses on the effect of poverty on children in schools. We were partners in this particular ad with the teachers associations in Ontario, because this is a pressing issue and it affects our future. If children grow up in poverty or severe poverty, they will fail to become fully productive members of our citizenry twenty years from now.

We will keep at it. We'll continue to present to you reminders that the government has a leadership role to play in reducing the level of poverty.

I will go through the brief we sent you by highlighting certain sections. We recognize the committee's theme of Canada's place in a competitive world. In your material inviting us to speak, you state that our actions today must ensure that citizens and businesses must prosper, that citizens are healthy and skilled, and that businesses have a competitive tax regime. That will be helped incredibly if our children grow up in healthy environments, have stable homes to live in, and their parents are able to earn a decent living wage and receive the child tax benefit to the full extent, without clawbacks.

When members of CACP speak to cabinet ministers, we promote action and policies that enhance the well-being of our children, our community, and our future. The UNICEF report card number 6, “Child Poverty in Rich Countries 2005”, provides evidence that countries with the political will and an equity-based economic growth model can strengthen their social infrastructures, reduce child poverty, and at the same time enjoy a healthy GNP.

Several countries have reduced child poverty below 5% by setting targets and meeting their goals. Campaign 2000 referred to that in their brief, but Canada is not one of these countries. The incidence of child poverty in Canada still sits at a shameful 14.9%, and 23.3% of those children are living in deep poverty. This means we allow over one million of our children to grow up poor and disenfranchised. We feel this is really a disgrace.

Further, the section on Canada in the UNICEF report is entitled “Canada: children still waiting”, and it begins:

> In 1990, an all party resolution committed the government of Canada to “seek to eliminate child poverty by the year 2000”. That promise has not been kept....

The good news is that we can keep the promise with political will, achievable targets, and an economic growth model built on equity and efficiency. Reducing child poverty and family poverty in Canada is very doable and it is the first duty of all governments. It is the fundamental responsibility of government to protect the vulnerable and protect the future. Children are both.

I will now refer to our action points, starting with a guaranteed income for all Canadians that ensures we all live out of poverty. Living wage rates and income security should be recognized as a key priority investment in a civil society. The second is to make early learning and child care facilities accessible, available, and affordable in every region of our country.

● (1500)

This is one of the critical factors known to contribute to the low child and family poverty rates in European countries that have reduced child poverty. The evidence is clear and is repeated in every major global and national report on poverty.

Third, include provisions for affordable housing in agreements with the provinces, territories, and municipalities. As you heard, there is action today to raise that issue because stability in housing is incredibly important to children who are growing up.

Our message, therefore, is simple. Set targets for significantly reducing child and family poverty in Canada from 14.9% to 9.9% by 2010 and direct significant and sufficient resources to the health, growth, education, care, and well-being of children and youth so that that happens.

Thank you very much for hearing from us again.

The Vice-Chair (Mr. Massimo Pacetti): Thank you. That's fine.

We'll go now to Mr. Wilson of the Canadian Children's Rights Council. You have five minutes.

Mr. Grant Wilson (President, Canadian Children's Rights Council): Good afternoon.

I'm Grant Wilson, the president of the Canadian Children's Rights Council.

The Canadian Children's Rights Council is a non-profit, non-governmental organization that supports the human rights of Canadian children. They're one of the leading children's rights organizations in Canada, with volunteers from coast to coast to coast.

Canadian children are those under eighteen years of age, using the definition provided in the UN Convention on the Rights of the Child. Those under eighteen comprise about 25% of the population of Canada.

Our website, canadiancrc.com, is the most visited children's rights website in Canada concerned with Canadian children's rights and responsibilities. Last month, over 100,000 unique visitors visited our website from around the world. We've had visitors from 128 countries since the beginning of 2004, with over two million unique visitors. We are a major distributor of information to college and university students in various courses in psychology, journalism, early childhood education, and social work. We get calls from all over the place.

Our website is an online resource providing analysis, our position, news articles, policy analysis, and general information regarding the rights of Canadian children. There's a substantial section there on the UN Convention on the Rights of the Child, and that certainly includes your obligation, which isn't being fulfilled.

Article 42 of the UN Convention on the Rights of the Child states:

> States Parties undertake to make the principles and provisions of the Convention widely known, by appropriate and active means, to adults and children alike.

You don't do that. In 1993, they declared National Child Day. Where are the full-page ads? Where's the discussion about this convention and the application in Canada?

We saw all sorts of politicians who are running for the leadership of the Liberal Party going before the Standing Committee on Human Rights of the Senate and paying lip service to this, and then a report comes out last November, a preliminary report, that asks who's in charge.

So when it comes to children's rights, children's poverty is not just about paying out more money. You have to look at delivery of services in more creative ways.

We see quite a change in history as we go along here. I just spent the morning on Microsoft. We're now using Windows Vista, which hasn't been released yet. You look at where things are going in the delivery of services, in the delivery of information. We are a major distributor of information on behalf of Health Canada, at no cost to the Canadian government. We don't get any tax credits for anybody that donates money. We're not a charity.

You look at how parents can benefit and get their children out of poverty by the proper delivery of these services through proper early childhood education policies, which involve both stay-at-home parents and high-quality education for early childhood. We have to look at this substantially differently if you're going to talk about productivity increases in the future. If you look at the software that's now being distributed and the way you can now distribute the information to parents on how to parent better and how to help their children to achieve and get out of poverty, it's not just a matter of throwing money at this.

You can put every single Canadian family on unlimited dial-up Internet service for $3 a month. We are advanced when it comes to the numbers on broadband service, and that is a major delivery system. We had to look at copyright.

We had to look at some of the educational tools that we can give the parents over the Internet at virtually no cost to the government, or at very little cost.

Here we have people producing tremendous books on how to parent properly, on some of the objectives that people should have in parenting, and on democratic parenting, and radio shows and TV and all this, and these parents have this tremendous job of funnelling all this information, if they get it, and trying to work this into the plan that they're going to have for their family to get them out of poverty. If there's more of a funnel and a concentration of that information, you can take the best radio or TV shows on how to parent and put these out there at less than 10¢ a parent, instead of having 5,000 books circulated that end up going to book stores and aren't available five years from now.

● (1505)

This is a changing world. From what I've seen and what I've experienced with Microsoft, this is going to change even more. So when it comes to child poverty, I think we have to seriously look at this from a productivity standpoint as well.

I sat there this morning listening to the vice-president of Microsoft explain that in India they're now producing 350,000 engineers who are making $15,000 a year, and that's their new middle class. We have to look seriously at education, and that certainly includes early childhood education, and paying people who are providing that service the same as we do teachers and other people in other levels of education.

● (1510)

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

Did you submit anything? We don't seem to have a brief. If you have something you could send us electronically, it would be appreciated by the committee.

Mr. Poschmann from the C.D. Howe Institute is next. You have five minutes.

Mr. Finn Poschmann (Director of Research, C.D. Howe Institute): Mr. Chairman, thank you, and thanks to the committee for inviting comment on Canada's place in a competitive world. I'm delighted to be back in front of the committee and delighted to see some familiar faces, and some new ones as well. I am very happy to be here.

Canada's competitiveness has been a dominant theme in the C.D. Howe Institute's work for literally decades. What I'd like to do here, given the constraints of the pre-budget format, is incorporate that work by reference, especially our shadow budget documents of the past five years, and focus on a couple of key themes and measures. That lets me be very brief indeed.

One touchstone for me is Canadians' prosperity. This speaks to the importance of making Canada a friendly place to work, and even invest. There is a virtuous link between saving and investing, between investing in people and innovation and growing productivity, and a link between growing productivity and prosperity by way of building Canadians' and workers' wages and seeing to it that they enjoy the fruits of their efforts.

Central to this story, I think, is saving and investment and improving the environment for it. Canada's tax rates on business investment are among the very highest in the developed world, notwithstanding recent and pending and very helpful relief from federal income and capital taxes. This is a real barrier to investment and growth and innovation, and mitigating it will require action from Canada and the provinces. Sooner rather than later, of course, is something that I think is important to enlarge the Canadian economy, and it's certainly something the government could not afford not to address.

On this front, the federal government could and should take further steps in reducing the general corporate income tax rate and working with the provinces to eliminate all taxes on paid-up capital, including especially the capital tax on financial institutions. These are taxes whose time, if it ever came, has quite certainly passed.

Among the biggest contributors to high effective tax rates on business investment are provincial retail sales taxes. Of course, this is a provincial responsibility, but the good news here for the federal government is that we have a splendid opportunity, presented by the current government's commitment to lowering the GST, to offer to the provinces financial support for a transition to compatible value-added taxes in place of provincial RSTs, and this would very much improve the investment environment in at least five provinces.

On the personal side, preserving the returns to working and saving means getting down to punitive marginal rates that apply to low-income families with children. It also means simple improvements to the saving environment for families at all income levels. The current government's campaign commitment to improving capital gains taxation turns out to be important here. Were the federal government to permit savers from low-income families, as well as others, to save after tax income in registered tax prepaid savings plans, capital gains could accumulate there without further tax implications, improving capital market performance and going partway to meeting the government's commitment to a form of capital gains rollover.

There are other options, such as capital gains deferral accounts. These could be modelled after the index securities investment plans of the early 1980s, and I would refer members of the committee to work by my colleagues, Jack Mintz and Tom Wilson, from Australia this year, updating the model to the current context.

A very simple option, and I have to admit that I like this one because of its simplicity, would be to permit capital gains to be rolled over into individual RSPs, so that taxes on gains would be deferred until a saver's chosen future to draw on their savings.

These options are all aimed at building Canadian families' prosperity, by improving the environment for savings and growth and by making Canada more globally competitive.

Thank you.

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

Members, the first round will be six minutes, but we are going to stick to it this time because we're running behind. We'll start with Mr. McKay.

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

Thank you, presenters. Again, they were fine presentations from the folks from Toronto.

To Caroline Di Giovanni, I wanted to just mention Gerry Vandezande. I saw him last Friday night at the investiture. I don't know if you were there or if you weren't. I thought he was going to be here today. Gerry always keeps me in the picture, shall we say, on this issue.

Mr. Poschmann, you raised a couple of interesting points. I take it that your notion of creating GST space for the provinces means that if it goes down one or two points, as the case may be, that would create fiscal space for a province to raise its PST, HST, or whatever, up one or two or three points, as the province saw fit. Is that effectively your notion?

● (1515)

Mr. Finn Poschmann: Mr. Chairman, yes. Absolutely.

Hon. John McKay: Essentially, there's no benefit to the consumer. It's just simply a revenue-shifting process.

My second question has to do with your RRSP idea. If I made $500,000 out of the sale of my business or the sale of my real estate portfolio, currently I couldn't put anything other than $18,000 or $19,000 into my RRSP. RRSPs actually restrict rolling certainly real estate or businesses into an RRSP. So is your notion here that you would have the RRSP concept renovated so that those kinds of gains could flow in once or twice or three times, depending on the size of my portfolio and the success of my real estate ventures?

Mr. Finn Poschmann: Thank you. Those are ideal questions.

On GST room, the benefit to the consumer would depend on the province you are in and how much of the available room a province chooses to take up. If you're in Ontario, with a relatively rich tax base, you might find that the province will choose to take up less than other provinces with weaker tax bases.

The more important point, though, is that I would encourage provinces to reform their retail sales taxes precisely because of their pro-growth, pro-investment, pro-employment aspects. A retail sales tax like the ones that exist in Ontario, Manitoba, Saskatchewan, B. C., and P.E.I. all involve a certain amount of cascading of business costs. Improving tax treatment by way of a value-added tax would be an important stimulus to economic growth and ultimately to employment wages.

Hon. John McKay: So in effect, Alberta gets a sweet deal because it doesn't need the revenues.

Mr. Finn Poschmann: It's intriguing in that way. No, Alberta does not need the revenue. It would benefit, but to what extent the province would benefit would depend on what else happened in other fiscal envelopes.

Hon. John McKay: I'm running out of time here. Can you get to the RRSP one, please?

Mr. Finn Poschmann: Absolutely. First of all, you wouldn't be exposed to capital gains tax unless there was a disposition or a deemed disposition, so you would be talking about the proceeds of a disposition rather than the business asset or the property itself.

You would also need a one-time pop in contribution room generated by the capital gains. Of course, you could establish limits to how much could be rolled in during a given year, to some reasonable amount. It may turn out that we find a reasonable amount is in the hundreds of thousands.

Remember, of course, that when the proceeds are withdrawn from the RRSP down the road, they are fully taxable. The present value of the implicit tax loss to government is therefore not high at all. In fact, that mechanism imposes a natural limit, because individuals would not choose to take advantage of the rollover conversion unless they are planning on leaving the money in to accumulate gains within the account for some time.

Hon. John McKay: Thank you.

I'd like to pursue that, but I'm running out of time and we have a tyrant for a chairman.

To Toronto Financial Services, I agree with your P3s. I just wish you'd see more of them. I'm assuming you want a single securities regulator sooner rather than later.

Interestingly, David Dodge, not the last time he appeared but the time before that, said that the financial services sector is one of the lower sectors in terms of productivity, that it's not very good in productivity. Given that a good part of your statement has to do with improving productivity, do you have any observations to make with respect to the governor's statement?

● (1520)

Ms. Janet Ecker: Thank you very much, Mr. McKay.

Actually, Mr. Dodge, as early as today, at the Ontario Economic Summit, was talking about the need for Ontario and Canada to move forward on more P3 partnerships and infrastructure spending. So hopefully that can occur.

We quite acknowledge that there's a debate around the relative productivity and efficiency of our financial services sector. Some people are advocating and saying we are not as competitive or as efficient as some of our, say, American banks might be, but there are also some legitimate questions about how that's measured, because in the case of an American bank, many of those banks are very different from those in the Canadian banking industry. So there's work that's going on through the Institute for Competitiveness and Prosperity, Roger Martin's group, and also through some of the work that the C.D. Howe Institute is doing and that the Bank of Canada is doing, taking a look at exactly that question.

So do we need to improve productivity and efficiency within financial services? Absolutely, and competitive regulation and taxation can help us do that.

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

Mr. Del Mastro, for six minutes.

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

I want to go back to Mr. Poschmann for a moment. That was a very interesting proposal, actually. I've long argued that a harmonized sales tax or some form of it in Ontario would be a significant benefit to Ontario small business especially. We actually have to file two tax returns. There's incredible inefficiency in the government collection of these taxes, because we have two separate bureaus, separate timelines, and separate tax auditors. It's a real harassment for business.

You made a very interesting proposal, which is actually to move from a retail sales tax to a value-added tax, which is what the GST is. Since this would be a little bit more broad-based, would that, or could it, incorporate a lower tax rate in the province of Ontario and see similar revenues?

Mr. Finn Poschmann: It could, in principle, but there are several “ifs” and “buts” attached to that.

First of all, notice that I did say a provincial VAT, or value-added tax, but I did not say a provincial GST, because one of the alternatives to contemplate here is that a province would not have to follow the GST base precisely. As long as they are roughly compatible, however, the province could quite reasonably look to the Canada Revenue Agency to collect the tax without incurring significant costs.

As to rates, yes, the base would in practice be broader. You'd expect it to be broader, in particular because you've exposed consumers to value-added taxes on several services. However, at the same time, you're lifting taxes that would otherwise be collected from business inputs, and in Ontario, it's quite a significant number. So you give up a fair bit on that side in revenue by not taxing business inputs. Sadly, it isn't quite as low a rate as you might like to see, but we can certainly contemplate not going all the way, say, to 14%. These are options.

Mr. Dean Del Mastro: Thank you.

Secondly, capital gains tax, the way it presently exists, is very different from what we see, say, in the United States. It stagnates money in pockets and prohibits the circulation of money that would encourage growth. It's a real hold on there and it puts the brakes on the economy, doesn't it?

Mr. Finn Poschmann: I would tend to agree.

As a first and upfront caveat, Canada has a smarter system of taxing capital gains than the U.S. does. We have a fairly clean and simple model, relative to the complex multi-rate U.S. system that has a number of classes, a number of holding periods. So I like the Canadian system as a model, but I would certainly agree that the rate is too high, especially given that there remain, for instance, accumulated inflationary gains present in taxable gains. So that's something to take note of.

You can't, or rather I wouldn't, recommend, however, simply lowering the capital gains tax rate without paying attention to what's going on with the different taxes and small business taxes.

Mr. Dean Del Mastro: Thank you.

Ms. Ecker, you mentioned in your brief a national security regulator. If this were adopted, do you think this would encourage more foreign investment in Canada?

● (1525)

Ms. Janet Ecker: Absolutely. We're the only country now that has thirteen regulators.

Secondly, one of the issues we have is that, internationally, regulators and business seek to improve regulation—for example, around terrorism, money laundering, transparency, and accountability. It's very difficult for Canada to participate in the international discussion when we have so many voices. Again, they can be very good voices, but we have so many voices.

I think Ontario's push for this, what they've done with the Crawford report, puts some good options on the table. There are certainly regional issues that need to be paid attention to in this, but I think there are some options there that I hope collectively the federal government and the provinces can move forward on.

Mr. Dean Del Mastro: In your brief, I didn't see anything about CCA rates. We've heard a lot about how it pertains to productivity as we've travelled the country. Do you have a position on CCA rates?

Ms. Janet Ecker Yes, we agree that this needs to be addressed. It has an impact on productivity and efficiency. I believe we have a small line in there supporting that position.

Mr. Dean Del Mastro: Mr. Fiddler, we saw a number of significant investments in Budget 2006 for aboriginals. I agree with you. I don't think I would celebrate the first 100 years since the treaties. We've got to do better. We've got to do much better.

We've committed a little more than $9 billion, which is a significant increase. Quite a bit of money has been spent previously on the file. Why aren't we achieving the results we're looking for? Are we putting the money into the wrong areas? Can you give us a little guidance on where we should be going?

The Vice-Chair (Mr. Massimo Pacetti): If you can answer that in thirty seconds, I'd appreciate it.

Deputy Grand Chief Alvin Fiddler: I need more than thirty seconds, but I'll try.

I don't know the best way to answer that question. It seems to be the opinion of a lot of people that we get billions and billions of dollars a year, and things are getting worse. For example, with Kashechewan, we wanted a review of where the resources were going, whether they were reaching the community, where they're desperately needed. Last week I had a meeting with Health Canada, and they told me they had put $360 million in Ontario. I said, “Well, we don't see it here.”

I asked for a review from Health Canada. I wanted Health Canada to review those resources so that I could tell the chief in Kashechewan how much was actually reaching his community. There has to be an assessment of where those resources are going and how much is reaching the communities. So I'd like to recommend that as well.

Mr. Dean Del Mastro: Thank you.

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

Judy Wasylycia-Leis.

Ms. Judy Wasylycia-Leis: Ms. Rothman, I don't know how many budget consultations you've been a part of, and the situation continues to get worse. It's always hard for us to hear the stats about how poorly Canada fares. You pick up the newspaper and see there are record surpluses, and then you hear people talking about putting more money into tax cuts or against the debt. Nobody from the business community talks about dealing with poverty. Why can't we get through to folks? How do we do this?

Ms. Laurel Rothman: Finn, I don't know if you were involved in the joint project, which was focused somewhat on Toronto but had important recommendations to the feds. Toronto City Summit Alliance and St. Christopher House looked at some important issues for modernizing the income security for adults. They made some recommendations that many of us had made.

I don't know. What we do know is that Canadians don't like to walk down the street and see homeless people. They don't like to know about children being left alone because they don't have child care. It doesn't make sense to people that work is not a pathway out of poverty. Almost one in two low-income children has a family that's in the labour force all year, but they can't get full-time work. I'm talking about the labour market. You all know I strongly support public investment, but how about the private sector doing its thing as well?

Why can't we get through? I'm not sure. You look at opinion polls and health, education, and poverty rank continually high. The GST cuts did not gain a lot of popularity from people. So do we want to give up another $4 billion to $5 billion in public revenue in this country? I don't know. Since 1980, we've made virtually no progress. I'm not sure what else to say, except that we're going to keep saying it in whatever colour, shape, and way we can.

● (1530)

Ms. Judy Wasylycia-Leis: Thank you, and thank you for all the work you do as part of Campaign 2000, and Caroline, thank you also.

Back seventeen years ago we set the goal of elimination of child poverty. Now the situation is so bad that you're down to recommending a 9.9% target rate. What does that represent in terms of the overall problem, and will this help?

Ms. Caroline Di Giovanni: I agree with Laura that Canadians feel this is very important. We believe basically that if the government leadership can assume this as an issue that they really find important—if they agreed this is a priority and set a priority that's achievable—it would be an important step. That's why it's only 9.9%. I'd love to make it 5%, but let's take what we can do. If you set it that way, and then by a combination of wage security, child tax benefit, and ability to work together with both the provinces and the cities for housing and with industry for stable employment—rather than part-time employment with people putting together two or three part-time jobs to try to have an income—and if there could be a commitment to those identified ways of doing things, policy issues, then you could begin to achieve the targets. Once you have reached the first target within an acceptable period of time—which is why we've made it so broad, with a 9.9% target by 2010—then you set the next target.

England after Thatcher was at a 25% child poverty rate. By setting these achievable targets and reaching them and feeling that this was an important achievement and moving on to the next and reaching that, they are now at the 5% level. That is a doable thing to do. That's why we have put it at that mark. We'd love to make it lower, but you can't be too pie-in-the-sky.

Ms. Judy Wasylycia-Leis: This is helpful.

Laurel, do you want to add something?

Ms. Laurel Rothman: I will add that indeed I think the targets are staged. That is a 25% target over five years. Over ten years we could look at cutting it in half again. That is what UNICEF is recommending. That would fit in with commitments for the millennium development goals for an industrialized nation like Canada. How about the committee recommend to Minister Finley that there be—I don't know what you'd want to call it—something that would highlight how the U.K. did it? Look, we have Premier Danny Williams committing to having Newfoundland at the lowest poverty rate by 2010.

The Vice-Chair (Mr. Massimo Pacetti): Just to be clear, our report is going to be to the finance minister, Minister Flaherty.

Ms. Laurel Rothman: I clearly understand that.

The Vice-Chair (Mr. Massimo Pacetti): We have enough things to do. We are going to have problems deciding what our priorities are going to be. We don't need to go to see Ms. Finley with some recommendations.

You have thirty seconds, Ms. Wasylycia-Leis.

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

Finn Poschmann, I am going to ask you what my colleagues always ask the social justice coalitions: give us a price tag for your proposals. You make it sound very nice, but we have to recognize that tax cuts are an expenditure in the same way that spending money on anti-poverty efforts is an expenditure. Give us a price tag so that we can put this in perspective and judge what our priorities should be.

Mr. Finn Poschmann: On tax relief, the first thing to point out is that it's not just an expenditure. It has a payback to federal revenue, and I would say—

● (1535)

Ms. Judy Wasylycia-Leis: What is the evidence? Let me do what Garth Turner would do. Give us a price, then. Isn't it interesting—

The Vice-Chair (Mr. Massimo Pacetti): Thank you. It's an interesting answer, Ms. Wasylycia-Leis—

Ms. Judy Wasylycia-Leis: [*Inaudible—Editor*]...the answer, like Garth Turner would, and now you won't even take a second and demand—

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

We're going to five-minute rounds. We're going to go back and forth between the Liberals and the Conservatives.

We will start with Diane Ablonczy, then Michael Savage, Mike Wallace, John McCallum, and Rick Dykstra.

Ms. Diane Ablonczy: Thank you all for your presentations. We appreciate them very much.

Mr. Poschmann, do lower tax rates mean lower government revenue?

Mr. Finn Poschmann: All other things being equal, lower tax rates probably will tend to lower government revenue. It depends on what the tax is, however, on what activity it is attached to, and on what particular form of tax relief is on offer.

Some tax cuts are more likely to stimulate investment and to stimulate growth offsets. Other forms of tax relief, such as lump-sum relief to individuals, are far less likely to have a long-term payback.

The other thing to bear in mind is that one ought to think of this, Mr. Chairman, on a present-value basis—in other words, that the stream of benefits the economy derives arrives over time and won't arrive within one year.

Ms. Diane Ablonczy: Let's talk about capital taxes, because we've heard a lot about how those hurt investment and hurt the financial sector. You're an expert. Help us to understand, in one syllable words, why this is not a good thing.

Mr. Finn Poschmann: Capital taxes are first on the hit list for economists, simply because they are a penalty on marginal investment in the economy. Of all the forms of tax that are available to a government, it is the one that is most likely to impinge on investments and therefore limit downstream growth.

Ms. Diane Ablonczy: Mr. Wilson, I appreciated your presentation, because you were one of the few I've heard, in the context of child poverty, talking about the need to really address parenting skills.

I and many of my colleagues in the House of Commons were very poor as children. I won't go into chapter and verse, but take my word for it that we were very poor. I come from a family of seven children, and we all managed to become highly contributing members of society. It was because we benefited from very good parenting, I believe, and I give full credit to my parents.

I found this extremely refreshing, and I think you've hit on something important. By emphasizing the child part of poverty, we've actually missed the whole boat, because it's really the parenting that, in my view, is the key. Would you agree with that? Can you expand on the relationship there?

Mr. Grant Wilson: There are a number of aspects to that. One of them can be called supplemental parenting, in the sense of mentoring. Regent Park, here in Toronto, has a program like that, and it has been very successful. It has a tremendously high rate of success in high schools, with a low dropout rate of less than 5%. The people who worked on that project have done tremendously great work. They have supplemented parents. They have helped to give direction in these children's lives. They make sure they've done well in school. So they are supplementing the efforts of those parents.

One of the largest problems we have in this country is a lack of proper family law. We sit here and listen to politicians talk about how parents don't have the right to raise their own children, that they have a responsibility, and this kind of thing. We let people go out and fight. We saw the solutions in the 1998 report of the Special Joint Committee on Child Custody and Access, which don't allow parents to fight and spend money on lawyers in order to see their children if the other parent wants to use them as pawns—those were some of the recommendations—so we can get on with parenting children properly, rather than messing around with courts, lawyers, and costs. All this takes a toll, not only on the mental well-being of children, but on the ability of parents to do this.

We also have to look at the technology we have. If you look at the last ten years and what's happened in Internet services and where we're going, and we look at what we can do in the future, and the leadership role of this government towards the future.... We have parenting skills brought along.... There is a huge amount of technology that's going to change. The delivery of a lot of those things can be pushed. That's a technological term. It doesn't mean imposed. In any corporation or government, or whatever it may be, it's getting the right information to the right people at the right time.

● (1540)

Ms. Diane Ablonczy: I wish I had more time, and thank you for that. I'd be very interested in any studies you can provide on that issue.

Thank you, Mr. Chair.

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

Mr. Savage, you have five minutes, please.

Mr. Michael Savage: Thank you, Chair.

I want to speak with Ms. Rothman and Ms. Di Giovanni.

I like the fact that somebody has come here and said exactly what they feel about the taxation system. We've had a lot of people come and talk to us about the need. Some of them tiptoe around the GST cut, saying that it maybe helps a bit here and there. But the bottom line is that it's taking money out of the fiscal capacity of the federal government to reduce poverty. The budget we've had, in my view, doesn't even speak to the people on low incomes. The brochure that was used to talk about the budget said how Canadians would benefit from the budget; a family purchasing a $200,000 home would save $1,280 in GST. In the budget speech, it was a $350,000 home. A family buying $20,000 in new furnishings would save $200. So there are huge numbers of Canadians to whom this is irrelevant; it's never going to actually happen. My friend Rick will go through all the ways that low-income people benefit when they buy their Cadillacs and fancy houses, and all that sort of stuff.

But the fact is that if you're going to help those most in need you have to target.

And they said the GST actually helps low-income people because they don't pay tax.

But there are other measures, and you mentioned the child tax benefit, which we introduced in 1997. You indicated that it has actually reduced poverty by 8.9%. The Caledon Institute, whom I met with a while ago, had a higher number than that; I think they said it was somewhere in the range of 20%.

But I like the idea. I like personal income tax reductions. I like raising the threshold before you pay and lowering the lowest marginal rate. But I really think that what you're talking about here, which is the Canada child tax benefit, may be the way to go if we care at all about people who are the most marginalized.

We have heard, possibly, that if the universal child care benefit—

Ms. Laurel Rothman: [*Inaudible—Editor*]...it's the family allowance.

Mr. Michael Savage: I think I agree with that very strongly, and I may have mentioned that a couple of times around the country. Absolutely. But if they're going to do it—and I don't agree with it—it should have gone through the low-income supplement of the child tax benefit, or the child tax benefit itself.

Can you just talk a bit about the benefit of increasing the child tax benefit to $5,000, and what you think that would do?

Ms. Laurel Rothman: Yes. I was just commenting to Ms. Ecker, whom I've had an opportunity to talk with over the years.

We have to look back to 1998, the first year of the child benefit, and what has happened to the labour market. We know about the growth in part-time and precarious work, unfortunately. So while we have made some important progress in reducing poverty with the child benefit.... I need an analogy here: low-income families are getting the cart ahead of the horse, or the horse ahead of the cart. Full-time work is not yet a real pathway out of poverty.

We did some work and basically asked, how are we going to get people above that poverty line? If you look at Europe, you know how they do it? They are better at preventing people falling below the poverty line. But separate from that, if we had a higher minimum wage—let's call it that, though I know the feds are not the major player in that field—closer to about at least $10 an hour, that would bring most single individuals above the poverty line in most communities. But it wouldn't handle the issue of family responsibility for children. And you raise the child benefit.... Just to remind people, we will be at roughly $3,200 a year by next July 2007, so it's not impossible; we're two-thirds of the way there. That would better recognize the full cost of raising a child and would bring you above the poverty line.

Having said all that, though, without some stable, secure housing, it won't make enough of a dent in big cities like Toronto, Vancouver, and Calgary.

● (1545)

Mr. Michael Savage: Do you want to add anything to that?

Ms. Caroline Di Giovanni: We rely on Campaign 2000 to do the number crunching, but we are very much supportive of looking at solutions from a number of different approaches. We're not just asking for more money in the child tax benefit, but for housing and wage security.

Mr. Michael Savage: Yes, I understand. Thank you very much.

You talk about the federal government establishing a specific transfer for post-secondary education; I agree with that concept.

The one thing I don't necessarily agree with is your call for tuition fees to be frozen and lowered. I disagree with that because, again, for the same benefit, if you want to help those most in need, target those most in need. Reducing tuition from $4,300 to $4,100 doesn't help anybody get to university who isn't going there now; it just makes it easier for those who are already there.

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

Mr. Michael Savage: Thank you.

The Vice-Chair (Mr. Massimo Pacetti): Mr. Wallace, five minutes.

Mr. Mike Wallace: Thank you, Mr. Vice-Chair.

I have a question for David—and I'm going to speak it, not sing it.

Opera organizations have been in front of us elsewhere, and I have never had the chance to ask this question. You are asking in your proposal here that the Canada Council go to an additional $100 million over time. I need clarification on that. In our budget for 2007 we added $20 million, and next year we're adding $30 million, so it's an added $50 million. That makes it right now, this year, $156 million, I think.

You want us to add an additional $100 million over the $50 million we're adding over the next two years?

Mr. David Baile: That's correct. Last November the then government committed to essentially a $5 per capita increase to the Canada Council, $150 million in sustained funding. The current government has committed, as you just indicated, to $50 million.

We're delighted to see that, but there are two issues with it. The first major concern is that $50 million isn't committed into the future. At this stage it's still a one- term—

Mr. Mike Wallace: So you're afraid it will be backed out again.

Mr. David Baile: Exactly. And over the longer term, we are hoping to see the full investment originally committed.

Mr. Mike Wallace: Are you looking for it to be a $250 million project in a certain year? Is that what you're looking for?

Mr. David Baile: In total, actually, we're looking at a $300 million project. We haven't identified a specific year for that. We realize that there are lots of pressures and that we'll have to work in partnership with the federal government on this.

Mr. Mike Wallace: So even though you got, in two years, whatever the addition is—

Mr. David Baile: Basically $200 million.

Mr. Mike Wallace: Yes, but before we took over, before the on-paper promise from the Liberals, it was about $100 million. Is that where it was, or do we know?

Mr. David Baile: It was about $150 million.

Mr. Mike Wallace: So we're adding the $50 million in two years, to $200 million.

Mr. David Baile: That's right.

Mr. Mike Wallace: And the extra $100 million brings us to $300 million.

Mr. David Baile: Yes.

Mr. Mike Wallace: It's still a significant amount you're getting, then, our $50 million in two years.

Mr. David Baile: And we applaud it.

Mr. Mike Wallace: Okay. I just wanted to be clear on that, because I was a little confused after the presentation.

To Laurel or Caroline, I was intrigued, frankly, by the mention of the refundable tax benefit and the new working income supplement that was presented to us in the last session by the Toronto City Summit Alliance, I guess it was. I think C.D. Howe might be mentioned in there.

Do you agree with that approach?

Ms. Laurel Rothman: We certainly support the adult benefit, but I have to say that we haven't taken a position on the working income supplement. We have some concerns. Many of our labour partners have concerns about whether we would be basically subsidizing low wages.

Having said that, though, we also recognize—and I guess this is from my Toronto experience—that it may be what we have to do at some interim point, because lots of people can't get full-time jobs.

Mr. Mike Wallace: I appreciate that.

Caroline, do you have any comments to add at all?

Ms. Caroline Di Giovanni: I think that's really the direction. You have to continue the dialogue. We appreciate the opportunities for the discussions with business.

Mr. Mike Wallace: Okay.

I still have some time?

The Vice-Chair (Mr. Massimo Pacetti): A minute and a half.

Mr. Mike Wallace: I have one quick question, and it has nothing to do with finance.

Mr. Fiddler, we had a presentation from Grand Council Chief Beaucage of the Union of Ontario Indians. In his presentation, or one of his presentations, one article was mentioned, and that's article 11. He did make the point to me afterwards that you have to take it all in...but article 11 says, “We shall work collectively towards the elimination of the Indian Act within 10 years.”

Is that the position of the council that you belong to as grand chief?

Deputy Grand Chief Alvin Fiddler: I haven't seen his manifesto or his document. All I'm saying here today is that we need resources now. If you look at our communities and the desperate situation they're in, I don't think we're there yet, to talk about federal legislation or the Indian Act. What we want is immediate assistance on what's happening in our communities today.

Earlier today the chief of Kashechewan held a press conference here in Toronto. Today marks the one-year anniversary of the evacuation of Kashechewan last fall. Nothing has been done to alleviate depression in that community, the reason they were evacuated in the first place. It is still in the same situation it was in a year ago.

They want resources. The commitments—the promises—made to them a year ago have not been honoured. That's what they're looking for. Most of our communities are in the same situation.

Maybe we can have a discussion about abolishing the Indian Act later on, once our communities are in a more stable situation.

● (1550)

The Vice-Chair (Mr. Massimo Pacetti): Grand Chief, we'll have it later on.

Thank you, Mr. Wallace.

Mr. McCallum, for five minutes, please.

Hon. John McCallum: Thank you very much.

We're coming to the end of a multi-week process, and I thank you all for being the last witnesses.

I notice that the majority of the witnesses here right now are in the social or aboriginal policy area. I'd be the first to admit that our government over the last twelve years was far from perfect in these areas, though I think we did make some progress. But I think one also has to acknowledge that this current government cancelled the Kelowna agreement, cancelled the child care agreements, cut the funding to literacy, and declared that housing and homelessness were purely provincial matters. I would say that those of you who are here for social or aboriginal concerns are facing a fairly uphill battle.

I'd like to offer the rest of my time to Mr. Fiddler if he'd like it, because these people on the committee have heard me for several weeks. In fact, I think they might have heard enough.

We haven't heard much about Kelowna. You know Paul Martin has his bill, it's going to go forward, and it could come back. I'd like you to take as much time as I have remaining, if you'd like, to explain to us what you think are the consequences of Kelowna not passing and what you think would be the implications if we could get it through.

Deputy Grand Chief Alvin Fiddler: Thank you for your question.

I was in Kelowna when that accord was signed and agreed to by all the parties that were there. I think there was a lot of optimism amongst first nation communities and the leadership across the country when that accord was signed, because we felt the resources that were committed in that accord would vastly improve the conditions that our communities were in. But here we are a little over a year later, and we still have not seen those resources.

Like I said earlier, today marks the one-year anniversary of the Kashechewan evacuation. The chief, who is here in Toronto today, held a press conference earlier this afternoon, reminding the government of the commitments that were made to his community with regard to improving their water treatment plant, the housing, and the infrastructure. Those promises have yet to be honoured.

I think we see Kelowna not as the big solution to all the issues we have, but as a good start if it can be revived or looked at again. It's part of the big push that I think we feel is needed to begin changing our communities around.

Hon. John McCallum: Thank you.

Thank you, Mr. Chair.

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

To round it out, we'll go to Mr. Dykstra for five minutes.

Mr. Rick Dykstra: I need to comment. My good friend Mike Savage mentioned that.... In my riding anyway, per capita household income is one of the lowest in the province. Maybe in Cole Harbour, those who are looking for Cadillacs can purchase them, but I know it's a bit more difficult in the riding of St. Catharines. I'll leave that; maybe we can chat about it after.

One of the things I wanted to point out—and, Laurel, it comes from having the opportunity to listen to you speak about having been here time and time again—is that I get the impression from the presentation you made and the questions you've answered that for as long as you've come here, nothing has changed. I want to make sure that certainly wasn't the case, and I want to point out a couple of things before you comment.

Sure, we can talk about what more needs to be done. Sitting next to you is a former minister of community and social services who worked her heart and soul out for two years to try to make Toronto and the province of Ontario a better place for those who need a hand up and need some help.

And we're starting to do that; I think we did it in the budget: 655,000 people, based on this last budget, fall beneath the tax rolls now. And the $1,000 employment tax credit we've given, a credit that goes right on your tax filing when you send it in—nobody has mentioned that.

On the GST cut, Mr. Savage is right, I'm happy to say. A study by the organization called the National Anti-Poverty Organization found that lower-income earners pay 8% of the total GST and higher-income earners pay 4% of the GST. So those who earn less benefit, because they are purchasing in a much more consumer-based focus, are purchasing much more in the way of goods than those who are necessarily at the higher end of the income scale.

When you look at Stats Canada figures from 2006, this year, of those who are certainly lower-income earners, over 50% spend more than they actually earn in a year. They're obviously incurring a lot more debt, based on that, and obviously are spending more money. Therefore, the savings in GST is a benefit, on top of the fact that we actually have a $1,000 employment credit that you can put on.

We're providing $1.45 billion in social housing this year. We've put it in a third-party trust with the Province of Ontario. The premier announced that we're not going to spend that money in the province of Ontario until a whole bunch of other things happen.

So this government is committed. Do we need to do more? Do we need to take another step? Absolutely. Is there always going to be a need for addressing these issues in every federal budget? Absolutely. But it doesn't mean this government isn't trying; it doesn't mean in fact that everybody who's sitting in the House—all 308 folks—aren't trying to make it better.

I just want to make sure you understand that we come here trying, and we're working. We all represent people in our ridings who need help, whether they be higher income, middle income, or specifically lower income.

● (1555)

I really would love to hear from you that you understand this, that it's clear, and that there's a purpose for why we're trying to accomplish what we are.

Ms. Laurel Rothman: First of all, I'd like to say that I in no way intended to convey that nothing has happened. Just as all of you work hard in the public interest, we work hard in the public interest, if you will, and it's frustrating—I think particularly if you look at the numbers. I hope you had an opportunity to look at that chart in my brief that looks between 1980 and 2004.

With all due respect—and I think it was Mr. Wallace who asked me about the numbers concerning the impact of the child benefit—yes, there's been some impact, but unfortunately you get what you pay for, or I should say you get out what you put in. The reason you see better numbers—and I am willing to say "the numbers", because it was Charlie Coffey from the Royal Bank who once said to me, "If you don't count it, it doesn't count", and I haven't forgotten that....

If you will, we have single-digit numbers of poverty in European countries, including the most competitive ones, such as Norway and Sweden, because they have both higher public investments and a higher wage floor—

● (1600)

Mr. Rick Dykstra: Those are also countries with lower corporate tax rates than our country.

Ms. Laurel Rothman: That's true, I recognize.

Let me just say to you, I certainly recognize that members of the House take the issue seriously. I don't happen to agree with all of your interpretations of what your government has done, but yes, things have happened.

The Vice-Chair (Mr. Massimo Pacetti): Thank you Ms. Rothman. I appreciate it. We're going to leave it on that note.

We've been consulting over 400 groups, from what I understand. We did the same thing last year. We had a different formula this year. I think it worked. It was interesting that a panel like this is a little more interesting to have a discussion with when you have people from different backgrounds, different interests; it puts things more into perspective. I think Mr. Dykstra hit a couple of chords on his last—I'm not going to say tirade, but on his last question.

I'm going to leave it at that. I want to thank everybody for appearing. I don't know whether Brian thanked everybody for allowing us to come to Toronto, so I'd like to put that on the record. A lot of MPs here are from Toronto.

Before I let everybody go, I want to not only thank my colleagues and thank the chairman, but also the people who make these things happen: of course, the interpreters, the sound or logistics people—or no, the logistics people are in the front—the clerks, the research staff, and the logistics people. On Sunday, when they left, they were supposed to have a three- or four-hour ride from Ottawa to St. John's, and I think it took twenty hours for them to get to St. John's.

Have a good, safe ride back, and we'll see you guys on Tuesday.

We adjourn.

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