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—
Chair

Mr. Brian Pallister

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• (0900)

[Translation]

The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)): Good morning, ladies and gentlemen. Thank you for your attention. My name is Brian Pallister and I am the Chairman of the Standing Committee on Finance. I apologize in advance for my French. I only started studying French at the age of 50 and I find it rather difficult—but I know that I have to try.

I declare the meeting open and welcome witnesses and committee members alike.

The House of Commons Standing Committee on Finance has been given a mandate to study and report on budget policy submissions. This year's theme is Canada's place in a competitive world.

We asked you all ahead of time to limit your comments to five minutes, although we appreciate that this is no mean feat. Nevertheless, we will be enforcing the time limit. If you care to look my way from time to time, I will let you know when you have a minute or less remaining. I will ask you to conclude after five minutes so that you can dialogue with committee members and answer their questions.

Let us get started. Our first witness this morning is Martin Godbout, President and Chief Executive Officer of Genome Canada.

Welcome, Mr. Godbout. You have five minutes.

Dr. Martin Godbout (President and Chief Executive Officer, Genome Canada): Perfect. Thank you, Mr. Chairman.

Good morning everybody. I am delighted to have the opportunity to meet with the members of the Standing Committee on Finance and to provide an overview of some of Genome Canada's most important accomplishments.

Over the next few minutes, I will be sketching a brief outline of some of our major national and international research projects, explaining what we had gained from the investments in research we have been making since February 2000, and discussing the many opportunities that will be open to us over the next few years.

[English]

Before getting into the details on the ground, let me first give you the view from the 30,000-foot level. What is genomics really all about? Why is it so important that Canada position itself among the world leaders in this new science and technology field anyway? What kind of return will Canadians get from their investment? Finally, why should you fund it?

To begin with, the kind of knowledge genomics is creating is unlike anything else we have ever known. It's giving us, quite literally, the master key to unlock the basic code of life, all forms of life—human, animal, microbial, trees, crops, almost anything that is living. Because it cuts across the entire range of life forms on earth, it has the potential to change and impact almost every sector of our economy, from agriculture to environment, fisheries, forestry, animal and human health, and many related industrial processes, changing our understanding of our world fundamentally and forever.

[Translation]

It is small wonder that some economists have said that genomics will be one of the major driving forces of the world economy in years to come.

With this in mind, and having understood the potential offered by genomics, the federal government founded Genome Canada in February 2000. In so doing, Canada sent a very clear message to its partners around the world—we will not stand idly by while discoveries, and their ensuing benefits, are made elsewhere. Canada is at the avant-garde of this technological revolution, and our country will become the destination of choice for investors, cutting-edge researchers, and the finest scientific minds.

What has happened since February 2000? To put it succinctly, a great deal. In six short years, Genome Canada has contributed to positioning Canada amongst the best genomics research teams in the world. Allow me to give you some examples.

Genome Canada has supported more than 100 multidisciplinary and multisectorial research projects, both at the national and international level. In addition, it has developed internationally competitive scientific and technology platforms, which provide Canada with the means to discover, develop and deploy new knowledge.

As I am sure you remember, British Colombian researchers sequenced the SARS virus in 2003 within a time period that the world health organization classed as staggering. Other Canadian researchers isolated stem cells linked to breast cancer, thus paving the way for new therapeutic targets and new cancer-prevention strategies.

Between 2002 and 2004, Canada has registered more than 425 inventions and patents relating to applications of genomics research. This means that we rank fourth in the world.

We have entered into partnerships with other countries that recognize genomics as being cutting-edge technology, including, amongst many others, Sweden, Spain, the Netherlands, Estonia and the United States.

If we achieved all of that in the last six years, imagine what we will accomplish in the future.

• (0905)

[English]

The fact is that we are now past the point at which the promise of genomics is theoretical and far away. It's here and it's now, offering real solutions to real problems of our day-to-day lives, driving innovation, productivity, and competitiveness; transforming research projects into commercial applications; and creating wealth for the benefit of all Canadians. We see a very bright future if, and only if, we sustain the enormous momentum we have worked so hard to build over the past years. Doing so will require clear commitments and additional funding. Genome Canada is asking for \$380 million for the next three years to fuel more breakthroughs, realize more successes, and provide an even greater return on investment for Canadians.

[Translation]

The Chair: Thank you very much, sir.

We must now move on to the next witness, Mr. Bastien Gilbert, the Executive Director of the *Mouvement pour les arts et les lettres*.

Thank you very much, Mr. Gilbert. You have five minutes.

Mr. Bastien Gilbert (Chief Executive Officer, Regroupement des centres d'artistes autogérés du Québec, Mouvement pour les arts et les lettres): Good morning, Mr. Chairman.

Good morning, ladies and gentlemen.

With me today is my colleague, Lorraine Hébert, who is the Executive Director of the *Regroupement québécois de la danse*, who will introduce the *Mouvement pour les arts et les lettres*, of which I am not the Executive Director, because we make up...

Ms. Lorraine Hébert (Executive Director, Regroupement québécois de la danse, Mouvement pour les arts et les lettres): ... a coalition, a group of eight national and 13 regional organizations in Quebec. Consequently, we represent the needs and interests of over 14,000 artists and cultural workers.

Our movement was established in 1999 to make all levels of government understand how vital public funding is, not only for artists, but also for the societies of which they are part.

I will now turn the floor over to Bastien Gilbert, who will present our brief.

Mr. Bastien Gilbert: Although our movement began by working initially, since 1999, with the Quebec government to get budget increases for the *Conseil des arts et des lettres du Québec*, we have not been able to disregard what was going on in Canada, particularly because the great institution known as the Canada Council for the Arts, which will be celebrating its 50th anniversary next year, in 2007, has played an extremely important role in recognizing emerging arts over the last 50 years, and currently finds itself in extremely difficult financial straits.

Although the current government made some positive announcements last year—an increase in funding of \$20 million this year, and \$30 million next year—these increases are still not enough to meet the needs expressed by artists, writers, crafts people and others who work in the cultural field, not just in Quebec, but throughout Canada.

You will have noticed that in our paper, we drafted a sort of business plan for Quebec. This is the funding we require to meet the basic needs of artists and cultural workers in Quebec. In this business plan, the role of the Canada Council for the Arts is crucial.

Quebec has played its role, to some extent. In fact, the Quebec government has assumed its responsibilities by providing the Conseil des arts et des lettres with budgets that fall somewhat short of what we requested. Nevertheless, for several years now, we have received some satisfaction in this regard. We are therefore in a very good position to ask Canada to play its role with the artistic and cultural community in Canada.

Why is the Canada Council for the Arts so important for our sector? The reason is that we are somewhat the equivalent for the arts of what Mr. Godbout was explaining for the sciences. The Canada Council for the Arts provides funding for research in various areas such as theatre, music, visual and media arts. Often, this research involves new and fundamental needs. Artists must remain at the cutting edge of new technology.

Often, the Canada Council for the Arts succeeds in responding to these issues, and it is in a good position to do so. As you know, the Council is an arms' length body, in other words it gets its funding from the Canadian Parliament, but its decisions are made by internal committees, advisory committees and juries made up of peers, which are able to assess the value of proposals or the quality of organizations that apply for funding from the Canada Council for the Arts.

For these reasons, we, together with our colleagues from the Canadian Coalition for the arts, are calling for an increase of \$100 million in the Canada Council's budget.

Thank you, Mr. Chairman.

• (0910)

The Chair: Thank you very much for your presentation.

We will not continue with Ms. Diane Francoeur, from the Association of Obstetricians and Gynecologists of Quebec.

Thank you.

Dr. Diane Francoeur (President, Association of Obstetricians and Gynecologists of Quebec): My name is Diane Francoeur and I am the President of the Association of Obstetricians and Gynecologists of Quebec. Our association represents all doctors specializing in these fields, and we consider ourselves as experts on women's health in Quebec. In addition, we have many ties to Canadian society.

I am here to talk to you about three major health issues of importance to us which, unfortunately, are not equally accessible in all provinces. We believe very strongly that the federal government should be investing in equal accessibility for all women in Canada.

So I will proceed to the first point. As a result of the discoveries made by our friend in Genome Canada, prenatal diagnostics have developed very quickly, so that tools are now available and accessible in all industrialized countries, except Canada.

The current situation means that women who want access to prenatal diagnostics have to turn to the private sector. It is not always made clear or stated explicitly that these services exist, and they are not always readily accessible. Often, by the time women find out about them, it is too late.

We also do not want to advertise these services, because we want to promote our free system, which is available to all. Unfortunately, women do not have access to this technology and therefore cannot have fetal abnormalities detected early. Given that women have 1.4 children on average, we think they should have access to this technology in order to make the best choices and then prepare themselves for an abnormal baby or, at least, to get the best care for their infant.

My second point has to do with recognizing infertility as a disease. Unfortunately, that is not the case in Canada, so that reproductive technology is reserved only for the wealthy or for older women who have been accumulating money for a number of years. The result is that women will have more multiple pregnancies, often rather later in life, with disastrous medical consequences.

I am also the head of Obstetrics and Gynecology at the University Hospital Centre for Mothers and Children at the Sainte-Justine Hospital, where we have seen an increase in extremely premature infants in the last 10 to 15 years. A study was done in Alberta that approved the idea of subsidizing a program to implant a single embryo, in an effort to reduce the number of multiple pregnancies. This study showed undeniably that there would be an extremely beneficial effect on the frequency of premature births. We believe in this very strongly.

Unfortunately, since people spend a lot on in vitro fertilization, they often require to give themselves the maximum likelihood of becoming pregnant. And since women do not want to take any chances, they have multiple pregnancies, with all the disastrous consequences that go with that.

My third point is the new vaccination about which I will now tell you. It was approved this year, and in our opinion, as gynecologists, it is the best thing that has happened to women since the invention of the pill. This is the human papilloma virus vaccine, and it will do several things. The first objective is to reduce the number of cases of cancer.

Women have become so afraid of cancer that they are having their breasts, uterus and ovaries removed to prevent it. But we now have a good vaccine which, in three injections, will definitely make it possible to reduce cancer among Canadian women. Because the fact is that despite our good health care and accessible services, the fact remains that cancer still happens. So this vaccine is excellent news for us, and we would like the Canadian government to promote access to it for all young girls in Canada. Of course, in order to be effective, this vaccine should be given ideally, together with the vaccine for hepatitis B, before young girls have started to have sexual relations.

This vaccine will also protect them from sexually transmitted diseases. Canada has always been much more effective than the United States in eradicating sexually transmitted diseases. That provides us with an additional weapon for improving women's health.

Thank you very much.

●(0915)

The Chair: Thank you very much for your presentation, Dr. Francoeur.

Our next witness is Mr. Christian Blouin from Merck Frosst Canada.

Welcome, Mr. Blouin.

Mr. Christian Blouin (Director, Public Health Policy and Government Relations, Merck Frosst Canada Inc.): Thank you, Mr. Chairman.

My name is Christian Blouin. I am the Director of Public Health Policy and Government Relations for Merck Frosst Canada. I am accompanied by my colleague Rob Livingston, Ottawa Director of Merck Frosst, who will serve as a resource person for me during the question period.

First, I would like to thank you for the opportunity to speak to you. Since our time is limited, I am going to focus only on the National Immunization Strategy. I would also like to thank Dr. Francoeur, who is giving me an extraordinary opportunity to build on what she had said.

Merck Frosst is asking the government of Canada for three specific things. The first is a commitment to renew the NIS program funding for provincial and territorial immunization programs. Specifically, that means the federal budget should include \$100 million per year to continue to fund the existing program. It should also include adequate money to continue to fund the NIS infrastructure.

Our second request is that you expand the NIS. We believe a further \$300 million per year should be provided to the provinces and territories under the program to add new and emerging vaccines.

Our third request is that the NIS funding be separated from the Canadian Health Transfer Payments to the provinces and territories, to ensure the funds can be tracked and evaluated, and to guarantee they will be used specifically for immunization programs.

We agree with this committee's view that recognized the need for our country to do what is necessary to ensure our citizens and businesses are healthy. Merck Frosst Canada is the Canadian subsidiary of a major international research-based pharmaceutical company. We invest \$120 million annually in Canadian research which improves both the health and economic status of Canadians. We are keenly interested in the health of Canadians, and of our business and the economy in which we operate.

Improving health starts with the prevention of illness. It is well-documented that immunization programs are the most effective method of preventing infectious diseases.

In 2001, the government of Canada understood this and provided infrastructure funding of \$45 million over five years for the NIS.

In 2004, it added \$100 million per year for three years for the provinces and territories to pay for new immunization programs against meningitis, chickenpox, pneumococcal disease and whooping cough. That funding runs out March 31, 2007 and that is why I am here today.

Because of the NIS, provincial and territorial jurisdictions have expanded their publicly funded organization programs. Now, Canada—like the US, the UK and many other industrialized countries—has virtually universal coverage for these important vaccines.

If the NIS funding is not renewed, some provinces and territories may be forced to revert to the old system and not update the immunization programs for new vaccines. This could jeopardize the health of Canadians. Immunization could fall below the current standard of care we have now in Canada, and below the standards of other industrialized countries. Canada will once again have a patchwork across the country, as was previously the case, resulting in inequitable access for province to province, and we will begin to see diseases we had basically “cured” or prevented rising up again because infectious diseases don't stop at provincial borders. We have seen it with SARS., There the threat of a flu epidemic. We know about the West Nile virus and yesterday, the Minister of Health mentioned botulism.

We see this as a national responsibility. We strongly urge you to consider our request. Why should it be expanded?

New vaccines are imminent. I would like to focus mainly on one of them, Gardasil. Dr. Francoeur alluded to this vaccine which protect against cancer, and we are pleased to have it; Merck Frosst actually discovered it. Each year, 1,400 Canadian women are diagnosed with HPV, and 400 will die.

We are all saddened, with good reason, to hear about the death of a Canadian soldier. I would like to put things in perspective, without taking anything away from Canadian soldiers. But it must be said that one Canadian woman dies every day from cervical cancer. There is a way to end that.

● (0920)

The overall yearly cost of cervical cancer has been estimated at \$270 million. The vaccine would be far less expensive.

We are urging the committee to consider expanding the National Immunization Strategy and to ensure there is a mechanism in place to cover new vaccines as they are marketed in the future.

Thank you, Mr. Chairman.

The Chair: We will now continue with Mr. Trevor Hanna, Vice-President of the Quebec Federation of University Students.

Welcome, Mr. Hanna.

Mr. Trevor Hanna (Vice-President, Federal and International Affairs, Quebec Federation of University Students): Thank you, Mr. Chairman.

We would like to thank the members of the committee for having invited us to make our presentation today.

Our brief includes eight recommendations which can be found on page 9 and focus on three main priorities: first, reforming and increasing transfer payments for post-secondary education; second, reviewing tax spending on post-secondary education; third, ending discrimination against students.

Today I would like to focus on the issue of transfer payments for post-secondary education.

First, the QFUS is asking for the creation of a dedicated transfer for post-secondary education as currently exists for health. A dedicated transfer would have two main advantages: first, it would clearly define the federal contribution to post-secondary education—ensuring transparency—and second it would make federal funding for post-secondary education predictable, greatly simplifying the provinces' budgetary planning.

Second, we are calling for an unconditional transfer. Each province has unique needs in relation to post-secondary education. In Quebec, for example, the greatest need continues to be funding for the system as a whole. However, in Nova Scotia, where tuition fees are the highest in the country, the biggest problem is accessibility. That is why the Government of Nova Scotia has committed itself to reducing tuition fees at its universities and colleges to the national average by 2011.

Obviously, a national post-secondary education strategy can never succeed if it is based on rigid conditions. That is why the provinces must have complete flexibility in administering their post-secondary education system.

Third, we want the federal government to prioritize transfers as a way to fund post-secondary education. Along with cash transfers to the provincial government, the federal government also contributes to post-secondary education funding through tax spending that provides direct benefits to individuals. Federal tax spending includes income tax credits for tuition fees, tax credits for education savings, and the education savings grant.

Generally speaking, those programs are based on tuition fees. Provinces that opt for accessibility, as Quebec does, therefore receive less than their fair share of the tax spending.

Still, cash transfers remain the most equitable form of federal funding for post-secondary education. They also do less to interfere in areas under provincial jurisdiction and provide the provinces with the flexibility they need to respond to their own specific problems.

Finally, we ask that cash transfers for post-secondary education be considered a first step in resolving the fiscal imbalance. In view of the health agreement signed in 2004, the first priority in any resolution should be targeted at the provinces' second largest fiscal burden, post-secondary education.

The 1996 reductions in transfer payments are the most often cited cause of the present imbalance. It seems logical to conclude from this that restoring those cuts should be the first step towards resolving the fiscal imbalance. To restore funding to where it was before the cuts, an increase of \$4.9 billion for post-secondary education must be provided by the federal government.

In addition, an increase in cash transfers for post-secondary education is certainly not controversial, and is rather the subject of a broad consensus among provincial governments. In a joint statement issued after the Summit on Post-secondary Education and Skills Training held by the Council of the Federation, the provincial premiers called for increased federal funding for post-secondary education. More specifically, they called for an increase of \$4.9 billion in cash transfers.

That concludes my testimony today. I look forward to answering any question you may have in either official language. Thank you.

• (0925)

The Chair: Thank you very much, sir.

The next speaker will be Jack Robitaille, from the Union des artistes.

Welcome, sir. You have five minutes.

Mr. Jack Robitaille (Vice-President, Union des artistes): Thank you, Mr. Chairman.

I am Vice-President of the Quebec section of the Union des artistes. The UDA represents performing artists working in French. It currently has 11,400 active members and interns.

The UDA's mission is to identify, study, defend, and develop artists' economic, social, and moral interests. It currently manages more than forty collective agreements covering sectors such as advertising, cinema, recordings, dubbing, the stage, and television.

In 2001, the cultural sector employed 611,000 people, or 4.1% of the workforce, which is more than agriculture, forestry, mining, and the oil and gas industry combined. Its workforce is one of the most highly educated: 40% have a university degree, compared with 22% in the general population.

Economically speaking, Canadians spent \$22.8 billion on cultural goods and services. Public funding to not-for-profit performing arts organizations generate tax revenues in the order of 176%.

We believe that the importance of culture for our economy and our identity is what encouraged the government of Canada and Quebec to ratify the Convention on the Protection and Promotion of the Diversity of Cultural Expressions and to promote it.

Those are good reasons for attaching significant importance to culture during prebudget consultations. However, the socio-economic conditions of performing artists in Canada in the sound recording, theatre, and audio visual fields have not progressed over the past 20 years. They stand out because of their inferiority in comparison with other category of workers.

The economic and cultural health of our country is however closely linked to the social economic health of our performing

artists, which, in turn, is dependent upon their receiving full royalties for their artistic productions.

The time has come to at least recognized copyright, as Canada promised to do in 1997, by signing the World Performances and Phonograms Treaty, and to extend the notion of private copy to audio visual works.

To ensure a more profound impact on artists' incomes, tax measures such as an exemption from copyright revenues could be considered. Measures that are adapted to self-employed cultural workers must be put in place. The Employment Insurance Commission should be able to come up with creative ways of enabling self-employed artists to benefit from some form of income insurance.

The government must move as quickly as possible to double the budget for the Canada Council for the Arts and ensure that the substantial portion of the new funds go to artists. Funding must be increased for cinema, given its success here and abroad.

The government is however proposing \$4 million in cuts to the Museums Assistance Program, under dubious pretexts, and a reduction of approximately \$12 million to the Department of Foreign Affairs's Public Diplomacy Program which funds the international activities of university and cultural organizations.

The government is currently studying, considering, and wavering on providing assistance to cinema, at a time when it is hugely popular. If the government wants to meet its objective in terms of taxation, equal treatment, innovation, and common values, it must invest in culture and above all in artists.

Artists are leaders in promoting Canadian identity throughout the world. They are better than anyone else at saying who we are, what space is ours and how we inhabit it. It is time for the government to recognize this contribution and to enthusiastically support these ambassadors.

Thank you, Mr. Chairman.

• (0930)

The Chair: Thank you very much.

I will now give the floor to Mr. Gilles Gagnon, the President and Chief Executive Officer of the association representing Canada's Research-Based Pharmaceutical Companies.

Thank you for coming, sir. You have five minutes.

Mr. Gilles Gagnon (President and Chief Executive Officer, Aeterna Zentaris Inc., Canada's Research-Based Pharmaceutical Companies (Rx&D)): Thank you very much, Mr. Chairman.

I would like to extend a warm hello to you and to all members of the committee, and to thank you for giving us the opportunity to address you today on behalf of Rx&D, the association representing Canada's Research-Based Pharmaceutical Companies.

My name is Gilles Gagnon, and I am President and Chief Executive Officer of Aeterna Zentaris, a global biopharmaceutical company whose corporate headquarters is located in Quebec City.

With me this morning, is Brigitte Nolet, the Vice-President of Federal Affairs at Rx&D.

Rx&D is an association composed of over 50 research-based companies throughout the country. Its mission is to improve the quality of life of all Canadians and enhance our health care system by fostering the discovery, development and availability of new medicines and vaccines.

Rx&D member companies represent a significant economic lever for Canada, generating more than 100,000 direct and indirect jobs country-wide and contributing significantly to industrial R&D growth. Every year, we inject no less than \$4.5 billion into the Canadian economy, and invest \$1 billion in research and development.

By the way, \$1 billion is the average cost of developing just one new, innovative medicine for patients, that will take 12 years to get onto the market. Innovative patented medicines, although one of the most cost-effective aspects of our health care system represent only 8% of the total budget. In the public's view, pharmaceuticals and spending often seem to go hand in hand. In my opinion, this is a misconception; the connection instead should be in terms of investments and pharmaceuticals.

For instance, since 1985, despite the aging population, pharmaceuticals have succeeded in reducing hospitalizations by 35%, not to mention the radical drop in mortality for those stricken with terminal illnesses such as cancer or AIDS. This is absolutely incredible! Incredible, yes, but not magic.

That is all very well, but Canada is now evolving as part of a global system. We are facing a world-wide reality: we must face up to the competitiveness of emerging countries such as China and India, where investments are increasing all the time. The challenge facing subsidiaries of Canadian pharmaceutical companies is to attract investments here, to Canada, in order to continue promoting research for the benefit of patients. We are facing significant challenges.

Since Rx&D's members operate in a global context, our ability to increase investments in human capital, physical capital and innovation obviously depends on our commercial environment. Of course, in order to have a commercial environment, there are some measures we would like to see implemented.

With respect to intellectual property we were very pleased that the government passed legislation on October 4 of this year that would protect research data. We are very proud of that. We were very eager to have this new measure passed, and that has now been done. The next matter we will be discussing together will be the extension of the patent period.

We must continue to benefit from attractive tax measures that can attract investment. In a global context, the income tax credit must be extended to cover collaborative international R&D work conducted in Canada. The part of the work done by the Canadian subsidiary, in a global research context, should be eligible for the Canadian tax credit.

In addition, there are other disciplines that are now part of research according to the definition of the OECD, and yet these disciplines are not recognized for the purposes of certain tax measures in Canada. More specifically, I am referring to research in the social sciences, more particularly in health economics. For

example, studies on pharmacoeconomics should be eligible for tax credits.

I also represent a very important biotechnology industry. We do have tax credits, but they are not payable in Canada, particularly in the case of public companies.

Biopharmaceutical companies invest a great deal of money. It is very expensive to develop drugs. This is the same area in which the major pharmaceutical companies are involved. R&D companies are not in a position to generate revenue quickly enough to be able to claim tax credits and cover their research costs. Refundable tax credits should be available to these companies just as they are to Canadian-controlled small private companies, with taxable revenue of less than \$200,000.

• (0935)

In addition, it would be important to stimulate alliances between pharmaceutical and biotech companies. That's part of the recognition of a favourable environment. The milestone payments paid by pharmaceutical companies to biotechnology companies should also be part of the tax credits.

So all the measures that I've just discussed, be it recognition of research in Canadian subsidiaries, milestone payments to biotechnology companies to ensure a strong industry in Canada and the recognition of refundable tax credits for biotechnology, represent a minimum of \$100 million.

Thank you.

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

Thank you all for your presentations. We will now go to a round of questions.

Mr. Pacetti, please, you have five minutes.

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

I wish to thank all the witnesses for your presentations. They are always interesting. Here in Quebec, it's quite special because all the groups took less than their five minutes, therefore we're running a little bit ahead of schedule. I will therefore take the time remaining to them, Mr. Chairman. All right?

Trevor, I think that my colleagues will ask your this question,

[*English*]

but I couldn't help myself.

[*Translation*]

In your first recommendation, you asked for the reform and increase of the transfer payments for education, but you didn't say how much more money you are asking for nor how this is currently distributed between post-secondary education and social and health programs.

Do you have the breakdown of the two amounts as currently allocated by the Government of Canada?

Mr. Trevor Hanna: No, I don't have the existing breakdown, but we're requesting an increase of \$4.9 million for—

Mr. Massimo Pacetti: You are asking for an increase, but after, these increases have to be unconditional. Are these two arguments in opposition to one another? You're asking the amounts transferred to post-secondary education be increased, but without conditions.

Mr. Trevor Hanna: Yes, that's correct, that's our request. We find that each province has specific needs that it must meet. Therefore, the provinces must enjoy complete flexibility in the administration of the post-secondary education system.

M. Massimo Pacetti: I think that my colleagues will be asking for more information.

Mr. Gilbert, last year around the same time, did the former Minister of Canadian Heritage, Ms. Lisa Frulla, make an announcement to the effect that the amount granted to the Canada Council for the Arts would be increased by \$25 million or \$50 million a year, if I'm not mistaken?

● (0940)

Mr. Bastien Gilbert: In late November of last year, Ms. Frulla had announced an increase of \$150 million for the Canada Council budget.

Mr. Massimo Pacetti: What happened to those sums?

Mr. Bastien Gilbert: The election!

Mr. Massimo Pacetti: And there was no new signal from the new government about whether or not these funds would be restored or increased?

Mr. Bastien Gilbert: The current government did announce an increase of \$20 million for this year, which will end in April 2007, and an increase of \$30 million the following year.

Mr. Massimo Pacetti: You're not happy with these amounts of \$20 million and \$30 million?

Mr. Bastien Gilbert: No, not really, because since it had been established last year and as is still true this year, we need to at least double the budget of the Canada Council, that is, raise it to \$300 million. Currently, it's \$156 million. It will be \$176 million if the \$20 million we're expecting any day now are confirmed.

Mr. Massimo Pacetti: Thank you. Our time is limited.

Dr. Francoeur, I wanted to avoid asking you any questions because I can't pronounce the words "obstetrician" and "gynecologist". However, your three points are very interesting. I wasn't aware of this. I wanted to ask you whether or not this was a matter of provincial jurisdiction.

In the first point of your presentation, you state:

We want the federal government to support the provinces in setting up a Canada access plan that will be comparable from one province to another and that will provide women, who now have an average of 1.4 children—

Does this involve research only, or rather the entire operation of...?

Dr. Diane Francoeur: It depends on the position you want to take. We can let the provinces take on the burden of decreeing what is important for the women in that province. To my mind, if we have a Canadian vision, women from coast-to-coast should have access to the same standards.

For example, with regard to prenatal diagnostic, Canadian society is introducing standards that Quebec can never achieve. I've already

made many representations in this regard to the Quebec Health minister, Mr. Couillard. He said this was interesting and it would be desirable for women to have access to the same things as they do in Europe, but that the money simply wasn't there.

Unfortunately, one can acknowledge that free access no longer exists in Canada, but women have to be told this. In my opinion, the proportion of women of reproductive age who do not require a lot of care compared to younger and older women must be protected and must have access to the available technology.

The Chair: I'm sorry, I must interrupt.

Mr. Paquette, you have the floor for five minutes.

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

Congratulations on your presentations. There's an enormous amount of material here, and unfortunately, we have very little time to discuss it.

My first question is for Ms. Francoeur.

In my opinion, if the federal government assumed its responsibilities for health care funding and if it achieved at least the objectives of the Romanow report, that is 25% of expenditures, that would answer a substantial part of your concerns.

Dr. Diane Francoeur: Absolutely.

We are an organization dedicated to defending women's rights. We will try in every way possible to have contemporary, comparable health care to that provided in other countries these days.

When we as doctors, and especially as specialists, go in tertiary centres in other countries, our training is impeccable and the care that's provided is excellent. However, we don't follow the progress and development, be it in terms of reproduction, the genome or prenatal diagnosis, the gap will widen more and more. Unfortunately, this gap quickly becomes exponential, and we'll never catch up. It will be women who suffer, quite simply. Since women represent 50% of the population, they should not be forgotten.

Mr. Pierre Paquette: Of course.

Mr. Robitaille made reference to 50% cutbacks to the Museums Assistance Program. Indeed, there were no justifications for this. As you mentioned, there was also an \$11.8 million-cut to the public diplomacy program.

My question is for Ms. Hébert, Mr. Robitaille and Mr. Gilbert. The minister has stated that these cutbacks, particularly those for the public diplomacy program, would have no impact on tours by ballet, theatre or orchestra companies. She clearly stated that this would have no impact.

I'd like to hear your opinion on this.

● (0945)

Ms. Lorraine Hébert: We'd like to know the real facts. For example, all the dance companies who applied for grants in August have still not received an answer, despite the fact that they're already in the field, in Europe or Asia. Is there any money left in this envelope or not?

Secondly, those cuts of some \$11 million affect international missions and therefore all those who work to promote and supervise Quebec and Canadian artists on the international scene. It's very difficult to evaluate the consequences of these cuts in the medium term, with regard to developing markets and positioning Quebec and Canadian artists on major world stages.

Another topic I'd like to broach is related to the Canada Council for the Arts. If the Council could afford to support international distribution, we wouldn't be currently occupied trying to understand what happens to these funds earmarked for international distribution. There is no evaluation committee; there are no peers. These funds from the Department of Foreign Affairs are managed in an incomprehensible way.

Mr. Pierre Paquette: Do I still have a little time left, Mr. Chairman?

The Chair: You have two minutes .

Mr. Pierre Paquette: Excellent.

So if I understand correctly, you're asking that the funds made available to the Canada Council for the Arts be doubled. Right now it's \$100 million.

In the case of Genome Canada, you're asking for \$380 million for the next three years.

Could you remind us of your current level of funding? Why are you asking for \$380 million and not \$350 million or \$400 million?

Dr. Martin Godbout: To answer your question regarding \$380 million requested, a strategic plan was prepared for Industry Canada and, upon request of the department, as is the case for any budget or grant application. The costs are assessed line by line, request by request.

Right now, the financial situation of Genome Canada is simple. Genome Canada is not a federal organization, so we are not part of annual budgetary allocations. We receive money to cover term periods. The last time, it was \$225 million for three years. That period ends around September 2007.

As is more or less the case for the Canada Council, when researchers or companies file applications with Genome Canada, there is a process which lasts about a year. They have to describe a grant application, a jury of peers must analyze this, and all that takes a year. The process cannot be started if you don't have the money in the bank.

Right now, there are \$7 million left in the coffers of Genome Canada out of the \$1.4 billion that we collected over the past six years. We will therefore not be able to operate like this in the future.

It also has to be remembered that Genome Canada—

The Chair: I'm sorry sir, the time is up.

We must continue by giving the floor to Mr. Luc Harvey.

Welcome, sir. You have five minutes.

Mr. Luc Harvey (Louis-Hébert, CPC): All right, we'll proceed quickly.

First of all, please finish what you were saying.

Dr. Martin Godbout: It's important from an economic standpoint. Let's say Genome Canada receives \$1 from the federal government. We are then under obligation to obtain an equivalent sum from other sources.

We receive \$600 million over six years and we collected \$840 million from other sources. Believe me, those sources are not the provinces. They contribute about 20% of the total.

When we apply abroad, to foundations such as the Bill and Melinda Gates Foundation, the Wallenberg Foundation in Sweden, or Wellcome Trust in London and we want new investments to be made in Canada, we better have money in our bank account.

We currently have \$7 million left. It's therefore impossible for us to do—

Mr. Luc Harvey: I gave you some extra time, but please don't use it all up.

How many workers are there at Genome Canada exactly?

Dr. Martin Godbout: Genome Canada has 17 employees. It's an investment fund.

Mr. Luc Harvey: Okay. And you are committed to how many companies?

● (0950)

Dr. Martin Godbout: We have about 100 projects, and over 2,000 people are directly affected by the contributions of Genome Canada.

Mr. Luc Harvey: All right.

How much is a vaccine against the human papilloma virus? How much does it cost to treat one person?

Mr. Christian Blouin: Right now, in the public health care system, the vaccine is sold for under \$134.95 a dose. It's a three-dose treatment. So we're talking about approximately \$405.

Mr. Luc Harvey: When it's wholesale, can you lower the price a bit?

Mr. Christian Blouin: We can try to see how much leeway we have from the standpoint of public immunization programs.

Mr. Luc Harvey: That's one of the aspects I was wondering about.

Mr. Christian Blouin: You were wondering about the price?

Mr. Luc Harvey: No, but I wanted to know. I did not know how much this represented.

Mr. Blouin, earlier you were talking about international standards for immunization. What is the standard? How do we rank according to that standard?

Mr. Christian Blouin: That's a very good question.

As a matter of fact, before the National Immunization Strategy was established, Canada looked pretty bad, quite frankly. If you look at the situation in terms of the geographic regions of Canada it was a patchwork.

The rich provinces had immunization programs. Alberta generally launched a program very soon after the introduction of a new vaccine. And in the rest of Canada, if there was a crisis or an epidemic, if the *Journal de Québec* was reporting the eight death, then a meningitis program might be implemented.

Mr. Luc Harvey: But what are the statistics?

Mr. Christian Blouin: In fact, when a new vaccine is available, it's a very effective public health measure, and most industrialized countries such as the United States, the United Kingdom, most of the countries of Europe as well as Australia, adopt national immunization strategies.

Health care is an area of provincial jurisdiction, except that when it comes to public health, viruses don't know borders and they spread from one province to another. So if there is one subject in Canadian health care on which the provinces agree perfectly, it's the importance of having an immunization program. We saw it in the case of the SARS crisis, severe acute respiratory syndrome, for example.

Mr. Luc Harvey: Let me put my question another way.

In order for a vaccine to be effective, what percentage of the population must be immunized?

Mr. Christian Blouin: For the population to be immunized? The vaccine must be given to at least 85 to 90% of the citizens. Otherwise, we see cases such as in the U.K., where at one point they stopped vaccinating against measles. There was an increase in infections and many deaths. That was just a few years ago.

Mr. Luc Harvey: All right.

With regard to film-making, we're told that Quebec and Canadian cinema is very, very popular. And yet we're told there's a lack of money. How much more money is needed?

We were giving \$20 million. How much money did Quebec get?

Mr. Jack Robitaille: Quebec added \$10 million. If the budget was increased by 50%, we could cope better with the many applications we receive.

In Quebec, Quebec cinema is extremely popular with the public.

Mr. Luc Harvey: I know: I live here, in Quebec City.

Mr. Jack Robitaille: Therefore, in 2005, 20% of audience members went to see Quebec and Canadian films. So there's extraordinary vitality there, and Telefilm Canada's budget does not allow it to follow suit. We're not asking to be able to follow this vitality totally, but we are asking to be able to do so in part at least.

Mr. Luc Harvey: I have a supplementary question on that subject. It used to be that \$20 million was an acceptable amount. However, suddenly, there are more producers, more movies, and therefore the budget should be increased because people have decided to make more movies.

Mr. Jack Robitaille: Yes. It's a sign of vitality, that is, there are more and more artists...

Mr. Luc Harvey: If that's the case, they should be able to find the money themselves.

Mr. Jack Robitaille: Art in general is often not a lucrative business.

Take for example Robert Lepage. You cannot say that he is a bit player; he has an international reputation. But without grants, Robert Lepage could not produce movies or plays. He could not do anything. We must invest in the arts. It is not economically profitable, but it is profitable in many other ways. So yes, there is enthusiasm for our movies and for the quality of our films. But it's just like in hockey, of course: when Canada has several good players who are at the top of their game, younger peoples want to follow suit. So the current situation is motivating our young artists to get into the movie business. That's a very good sign.

The Chair: Thank you.

Ms. Wasylycia-Leis.

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

Thank you to all the witnesses for their very important briefs.

My first question is for Mr. Blouin, because I have a problem with Merck Frosst's recommendations. The federal government is claiming that the company owes \$2 billion in unpaid taxes because it took advantage of a tax haven abroad. This is an unbelievable amount of money, if you consider the needs of women, children, artists and others.

How can you justify what you're asking for today? Have you made a request of the federal government with regard to the \$2 billion?

• (0955)

Mr. Christian Blouin: I would be pleased to answer that question. First, we have to be clear and not confuse the two issues. The recommendations and requests we made will ensure that Canadians have access to vaccines to protect their health.

Our first request was precisely that the government reconsider its funding for the National Immunization Strategy. Second, we pointed to the importance of adding new funding for new vaccines. When you were in Halifax yesterday, one woman died. The previous day, when you were in Newfoundland, another woman died, and another woman will die today of cervical cancer. So what we were asking for was simply to ensure that the health of Canadians be protected.

Ms. Judy Wasylycia-Leis: Yes, but could it not be possible for huge corporations like Merck Frosst to spend much more on immunization programs? Why don't you give part of the immense profits you make to Canadians or even to other countries?

My next question is for Mr. Gilles Gagnon. In fact, it's the same question. You have received a huge gift from the federal government, which is protection of data for innovative research for a period of eight years. This is a gift for you because your companies are realizing huge profits. This might create hardship for families and for donors, and the measure would increase your profits even more, while Canadians would be deprived of about \$6 million. You are also asking for changes to tax rates.

Mr. Gilles Gagnon: In fact, the issue of data protection is the first stage we need to pass to become globally competitive and to attract investment. As for profits, in the field of biopharmaceuticals, I am only experiencing losses; I am not making any profits. I am referring to my own company. So this was the very least that had to be done, namely to protect data for a period of at least eight years. I can tell you that in Europe and in Japan, the data protection period is of ten years. So we are just beginning to keep pace with international competition.

Ms. Judy Wasylycia-Leis: Yesterday, in Halifax, representatives from the university said very clearly—everyone has a say in the matter—that the pharmaceutical companies' research is not very robust. A lot of statistics indicate that companies making brand name products are not putting any of their profits back into research as far as new drugs are concerned. Often research is done at the level of *me-too drugs*. There's a lot of evergreening that is done and changes of that nature, but no new pharmaceutical products.

Mr. Gilles Gagnon: The member companies of Rx&D invest \$1.1 billion per year in innovative research in Canada.

When we talk about *me-too drugs*, you are talking about generic products. I do not believe that a discovery like insulin would be part of that group.

Ms. Judy Wasylycia-Leis: But what has changed?

Mr. Gilles Gagnon: Insulin was discovered in Canada. Some anti-psychotics and products to control schizophrenia were also discovered in Canada. SINGULAIR, by Merck Frosst, was also discovered in Canada. These are great innovations.

Therefore, the research companies who are members of Rx&D represent 60 per cent of all the research done, second after the universities.

The Chair: I'm sorry to interrupt you, but we must move on to the next speaker.

Mr. McCallum, you have four minutes.

• (1000)

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

I would also like to thank the witnesses. It is always a pleasure for us to visit Quebec City. We ate very well last night.

My first question is for Mr. Robitaille. You mentioned the budget cuts to museums. I would like to know, as far as museums and perhaps as well as far as the literacy programs that may have been affected by such cuts, what the impact of those cuts were here in Quebec.

Mr. Jack Robitaille: I am not an expert with regard to museums in Quebec. I know, however, having participated as a stakeholder in the promotion of certain exhibitions for museums, that the museums make a great effort to broaden their public. In fact, part of the funding that was cut was used for that promotional effort.

So on the one hand, the museums are criticized for living in an ivory tower, and on the other hand, their promotional budgets are cut. That is what I am hearing.

As far as literacy is concerned, unfortunately, I cannot answer. I don't know if there are other people here in a position to do so, but I unfortunately cannot.

Hon. John McCallum: Thank you.

I believe that Mr. Paquette would agree with me on my next question, because we are both economists and also because, as the former Dean of the Faculty of Arts at McGill University, I was very pleased to see that you wanted to include research in social sciences in the definition of the tax credit for research and development, which is not presently the case.

Can you explain to us why, in this case, research in social sciences is important?

Mr. Pierre Paquette: That is a good question, John.

Mr. Christian Blouin: I am not sure that I know the answer; that is why my colleague Rob Livingston is with me today. In fact, all levels of research are important to Merck Frosst in Canada. This is true not only for basic research, for clinical research, but also for social research.

It is the same thing for vaccines. We set up immunization programs at the Pan-Canadian level, at the provincial level, and often we do not measure the real impact of the vaccination nor how these programs are set up.

Therefore, if we want to break out of these silos and ensure that we make the Canadian system much more effective, it is important to include almost every aspect of these interventions.

Hon. John McCallum: Thank you.

I have one final question, this time to Mr. Godbout. I believe that, obviously, it is very important for Canada, in order to be able to compete with China and India, to be aware that it is not our salaries that count, but rather ideas, creativity, innovation, research, etc. The previous government had invested billions of dollars in this area. We heard from witnesses that some researchers who came from the United States were thinking of going home, because of the lack of funding.

What has the government's response been up until now? Do you have the impression that the government supports the innovation program, or is it too early to say? What is the situation?

Dr. Martin Godbout: Thank you, Mr. McCallum.

Up until now, our government representatives seem to be saying that the intention is to support Genome Canada, but the issue is how to fund it? That depends on senior officials at the Department of Finance.

As far as the *brain gain* is concerned, I can assure you that Genome Canada created a *brain gain*. But today's generation of researchers are mercenaries; they will go where the money is. Therefore, there is a *brain game* between countries.

Hon. John McCallum: But if the funding is not maintained, there is a *brain drain*—

The Chair: I am sorry to interrupt you.

Mr. St-Cyr you have four minutes.

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

Mr. Trevor, I saw in recommendation No. 2 in your brief that you were asking that federal post-secondary education transfers be unconditional. I'm very happy to see that the Quebec Federation of University Students wants Quebec's areas of jurisdiction to be respected. All of the organizations from the rest of the Canada who appeared before us asked for national standards according to which the federal government—somewhat as it is doing or trying to do in health—would impose criteria on the provinces. I asked them if they were ready to accept an asymmetrical system that would allow Quebec to choose to opt out. The responses varied: some said that national standards should apply to everyone without exception; others said that if Quebec wanted something else, that was acceptable.

Do you feel that if there were national standards for the rest of Canada and that Quebec had full jurisdiction in the matter, you could live with that?

• (1005)

Mr. Trevor Hanna: Yes, we have no problem with national standards so long as it is clearly indicated that they do not apply to Quebec.

Mr. Thierry St-Cyr: Thank you.

My second question deals with the \$4.9 billion amount you spoke of. Can you remind the members of the committee where this amount came from? How did you calculate it?

Mr. Trevor Hanna: The cutbacks at the time were \$2.2 billion. If we account for inflation and the increase in the student clientele, we come to the figure of \$4.9 billion.

Mr. Thierry St-Cyr: Finally, you would like to get back to the pre-cutback level, in term of settling the fiscal imbalance. In the short-term, we can do that—that is what the Bloc Québécois is asking for—but in the mid- or long-term, should we not be thinking about a tax field transfer to Quebec, rather than a cash transfer? In fact, if we obtain a simple transfer, there is no guarantee that in 5 or 10 years, the federal government will not play the same trick on us again by reducing the transfers. The same battle will have to be fought again.

Mr. Trevor Hanna: It is clear that there are advantages, in terms of provincial autonomy, related to a tax field transfer. However, because one tax point is not worth the same thing in each of the provinces, in order to balance the value of the tax points, we would have to reopen the equalization debate, which currently generates different opinions from the various stakeholders. It is more pragmatic for the moment to ask for a return to the 1996 funding levels.

Mr. Thierry St-Cyr: All right.

I saw your third and fifth recommendations. The third indeed asks that cash transfers be given priority rather than tax credits; you spoke about that.

In your fifth recommendation, you asked that compensation be granted to the provinces that chose accessibility for the various credits paid out to them. Finally, it is linked—I knew it; I have often talked about it with the members of the committee—to child care, an

area where Quebecers are penalized because they have made that choice.

Are you telling us that the federal system currently penalizes provinces, including Quebec, who have chosen accessibility, and do you want there to be compensation?

Mr. Trevor Hanna: That is exactly right. We do not want the provinces to be penalized for the social choices they make.

Mr. Thierry St-Cyr: All right.

You talk about the fiscal imbalance in your brief. When Mr. Harper came to Quebec City and promised to settle the fiscal imbalance, how did Quebec students or the federation perceive that? Did they believe that the fiscal imbalance would be settled, or did they believe that if everyone agreed, everyone would get along?

The Chair: Thank you very much, Mr. St-Cyr. Unfortunately, you took a lot of time for your preamble.

Mr. Dean Del Mastro, you have four minutes.

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

Good morning. My French is terrible,

[*English*]

so I will speak in English.

I'm very excited, Mr. Blouin, about what can only be described as a huge development on the cancer front, in my personal opinion. Can you talk about what the impact would be of this immunization?

There's a number of people on this committee whose lives have been really affected by cancer. To me, this is much bigger than a women's rights issue; this is an issue that affects families, it affects people from all walks of life. Can you talk about what type of impact this will have on cervical cancer?

Mr. Christian Blouin: Absolutely. Thank you for your question.

I think for women's health, it's a very important breakthrough. In fact, pap testing many years ago, in the 1940s, was probably the most significant achievement in the prevention of cervical cancer, but even with pap testing, there are still 1,400 women in Canada suffering from cervical cancer and genital warts. In fact, 400 women die from it every year, so the vaccine will have a tremendous impact in the long term.

I don't think we're going to see the 400 women not dying a year from now if there are immunization programs, but it will have a long-term impact. I think we should have the vision of implementing an immunization program as soon as we can.

Dr. Francoeur has mentioned it and most medical societies have clearly mentioned that it is a breakthrough. We're not talking about something that is a "me too", we're talking about something that is innovative and deserving of funding to ensure that women in Canada will be protected, not only with pap tests but with a vaccine against cervical cancer.

• (1010)

Mr. Dean Del Mastro: Great.

The \$400 million that you're basically seeking for the national immunization strategy, have there been any studies to indicate what type of savings that might mean in the long term to the health care file?

Mr. Christian Blouin: There's a bunch of studies under way right now, but in terms of the cervical cancer cost annually in Canada, the most conservative number at this stage is about \$270 million. This is only direct cost right now. So when you're talking about societal costs and the impact on women's health, psychological health and things like that, and you're adding all components, it's a lot more. And this is only for cervical cancer at this stage.

Mr. Dean Del Mastro: Wonderful.

Dr. Francoeur, would you like to make any comment on that?

Dr. Diane Francoeur: Yes, sure, because \$270 million is \$300 million and more, because you have to be conscious that it's not only cervical cancer, there are all those abnormal pap smears that affect the situation. You all have relatives, wives, daughters, or sisters who've been in our colposcopy clinic, because it's one woman out of four who has an abnormal pap smear. If you get vaccinated, you won't have all those abnormal pap smears and all those painful biopsies and all those follow-up appointments that make you miss school and miss work, and all of that. So as for the estimation of \$300 million, in a couple of years we'll probably catch up and be almost—

[Translation]

The Chair: Thank you, Mr. Del Mastro.

Mr. Savage.

[English]

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

I'm going to speak in English too. I apologize for that and ask you to use your translation devices.

Diane Francoeur, regarding the IVF and ICSI, are there any provinces that cover that in Canada now?

Dr. Diane Francoeur: None. The only thing that's been done so far is a pilot project in Alberta where they looked at Canadian data.

We have to be concerned in Canada that the costs are much lower than anywhere else for IVF. What was done was that by recognizing that it was a health problem, everything was free for women. They put in just one embryo, so the problems related to that were obviously resolved.

So if we look at costs, if we were able to have a good financing program for IVF, the costs we'd save from not taking care of all the premature babies would probably finance it. That was the conclusion of the working team in Alberta.

Mr. Michael Savage: It is very expensive. You mentioned that IVF is \$4,500, ICSI is \$1,500, and the medications can be \$200 or \$300. That doesn't take into account the amount of time a woman has to take off work to go through the procedure and then after the procedure. It doesn't take into account travel costs if people have to go to the Toronto centre for reproductive treatment, say, or places like that.

Of the four clinics in Quebec that do IVF, how many do ICSI as well? Or do they all do ICSI?

Dr. Diane Francoeur: They all do.

Mr. Michael Savage: Is that standard now? I know that a few years ago, for people in Nova Scotia, those who wanted to do IVF could do it in Halifax, but they had to go to Toronto to do ICSI.

Dr. Diane Francoeur: No, they all do it now. The good thing about having only four clinics doing IVF in Quebec is that all the standards and protocols respect the guidelines.

Mr. Michael Savage: You also mentioned that you'd like to see the government subsidize infertility treatments. Do you have a sense of how much they should be subsidized? Is that something that needs to be thought out further? Do you have an opinion on that? Should they be totally covered?

Dr. Diane Francoeur: If it's recognized as a disease, then I think it should be taken care of as all other diseases are. You know, we don't ask women who have premature babies because of IVF to pay for the treatment of their babies. It's forever been a crack in the health care system that we've said to women that this isn't a disease, but I think we have to change our thinking on that one.

• (1015)

Mr. Michael Savage: Thank you.

It is very exciting, Mr. Blouin, the development that Merck has come up with for the human papillomavirus. Can you give us a sense or any idea of what the potential is for vaccines in Canada? Are we close to any other very significant ones?

Mr. Christian Blouin: Absolutely. In fact, I talked about Gardasil, but we launched at the same time, at the end of August, RotaTeq. That is a vaccine for rotavirus, a major cause of gastroenteritis in young kids.

About a year from now we will have another breakthrough, a vaccine against shingles. That affects mainly those who are 55 to 60 and over. This will have a significant impact on public health as well.

Mr. Michael Savage: We heard from a different panellist previously that every dollar invested in a vaccine saves \$27. Is that accurate?

Mr. Christian Blouin: I don't know if that's the exact dollar amount, but one thing that's clear—not only in Canada, not only in Quebec, but around the world—is that world experts fully agree that vaccination and immunization are by far the most cost-effective medical interventions that exist. The only exception might be the purification of water. Vaccines have been proven as the most cost-effective medical intervention around the world.

It's sad that today we sometimes have to defend and debate the importance of vaccine and immunization programs. To me it should not be an issue.

[Translation]

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

We will continue with Ms. Ablonczy.

[English]

We have to go to three-minute rounds now so that everybody gets in.

Ms. Ablonczy.

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

Mr. Gagnon, we appreciate the research that's being done. As my colleague and others have said, it's been of real benefit to women and to all Canadians to have this research done.

I would be interested to know how much research you think would be done in Canada without the tax incentives for companies, since most pharmaceutical companies have an international component. What would be the impact on pharmaceutical research in Canada without the tax incentives that you're talking about?

Mr. Gilles Gagnon: I can tell you that without the tax incentives, the research level would probably be lower than it is now. Tax incentives make up one component of the attractiveness of Canada as a competitor on a worldwide basis. Of course, intellectual property is a very important component as well.

Ms. Diane Ablonczy: What about protection of the innovative data?

Mr. Gilles Gagnon: This is extremely important. This is for the patients. For example, six months ago I imported a compound from Germany...I was hoping this data protection would be put in place. In fact, it was put in place, and I was asked for collaboration from Indian and Chinese companies. I have refused to send these compounds over there because I don't believe the data could be kept safely.

Ms. Diane Ablonczy: You said the national pharmaceutical strategy that came in a couple of years ago actually limits new therapies and creates regulatory hurdles. Can you talk a little more about that? This is the first I have heard of that problem.

Mr. Gilles Gagnon: On this question, I would like the help of Brigitte Nolet.

Mrs. Brigitte Nolet (Vice-President, Policy, Research and Scientific Affairs, Canada's Research-Based Pharmaceutical Companies (Rx&D)): The national pharmaceutical strategy was announced in September 2004. In principle it makes a lot of sense to work together to try to better the health care system. But in practice, we're seeing a lot of concern that some of these important products won't be recognized on an individual basis. We might be trying to collaborate on making sure we're looking at all these products, but not every Canadian would have access. Our fear is that, as you move through it, there may be an impact on what is available to Canadian patients. That's the fundamental concern.

Ms. Diane Ablonczy: Thank you.

[Translation]

The Chair: Thank you very much.

The next questioner will be Mr. Pacetti.

•(1020)

Mr. Massimo Pacetti: Thank you, Mr. Chairman. I will move quickly, as we only have three minutes.

Mr. Blouin, can you tell us how much your immunization project would cost? You said that 80% of people would need your vaccine. Thus, if we take into account that there are 30 million people in Canada, that means that 24 million people will need your vaccine. Is that the right way to calculate it? Should we multiply that number by \$450, that is the cost of one vaccine, which would give a total of \$10.8 billion, if I am correct?

Mr. Christian Blouin: No. In fact, when I was talking about 80 to 90% of the population, that percentage corresponds to the minimum required number of vaccinated people in the target group. We are talking about a cervical cancer vaccine. And so, at the outset, we have to eliminate half of the population, that is the men.

On the other hand, this vaccine also protects against genital warts and condyloma. It is therefore very likely that it would be a good idea to also give it to men.

However, in order for public immunization programs to be as effective as possible, vaccines must be administered at the time of adolescence. We can therefore talk about one or two cohorts at a time, with a catch-up period. That is in the rather technical parlance of vaccinations.

Mr. Massimo Pacetti: Have you approached the Department of Health or the provincial ministries?

Mr. Christian Blouin: We have met with all of the public health committees in Canada, as well as with representatives of the Public Health Agency of Canada, where a committee is currently evaluating the vaccine.

Mr. Massimo Pacetti: Mr. Godbout, you're asking for \$380 million. What is the goal? What will be the final results? I believe that Genome Canada has a return on its money, that you reinvest in other projects.

Dr. Martin Godbout: Yes, that is right.

Mr. Massimo Pacetti: Do you aim for a certain yield, before making an investment, or is it done by chance?

Dr. Martin Godbout: It is for a minimum of 10 years. We started in 2000. All my colleagues in the pharmaceutical and biopharmaceutical industry who are here know that it takes between 10 and 12 years before you can think about seeing a return on an investment. We have had some returns on investment in some cases, not in the human health sector, but in agriculture and forestry, because there are fewer regulations involved for products.

The objective is not self-sufficiency; that is impossible.

Mr. Massimo Pacetti: The \$380 million—

The Chair: I'm sorry, but your time is up.

You have three minutes, Mr. Wallace.

[English]

Mr. Mike Wallace (Burlington, CPC): My first question is for our presenter from Genome. We've been across the country, and we've had three presentations now from Genome. Do all three of you work together? Are you separate groups? I don't understand why we've seen you three times.

Dr. Martin Godbout: Welcome to Canada. You have Genome Canada, which is the main house, I would say, and you have six other genome centres across Canada, because there are differences in culture and differences in application. You won't do fisheries in Quebec, you'll do pharmaceuticals.

Mr. Mike Wallace: Right, but the money, I'm worried about the money.

Dr. Martin Godbout: As for the money, we asked for \$380 million. We will raise \$450 million on top of that, and the money will be distributed to all the regions.

Mr. Mike Wallace: That's what I wanted to know. It does get distributed to all the regions. Okay.

Dr. Martin Godbout: Based on excellence.

Mr. Mike Wallace: Okay. I appreciate that. I just wanted to be clear.

The question I have for Monsieur Gagnon is this.

First of all, I appreciate your presentation. I appreciate it in English.

You have eight years of protection at the present time, and that's just relatively new. That regulation was reconfirmed. Can we say that?

Mr. Gilles Gagnon: Absolutely, last October 4.

Mr. Mike Wallace: It's not the same in Europe or in America. What would it be over there?

Mr. Gilles Gagnon: In Europe it is 10 years, and in Japan it is 10 years.

Mr. Mike Wallace: What is it in the United States, do you know?

Mr. Gilles Gagnon: Eight years. We are in line now, finally.

Mr. Mike Wallace: Okay, good.

My question then is this. You did have another recommendation to improve the tax credit system. I'd like you to be very clear as to what you'd like to see happen.

Mr. Gilles Gagnon: In fact, on the biotech sector?

Mr. Mike Wallace: Yes, you have here "other R and D recommendations".

Mr. Gilles Gagnon: As public companies, we would like to be treated the same as the private companies under Canadian control, which have taxable revenues of less than \$200,000. So these credits will be refundable, as they are in some provinces.

Mr. Mike Wallace: Right. So how does that affect our government treasury?

• (1025)

Mr. Gilles Gagnon: In this case, the calculation is based on 60 companies, 20%. That would be \$60 million, if we look at the amount of research invested by these 60 biotech companies in Canada.

Mr. Mike Wallace: Based on the research that's done today, it's about \$60 million.

Mr. Gilles Gagnon: It represents \$60 million.

Mr. Mike Wallace: And that's an annual amount?

Mr. Gilles Gagnon: On a yearly basis.

Mr. Mike Wallace: Okay.

Mrs. Brigitte Nolet: May I add to that?

Monsieur Gagnon is talking on the biotech side. On the pharmaceutical side, where we are looking at the SR and ED tax credit, we're looking at the definition and whether the definition could be consistent with the OECD definition, which is to expand it to include the social sciences. That's so projects, pharmacoeconomics, different health care management programs—because we have a lot of universities developing those programs now—disease management programs that companies run can also be included in terms of your tax credit, which is less than \$60 million a year.

So there are two different components, one that could target pharmaceuticals and one that could target biotech specifically.

[*Translation*]

The Chair: I would like to thank all of you for your presentations. The committee is very appreciative both for your presence here today and the time and work that went into your preparation for this meeting.

We will now take a brief break to give the next witnesses time to come forward.

• (1025)

(Pause)

• (1035)

[*English*]

The Chair: Order, please. Take your places, committee members.

[*Translation*]

Thank you.

I will now call the meeting to order. I would like to welcome our witnesses and committee members.

The mandate of the Standing Committee on Finance of the House of Commons is to study and report on the budget policy proposals put forward to the federal government. The theme this year is Canada's role in a competitive world.

We asked our witnesses ahead of time to limit their remarks to five minutes, even though we know that this will not be easy. Nevertheless, we are going to stick to that timeline. If you would just glance up at me, I will give you a signal when you have one minute or less left, and at the end of the five minutes, I will ask you to wind-up. The idea is to allow time for a dialogue with members and to give you time to answer their questions.

The first witness is Denis Juneau, the President of the Regroupement des cégeps de la région du Québec.

Welcome, Mr. Juneau. You have five minutes.

Mr. Denis Juneau (President, Regroupement des cégeps de la région de Québec): Thank you very much.

The Regroupement des cégeps de la région du Québec (association of CEGEPs of the Quebec City region) is pleased to participate in this consultation with the Standing Committee on Finance of the House of Commons, and it thanks the members for their attention to this brief. The topic of this year's public hearings, "Canada's place in a competitive world" is very close to home for the CEGEPs of the Quebec City region.

No one would dare dispute the important place that must be reserved for the education system, and especially post-secondary education in order to meet the challenges that are already facing Canadians and will only intensify in an economy that is now based on knowledge, technology and performance. In this context—and you will certainly agree with this—a well-educated population and a highly competitive labour force will be indispensable advantages in ensuring the country's prosperity. The CEGEPs of the Quebec City region play a major role in this in their community.

The CEGEPs of the Quebec City region will have their work cut out for them over the next few years to meet the development needs of their community. First, they will need to work at training a sufficient number of graduates to meet current labour market needs and close the growing gap between the supply of graduates and businesses' demand in the areas of science and technology. They will also need to adapt their study programs to the new realities of the labour market and develop new ones to support the region's development projects and modernize their infrastructure.

We note that a number of companies linked to the high tech sector, including some very large ones, have recently opened here, and our economic development and coordinating bodies have now received a clear mandate to promote the development of the high tech industry. This focus will now be given priority in the region and certain high tech markets to be developed, such as nutrition, pharmaceutical, health care, optics and photonics, electronics, geomatics, intermodal transport, to name just a few.

The CEGEPs' growing difficulty in meeting the current and foreseeable needs of companies and in supporting their growth threatens our competitiveness and risks weakening a fragile economy in Quebec. In order to maintain and improve our quality of life it is urgent that we invest more in post-secondary education, especially now when countries like China and India are investing massively in education, particularly in the sciences and technology.

The CEGEPs of the Quebec City region would like to make three recommendations to the Government of Canada to conclude this brief. They propose that the Government of Canada respond favourably to the urgent demand of the Quebec government, which seeks a substantial increase in federal transfers of funds for post-secondary training; undertake the transfer to Quebec of substantial, recurring and stable funds that are predictable from year to year; and ensure that these funds are equitably distributed among the CEGEPs and universities.

How will this money be used? To maintain the accessibility and quality of services, to update technological infrastructures, programs and human and material resources, to consolidate CEGEPs within their communities, to welcome immigrants and train them in French, to increase the skills of people already in the labour force, and finally

to ensure the durability of buildings and the quality of the learning spaces.

Thank you.

• (1040)

The Chair: We will now turn to Mr. Luc Godbout, a Professor at the University of Sherbrooke.

Welcome, sir. You have five minutes.

Prof. Luc Godbout (Professor, University of Sherbrooke): Thank you.

In its next budget, the federal government should set out clearly the solutions it intends to introduce to correct the fiscal imbalance. In one of the budget documents that came out at the time of the last federal budget, the government acknowledged the existence of a fiscal imbalance and made a commitment to take steps to correct the problem over the next year. That was good news, because it suggested that the respective roles of the federal and provincial governments within the federation might be reviewed.

However, as the months go by, the more it seems that the federal government, and consequently the provinces, are missing out on this opportunity. Despite recent reports by experts on the fiscal imbalance and equalization, meetings among the provinces on these matters are breaking down and the federal government seems to claim that this lack of agreement among the provinces means that nothing can be done. I would simply like to point out that the provinces may agree on the fact that they want more federal transfers, but that they cannot necessarily agree on the way in which they should be provided. It goes without saying, for example, that the provinces that do not receive equalization payments are opposed to any increase in these payments to the provinces that do receive them.

Sooner or later, even without unanimity among the provinces, the federal government will have to make a decision about how to deal with the famous fiscal imbalance. It must rely on certain principles in doing this. Principles are the main thing lacking when it comes to determining federal transfers. Over the years, the way in which the payments have been calculated has become increasingly arbitrary.

In his speech on the fiscal imbalance in Quebec City, Stephen Harper judiciously mentioned that at stake was the functioning and the spirit of the federation. I use the term "judiciously", because the objective of federal transfers is to give the provinces the resources they need to pay for the public services for which they are responsible under the Constitution. So these principles must be restored. There is no shortage of ideas. For example, the report of the Séguin Commission could be used as a basis, without being considered the Bible.

The federal government should avoid certain traps in its negotiations with the provinces. Some of them could try to take advantage of the situation to get special advantages that would be detrimental to the proper collective functioning of federal transfers. The introduction of federal transfers distributed simply according to a per capita rule must be rejected. This does not take the needs of the provinces into account.

I will now give you the most striking example of this. Since the federal government has been giving the provinces funds for social assistance based on the per capita rule, provinces with the greatest number of welfare recipients are receiving less money for each welfare recipient than provinces where there are fewer welfare recipients. The Quebec Ministry of Finance has calculated that Quebec was receiving less than \$3,000 from the federal government for each welfare recipient, while Alberta was getting close \$10,000. It is essential that needs be taken into account once again. For social assistance and education, for example, the amount should be based respectively on the number of welfare recipients and the number of students. In the area of health care, the demographic profile should be taken into account. The population of Quebec is aging. As people age, there is an exponential increase in the demand for health care. Therefore, it is inadequate to merely count the number of inhabitants in a province.

Furthermore, the federal government must never repeat what it did in 2005, namely sign individual agreements. At that time, the agreements were with Newfoundland and Nova Scotia. Under agreements of this type, money is given to the provinces without taking into account their fiscal capacity.

We must also stop saying that Ontario and Alberta are financing equalization: it is financed by the income tax and other taxes paid by all Canadians, throughout the country. The fact that Ontario and Alberta do not receive equalization payments does not reduce their fiscal capacity. We have to put equalization back on the rails, go back to the 10-province standard and take into account all sources of revenue, including non-renewable natural resources. In order to restore good intergovernmental financial relations, we must respect federal and provincial areas of jurisdiction under the Constitution, rebalance fiscal capacity among the provinces and, of course, increase the financial resources of the provinces. There are two ways of doing this: transferring tax room or increasing federal transfers.

Restoring a properly functioning equalization program requires an increase in federal transfer payments. The promise to reduce the GST must also be used to help correct the fiscal imbalance. To do this, the federal government must work in cooperation with the provinces, by giving them an explicit opportunity to recover this tax room. The federal government has already reduced the GST from 7% to 6% and has promised to reduce it to 5% during this mandate. Why does the federal government not consider withdrawing completely from the GST and offering these funds to the provinces? It goes without saying that substantial amounts of money are involved here.

• (1045)

The provinces should show their good will by playing fair, that is, to agree to having their federal transfer payments for social programs withdrawn, to make compromises and agree to a progressive implementation. That is what should happen.

The Chair: Thank you very much.

We will continue with Mr. Denis Patry, the President of the Quebec City Chamber of Commerce.

Welcome, sir. You have five minutes to make your presentation.

Mr. Denis Patry (Président, Chambre de commerce de Québec): I would like to thank you for giving the Chambre de

commerce the opportunity to express its views during the pre-budget consultations.

The Chambre de commerce de Québec, whose some 4,000 members are drawn from all sectors of the economy, is the largest organization of business people in Eastern Quebec. As a grouping of the dynamic forces in the region, the Chambre enables the business community to participate actively in the development of the region and to express its opinion on matters with a potential impact on its development. Whether on issues regarding the economy, the workforce, immigration or regulation, the Chambre has always felt duty bound to express and assert its views in the interests of its members.

We have several recommendations which address issues such as assistance to business in the area of interprovincial trade, university funding, corporate family succession, local economic development and income tax.

Assistance to businesses.

In our view the federal government's support to businesses must be increased. In addition to the tax incentives for research and development, a new program should be designed specifically to enhance corporate productivity and competitiveness. With this aim, the Chambre proposes that, for SMEs with fewer than 100 employees, all equipment, machinery and production-related computer equipment to be 100% deductible in the first year following its acquisition or eligible for a refundable tax credit on the investment, valued at 25% of the cost of the goods.

With regard to workforce training, on which corporate productivity and competitiveness essentially depend, the Chambre proposes that the deductible training expenses of SMEs with fewer than 100 employees be eligible for double the amount invested by the company or for a refundable tax credit equal to 50% of the cost of the training.

In light of the substantial labour force requirements in Quebec, and specifically in the Greater Quebec City area, the Chambre recommends that action be taken by the federal government to promote the hiring of immigrant workers, in particular by facilitating access to work visas.

Since the environment is a concern of the greatest importance in increasing the competitiveness of our businesses, as well as communicating and disseminating new business values throughout the world, the Chamber is asking the federal government to give more credit to companies for their environmental initiatives. Such initiatives could, among other possibilities, take the form of a refundable tax credit for any investments intended to improve the company's environmental performance.

Interprovincial trade.

Since interprovincial trade is all too frequently hampered by restrictive measures which have a detrimental impact on the national economy, the Chambre recommends that the federal government reduce the barriers to interprovincial trade. National conferences on sectoral issues bringing together federal and provincial trade ministers would help to reduce the irritants.

University funding.

As institutions of higher education and advanced research—the true producers of business people and businesses in the new economy—universities occupy a commanding position in the national economy. The Chambre believes that training is a crucial element in corporate competitiveness and accordingly recommends that the federal budget include a substantial increase in the amounts allocated to the university network in order to maintain the quality of teaching and to develop research activities. The Chambre also proposes that federal transfers for post-secondary education revert to the levels that prevailed during the early 1990s.

Corporate family succession.

The tax collected when a business is transferred to the next generation constitutes a major obstacle to the preservation of family businesses. The Chambre accordingly recommends that the Minister of Finance postpone the imposition of the tax when the succession takes place between members of the same family. The Chambre supports the federal government's initiatives to create a capitalization for corporate succession.

Local economic development.

The Chambre recommends that the government maintain the community investment assistance program, which is an important economic lever for launching local projects with impact potential. The program should be continued since it supports the development of targeted intervention strategies and of the tools to sustain them.

Income tax. With a view to increasing the ability of individuals to consume and stimulate the local economy in Quebec and elsewhere in Canada, as well as helping us to remain competitive and retain our workforce and our brains, the Chamber proposes that the government reduce income tax.

• (1050)

The Chair: Thank you very much, sir.

[English]

We continue now with Pierre Langlois, who is here representing

[Translation]

the Fédération des Chambres immobilières du Québec.

Mr. Pierre Langlois (Director of Government operations, Quebec Federation of Real Estate Boards): Good morning, Mr. Chairman and members of the committee.

The Fédération des Chambres immobilières du Québec represents over 12,000 members, who are all major socioeconomic leaders in their respective areas, and who advise Quebecers who are trying to meet an essential need, namely housing, on a daily basis.

This year, the House of Commons Standing Committee on Finance chose Canada's place in a competitive world as the theme for this year's pre-budget consultations. In that regard, access to rental housing and property ownership are directly linked to competition. To illustrate this fact, you simply have to look at the problems encountered by the chambers of commerce of several American metropolitan areas to see that affordable housing is a significant threat to their economic development.

Of course, the situation in Canada and Quebec is completely different from the problems faced by a metropolitan area like New York city, for instance. Yet the increasing lack of affordable housing will make it harder for Canadian cities to meet private sector manpower needs. The gap in affordable housing in urban areas as compared to resource rich regions will make it harder for workers to move from a low employment area to one which is experiencing rapid growth.

In light of this situation, we would like to present, in the brief time allotted to us, several measures which may increase the number of rental housing units and make home ownership more affordable. In Quebec, the data speaks for itself. Construction on new affordable housing units, that is, rental housing which costs about 30% of average income, has stagnated. The only rental units actually being built in Quebec today are basically social housing, luxury housing and retirement homes. Without new rental housing capacity, with rents between \$800 and \$900 a month per family, the situation will continue to deteriorate. Clearly, access to affordable housing must be improved.

We therefore recommend that transactions involving the sale of low-income rental housing be exempt from the capital gains tax if the income is ploughed back into rental real estate. When an owner re-invests money from the sale of a rental property into another real estate property, he in fact did not realize a gain which would generate enough money to pay the capital gains tax.

This proposal addresses specific problems associated with the ownership of real estate as an asset class, such as the lack of liquidity, the difficulty of selling and the inability to increase the size of the asset, which are otherwise advantages in the securities sector and which apply, for instance, to stocks and bonds.

Rolling over a capital gain when an income-generating asset is sold, in our view, is a real way of increasing the number of rental units in Canada's largest cities; the fiscal rollover is just a way to temporarily delay paying the capital gains tax.

In order to strike a better balance in the rental housing sector and to help people become home owners, we believe the Home Buyer's Plan, the HBP, needs to be improved. Let's be clear: if you pay between \$800 and \$900 a month in rent, you would not be paying much more for a mortgage. The Home Buyer's Plan lets new buyers dip into their RSPs to qualify for a mortgage earlier. But the maximum amount under the HBP has been frozen since 1992 and in no way reflects real estate trends since then.

We therefore propose that the government first increase the amount allowable under the program from \$20,000 to \$25,000, and then to index it. In 1992, the cap represented about 20% of the average value of a home in Quebec. But today, it is only 11%. The popularity of the program is obvious: over one and a half million Canadians have used it since 1992, for a total investment of \$15 billion.

For many years, the Canadian housing sector was recognized as being an integral part of the country's competitiveness. Canada stood out from other developed countries because housing, whether it was rental housing or outright ownership, was affordable.

Our ideas are based on the fact that there is a disconnect between our historic advantage and reality, based on various data provided to us by our research organizations and financial institutions. We therefore strongly recommend that the committee ensure that affordable housing remains a positive trait of the Canadian federation.

The Chair: Merci beaucoup, monsieur Langlois.

Monsieur Pierre Patry, de la Confédération des syndicats nationaux.

Mr. Pierre Patry (Treasurer, Confédération des syndicats nationaux): Very well. Thank you very much, Mr. Chairman. I want to thank the Standing Committee on Finance for having invited the CSN to express its views.

The CSN is a union representing 300,000 members located throughout Quebec and Canada, working in most economic sectors.

It should be said that Canada's economic situation has been very positive since the mid-1980s. The IMF estimated that for the period between 1998 and 2007 Canada would have the highest economic growth of all G7 countries. This is due to increases in consumer spending, corporate investment and real GDP per capita, which is once again the best amongst G7 countries. There has been a decrease in unemployment and increase in the average job growth rate. Here again, we have shown the best performance of all G7 countries. Finally, inflation remains relatively stable.

Nevertheless, despite a good performance Canada-wide, it must be said that there are significant variations in economic performance from one province to the next leading to glaring inequality. Some regions are experiencing significant hardship.

With respect to the fiscal imbalance, we cannot forget Prime Minister Harper's commitment. In fact, in Quebec City, during the last election campaign, the Prime Minister undertook to correct the fiscal imbalance, which he then reiterated in the throne speech and in the 2006-07 budget. Unfortunately, things have been very slow to progress.

The fiscal imbalance is reflected in various ways. First, federal transfers to the provinces, which stood at over 23% in 1993-1994 totalled only 18% of revenues for 2005-06. Despite health care re-investments, federal transfer payments to the provinces only amount to 23% of revenue, which does not meet the targets set out by the Romanow report.

Federal transfers in the field of post-secondary education, social assistance and other social programs today represent only 11.5% of provincial expenditures, a far cry from the peaks of the mid-1990s.

Mr. Godbout spoke quite eloquently on the issue of social assistance. Currently, in Quebec, federal transfers for social assistance amount to \$2,846 per claimant, whereas in Alberta they amount to \$9,422 per claimant. That is both unfair and harmful.

The federal government has cut back in other areas, despite the fact that it has money. We need only consider the numerous encroachment on provincial areas of jurisdiction in the areas of health and education, where the federal government spends heavily.

The CSN believes that the fiscal imbalance needs to be addressed. The ideal solution would be tax transfers to the provinces. Otherwise, there would need to be a considerable increase in financial transfers to the provinces, with respect for provincial areas of jurisdiction. There is near consensus in Canada on the size of the fiscal imbalance. The Council of the federation assessed it at \$9.5 billion, representing \$3.4 billion for Quebec. This is a far cry from the \$20 billion mentioned by Prime Minister Harper to explain why he considers the provinces' requests to be excessive.

The \$3.4 billion figure is fitting given the size of the budget surplus noted over a number of years. It is also compatible with the Bloc Québécois' demand. The Bloc assesses the fiscal imbalance at \$3.9 billion: \$1.2 billion for post-secondary education, \$2.1 billion for equalization, \$400,000 million for health care in order to reach the 25% set out by the Romanow report, which, I might add, has already been achieved in the past, and \$270 million to offset the day care services shortfall.

We believe that the Government of Canada must act in its next budget to correct the fiscal imbalance, and Quebec cannot demand any less than \$3.9 billion.

I'd quickly like to address a few other points. With respect to employment insurance, the year 2005-06 showed an astronomical surplus. The program needs to be enhanced by lowering the eligibility threshold, and increasing benefit rates and benefit periods. But mainly, an independent non-government fund must be created, as supported by the Conservative Party in the past, which voted in favour of Bill C-280, introduced by the Bloc Québécois in 2005, if I'm not mistaken.

• (1055)

The government must also vigorously support the sectors which are struggling, by allowing them to develop recovery and restructuring plans. On that front, what the government implemented and announced to help senior workers in insufficient. Income support measures and assistance programs for the most vulnerable workers need to be developed to help those who will unfortunately not be finding other work, despite the possible corporate recovery and restructuring.

• (1100)

The Chair: Thank you all for your presentations.

We will immediately start the question period.

Mr. Pacetti, you have seven minutes.

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

Thank you for your presentations. It is always interesting. I only have seven minutes, so I may have to interrupt you at times.

My first question is for Mr. Godbout.

The fiscal imbalance and equalization issues are complex. Two years ago, there was a presentation made before the Standing Committee on Finance in order to explain the existing formula. I understand there may be only 12 or 15 people who genuinely understand the equalization formula. I think there may be one person within the Department of Finance of each province and a few academics in universities who understand it.

As I mentioned, it is a complex issue. Several studies have been carried out, namely this year, on equalization and the fiscal imbalance. You referred to the Séguin report. I don't know if it's the most recent report.

You also referred to the GST and the fact that provincial governments could perhaps access part of it. Has the fact that the Conservative government decided to decrease the GST from 7 to 6% meant that the Government of Quebec, for instance, could take that 1% difference? Is there a reason why it could not access that 1% immediately and 2% later on?

Prof. Luc Godbout: Equalization is indeed a complex issue, but let's be fair. It is a bit like an income tax form: it could be far simpler, but then it would be less accurate.

I referred to the Séguin report, but I also referred to the Council of the federation document as well as that of a panel of experts whose report was commissioned by the federal government. So, although it may not be simple, there is a way to find a solution.

As to whether the provinces should have or could have access to the 1% resulting from the July 1st decrease in the GST, that would have been feasible. Legally speaking, there is nothing precluding their accessing that amount. But if we want to properly settle the fiscal imbalance, Ottawa will have to lend a hand and offer a 3% reduction in the GST.

During the last election campaign, Mr. Harper was standing by a cash register when he talked about decreasing the GST. He did not say he was going to give the money to the provinces, he said he was going to give it to the people.

Technically speaking, the provinces could have done that.

Mr. Massimo Pacetti: I understand. However, I want to know whether the provinces have a choice. They can choose to increase their tax rates—in this case, neither personal nor corporate taxes—there is nothing nor anyone who can prevent them from doing so.

Prof. Luc Godbout: No one has said no and no one has said yes. Indeed, the provinces can raise taxes. Provinces can take—

Mr. Massimo Pacetti: Are you in favour of transferring... Is there a better solution to the fiscal imbalance? Would it be to transfer personal income tax points or consumer tax points, such as the GST?

Prof. Luc Godbout: I prefer the GST. Let me tell you why. First, in terms of wealth, the gap between the provinces is not as big with regard to consumer taxes, as opposed to income taxes. Provincial consumer tax rates are therefore not as far apart.

Second, in light of the tax cuts announced by the Conservative government, if they totalled five points, it would be possible to transfer that entire tax jurisdiction to the provinces, rather than trying to agree on a few income tax points. Therefore, the federal government—

Mr. Massimo Pacetti: We could discuss this matter at length.

My next question is for Mr. Denis Patry, President of the Chambre de Commerce de Québec.

You raised several issues. As President of the Chambre de Commerce de Québec, what would your first recommendation be?

Mr. Denis Patry: If I had to list one priority, it would be succession planning for family businesses. In agriculture, inter-generational transfers of the business is a problem throughout the province and Canada-wide.

The number of businesses that survive through the second generation is very low. The number of businesses that survive through the third generation is even lower. The taxes collected at the time of the intergenerational transfer of the business have a huge impact on operating funds, as well as its survival. In agriculture, there can be rollovers between members of the same family, to defer paying the taxes until later.

We sincerely believe that if this measure were applied to all SMEs, there would be more intergenerational transfers. In the years to come, many companies will change hands. In our opinion, this measure is a priority that we must look at.

• (1105)

Mr. Massimo Pacetti: My next question is for Mr. Langlois.

The real estate market in Quebec is different from the one in Canada. The Canadian Real Estate Association has already explained that to us. Personally, I am more interested in the issues in Quebec. What role does the association play in terms of affordable or low-cost housing?

We have just returned from Halifax, where there is a shortage of affordable housing. I am the member for Saint-Léonard—Saint-Michel, in Montreal. There is an agreement, here in Quebec, between the provincial government and the municipal governments; as a result, we will have fewer problems within two or three years.

What is your role in this area?

Mr. Pierre Langlois: You must understand the links that exist between rental property and ownership.

We believe that some of the people who have rental accommodations do have the means to become owners. We want to be in a position to help them trade their status as a tenant for status as an owner, thereby freeing up accessible housing. We are still talking about accessing housing, in other words, accommodations that do not exceed 30% of the household income. If all of these people could become owners more quickly, housing units would be freed up, thus increasing the vacancy rate. Moreover, that would create internal pressure on rental costs.

The Chair: Our second speaker will be Mr. Pierre Paquette.

You have seven minutes, sir.

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

Thank you all for your presentations. They are paradoxical. In fact, when we hear witnesses in Ottawa, they rarely talk about fiscal imbalance. Yesterday, I was pleasantly surprised to hear the topic mentioned in Nova Scotia. It was interesting to see that those who need to see their public finances rebalanced are concerned about the issue. Perhaps the matter is less urgent in Ottawa.

My question is for Mr. Pierre Patry and Mr. Godbout.

On December 19, here in Quebec, Mr. Harper made a commitment to deal with the fiscal imbalance in his government's first budget in February or March.

In your opinion, is that an attainable goal? Is the government prepared to announce measures, a timeframe, and an overall settlement?

Mr. Pierre Patry: That is what we wanted to show in our comments to the standing committee.

First of all, if we reminded you of the commitments made by Prime Minister Harper during his speech in Quebec, and as you mentioned, during the budget and the throne speech, it is because they raised expectations in Quebec.

For several years, we have seen a rather centralizing federalism. If the Conservative Party gave Quebec some hope, it was the hope of seeing the issue of fiscal imbalance resolved. Fiscal imbalance is a reality. Resolving it will mean that the provinces will have more money to invest in higher education, health and social programs. We know that huge cuts were required in those areas to meet the budget objectives set in the mid-1990s.

Knowing the state of the surplus for 2005-06 and the state of the Canadian economy, the CSN is convinced that the Harper government can take action in the 2007-08 budget, in other words in the next budget.

So Quebec is eagerly awaiting the budget. Moreover, there is a consensus among the left, the right, federalists and sovereigntists, to resolve the issue of fiscal imbalance in Quebec in the next budget.

Mr. Pierre Paquette: Mr. Godbout, do you want to comment on that?

Prof. Luc Godbout: Mr. Harper committed to taking steps to resolve the fiscal imbalance within the next year. We are already in the next year.

Even if there is no consensus among the provinces, the federal government must nevertheless show its cards and say what it is proposing. Following that, the provinces will determine whether they will accept the offers or not, whether the offers are reasonable or not. Then we will be in a position to debate their scope. However, proposals must be made within the year.

I worked on the committee dealing with fiscal imbalance in 2001; it is now 2007. I am eager to wrap up this file and move on to something else.

• (1110)

Mr. Pierre Paquette: There was a topic in your presentation that you did not have time to discuss at length. I think it is important for all committee members to have a few more details.

Can you explain why you say that we must not exclude certain provinces or certain sources of revenue when calculating equalization payments?

Prof. Luc Godbout: Equalization lost all meaning when the envelope was closed. If the gaps in wealth were to decrease in Canada, there would be no problem for equalization to be reduced. But the gaps in wealth are increasing, while equalization is not. This occurs because when calculating equalization—I know that we discussed the complexity of this calculation earlier on, but I will not get into the complexity of it—the 10-province standard must be used for comparison purposes.

Mr. Pierre Paquette: At present, I think that the richest and the poorest provinces are excluded.

Prof. Luc Godbout: Five provinces are excluded: Alberta and the Maritimes. All 10 provinces and their revenues must be taken into account. So in the proposals, there are some provinces that do not want non-renewable natural resources to be included. However if we do that, we are not taking into account the capacities of certain provinces. Therefore, we must use a 10-province standard and consider all sources of revenue.

Mr. Pierre Paquette: Still on the topic of fiscal imbalance, Mr. Patry—Denis, this time—I was pleasantly surprised to read in your presentation that you want to see federal transfers for post-secondary education to be brought back up to 1990 levels, a request made by the education community in Quebec and throughout Canada.

First of all, why is the Chambre de Commerce concerned with this issue of under-funding?

Second, Mr. Juneau, could you tell us what your needs are?

There are two minutes left, so I would ask you to reply briefly.

Mr. Denis Patry: Absolutely.

The Chambre de Commerce de Québec is concerned because Laval University has come to it, and because Laval University does considerable research. The university centre at Laval is at the heart of it all. That is where people do research and where entrepreneurs do research and development. Many future projects for corporations are born in universities. So the sector generates job and economic wealth. The university must resume its position as a generator of economic development.

Mr. Pierre Paquette: Mr. Juneau, you may add some remarks.

Mr. Denis Juneau: The amount required for all CEGEPs in Quebec is \$300 million. That is a recurring amount, which comes back each year. The money will be distributed to each college, and that will bring us back to 1992-93 funding levels.

I would like to add that in the funding for 1992-93, like today, no money allocated by the federal government for post-secondary education in Quebec was used to fund CEGEPs. Colleges face urgent funding needs in order to meet the needs of society.

So not only do we need transfers for the post-secondary education sector, but part of this funding must be used to help CEGEPs operate.

The Chair: You have one minute left.

Mr. Pierre Paquette: Mr. Langlois, I must tell you that I did not receive your notes. I would appreciate receiving them. The brief we received appears to be more Canada-wide. You have raised some very specific issues.

Ms. Carboneau was quoted by Mr. Harper on the Prerogative Initiative for Older Workers.

What do you expect from such a program?

Mr. Pierre Patry: Last week's program, as described, is not an income replacement program. It focuses more on retraining. We agree with retraining individuals who lose their jobs. But the problem is that people are being left out. So we must ensure that there are measures for workers over age 55, for example, so that they receive a decent income. Above all—and this is one of the major shortcomings of the program—it must be universally accessible. The program presented last week excludes entire communities.

Mr. Pierre Paquette: And it must include an "income replacement" component.

Mr. Pierre Patry: Yes, income replacement—

The Chair: I apologize for interrupting you, sir.

We are going on to our next speaker, Mr. Luc Harvey. You have seven minutes, sir.

•(1115)

Mr. Luc Harvey: Mr. Godbout, the current government reduced the tax base by reducing the GST by one percentage point. How much does that represent in Quebec?

Prof. Luc Godbout: It represents between \$1.1 and \$1.2 billion and some odd cents per year. For discussion purposes, let's say \$1.2 billion per year.

Mr. Luc Harvey: If I understand correctly, the fiscal imbalance is the ability to tax in keeping with responsibilities.

Prof. Luc Godbout: Yes. Are you trying to get me to say that it should have taken it?

Mr. Luc Harvey: No, not at all, but since Ottawa has reduced the GST by one percentage point in Quebec, can we say that the fiscal imbalance has been corrected automatically, without transfer payments to the province? Given that the federal is collecting less tax, there would be a \$1.2 billion-correction to the fiscal imbalance.

Prof. Luc Godbout: You could say that if Quebec had taken up this one percentage in tax. To try and resolve the fiscal imbalance, the federal government must make proposals to the provinces. A hand must be extended and the government must specify that points are being transferred. If not, it must at least add a little phrase saying that whoever wants to take the points can do so. The government must open the door for the provinces so that they can take up the percentage point of tax. If nothing is done, it will be up to the provinces to join forces and say that if the GST goes down, they will increase their sales taxes.

In July, it was technically feasible. Quebec could have taken the point. If I had been Minister of Finance in Quebec, I would have taken it, and I would have told the federal government that I would be returning the amount to the population by reducing taxes once we

had received a comprehensive solution to the fiscal imbalance. Obviously, I am not an elected official; so it is easy for me to say what I would have done.

Mr. Luc Harvey: Despite that, the fiscal imbalance is assessed at 3.9 billion dollars.

Prof. Luc Godbout: I have't assigned a number...

Mr. Luc Harvey: No, that's right.

Prof. Luc Godbout: ...but that is indeed the number which has been mentioned.

Mr. Luc Harvey: Given the reduction in the GST, an agreement with First Nations was reached with all of Canada, including Quebec. In fact, this weekend there will be a summit on the subject. Additional investment was made for post-secondary education.

As we speak, can it be said that part of the fiscal imbalance has already been rectified?

Prof. Luc Godbout: Since 2001, a part has been rectified and another has been worsening. At a certain point, we will have to...

Mr. Luc Harvey: Stop giving us political answers.

Prof. Luc Godbout: Certain measures were taken to correct fiscal imbalance. In 2004, the money injected into health care partly addressed the fiscal imbalance, but three weeks later, the equalization formula was weakened. It was capped so that it could not be increased anymore if cuts were made. So that made it worse. We have to restore equalization and find the right way to fund transfers to the provinces. As for me, I believe that this should be done through tax points. The current government seems to want to withdraw from the GST; it will reduce it by 2 percentage points. The government could choose to reduce it by a further point which it would give to taxpayers. The four remaining points could be given to the provinces. As a counter measure, the provinces could wave federal transfers for social programs and make other concessions. It's a political negotiation.

Mr. Luc Harvey: The provincial government said that what it did not like in this type of transfer of points is that a province such as Alberta, which does not need a sales tax, would also not have a consumer tax, which would make Alberta more competitive compared to all of the other provinces. This might cause problems in several quarters, because a province without GST would certainly have a advantage.

Prof. Luc Godbout: It would work for one tax point. To give you a simple example, suppose one tax point would give each province 1 \$ billion. Alberta, which does not need the money, would not take the tax point and would not impose a sales tax. This would give Alberta a \$1billion tax advantage. However, if the federal government sent \$1 billion in the form of transfers to the provinces, Alberta would not need the money in that situation either. What would it do with that \$1billion? It would put it in its Heritage Fund or would lower personal income taxes. If Alberta does not need \$1 billion, it doesn't need it. It will not put the money in the bank.

Mr. Luc Harvey: So then what would be...

Prof. Luc Godbout: The problem is that Alberta is far wealthier than all the other provinces. We can't give money to everyone except Alberta, unless we improve equalization. It's the only way to give money to some provinces and not to others.

Mr. Luc Harvey: Mr. Patry, the founder of the Bloc québécois and the former leader of the Parti québécois said that Quebecers work less than other Canadians.

Do you think that this should be taken into account in the equalization formula?

• (1120)

Mr. Pierre Patry: I don't see how we could take that into account when calculating equalization payments.

Mr. Luc Harvey: You still have to take into account the fact that they have a lower income.

Mr. Pierre Patry: On this issue, I will be very clear. He also linked this to productivity. Productivity in Canada and Quebec is lower than that in United States, but that is relatively recent. However, it can bear comparison very favourably to many European countries.

Productivity is a far more complex question than just the number of hours worked. Almost anyone here has broached the subject of company investments and the need to invest in education, be it through transfers or otherwise. There are many issues that help improve productivity. When we compare ourselves to the United States, there is another question that deserves our attention.

When considered sector by sector, productivity in Quebec or Canada is not all that much lower than that of the United States. The industrial structure of each of the two countries is fundamentally different, and that creates gaps. I think that Mr. Bouchard erred in trying to relate the issue of productivity strictly to the number of hours worked.

Mr. Luc Harvey: However, he even raised the fact that Quebecers work about 100 hours less than other Canadians. That what he said. Let me ask you this. I am taking this opportunity, because when I am in Ottawa, I can only read the newspaper; we do not have your point of view.

Mr. Pierre Patry: First of all, these are social choices. For example, in Quebec, in the past 10 or 15 years, many people have been concerned with balancing work and family life. Many factors combine to...

The Chair: I am sorry, the time is up. That's all.

Mr. Luc Harvey: I will not get the rest of my answer.

The Chair: I make sure there is another opportunity for your comment.

The next questioner will be Ms. Judy Wasylycia-Leis.

Ms. Judy Wasylycia-Leis: Thank you, Mr. Chairman.

I thank you for your presentations, which are very important.

If we want to discuss the issue of productivity and competitiveness in Canada in the context of globalization, education remains the most important factor. Could anyone disagree with that?

It has been almost 10 years since the federal government really broached the issue of education and its funding. In the first budget, apart from bill C-48 as put forward by the NDP, and regarding which the conservative government finally tabled the motion, the federal government simply granted a tax credit for text books. That's it.

It seems to me that transfer payments must be increased by at least 25%. Moreover, we must ensure that funds are made available for colleges, CEGEPs, as well as universities. So how could we convince the Conservatives to solve this problem of transfer increases?

I am putting that question to you, Mr. Juneau, Mr. Godbout or Mr. Patry.

Mr. Denis Juneau: With respect to the production of wealth in a given country, Canada in particular, a number of factors come into play. We need skilled manpower that meet the needs of businesses. However, under-financing of higher education is limiting not only the system's ability to educate as many people as we would like to in colleges, but it also limits their ability to work with state-of-the-art high-technology equipment used in businesses. When young people come into a company with their CEGEP diploma, they should already be familiar and able to use the technology that is there.

This is one example that should help you understand that some people focus on financial considerations. However, with respect to manpower, Quebec's colleges and universities must educate people and give them the right skills through the right technology, and that meet the needs of businesses today.

• (1125)

Ms. Judy Wasylycia-Leis: My question is to Pierre Patry and Denis Patry.

If we had to choose between putting more funding into education and reducing corporate and business taxes, which would be the best choice?

Mr. Pierre Patry: We believe the choice is quite clear. Earlier, we talked about productivity issues. Obviously education, especially higher education, is a significant factor in improving a given country's productivity. In our view, there is no doubt we should opt for reinvesting in education.

That is why we are asking for the fiscal imbalance to be remedied. Education is under provincial jurisdiction. If the federal government were to inject more money into the provinces, the provinces would be able to fulfill their educational responsibilities properly.

With respect to education spending, in 1977 the federal government covered 25% of costs through transfer payments. Today, with social assistance and other factors taken into account, that figure has dropped to 11.5%. It is half of what it was.

Even if we were to ask for \$3.4 billion or \$3.9 billion to correct the fiscal imbalance, we would not be asking the federal government to go back to its 1977 spending levels, but just to its 1994 or 1995 spending levels, which were 18 or 19%.

In our view, that must be the top priority. The government has been bringing the debt down for several years now. Nonetheless, we believe it would have been preferable to put more money into the provinces and enable the provinces to cover their education costs better. That would have been much more productive, both socially and economically.

Ms. Judy Wasylycia-Leis: I'd also like to hear from Denis Patry.

Mr. Denis Patry: If I understood the question correctly, you are asking which would be more important: increasing education transfers...

Ms. Judy Wasylycia-Leis: If we had to make a choice.

Mr. Denis Patry: I would try to do both.

Rather than trying to achieve a single goal, I would try to achieve both. I would increase transfers to the universities to help them regain their rightful place as educational institutions of note in our regions, and as contributors to business development. I would also provide funding or tax credits to help businesses become better equipped, be more productive, and compete better in the international market place.

Productivity has dropped. We are not competitive enough. People have waited too long, or have been unable to invest in modernizing their equipment and becoming more competitive.

I would also take the opportunity to provide subsidies, to increase transfers to organizations that promote exports and economic development.

Ms. Judy Wasylycia-Leis: Could you comment on the remarks made by Pierre Patry? He said that, in spite of all the tax cuts businesses have received over the past ten years, there has been no increased investment in Canada's economy and no indication that tax cuts will benefit Canadians when it comes to services, jobs, and so on.

Mr. Pierre Patry: I share that view. There is no clear link between reducing corporate taxes and investments.

As a matter of fact, in Quebec, for the past few years, investments are down, while the tax burden of corporations has been reduced.

From a tax standpoint, we must therefore make sure that we properly target the measures that we put forward. We are prepared to examine some accommodations. We do not think that overall, the tax burden on corporations should be reduced, but we could consider some accommodations in order to increase productivity and foster job creation. Moreover, one of the important factors in terms of job creation is education. It has been proven that the more people are educated, the less likely they are to be unemployed, and if they have to collect employment-insurance benefits, they will have more opportunities to upgrade their skills because they will have acquired a solid foundation of knowledge.

If I had to make a choice, I would not hesitate: I would opt to reinvesting transfer payments in education rather than tax cuts.

Ms. Judy Wasylycia-Leis: Mr. Godbout...

The Chair: Your time is up, Madam.

We will continue with Mr. McCallum.

You have four minutes, sir.

• (1130)

Hon. John McCallum: Thank you.

My question is for Mr. Godbout on fiscal imbalance. Recently, we saw cutbacks of \$1 billion in literacy programs, grants to museums, etc. but if we were to transfer the entire GST to the provinces, the loss of federal revenue would be over \$30 billion. That means that

cuts would have to be 30 times greater than those that we have just seen.

Are you really serious?

Prof. Luc Godbout: First of all, I did not say that the seven per cent of the GST should be given to the provinces. As a matter of fact, it is not 7% anymore but it is now six. And now it is at 6%, the government has made a commitment to bring it down to 5%.

Hon. John McCallum: \$6 billion a year, even it is 5 points, multiplied by six, that is \$30 billion.

Prof. Luc Godbout: But right now, we are not at \$6 billion per percentage point. The government has committed to lowering the rate to 5%; it could decide to bring it down to 4%. What I am saying is that after that, what would be the transfer to the provinces would have to be negotiated. If transfers for social programs were abolished, \$9 billion will be recovered. So it will not cost \$30 billion net. You have to subtract that.

Do you agree? Is that all right until now? We should understand each other.

Hon. John McCallum: If you are saying that you would eliminate all transfers, that is different.

Prof. Luc Godbout: Not all transfers to the provinces; not in the area of healthcare, but they could be eliminated in the case of social programs.

After that, negotiations would be required. Perhaps the provinces could take over some areas of federal spending that come under their area of jurisdiction. Then, a timetable could be set to implement initiatives. I am not talking about putting all this in place by April 1st, 2007.

Hon. John McCallum: But you are talking about a loss of revenue in the order of \$30 billion. I think that is not realistic at all given the problems caused by cutbacks of just \$1 billion.

Prof. Luc Godbout: You do not want to consider my proposal to abolish transfers for social programs. Right now, you are talking about net cost. We must not talk about...

Hon. John McCallum: \$20 billion is still a problem.

Let me go on with to my second question. I get the impression that the government is trying to use a single amount of money for dual purposes.

[English]

They speak out of both sides of their mouth.

[Translation]

On one hand, the reduction of the GST targeted Canadian citizens, as promised during the election campaign. On the other hand, the point of the drop in the GST was to settle the fiscal balance.

Is it not impossible to use this money twice?

Prof. Luc Godbout: I fully agree with you.

When Mr. Harper made that commitment, during the last election campaign, he was standing next to the cash register. You do not need a PHD in psychology to understand that he was not granting a tax break to the provinces, but rather to individuals. He said that the GST would go from 7 to 6% , then to 5%, while standing next to a cash register. That is wonderful for individuals.

However, he could decide to set it at 4% for individuals and give the remaining 4 points to the provinces, but he cannot say that he is going to give these points both to the provinces and to individuals. You must agree with me on that.

Hon. John McCallum: Mr. Patry, you said that you want the government to reduce taxpayers taxes. Is that more of a priority for you than a second decrease in the GST? You did not mention the GST.

Mr. Denis Patry: I did not mention it because the government has already committed to reducing it to 5%.

Hon. John McCallum: If you have to choose between a decrease in the GST from 6 to 5% or a tax cut, what would you choose?

Mr. Denis Patry: If it were up to me, I would never have decreased the GST. I would simply have reduced personal income tax.

Hon. John McCallum: Very intelligent, thank you.

The Chair: Thank you very much.

[*English*]

The prerogative of the chair is to ask a question. I have just one or two.

[*Translation*]

According to the top candidate in the leadership race for a particular political party, it would be a good idea to hold another constitutional debate.

Mr. Langlois and M. Patry, what impact do you think another constitutional debate on Quebec's place in the federation would have on business?

Mr. Pierre Langlois: Obviously, for Quebec industry and for its economy a constitutional debate may not be the best thing at this point. Even though one day Quebec's place within or outside the federation will have to be clearly determined, I do not think that re-opening the constitutional debate would be a good thing for Quebec business.

• (1135)

The Chair: Thank you.

Mr. Patry.

Mr. Denis Patry: I think that it would be using its energy, which is being misdirected, at the wrong time. We have several other problems to deal with. I personally would address the productivity problem and the labour shortage problem before dealing with the Constitution.

The Chair: Thank you very, gentlemen.

Mr. St-Cyr, you have four minutes.

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

My question is for Mr. Patry. It does not necessarily deal with one of the subjects in his actual brief, but rather in the *Chambre de commerce de Québec*.

Over the weekend, the Bloc Québécois held the forum Québec, an international forum where business people were invited to present projects supported by the Quebec City region. For instance, la Boîte à science came to present a science centre project for Quebec City; it is the only major Canadian City which does not have a science centre. A centre of excellence also made a presentation on global warming. Several projects were presented and supported mainly by the *Chambre de commerce de Québec* and the business community as a whole.

Yet, in the days following this event, instead of supporting these community projects, some conservative politicians focus on discrediting them as being far-fetched, pie in the sky, et cetera. There was also a project for a high speed train which the Quebec business community has been asking for a long time. These trains exist in Europe and the United States.

Why should we not have a profitable high speed train between Quebec, Montreal and New York, given our similar population density, distances and clientele, when the United States does?

Are these Quebec City projects, as proposed during the forum, really far-fetched and not worthy of consideration, as conservative politicians from Quebec would have it? Are these not realistic projects? Instead of trying to destroy them, these people should support them and defend them in Ottawa in order to make them happen for the advancement of the Quebec City region.

Mr. Denis Patry: That is an important question, Mr. St-Cyr. I am president of the Comité de la fiscalité et des finances publiques. The director general of the *Chambre de commerce de Québec* is right behind me. I do not know if it would be possible for him to respond to your question. Mr. Kirouac may be more comfortable than I am doing that.

Mr. Alain Kirouac (General Director, Chambre de commerce de Québec): With respect to the two projects that we discussed this week-end...

The Chair: I am sorry, sir.

[*English*]

Please identify yourself.

[*Translation*]

Mr. Alain Kirouac: My name is Alain Kirouac. I am vice-president and director general of the *Chambre de commerce de Québec*.

Thank you.

I will answer your question on the two projects you mentioned. The high speed rail system between Montreal and Quebec and other destinations such as New York or Windsor, and the Boîte à science. These are indeed two projects which were prioritized during the 2005 Economic Forum of the *Chambre de commerce de Québec*.

So, they are supported by the community. The chamber will indeed continue to support them and promote them. We will continue to lobby for them.

Mr. Thierry St-Cyr: Should I conclude that you expect to receive support from local politicians for these two projects?

Mr. Alain Kirouac: That is as true today as it was under the previous Canadian government. These are projects which the region supports and which it will indeed continue to promote.

Mr. Thierry St-Cyr: I would say that it is perfectly legitimate to have local politicians advocating local projects. That is what they are paid to do. You are absolutely entitled to expect that.

Mr. Alain Kirouac: Thank you.

Mr. Thierry St-Cyr: I have a question for Mr. Godbout. I would like to get back to the issue of the fiscal imbalance. We agree that over the short term there is a need for federal transfer payments to rectify the current situation.

But what would be the advantage and the need, over the medium- and long- term to have these transfers whether they be tax transfers...

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

We will continue with Mr. Blaney.

Welcome, sir. You have four minutes.

Mr. Steven Blaney (Lévis—Bellechasse, CPC): Thank you very much, Mr. Chairman.

It is a pleasure for me to participate in these meetings of the Standing Committee on Finance. As a conservative member of Parliament from the Quebec city region, I feel doubly fortunate.

Twice, while listening to you, I felt as though I had been present at a historic moment, because I was there, last December, when Mr. Harper delivered a speech in which he committed to settling the fiscal imbalance within the Canadian Federation. I have also personally announced, six month prior to the Bloc Québécois, that the conservative team from Quebec supported the Boîte à science project, the Centre d'interprétation scientifique et technologique, that we are in regular contact over and working on. We are pleased to have the support of the Bloc Québécois for this project.

We wonder why the previous government over the last 13 years and despite opposition representations at the time failed to ensure that Quebec City would have a science centre when the 20 biggest cities in Canada have one and Quebec city is the seventh biggest in Canada.

So, yes, I am feeling though I am part of history in the making, even more so because in our most recent budget, \$3.3 billion were granted by the federal government as immediate assistance to the provinces to settle the fiscal imbalance. Along with the budget, well, yes indeed, this was the first time any federal government was willing to recognize that there was a problem within the federation.

However, I would have one critical thing to say to our panel of academics, union and business representatives.

Mr. Pierre Patry: We can take it.

Mr. Steven Blaney: You did not discuss the imbalance at the municipal level. As a member for Lévis—Bellechasse, I can tell you that municipalities are having a hard time when it comes to infrastructures, drinking water, waste water and roads. The needs are pressing. I think that these are things that should also be considered.

Mr. Patry, I think we must also consider the burden for taxpayers, which is also part of the imbalance within our society. Moreover, we have to wonder how much of the public burden individuals should shoulder.

My first concrete question is for Mr. Juneau. The Lévis-Lauzon Cegep is in my riding. You draw a relationship between restoring post-secondary education funding and productivity issues. We know there are problems, namely in the field of science and technology, in the Quebec city region.

How can increased funding of post-secondary education contribute to improving scientific training in the Quebec city region, where there is a need?

● (1140)

Mr. Denis Juneau: First of all, that has to be done earlier than at the post-secondary level. In high schools, you need to have Boîtes à sciences and also all sorts of organizations which arouse an interest in science among young people. Our CEGEPs need essential equipment, specifically computer equipment.

For instance, at the Sainte-Foy CEGEP, there is a radiation-oncology program. We currently need two accelerators. We have to send our students out, after 8:00 p.m. and until midnight, to work on this equipment elsewhere, because we do not have the equipment ourselves. We need it.

Mr. Steven Blaney: All right. You need equipment for academic institutions so they can provide better training.

Mr. Denis Juneau: Exactly.

Mr. Steven Blaney: My second question is for Mr. Langlois.

It is quite clear: housing costs have risen tremendously. If you had to choose one recommendation to make to the committee would it be to increase the HBP from \$20,000 to \$25,000?

Mr. Pierre Langlois: The HBP may be the easiest program to enhance at this point because it has been in existence since 1992. Yes, it could help out first time home buyers.

The Chair: Thank you, Mr. Blaney.

Before we continue, ladies and gentlemen members of the committee,

[English]

I have a little announcement or forewarning. We will commemorate this event at noon with a photograph, so don't run away. That will be done immediately after the testimony ends and before the visits with the witnesses commence.

[Translation]

All right. We will now move to a three-minute round.

[English]

Mr. Michael Savage: Thank you.

I'm going to ask my question in English, I'm afraid, so if you need assistance.... It's not that my English is good, but my French is a lot worse.

Monsieur Patry, Pierre Patry, I'm surprised to see that you say the recent reduction in the rate of the GST would seem to be a potentially worthwhile way of focusing primarily on low- and middle-income households. Every anti-poverty group, every group that's appeared before us that deals with people who are of a disadvantaged social or economic condition have indicated that the GST reduction is virtually a waste of time for low-income Canadians. The government says that the lowest-income Canadians don't pay tax, so reducing personal income tax is not a way to go. There are lots of other ways of doing it, such as through the child tax benefit, particularly the low-income supplement to the child tax benefit, or by investing in things like tuition access or even social housing and things like that.

Can you explain to me whether you have done any studies to indicate that cutting the GST is a good way to help the lowest-income Canadians?

• (1145)

The Chair: That is for Monsieur Pierre Patry.

[Translation]

Mr. Pierre Patry: I did not criticize lowering the GST. I did not mention that in my presentation. We said that consumer taxes are generally more regressive than other taxes. It is not something that we criticized. I would not want to be misquoted.

However, in answer to a question, I mentioned that if I had to choose between reinvesting in post-secondary education through federal transfer payments and tax cuts, I would favour federal transfers.

While I have the floor, I would like to point out that we want to help Mr. Blaney go down in history. But in order to do that he would have to do more than delivering speeches on the fiscal imbalance. The fiscal imbalance actually needs to be settled, as early as the next budget.

The CSN would be pleased to contribute to our going down in history together for having settled the fiscal imbalance in Canada.

[English]

Mr. Michael Savage: I appreciate your clearing that up. I think this is your presentation, and there is a comment in here about the GST, so you might want to check that. I agree with your secondary comment.

I'd like to ask a question, if I could, of the other Monsieur Patry, Denis Patry—a comment on university funding. There are two asks in here. One is that you recommend that the federal budget include a substantial increase in the amounts allocated to university networks in order to maintain the quality of teaching and to develop research. You also propose that federal transfers for post-secondary education revert to the levels that prevailed in the 1990s.

The government's own documents indicate that federal contributions to post-secondary haven't changed. They've been 25%. What has changed is that they have been directly for research and directly for students since the late 1990s.

The Chair: Thank you, Mr. Savage.

We'll continue now with Mr. Del Mastro for three minutes.

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

Mr. Godbout, could you, in very basic terms, describe the fiscal imbalance? What is it?

[Translation]

Prof. Luc Godbout: Briefly, the fiscal imbalance exists because the federal government has more financial resources than necessary, whereas the provinces do not have the necessary resources to meet the needs related to their respective areas of jurisdiction.

[English]

Mr. Dean Del Mastro: No, it's not really that. It's actually the difference between taxes collected and taxes redistributed to the province, and that's what would indicate what the imbalance is.

You also spoke about equalization. Could you define equalization for the panel?

[Translation]

Prof. Luc Godbout: I could also add that there is a fiscal imbalance between the federal government and the provinces as well as between the provinces. There is an horizontal fiscal imbalance and a vertical fiscal imbalance. The first one I defined was the vertical imbalance. The other one is the horizontal imbalance. In other words, some provinces are wealthier than others. The Canadian Constitution sets out to strike a balance between the provinces through equalization. This responsibility is enshrined in the Constitution; it is a federal responsibility.

[English]

Mr. Dean Del Mastro: So for the record, equalization is actually a redistribution of federal tax dollars, so that all provinces can maintain approximately the same level of social safety nets, health care, and so on.

You made a couple of comments that, quite frankly, indicate that you may not have a full understanding of the situation. Secondly, you indicated that meetings with the government are failing. Are you involved in those meetings?

[Translation]

Prof. Luc Godbout: I was referring to what we see in the media. The provinces met.

[English]

Mr. Dean Del Mastro: Oh, I wasn't aware the media was in them. I'm sorry.

Mr. Patry, you indicated that you thought it was better to spend the surplus than to put it against the national debt. Do you think it's better to spend \$660 million a year on interest into perpetuity—and spend the money now—than put it against the debt?

[Translation]

Mr. Pierre Patry: In our brief, which I would invite you to look at, we prove that the \$12.9 billion spent on paying down the debt this year—or \$81 billion total since 1996-97—has had a minimal effect on increasing wealth. Actually, the debt to DGP ratio went from over 67% in 1996-97 to 35%.

Even if the government had not paid down the debt, the percentage would have gone from 67% to 41%. Most of the work on debt reduction is due to an increase in wealth. We believe that this trend will continue and that we could have used the \$81 billion for better purposes, namely to increase federal transfer payments for health care and education. That type of measure would provide for good services to the public and ensure a more just society.

• (1150)

The Chair: We will now move to Mr. Pacetti.

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

Mr. Juneau, I would like to know how we could be sure that higher transfer payments for post-secondary education would go to CEGEPs. I looked at your chart, because it was simpler that way. It shows -15% next to core funding in current dollars. It goes from -15 to -26%, meaning that the percentage would be -37% in a few years' time.

For the benefit of my colleagues from outside Quebec, I would also like you to tell us how CEGEPs compare to their equivalent in other parts of Canada.

Mr. Denis Juneau: How can the government ensure that a fair part of the funding will go to the CEGEPs, and still respect areas that come under provincial and federal jurisdiction? I think this needs only be mentioned during the discussions that will be held. I can imagine that when the money is transferred, some of it will go to the CEGEPs.

Mr. Massimo Pacetti: If things continue the way they are going, there is no doubt that we will have no say about the way the funds are distributed. That is why I ask you the question. I do not want the conclusion to come before the proposal. I am trying to help out the CEGEPs a little, because, if I understand correctly, their budget was not increased.

Mr. Denis Juneau: This table has nothing to do with federal-provincial transfer payments but simply with the funding granted to the CEGEPs by the province of Québec. We notice—and the table says it all—that since 1992-93 there has been a \$300 million reduction every year in the education funding to CEGEPs. Consequently, we are saying that it is time our governments assume their responsibilities and provide adequate funding for post-secondary education. That is why we mentioned the \$300 million amount.

I will now deal with the second question about what the CEGEPs do in Quebec. Outside Quebec, post-secondary technical education

is offered in community colleges. In Quebec it is offered at the CEGEPs. In addition, the equivalent of grade 12 and the first year of university in the other provinces is provided by the CEGEPs.

The Chair: Thank you. Mr. Pacetti and Mr. Juneau.

Ms. Ablonczy.

[*English*]

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

I think it's interesting to note that there's quite a bit of concern about the so-called fiscal imbalance and the federal government's progress on it. In fact, as the panel is aware and we're all aware, the former government denied there was fiscal imbalance and refused to deal with it in any way, shape, or form.

Our government has taken on that task. We have not only put out a paper just a few months after we were elected as to some proposals for this, but we are engaging in very intensive discussions with all the provinces in order to bring together a pan-Canadian proposal that will resolve this issue as best as possible. We know that whatever comes forward, there will be naysayers, and we want to make it as good as possible. We are targeting the next federal budget to bring forward some proposals.

So I would caution the panel about being too negative about this process. In fact, I think it's moving along with amazing quickness, because there are a lot of people to consult and a lot of work that has to be done in order for a truly good proposal to come forward, remembering that we started from ground zero on this. So this is going ahead, this will go ahead, and we are hoping that all the players in Quebec will work constructively with us instead of simply making negative comments about a very good and very reasonable process that is moving as quickly as possible.

That's a statement, not a question, Mr. Chairman, but I think it's very important that we do put that on the record and do get that in front of people.

• (1155)

[*Translation*]

The Chair: Thank you very much.

I would like to thank you for making your presentations to us today. The committee would like to thank you for coming today and for taking the time to prepare for this meeting.

The meeting is adjourned.

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