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Chair

Mr. Brian Pallister

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• (1105)

[English]

The Chair (Mr. Brian Pallister (Portage—Lisgar, CPC)): Welcome, members of the committee.

Pursuant to the order of reference of Wednesday, June 7, 2006, Bill C-294, An Act to amend the Income Tax Act (sports and recreation programs), we have some witnesses here today.

Gentlemen, welcome to the committee. We're going to start with my colleague Mr. Fitzpatrick. We'll allocate a brief time, five minutes, for a presentation or an overview and then get right into some discussion and some questioning on the issue.

Whenever you're ready, Brian, take it away. I'll give you five minutes to give us an overview on your proposal.

Mr. Brian Fitzpatrick (Prince Albert, CPC): Thank you, Chair, and thank you to the members for giving us the opportunity to advance our case.

I practised law in a community in Saskatchewan for 25 years. It's two and a half hours from Saskatoon and three and a half hours from Regina, and those are our two major communities, so it's a remote community. It has 5,000 people.

I'm a lawyer, and every fall I was called out to a meeting at a local financial institution where 15 people in the community would sign personal guarantees to finance the local junior A hockey team. The team in the fall doesn't have any money. It has to get a line of credit. At the end of the spring season everybody in the non-profit organization knows there's not going to be a profit, but they certainly hope the books will balance. About 30% or 40% of the team's revenue is derived from gate receipts. The other funding is from businesses that sponsor that team and from volunteers who sell raffle tickets and hold bingos and so on to try to finance the team's operation.

Almost all of the players come from long distances. These communities are not big, they're remote, so you get people from Manitoba, northern Saskatchewan, southern Saskatchewan, and even players from rural Alberta. The cost per player for room and board is about, I would venture to guess, \$4,000 in a given year. The players are housed with good families. The parents who send their kids to these teams expect them to be in good homes, so they're housed in good homes in the community. They're paid \$300 to \$350 a month for room and board to offset the cost of housing these young men in their communities.

In 2001 the Canadian Revenue Agency came into that league, assessed the teams, and decided the room and board costs were a taxable benefit. The result of making them a taxable benefit is that Canada Pension, employment insurance, and income tax are applied on this \$4,000-per-player allotment.

It doesn't take much of an imagination to realize that suddenly the teams had a new expense item on their books of \$6,000 or \$7,000 a year. You can't pick up that money on gate receipts. The market is small, it's saturated. There's no more money from gate receipts. It's pretty hard to get any more money out of bingos. I guess you could try to get a volunteer group to go out and start another campaign to try to raise \$6,000 or \$7,000 a year to pay the Canadian Revenue Agency.

The effect of this ruling has been very, very hard on that league. There are 11 teams in the league, and they all run on a shoestring budget. This decision has been a major hardship on that league. It's a non-profit league; they're not in it to run it as a business. The parents who send their kids there send the kids basically to promote their education and to advance their hockey skills. A lot of the parents are hoping they will receive an athletic scholarship to a division 1 or 2 American college, which happens quite frequently in the league.

At one time we had five coaches in the NHL who cut their teeth in the league, including Dave King, who has the Order of Canada and was the coach of the Olympic program and is, I think, a very well-known person in the league. There are lots of other coaches who cut their teeth in that league and moved on: Dave Tippett with the Dallas Stars, James Patrick, who's a prominent assistant coach with the Buffalo Sabres. It's been a very good league and obviously a very important part of Saskatchewan life in rural Canada. It's a part of our heritage. It's Gordie Howe country.

I think governments should be finding ways of promoting athletic activity and amateur athletics in the country, rather than finding ways of taxing it and punishing it. The purpose of this bill is to provide, I think, some tax relief to these teams so they can sustain their operations and survive.

I have two gentlemen with me today: Laury Ryan, who is the president of Saskatchewan Junior Hockey League; and Vernon Doyle, who is the president of the Maritime Junior Hockey League. The leagues are very similar. They operate under the same sort of model. Both of these individuals can certainly attest to the difficulty that this Canadian Revenue Agency decision has had on the Saskatchewan Junior Hockey League.

The Chair: Thank you, Mr. Fitzpatrick.

Welcome to you both, gentlemen, and thank you for the work you're doing.

Also, welcome to our Department of Finance officials who are here to assist us today. We appreciate your being here.

We'll move right to questions and allow participation as you would see fit, committee members.

We'll begin with Mr. McKay, six minutes.

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

The Chair: On a point of order, Mr. Pacetti.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): On a point of order, Mr. Chair, what kind of a committee is this? We have to hear from the Finance officials before we can start asking questions. We have to run a meeting according to what we normally—

The Chair: The Finance officials are here as a resource to us in the conduct of our affairs.

Mr. McKay has the first question.

Mr. Massimo Pacetti: We need to hear from the Finance officials—

The Chair: You have no point of order.

Mr. McKay, you can begin your question now.

Hon. John McKay: Let me understand this bill, Mr. Fitzpatrick. I understand the politics of the bill, but when you're trying to formulate public policy, you're trying to also deal with the law of unintended consequences.

Let me address my first question to the officials with respect, if you will, to how they see the law of unintended consequences working here. Is Mr. Fitzpatrick's proposal effectively a creation of a second layer of tax exemption? All Canadian filers get somewhere between \$8,000 and \$10,000 basic personal exemption. Effectively, in his proposal, does that essentially move it up to a \$12,000 exemption for kids who are elite hockey players? Is that, in effect, the result of his bill? If that is true, where would be the next pressure to move up that exemption?

If I could get a quick response on that, I'll know where I'm going with my questions.

• (1110)

The Chair: Who will be responding to that, gentlemen?

Mr. Short.

Mr. Edward Short (Senior Tax Policy Officer, Tax Legislation Division, Tax Policy Branch, Department of Finance): Certainly. The answer is that, yes, this would be over and above other deductions or credits such as the personal credit. In respect of pressures, I would expect that more than likely other non-profit employers would be asking for similar exemptions for their employees.

Hon. John McKay: Can you give me an example?

Mr. Edward Short: It's not unusual for a non-profit organization. It could be a community organization in support of some kind of

community activity. They have employees as well. They're not athletes, they're employees—office workers, for instance, or people who work in playgrounds or something like that. They are also subject to the same rules as other employers, and it's likely that there would be pressure from those types of non-profit groups to have this extended to them.

Hon. John McKay: What about within the athletic community?

I play hockey. I've played hockey all my life. I still play hockey. I'm not very good. I thought I'd admit it before anybody else pointed it out. I appreciate that hockey is very important, not only to city life but to rural life, and I understand the cultural issues, etc.

I'm hard pressed to know why we should preference, say, hockey players above swimmers, who don't necessarily have a career path to follow once their swimming days are over, either in a club or in a university, or other areas of athletic endeavour such as gymnastics, or whatever.

Help me here, Mr. Short, and I'll ask Mr. Fitzpatrick to answer after you answer. Tell me how there's going to be any ability on the part of any government of any stripe to resist the pressures of other athletic or community organizations to get the same sort of tax relief that Mr. Fitzpatrick is asking for.

Mr. Edward Short: I think the right answer to that is that those organizations would already be covered by this bill. So a swimming organization, if it were to pay cash allowances to the swimmers, would then be exempt under this as well. I think the difference is that I'm not aware of any other sport that has the same kind of payments to players as does junior hockey.

There are athletes who receive allowances from the Government of Canada, and those are treated separately under the Income Tax Act. But in terms of other non-profit organizations, I'm not aware of any that actually pay cash allowances to their participants.

Hon. John McKay: It's not likely that this is going to be of any benefit to any group, other than elite hockey players on their way to possibly being professional hockey players.

Mr. Edward Short: That's probably the case. There are some semi-professional teams that pay allowances or salaries to older players. The participants have to have other employment to supplement their income. This bill would not apply to them, because generally those organizations are not exclusive only to participants who are under the age of 19, I think.

• (1115)

Hon. John McKay: I just want to give Mr. Fitzpatrick a chance to chime in here.

Mr. Brian Fitzpatrick: An issue that is very important to understand is that CPP and EI start at the first dollar. Income tax, with the exemption, kicks in at only a certain level. It's the Canada Pension and EI that really create the hardship on this position. Most of these players don't make anywhere close to the personal exemption amount.

The bill is designed to encourage amateur athletics, whether it's gymnastics or swimming or hockey. We have diabetes and we have obesity problems among young people. It's good that government is encouraging our culture and participation by young people.

Where I come from, the kids idolize the junior hockey players. They're out on the rink playing peewee hockey rather than sitting around watching TV or playing computer games. I think this is a good attribute.

The exemptions under sections 7 and 8 already provide a lot of exemptions for arts groups, religious groups, and other organizations. You strain to find any real meaningful exemption for encouraging young people to get active and involved with things.

At the end of the day in rural Saskatchewan, junior hockey—I mean, this isn't Toronto, these are places like Nipawin, Melford, and Estevan—is the thing that brings all aspects of the community together. That's part of their culture and their heritage. This is Gordie Howe country. That's a big part of our country.

The Chair: Thanks, Brian. I have to cut you off there.

[Translation]

We'll continue with Mr. St-Cyr. You have six minutes.

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

My first question is quite simple, probably. It is for the representatives of the Finance Department.

How much do you estimate this will cost the federal Treasury?

Mr. Edward Short: We don't think the cost will be very high because few organizations will benefit under this act.

Pardon me, but I have to change languages.

[English]

There are a small number of organizations that would qualify under this bill, so we don't expect it would be very high cost. I think, as Mr. Fitzpatrick has suggested, they may be small amounts in general, but for the teams they may be viewed as material. But from the perspective of the government, it's not expensive.

[Translation]

Mr. Thierry St-Cyr: What's the order of magnitude? The expression "not expensive" doesn't mean the same thing for everyone. Are we talking about millions of dollars, or several tens or hundreds of millions of dollars?

Mr. Edward Short: We haven't made an estimate. I'm not sure. It will probably be less than \$5 million, or less than \$2 million. Few organizations pay people to play or take part in a sport.

Mr. Thierry St-Cyr: With regard to the description of activities, the bill states that this credit would apply where allowances are paid to an individual taking part in a sports program. It states, and I quote: "...not-for-profit organization in connection with its operation of a sports team or a sports or recreation program..."

Are these definitions already in existence at the Department of Finance and the Canada Revenue Agency? Based on this bill, do you know exactly to whom this applies? What athletes would be eligible and which ones wouldn't? Is this definition entirely clear for you?

• (1120)

[English]

Mr. Edward Short: If I understand the question, you were asking if we know which sports would be included. As the bill is drafted, it is not necessarily limited to the sporting activity. It could conceivably include remuneration paid to salaried employees. We would not expect that would likely be the case, because it is limited to people who are members of the organization. Generally speaking, people who are employees are not also members who are under the age of 19. But there is not any limit as to the type of activity within the bill.

[Translation]

Mr. Thierry St-Cyr: If I understand this bill correctly, the credit applies only to those who are reimbursed for these expenses. In the case of those who pay out of their own pocket, this amount would be deducted from their taxable income and they would not be entitled to a credit for this. Is that correct?

[English]

Mr. Brian Fitzpatrick: I should clarify something here. We have a friendly amendment that's going to be proposed on the bill that will tighten it up to ensure that people like coaches and people who are drawing real salaries in the organization will not be eligible for the benefit of this feature.

[Translation]

Mr. Thierry St-Cyr: Let's suppose that I'm a member of some sports association and that I rent a hotel room as part of a sports event. From what I understand of this bill, if I'm reimbursed, that won't be taxable. If I'm not reimbursed, could I deduct that expense from my income under the bill?

[English]

Mr. Edward Short: If a player is travelling and is reimbursed for travel expenses, that is already not included as a taxable benefit. If they are boarding with a family, for instance, in the location where they are playing, in their home location, then that would be a taxable benefit. It is a taxable benefit on the one hand; however, in respect of the employment insurance premiums that are required to be paid by the team, those are only required to be paid in respect of cash allowances paid to the players.

Insofar as the Income Tax Act is concerned and whether or not it is taxable income, if the player incurs an expense, under this bill he would not be required to keep receipts for the expense as long as it is for board or lodging. And that applies when he would normally reside in the town that would be the hometown for the team. But the travel expenses are already excluded.

The Chair: Thank you. I'll have to cut you off right there.

We'll move to Mr. Dykstra now.

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

I did want to ask the folks from the finance department who are good enough to be here today along with you, Mr. Fitzpatrick—thank you very much—since you obviously reviewed this and looked at it from a financial perspective, what do you believe to be the merits of the bill, and are there some difficulties within the bill we should be paying attention to?

Mr. Edward Short: As Mr. Fitzpatrick suggested, it appears to us that the real purpose of this bill is to reduce the amount of source deductions that are required by the teams—i.e., it is recognized that these players will not be taxable on this income in any event, because they don't make enough money. They don't make more than, for instance, the basic personal amount, and this is really only in respect of cash allowances that they receive, for which they are not required to keep any receipts. The amounts are not substantial, but under the employment insurance legislation, the teams, if it is a cash allowance, are required to withhold, starting from the first dollar that they pay. Because this bill will make those allowances non-taxable, there is a consequential effect as a result of the Employment Insurance Act, which says that the amount, since it is not taxable under the Income Tax Act, will not be subject to withholding. This is all really so that the teams can get a de facto exemption from the employment insurance legislation.

It may be more appropriate for the government to consider this initiative in the context of the employment insurance legislation and not in the context of the income tax legislation.

Mr. Fitzpatrick is going to speak about Canada Pension. I will just mention that with Canada Pension there is a tolerance level; I think the first \$3,500 is exempt.

• (1125)

Mr. Rick Dykstra: Okay.

Mr. Fitzpatrick, I'm sure there are a lot of folks in Saskatchewan who are watching intently to see how the bill carries through, and you are certainly to be complimented for coming forward and doing this on behalf of your community.

One of the things I noted within the description in the background is that you talk about this to a maximum value of \$350 per month. I thought you might want to comment on the timeframe. Hockey season isn't generally 12 months out of the year. Perhaps you could just comment on that.

Mr. Brian Fitzpatrick: Mr. Doyle might correct me, but basically you're looking at September through to the end of April for most teams. It might be a yearly amount for some of the players who have been around for a while, because they do stay in the communities, but for most players it would probably be a September-to-April allowance.

I should mention that there is no profit in this allowance. If you ask any of the families who bring these kids into their homes, these young men will eat far more than \$350 in food. If anybody thinks there is any profit angle on this, it's a mystery to me. Maybe the grocery store might make a profit out of it, but it's not a money-maker.

Mr. Rick Dykstra: One of the things Mr. McKay mentioned that piqued my interest was the width or breadth of who would be included within this. Obviously your focus is on the young hockey players in Saskatchewan, but the bill obviously goes a little bit further than that. Perhaps either Mr. Fitzpatrick or one of the Finance officials could comment on how far it actually goes in terms of who it would apply to.

Mr. Edward Short: As I said, because it applies only to employees of organizations in which the membership is limited to

participants under the age of 19, this would not apply to a very large number of organizations. The wording otherwise is broad, but in fact there is not a large group that would be affected by this.

Mr. Brian Fitzpatrick: I could comment on that again. An MP is limited in how far he can go with technical amendments to the Income Tax Act, but we have a good friendly amendment that will tighten up these features and provide really strong certainty, so that the unintended consequences and so on are greatly eliminated from the ambit of what I'm trying to do here.

Mr. Rick Dykstra: One of the comments in the report from the Library of Parliament was that when CRA did the audit in 2002-03, they found the existence of an employer-employee relationship. I wonder if the finance department might be able to comment on that. Is it a way for teams to finance their operations? What is the reason for that decision?

Mr. Edward Short: On the determination of whether or not there is an employee-employer relationship, employee-employer relationship is a question of jurisprudence. It's reasonably well settled, but the facts are always different in every case. So every case requires a separate analysis.

Generally speaking, you would not expect a player who is in a relationship, say, with a team or a coach to be in an employer-employee relationship. They are in a player-coach relationship. That said, once the team begins to pay non-accountable cash allowances, even if it is for something like room and board, there is really nothing more basic in terms of remuneration than that, and that is very suggestive that there is in fact an employer-employee relationship. So this is one of the factors that would have been looked at by the Canada Revenue Agency.

I am also aware, or at least I have been told, that there was a case several years ago of a junior hockey player who ceased to play for the team—I don't remember what the reasons were—who sought employment insurance benefits, and as a result of a review by the Canada Revenue Agency, it was decided that the former player was entitled to those benefits as a result of that employer-employee relationship.

• (1130)

The Chair: We'll continue with Madam Wasylycia-Leis now.

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

Thank you to Brian for introducing this bill, which, as he knows, we have given general support to in the House. We haven't changed our mind at all, except that I want to register our usual concern, which is that while tax changes and tax credits help some people and do make a difference to some extent, I think we keep missing the boat in terms of finding a way to arrive at what is a proper investment in the area of sport and recreation and fitness by the federal government. It's an area that often gets dismissed as either a provincial or a local responsibility. We know from the budget that in fact the federal government's investment in this area is a pittance. It's about one-tenth of 1%. That's one-tenth of 1% of the total GDP for the federal investments in sport in this country. So I think that in fact is an issue that has to be dealt with.

We've just had the fitness tax credit, which will help some families, but it's not going to put gyms or recreation centres in place in those communities that have nothing. It's not going to help people in my community, which is a fairly low-income older neighbourhood in the north of Winnipeg that saw the Y close there 15 years ago and nothing put in its place. We're struggling with that right now. There was a little bit of support through the western diversification fund for helping us get started.

So these kids who are from lower-income families, who aren't going to benefit from tax credits of any size, shape, or form, are turning to gangs. They're looking for other ways to fill their lives. There's no recreation. There's no place to go and work out, no weight machines, no wrestling groups. It's a real dearth, a real vacuum, that is at the root of many of our problems with juvenile delinquency and youth gangs.

While I applaud your effort to recognize the need to do something—and I think this does something in that, as you said, especially in Saskatchewan and Manitoba, it would be the same around helping amateur hockey teams and helping account for the expenses—it's just a drop in the bucket. So I just want to register that concern and ask you or Finance officials whether there are any plans to address this matter and what we might expect to see in the future.

Mr. Brian Fitzpatrick: Those are excellent points.

I think we have a real problem with young people in our society running astray, and we have problems with type 2 diabetes. There are lots of young people who are going to be 40 years of age and they're going to have a body of a person 75 years of age. We should be encouraging participation in things.

We support the elite programs, the Olympic programs, but that's the tail end. The grassroots is what produces that. The last Olympic team that won a gold medal for Canada had two players on the team who were graduates of our league. In the coaching system, our North American system, we've cut a lot of coaches through that league who have done very well and have contributed to hockey. So it seems to me you have to encourage the grassroots if you want things to happen. This is an attempt to get at that.

Mr. Ryan is a graduate of Notre Dame college in Saskatchewan, Père Murray's college. Père Murray—I knew him very well—brought in a lot of troubled kids from gangs and so on, took them to that little college on the prairie and turned them into leaders through good sports programs and athletics. I think it's a terrific model. It's something that may be disappearing in our society, but he got results.

I think government should be stepping up to the plate to encourage as much as they can getting our young people into good programs where there's real leadership and direction and so on. I think this is a small step in that direction, but I think it's an important one.

• (1135)

Ms. Judy Wasylycia-Leis: Does anybody else want to comment on this broad area?

Mr. Laury Ryan (President, Saskatchewan Junior Hockey League): Yes, I'm sitting here and I'm very new to this process, so I'd just like to give a definition that has not been heard in this room about junior A hockey. I am also the president of the Canadian

Junior 'A' Hockey League, which represents 140 teams across our nation, and 10 leagues. I also have support from Hockey Canada in trying to promote the concept that we are trying to take care of our athletes.

There was a lot of talk here about employer-employee relationships, pro hockey. We're not really talking about that when we're talking about paying billet amounts for athletes in our care. In Saskatchewan, in 95% of the cases in junior A hockey, these are not-for-profit organizations. They are there solely to provide opportunities for kids and provide outlets for the community. They are an entertainment factor in that community.

Again, I get frustrated by the term “employee-employer relationship”. The money that is passed to these kids simply pays their expenses, whether it be for skates or for minimal living expenses. These are not players who are gaining a wage, and that should be very clear.

It was such a skewed definition, when I heard our Finance people talk about the relationship. This was not junior A hockey that he was talking about.

The Chair: I'm sorry, Madam Wasylycia-Leis, time's up and we have to move on. But I thank you for your comments.

Just as a quick point of clarification, then, this wouldn't apply to the Brandon Wheat Kings, but it would apply to the Portage Terriers or the Winkler Flyers in tier two. Is that how you see this thing, Brian?

Mr. Brian Fitzpatrick: Well, major junior hockey has a whole different paradigm from the junior A teams. The western major and the Ontario major hockey leagues really are in essence business operations, probably quite profitable. The owners have deep pockets. Junior A hockey in this country is a long way away from that.

As a point on that too, Mr. Pallister, the National Collegiate Athletic Association in the United States—a lot of our players get athletic scholarships—has the toughest rules in existence on who's an amateur. For example, there's a player with Ohio State in the big bowl game this year, and his parents are dead. He brought his six-year-old brother to Ohio State with him, and he couldn't accept any contribution from anyone for the care of that little six-year-old boy or he'd lose his eligibility as an athlete down there.

The national athletic association in the United States has looked at junior A hockey in Canada and has said, “This is amateur hockey. The players from those programs are eligible for our scholarships.” Anybody who plays a game in major junior hockey loses his eligibility. They have a common sense approach to what is amateur here, and this is an amateur grassroots organization; it's not a business operation.

This also applies to junior B teams in the country and midget hockey as well—triple A midget hockey. I'm concerned about the application of these kinds of rules. The parents entrust their kids to these teams to put them in homes and take care of them.

• (1140)

The Chair: Thanks, Brian.

We'll move to Mr. Pacetti now.

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

Thank you, Brian.

Please take me through the steps again. We went through this at the last Parliament, and we had a few issues with the previous bill. One of the major issues—and I see it's still here—was the non-profit organization, where we determined that teams like the Winnipeg Blue Bombers were a non-profit organization. I think there's another CFL team that's also non-profit.

Mr. Brian Fitzpatrick: The Saskatchewan Roughriders.

Mr. Massimo Pacetti: Yes, the Saskatchewan Roughriders. That's right.

I think you tighten it up here by restricting the people to under 21 years of age. But you just said junior A teams versus major junior.... How do you define it? It doesn't necessarily say that in the bill. If it's non-profit, it's non-profit. I think some of the junior teams are also non-profit organizations.

Mr. Brian Fitzpatrick: The vast majority of the major junior teams that I know of are privately owned. The owners are wealthy. They're real money-makers, so they would not be eligible for this program.

There may be some major junior teams that are quite comparable to the junior A teams, in the sense that they're in very small markets and they don't have deep pockets. They might get the benefit of it, but it would be a very small fraction of them.

Mr. Massimo Pacetti: In comparing the amount you requested last time—I think it was \$8,200, versus \$4,200 now—what happens if somebody is actually paid more than the \$4,200? Take me through that. If somebody receives more than the \$350, how does that work?

Mr. Brian Fitzpatrick: I would say anything over this amount, Massimo, would be subject to the tax rules.

Mr. Massimo Pacetti: I guess this is a question for the financial officials. So they'd still be determined to have an employer-employee relationship and not a coach-organization-player relationship?

Mr. Edward Short: There's nothing in this bill that changes the relationship between the player and the team. If they are employees now, they will still be employees afterwards.

Mr. Massimo Pacetti: Okay.

Does this bill protect the allowance from not being considered part of CPP and the EI? CPP may have a \$3,500 deductible, but it's still going to have a \$700 difference if somebody gets to \$4,200. Does the \$3,500 exemption kick in after the \$4,200, or does it kick in from dollar one, including the allowance?

Mr. Edward Short: I'm not positive. I think it's after the \$3,500.

Mr. Massimo Pacetti: So the allowance would be considered—

Mr. Edward Short: Non-taxable. It would be non-taxable and therefore not income for the purpose of the pension plan as well. I believe that's the case, but I'm not certain.

Mr. Massimo Pacetti: In the bill, Brian, you have the “taxpayer is registered during the year”. Does that mean he has to be registered for just one day and then he qualifies for twelve months? You're paying the allowance on a twelve-month basis.

Mr. Brian Fitzpatrick: I think “registered” would mean they're an active, full-time player with the hockey team. If they get cut from the team, they would no longer be part of the team. I don't know why the team would be worried about somebody who isn't there anymore. If they get cut, they move back to their communities. The team isn't going to provide room and board for them. It's the organization that gets audited and assessed; it's not the individual. That's the difficulty with this arrangement. They just don't have the money.

Mr. Massimo Pacetti: I don't know if you're aware, but in Saskatchewan you have pretty good junior football. In my riding there's a pretty good football team, but they don't get paid at all. I think out west some of the junior football players get paid. Is that going to affect that?

Mr. Brian Fitzpatrick: I think their cut-off age is 22, so they'd be ineligible unless they change their rules. Most of the junior players—the Saskatoon Hilltops, and the University of Regina Rams—are attending university. They're living in Regina or Saskatoon as full-time university students, and this is something they do with their schooling. It's not much different from playing football for Laval or the University of Saskatchewan Huskies. I don't really think it would be a concern.

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

Thank you very much to our panel. We appreciate your time very much, and the time you gave to come here to be with us today.

We'll proceed now. Committee members, I'll explain how we structured the meeting today, and of course I'm open to the will of the committee. We've allowed 40 minutes for each of the bills and then 40 minutes to deal with clause-by-clause on the bills. If it's the will of the committee to continue the discussion, then we won't have time for clause-by-clause, and we'll have to move to another meeting to deal with the clause-by-clause.

I should emphasize to the committee that we have the Bank Act to review. We have until the third week of April to do that. We also have a maximum of about seven weeks to deal with that, plus all the other work of the committee.

It's the will of the committee that I'm here to serve, so if the committee wants to continue the discussion.... No? Okay.

We're going to move to the next bill now, and I'll invite the panellists to come forward.

Mr. McTeague, you're welcome to come forward now.

Thank you, again, gentlemen.

Mr. McCallum.

• (1145)

Hon. John McCallum (Markham—Unionville, Lib.): Perhaps I could save time by doing it in the transition period here.

The Chair: That'd be great.

Hon. John McCallum: As committee members will know, we received thick documents from the finance department, none of which were at all useful, all of which were already in the public domain, and half of them, I believe, were post-announcement submissions that obviously had nothing to do with the fact that's leading to the minister's decision, which was the request. I think this is a mockery of the committee and the principles of accountability.

Mr. Chair, I'm suggesting two options. If the committee were unanimous, we could simply request one document from the finance department—this blacked-out document that I referred to—within, say, 48 hours. They have it? It's already there, but blacked out?

If there's not unanimity on that, then I'll have to bring in a motion for the next meeting.

The Chair: Is there unanimity to proceed as Mr. McCallum wishes? No, there isn't, so you can present a notice of motion if you wish, Mr. McCallum.

We'll move to Mr. McTeague now.

Hon. John McCallum: Who said no?

The Chair: Mr. McTeague.

We don't have unanimous consent. Order, please.

Mr. McTeague, I've invited you to begin your presentation. Five minutes.

On a point of order, Mr. Pacetti.

Mr. Massimo Pacetti: On a point of order, Mr. Chairman, Mr. McTeague is not part of the committee. We didn't hear unanimous consent—

The Chair: No. My job is to continue to conduct the committee in an orderly manner, and I'll do that in spite of your insistence that we don't.

Mr. McTeague, you may begin your presentation on your private member's bill now.

Monsieur St.-Cyr, did you have a point of order?

[*Translation*]

Mr. Thierry St-Cyr: It concerns the same point of order. You said there wasn't unanimous consent. I simply wanted to know who had objected.

As a committee member—

[*English*]

The Chair: That's correct.

It's not my job to determine that. I note there is no unanimous consent, so I move now—

[*Translation*]

Mr. Thierry St-Cyr: No one said "no". Was it Mr. Wallace? Very good. It wasn't any more complicated than that. It would have been quicker if we had been told that at the outset.

[*English*]

The Chair: I urge the committee members to give Mr. McTeague the attention he deserves.

And Mr. McTeague, you may proceed now.

Hon. Dan McTeague (Pickering—Scarborough East): Mr. Chair, thank you very much for having me here. Colleagues, I'm glad to be here on such short notice. I want to thank the committee for taking the time to consider this bill.

I am joined by Mr. Peter Lewis, who is the chair of the government relations section of the RESP Dealers Association of Canada. He will also be making some comments here and perhaps provide opportunity. I am joined also by my colleague Mr. Glen Bradbury, my legislative assistant and no stranger to the Hill.

The purpose of the bill, as you know, is to amend the Income Tax Act to allow contributions to registered education savings plans to be tax deductible. This bill provides regulatory regimes similar to those for RRSPs, and it also has built-in penalties and guidelines to prevent the RESP from being used as a tax shelter, instead of having as its sole purpose the generating of funds to be used to pay educational costs.

I think all of us in this room would agree that nothing is more important to the future prosperity of our country than having a highly educated workforce, but the reality driven home to us yesterday by many students who were here is that soaring tuition costs at universities and colleges are creating concern that post-secondary education may soon be within the reach of only the wealthy. I believe many of you here will agree that such a situation would be unacceptable and would place Canada at a considerable economic disadvantage both domestically and in the international marketplace.

We know that a highly skilled workforce is paramount to Canada's future economic growth and prosperity. This bill will assist efforts to obtain more appropriate funds to address soaring education costs and enable more Canadians to attend institutions of higher learning. In addition, providing more self-generated funds from RESPs will no doubt lessen student debt upon graduation.

I must tell you that only 32% of Canadian families have RESPs to help pay for their children's education. One of the major reasons for this relatively low percentage is the financial burden it places on families to maintain an RESP. Regardless of the long-term benefit, contributing to an RESP requires after-tax monthly income, and as we well know, some families within our constituencies are simply unable to afford the minimum monthly contribution, usually \$100.

Making contributions tax deductible offers families incentives and financial assistance to create and manage an RESP. In addition, making contributions tax deductible not only provides a means to help address education costs, but will also lessen post-graduation debt, which is often a debilitating financial drain, as we were witnessing yesterday. According to StatsCan, in Canada's labour market today two out of three jobs require more than a high school education. Post-secondary graduates have a higher employment rate, are less vulnerable in economic downturns, and receive higher incomes.

As I mentioned to you, a number of measures similar to those for the RSP are built into the bill to prevent the use of this as a tax shelter. We can discuss those later. I'd certainly be willing to talk about them, but there is specifically section 204.94 in part X.5 of the Income Tax Act, when it is withdrawn.

The safeguard in this bill, Mr. Chairman, is that the Income Tax Act says that under the conditions for registering the RESP, the promoter can pay if the student is enrolled as a full-time or part-time student in a qualifying educational program at a post-secondary educational institution, or the student cannot reasonably be expected to be enrolled as a full-time student due to serious medical incapacity, or the student unfortunately is deceased.

I will give you very briefly the outline, Mr. Chair. I hope there will be plenty of discussion in the next few hours or the next few minutes. I'm most concerned that we are not meeting the target and that we can do a much better job. With the coming demographic crunch of one in five Canadians being in retirement, we need to ensure that students have an opportunity to gain the skills to earn more, so that we can sustain our valuable programs and continue Canada's prosperity. That is the global reality that requires and necessitates this bold step forward.

I thank you, Mr. Chair. I look forward to your questions.

• (1150)

The Chair: Mr. McCallum will begin.

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

I'd first like to congratulate my colleague on his fine work on this subject, which is so critical not only to students but also to Canada's competitive position. I believe it's especially important since the Conservatives cancelled all those measures we had in our election platform, measures that would really have improved access, and replaced them with rather pathetic half measures like textbook deductions. I think your bill is particularly timely, given the inaction on this file on the part of the government.

My first question is to the officials or to you, Mr. McTeague. I'd like to know the annual cost of the measures you are proposing.

Hon. Dan McTeague: Thank you, Mr. Chairman.

Thank you for that, Mr. McCallum. I agree with you that more can and should be done, and I believe this is an issue that should not be confined to a question of where parties stand ideologically. We all have a reality. We all have students. We all have parents who want to make sure—more than even their retirements, their RRSPs—that their children have an opportunity to gain the advantage of a decent job. That can happen only as a result of higher education.

Our institutions are badly strained. Tuition fees have risen, of necessity. The only way to meet them is to provide an instrument that currently exists within the administration of the RRSP and RESP to make a better—

Hon. John McCallum: Please don't use up my time before you cover the cost.

Hon. Dan McTeague: On the question of cost, I want to tell you that there is no outlay of government money, as there currently is. As you know, Mr. McCallum, the government spends almost \$600 million a year, with a top-up of 20%. We have less than one-third of

students taking advantage of that, so my concern is one of recognizing that this would be a question of the government being denied revenue, but there is no cost outlay.

Hon. John McCallum: Let me rephrase the question, then, this time to the Finance officials. When I say "costs", I mean revenue forgone, so what would be your estimate of the costs?

Mr. Baxter Williams (Director, Personal Income Tax Division, Tax Policy Branch, Department of Finance): Our estimate, based on recent contributions to the RESP program, would be that it would cost at least \$565 million in forgone revenue. If it were to trigger an increase of 20% in the value of contributions, that amount would grow to close to \$800 million.

In addition, since it would reduce income for tax purposes, all provinces participating in the tax collection agreement would see their revenues reduced as well. The cost to them would be in the neighbourhood of \$250 million to \$300 million.

• (1155)

The Chair: Mr. McCallum, I'll give you more time. I just have to interject at this point to question the Finance official, if I may.

In your cost calculations, do you consider the impact of the income tax responsibilities from the adult contributor to the youth in receipt? In other words, the student may well be in a lower bracket or be non-taxable when the money is withdrawn. Is it withdrawn in their name?

Mr. Baxter Williams: My understanding is that when the contribution is withdrawn, it's the contributor who bears the tax.

The Chair: So is there any assumption of a lower or a higher bracket on the point of withdrawal in your calculations at all? Or are you just assuming the same tax consequence ultimately by the contributor, as was the case when they contributed?

Mr. Baxter Williams: You are correct, and I should clarify that I'm examining upfront costs associated with the measure. Over time, as the program matured, there would be a recovery of revenue as the amounts were withdrawn. But presumably that is something that would occur over the next twenty years.

The Chair: I think it's an important question, and it's one that's rather pertinent to another topic we've just recently discussed here as well.

I'll continue now with Mr. McCallum.

Hon. John McCallum: So this would be deferred revenue.

Mr. Baxter Williams: That's correct.

Hon. John McCallum: And Finance counts that as deferred revenue in its calculations, right?

Mr. Baxter Williams: What I'm referring to is the cost over the current horizon. In effect, you would be deferring tax paid on the amount of the contribution, although over the immediate horizon you would see only the tax consequences of it, in terms of lost revenue.

The Chair: Again, just to clarify, what we're really talking about for tax cost isn't necessarily \$800 million. We're talking about the present value difference between that \$800 million received now versus it being received at some projected date in the future. Is that what we're talking about as a real tax cost here?

Mr. Baxter Williams: No. It's difficult for us to estimate what the final recovery would be without understanding better the nature of the contributors. We're looking at a fairly simple calculation, based on the existing program, of what the upfront revenue loss associated with introducing this program would be.

Hon. John McCallum: So just to determine it—

Mr. Baxter Williams: Just to be clear, there's no present value calculation in here, in which we try to take into account the recovery in the future of—

Hon. John McCallum: So this is just the gross upfront cost for this year, with no allowance for additional revenues that would accrue in future years.

Mr. Baxter Williams: That's correct, but I should mention that even if we were to calculate that, in terms of the current-year fiscal costs and the amount available to the government, accounting rules wouldn't allow us to take those future recoveries into account.

Hon. John McCallum: Okay, but if one were to do a present value calculation, one might find the true costs in a longer-term accounting sense were radically less than \$560 million once one took in future revenues that you have not accounted for.

Mr. Baxter Williams: The costs would be less. However, the amount would depend on the differences in tax position of the contributor at the time of making the contribution and when the taxes were ultimately paid upon it, and over time—

Hon. John McCallum: Thank you.

[Translation]

The Chair: We'll continue with Mr. Paquette.

Mr. Pierre Paquette (Joliette, BQ): I'd like to conclude so that I can get a clear understanding. At the present time, a parent, grandparent or friend can make payments on behalf of a child, and that contribution will be increased by the 20% subsidy. There's no deduction.

Will the scholarship become taxable when the amount is transferred to the children?

[English]

Mr. Baxter Williams: Under the current regime?

• (1200)

[Translation]

Under the present system, there's the tax on withdrawals,

[English]

on the withdrawals, although normally the student would be in a non-taxpaying position. So the effect would be that they would pay no tax.

[Translation]

Mr. Pierre Paquette: So it's somewhat the same thing. The bill will make it possible to deduct a portion of the contribution paid to the registered education savings plan. When the student receives his scholarship, he'll pay tax, but since his income will be very small, which is usually the case, he'll have virtually no tax payable.

[English]

Mr. Baxter Williams: There is a distinction here, because in this case the contribution to the plan will be eligible for a tax deduction by the contributor, but when the contribution is ultimately withdrawn, the contributor will have to include that amount in his or her income.

[Translation]

Mr. Pierre Paquette: I understood: it will be the person who has contributed to the registered education savings plan, not the student... That's what I'm trying to clarify.

Go ahead, Mr. McTeague.

Hon. Dan McTeague: Thank you, Mr. Paquette. We know that youths of 17 or 18 won't be able to pay a lot of tax because they won't have a lot of income. I imagine that few people who attend university earn \$40,000 or \$50,000 a year.

Consequently, the effect will be beneficial. There will be a burden, but it will very small, given the amount of the deductions available to students.

Mr. Pierre Paquette: If I understand correctly, we can contribute money to a registered education savings plan, deduct that amount from our taxes, and, when the scholarship is paid to the student, the contributor will have to pay the equivalent of what is owed or—

Hon. Dan McTeague: That's not correct.

What happens when the student receives the money? He'll pay tax based on his income. The people who have contributed to it, like the parents or grandparents, won't have to do anything.

Mr. Pierre Paquette: I'd like to clarify another thing. Let's take the bill. In principle, we think this is an interesting measure which is based somewhat on the idea of a retirement savings plan.

It concerns "unused deduction room". In the case of a registered education savings plan, there is a contract that you sign with a company. Consequently, how can you say that there is unused deduction room? For example, if I sign a contract with the company XYZ and I undertake to pay \$2,000 a year, that amount will represent my contribution. I know that I can pay \$4,000, but I have chosen to limit myself to \$2,000. How can you say there is "unused deduction room"?

Hon. Dan McTeague: The problem is that the amounts that you contribute to it—a maximum of \$10,000 a year—are already there. Are we ultimately talking about a contribution for a student? Is there an amount that won't be used? An amount that wouldn't be used would be taxable in the case of RESPs.

So it is out of the question that an amount would be left there for years.

Mr. Pierre Paquette: The bill refers to unused deduction room. What does that definition refer to? Subclause 2(2) reads, and I quote:

(2) Subsection 146.1(1) of the Act is amended by adding the following in alphabetical order:

"unused RESP deduction room"...

Is this the difference between deductions that have been used and the maximum amount of allowable deductions?

Hon. Dan McTeague: There is a maximum amount that can be contributed. At the bottom of page 1, the bill reads: the amount that is the lesser of the RESP dollar limit for the year and 18% of the taxpayer's earned income for the preceding tax year;

• (1205)

[English]

The Chair: We'll continue with Mr. Del Mastro now.

Mr. Dean Del Mastro (Peterborough, CPC): I suppose I'd like to start with Mr. McTeague. I think I understand the intent of the bill, which is to help students and assist with post-secondary education. That said, there are a number of ways to do that. This is one vehicle of many.

We know that RESPs have risen to about seven times their value of nine years ago, now sitting at roughly \$18 billion. It would seem that this vehicle is working. In your view, why do we need to look at changing this program? It appears to be working well.

Hon. Dan McTeague: Mr. Del Mastro, it's perception. I can look at the glass as one-third full or two-thirds empty. I prefer to call it two-thirds empty. I think we've come some way, but I'm going to let Mr. Lewis tell you about the challenges we face with people who can't even make the \$100 contribution.

If only one-third, or less than one-third, are making the gain and then only with an incentive, which is a revenue commitment by governments of \$575 million a year, versus the potential of only \$565 million, we're not talking about the contribution ending, but I suspect that what we're seeing here is a policy that could do much better by using the instruments that are there.

If you ask most Canadians who are anticipating to contribute, many of them are not aware of the fact that it's after-income moneys, and so many middle-class-income, hardworking families, the kinds of families that you represent and I represent, can't make up the amount. So it's not so much the failure of the families to be able to save. God knows, they work hard enough. It is the fact that so many recognize that if their children are not successful, the economy will suffer down the road, certainly with the demographics that are there.

It strikes me that when we have so many students who can't make it because of the lack of programs or because there is not the ability to save in advance...you know, it's hard to get engineers in Canada to serve some of the large industries. Our industry committee has just come out with a wonderful report on manufacturing. If you can get 30 engineers in an area, you're pretty lucky. China can get 3,000, just like that. They are beating us at the education game, and that's where the pressures of globalization dictate that we have highly advanced skilled labour. I know you know that because of the work you've

done with Sir Sandford Fleming College and with Trent University, and I compliment you for that.

But I think Mr. Lewis may have something to add to that to that, Mr. Del Mastro.

Mr. Dean Del Mastro: Okay. I'd just like to move on to a second question, if I could, or just follow up to that and agree.

First of all, I agree with you on the need to support post-secondary education. I'm just talking about this particular vehicle.

As to one of the big criticisms of this, I did speak to Bonnie Patterson, who's the president of Trent University, and she indicated to me that about 53% of students graduating from Trent have no debt whatsoever, indicating that those students are being funded either by their parents or through savings.

I'm concerned that what we have right now may well be an access problem for lower-income families, and I don't see how they could take advantage of this type of program. We know and we've heard talk of the potential financial hit to the federal reserves overall. That would seem to me to potentially weaken the amount of support that government could lend to lower-income families, to allow for access for low-income families.

How would you respond to this potential distortion that this could create, whereby it would really benefit middle- and high-income families and really move to further limit access for low-income families?

Hon. Dan McTeague: Mr. Del Mastro, we are looking at the fact that 68% or more of students are not able to take advantage of the current regime. That includes middle-income and poor students, students who are not well off.

Let me read something: "According to Statistics Canada, bachelor graduates in 2000 with student loans owed, on average, 76% more than their 1990's counterparts after adjusting for inflation. A similar increase in student debt over the same period was found for college graduates." Also, from the Library of Parliament: "For some observers, rising student debt has become an access issue, especially in terms of students from low-income families."

I'm not suggesting that this bill is going to cover 100%, but I can sure tell you that we will do a lot better than 32%.

•(1210)

Mr. Peter Lewis (Vice-President, Administration, Canadian Scholarship Trust, Canadian Association of Not-for-Profit RESP Dealers): I think it's important to realize that the Canada education savings grant program has been successful in driving participation in the RESP. Nonetheless, we still only have a third of Canadians with this type of savings program. There's still a huge opportunity and a huge gap, and I would suggest that with the introduction of the Canada learning bond, you are in fact starting to address some of the concerns of the lower-income families. This measure provides the greatest benefit to the group in the middle tier, the middle-income families that do find it a struggle to find room within their budget, their after-tax dollars, to make contributions into these important programs.

Hon. Dan McTeague: On that, Mr. Del Mastro, it is a \$45 million contribution right now.

Mr. Dean Del Mastro: Thank you.

The Chair: Nice job, Mr. Del Mastro.

If I could interject for a second, Dan, it would seem to me that a lot of the families you're talking about helping here aren't using the RESP now. I have to ask. If you're given the choice between this model and that, then what about those who are using RESPs now? Why would they continue to use the RESP program that's there now if they could tax-deduct their contributions? Isn't there going to be an erosive effect on the existing RESP contributions, and have you done any projections or calculations on that at all?

Hon. Dan McTeague: Brian, Mr. Lewis is in that business and he can tell you what the shortcomings are. In my view, though, 32% after several years isn't good enough. I think we would all agree that there's a need for something to catch more, to create an opportunity for students to get access to higher education through existing means.

There are a lot of Canadians, middle-income families, in all of our ridings who are paying taxes and who would love an opportunity. We understand the rationale, but in terms of costing this, where could we go from 32%? I suspect you would get the 32% and perhaps even double that number and get a lot closer to the 90% to 100% that we need, including complementary programs for poor or lower-income students.

The Chair: Is your bill proposing a top-up, such as is available now for regular RESP contributions, or simply just replacing—

Hon. Dan McTeague: It's an identical system. It does not take into account the top-up. If, however, there was concern about the revenue being used currently to encourage people—a stick and carrot, as it were—after tax, the committee could make a decision as to whether or not you need to continue doing this, given that most people who currently are in the system would continue in the new system as proposed by this bill.

The Chair: Does your bill propose anything on withdrawals? My eldest, who is 15, is getting toward university now. Is there any stipulation as to the timing of the withdrawal? I have two plans. I have the regular RESP, and I have the one that I've contributed to and tax-deducted. Can I withdraw them as I choose?

Clearly, there are two different plans here. One is an RESP that comes out in my child's name, and the other is additional income for me. I'd probably like to defer the additional income if I'm still taxable and withdraw the RESP money first. Is there any reference to that in your bill at all in terms of the timing of withdrawal requirements?

Hon. Dan McTeague: No, but I think it's clear, Mr. Pallister, that you would have a situation in which only those who begin now would actually be able to save. The others would use the existing program up to the amounts of limits in terms of RESPs or RRSPs.

The bill basically would allow the same amount of maximum deduction, based on the maximum contributions that currently exist. It does not take into consideration the possibility of having two programs at the same time.

The Chair: So that's a detail question for later.

Hon. Dan McTeague: It is a detail. I expect the committee to be able to look at that, but in concert with your question, Chair, I think it's important to recognize the amount of money being put out currently. If I'm to hear Finance correctly, it's exactly the same amount that would be forgone, as opposed to revenue going out. They're almost within \$10 million of each other, which was a bit of a surprise to me.

The Chair: That being said, have you considered the fact that because the exact maximum contribution amount remains the same in this proposal, and because you're contributing and tax-deducting money under your plan—money that would ultimately be taxable—there would ultimately be less money available for education after tax than would be the case if you contribute after-tax money to your child? Do you follow the logic of that?

Hon. Dan McTeague: Chair, we're really talking about the contributor's tax status at the time of the withdrawal. The tax status is dependent on the student. As I said earlier, I don't know of many students who make a lot of money. Therefore, the impact from a tax perspective—I don't want to underestimate it—would be negligible relative to what the contributor could afford.

The Chair: I need clarification again, then, Dan. I was of the understanding that you said earlier, in response to my question, that under this proposal the money would be taxable in the hands of the contributor, not the student. Are you saying now that the money would be—

Hon. Dan McTeague: The student who takes the amount at the end, who removes the amount as part of the payment, as a result of contributions made over a period of time.

•(1215)

The Chair: So it's the same model as the current RESP. The money would come out in the hands of the students but be tax deductible.

Hon. Dan McTeague: Correct. If you want to change it, that's up to you.

The Chair: Okay. Thank you.

Madam Wasylycia-Leis.

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

I'd like to begin by asking the Finance officials if they could give us any estimates on the costs of this proposal.

Mr. Baxter Williams: Thank you for giving me the opportunity to clarify our costs.

I just want to point out that the costs we provide would be in addition to the current costs of the program. We would assume those current costs would remain in place, the \$600 million. The total costs would be closer to just over \$1.1 billion in total.

In the current program the majority of costs are associated with the CESC contribution, and the bill does not contemplate eliminating those contributions.

Ms. Judy Wasylycia-Leis: So when you calculate the current costs based on the way the RESP program runs now, and then taking into account this legislative proposal, you're looking at over \$1 billion annually.

Mr. Baxter Williams: Over \$1 billion, that's correct.

Ms. Judy Wasylycia-Leis: So it is a significant cost item, and in that context I think we have to look at it seriously, as finance committee members.

The question I always ask is whether this gives us the best bang for our buck, given the situation facing students today. I think we heard from the students outdoors yesterday—the many who clamoured here—that this is not the appropriate way to go. They are concerned about the fact that they are paying tuition that keeps going up in many provinces; it's not fixed, as it has been in Manitoba. This benefit gives a tax write-off to parents as long as 17 years before tuition is due. While it may benefit some families to some extent, it is by no means an excuse or a substitute for student assistance.

So I think we have to be clear, if we support this at all, that it is not a substantive alternative to the dire needs of students today. In fact, we know that some of the major students groups would have said outdoors yesterday, if they'd been able to bear the cold.... La Fédération étudiante universitaire du Québec has said that the federal government must completely review the national registered education savings plan and the Canada education savings grant, which amount to \$225 million and almost \$500 million respectively.

Similarly, the Canadian Federation of Students has said, "We therefore recommend that the federal government transfer the money now spent on the RESP program and other tax credits to the low-income grant. We estimate this transfer alone, a revenue-neutral transfer, would reduce student debt by 41%."

While I don't want to just be negative about your proposal, Dan McTeague, I do think that as parliamentarians we have to be very responsible and look at what we're trying to accomplish and where we could be most effective. It seems to me that there's no point in putting a band-aid on a band-aid. In fact, while this might benefit a few more families, get beyond the reach of the bulk of families who now access it because they earn more than \$80,000 a year, and go down a bit further into some middle-income families, it's not going to do much for low-income families that don't have the money to begin with. It's not going to do much for those students who are trying to figure out a way to scrape together the money to go to school and cover all their costs.

I have one other concern. It has been reported at many of our meetings in the past that the Ontario Securities Commission has been critical of this plan and others like it because of sometimes dodgy sales practices, early-redemption penalties, and loose portrayal of investment returns. In this climate, when we are dealing with so many contentious issues on that front, I think we have to be pretty vigilant, as parliamentarians, about what we agree to.

I'm not suggesting, Peter Lewis, that you're dodgy, by any stretch of the imagination. I'm simply making the generalization that the Ontario Securities Commission has made. I know that if we have a choice, when push comes to shove it would make much more sense to take the \$1.6 billion that's going into this program and put it directly into student aid. A lot more students would be able to access the education that Dan McTeague says is so necessary for the future of this country.

• (1220)

The Chair: Thank you very much, Madam Wasylycia-Leis. Speaking of "push comes to shove", we'll have to push on now.

There really wasn't a question there, Dan, so we're going to continue.

I want to allow a bit more time for questions to accommodate the people who are on the list here. So with the committee's approval, we'll give just another three questions at three minutes each.

We'll start with Mr. Pacetti.

Mr. Massimo Pacetti: Thank you, Mr. Chair. I'm going to split my time with Mr. McKay.

I have a quick question for Dan. Mr. Lewis just mentioned the Canada learning bond. There hasn't been a big uptake. Is this going to affect the Canada learning bond at all, in your opinion?

Hon. Dan McTeague: Not at all.

Mr. Massimo Pacetti: Is there going to be a bigger uptake on the Canada learning bond?

Hon. Dan McTeague: No. It has nothing to do with this. But let's understand what average tuition fees are going to be in 10 to 15 years if we don't act. I understand and appreciate Madam Wasylycia-Leis' comments. But the reality is that average tuition in Ontario will go from \$4,600 to \$9,660. Those tuition rates are untenable. There is no student who will be able to afford that unless they have wealthy families. We agree on this. But the only way we're going to give more Canadians the opportunity to fend off these large increases in tuition fees is by using a system that works right now, not to the extent it can be. Make it before tax and you're going to catch a lot more people.

As for those who are not capable of paying, clearly government instruments, other programs, can be worked beyond the issue of tax credits to help them directly.

Mr. Massimo Pacetti: Thank you.

The Chair: Mr. McKay, continue.

Hon. John McKay: Mr. Williams, I have to declare a conflict of interest here. I have three kids in university. I'm telling you, this looks good to me. If I'm a rational taxpayer and I have a choice between an RRSP contribution and RESP, if I contribute to Mr. McTeague's plan I get a deduction, a grant, and an income split. If I contribute to my RRSP I get a deduction. Is that a fair analysis?

Mr. Baxter Williams: That's a fair analysis.

Hon. John McKay: Okay. So the reasonable taxpayer is going to wonder why he or she is contributing to an RRSP, unless they have an excessive amount of money, in which case they're going to not only use up the deduction limit on their RRSP; they're also going to load up on their RESP, I should think. For those who can afford it, that's a rational economic choice.

Mr. Baxter Williams: That's correct.

Hon. John McKay: On the tax leakage side of the equation, are you doing the same analysis as the minister was doing on tax leakage, and using the same assumptions that this will be tax deferred in the order of \$560 million? Are you using the same methodology?

Mr. Baxter Williams: I'm not familiar with my minister's statements on the tax costs of the RESP or this specific proposal, so it's difficult for me to comment specifically on that.

Hon. John McKay: I'm assuming the department uses consistent methodology in calculation of whatever proposals—

Mr. Baxter Williams: There would be a standard practice dictated by analytics. That's correct.

Hon. John McKay: So the minister says that on tax defers—he calls them tax exempts but they're actually tax defers—the loss is about 40% of the \$500 million, or about \$200 million on income trusts. You're saying that on Mr. McTeague's proposal it's about \$560 million. Are we comparing apples to apples?

The Chair: We'll continue with Mr. St-Cyr.

[*Translation*]

Mr. Thierry St-Cyr: Mr. McTeague, for us to be able to support your bill, you'll have to give us quick answers. I need a number of points clarified.

On page 3 of the French text, where it refers to what can be claimed, it states "l'excédent éventuel du total des montants". It seems to me the concept of "excédent" is not present in the English and that it is not supposed to appear there.

Would it change the meaning if we deleted this phrase in committee?

• (1225)

Hon. Dan McTeague: I don't think that would change the meaning.

Mr. Thierry St-Cyr: Good. That's what we'll do.

Next, with regard to the definitions, in clause 2, the calculation parameter B, which reads as follows, appears twice:

the amount that is the lesser of the RESP dollar limit for the year and 18% of the taxpayer's earned income for the preceding taxation year;

That means that people who are better off could contribute up to the limit, but that the less well off would be forced to limit themselves to 18% of their income. Is that in fact what I am to understand?

Hon. Dan McTeague: Precisely.

Mr. Thierry St-Cyr: All right.

What was the underlying idea?

Hon. Dan McTeague: The idea was to complete the registered education savings plan. We simply took the information on the RESP and we put it in the system here so that both would agree.

Mr. Thierry St-Cyr: Where is the education savings plan limit defined? Does the definition already appear in another act?

Hon. Dan McTeague: The limit is already integrated into the RESP.

Mr. Thierry St-Cyr: What is it?

Hon. Dan McTeague: A maximum of \$18,000 a year per taxpayer.

Mr. Thierry St-Cyr: It's already \$18,000?

Hon. Dan McTeague: It's already \$18,000. I can turn the floor over to the representative from the Department of Finance.

[*English*]

The maximum contribution to an RRSP is \$18,000 a year.

Mr. Baxter Williams: That's correct.

[*Translation*]

Mr. Thierry St-Cyr: All right.

Now let's go to subclause 2(4), which amends section 146.1 of the Act by adding subsection (2.01). Here we're talking about the lesser of the amounts described in paragraphs (a) and (b). In the case of the amount described in paragraph (b), it may be understood that, in many cases, it may reach \$18,000. In paragraph (a), in the French at least, where it refers to "l'excédent éventuel du total des montants", does that represent the surplus amount contributed to the plan? If so, that would then be zero in most cases, and there would never be any possible deduction.

Hon. Dan McTeague: No, we're talking about what's currently the case in the context of the RESP. You have an annual maximum and maximum for the total amount that you can potentially contribute for a future student.

Mr. Pierre Paquette: If there's no surplus amount, then that would be zero? You're saying a person has to contribute the smaller of the two amounts. So, in order to contribute, there have to be surplus amounts.

Mr. Thierry St-Cyr: There's a contradiction in the text, at least in French. The bill reads: (2.01) Un contribuable peut déduire dans le calcul de son revenu pour une année d'imposition le montant qu'il demande, à concurrence du moins élevé des montants suivants:

I understand from this that you can't exceed the amount in question. The first of the amounts, which raises a problem, is what's described as "l'excédent éventuel du total des montants représentant chacun une cotisation...".

That implies that, if he has never exceeded the limit, the taxpayer is not entitled to deduct anything whatever. That makes no sense.

Hon. Dan McTeague: I don't see where it refers to subtracting "C".

Mr. Thierry St-Cyr: We're talking about the lesser of the amounts. That should appear on the last line of page 2.

Hon. Dan McTeague: There's obviously something missing from the wording. It's a drafting problem. I apologize for that.

Mr. Thierry St-Cyr: There is indeed a problem. In the French version, the system doesn't work.

[English]

The Chair: We appreciate your raising that, Mr. St-Cyr. We'll look for those corrections to be dealt with.

We'll conclude now with Mr. Wallace.

Mr. Mike Wallace (Burlington, CPC): Shocking! And they're not very difficult questions. I just want to be sure. I have this chart from the registered education savings plan. In 1998, it looked as if there were about \$4 billion in assets. It has gone to about \$18 billion in 2005.

From your industry partners, is that accurate? So there has been major growth in the RESP area over the last number of years. Is that correct?

Hon. Dan McTeague: That is correct, in representing only 32% of students.

Mr. Mike Wallace: I understand that.

I have two other quick questions for you. My understanding, and I might be wrong about this, is that the bill is based on the income level of the contributor in terms of the tax deduction. Does that not penalize my parents, who are pensioners and not earning income, in terms of contributing to my child's RESP?

Hon. Dan McTeague: What it is trying to do, Mr. Wallace, is provide anyone who wishes to contribute, up to the limits and with the safeguards in place, to ensure that students, more than being physically fit, have access to an education that gives them a job for the future. And as a result, the economy works better.

• (1230)

The Chair: What Mr. Wallace is asking you is this. Because obviously it is a write-off, it is going to give higher tax relief to the higher-income earner than to the lower-income earner. That is all he is asking.

Hon. Dan McTeague: It is based on your income and on the applicable tax you have.

Mr. Mike Wallace: Okay. What if, God forbid, somebody... If I understand correctly, when the withdrawal is made, it's charged against a contributor. Is that correct?

Hon. Dan McTeague: The beneficiary in this case would be the student. If the student dies or—whatever the case may be—does not take it, then it is taxed at the relative rate as well as a penalty of 20%,

which I indicated at the outset would be part X.5 of the Income Tax Act.

Mr. Mike Wallace: Okay. Another piece of confusion for me is this. In one area of the bill it looks as if you repudiate the definition of the annual registration limits or the amount you can donate. I think it is somewhere in section 146. Does your bill actually eliminate the \$4,000 a year?

Hon. Dan McTeague: No, it does not. It's up to a maximum of \$18,000.

Mr. Mike Wallace: So up to \$18,000 a year.

Hon. Dan McTeague: The way it works, sir, is that you can make a maximum contribution—not that many people can probably do this—of \$18,000 per year, similar, identical, to what you can do with an RRSP maximum. It follows exactly the same program.

The Chair: To a maximum total, then, of \$42,000.

Mr. Mike Wallace: I thought there was a limit to how much you could contribute to it anyway and I didn't think it was as high as \$18,000. Is that an accurate statement then? You can do up to \$18,000 a year under this proposal. What is the law now? That's my question.

Mr. Baxter Williams: The current maximum annual contribution limit is \$4,000.

Mr. Mike Wallace: But based on this bill, it goes to \$18,000. Is that what you're telling me?

Mr. Baxter Williams: That's correct. If you don't mind, in terms of—

Hon. Dan McTeague: On a point of order, Mr. Chair, the amount of withdrawal is \$4,000.

I'm sorry, Mr. Williams, you may want to have a look at this again. The maximum you can contribute is up to \$18,000 a year. The amount you can withdraw is up to \$4,000, from the beneficiary.

The Chair: I don't believe so, no. There's no maximum on the withdrawal, to my knowledge. The \$4,000 might be the creditable amount that the government will contribute a portion on.

There's confusion on this bill.

Mr. Baxter Williams: I'm sorry. I'm talking about the current limits in place, currently \$4,000. I guess the bill would propose removing those.

Mr. Mike Wallace: Removing the \$4,000. So I am correct when I read that the bill removes that limit?

Mr. Baxter Williams: That's correct. But it doesn't remove the lifetime limit of \$42,000.

Mr. Mike Wallace: So based on the bill, could you do all \$42,000 in one year?

Mr. Baxter Williams: You could do up to \$18,000 in one year.

Mr. Mike Wallace: So over a couple of years you could get to it, over three or four years, whatever that is.

Okay, thank you.

The Chair: Committee members, I'm going to need a little guidance here, as is the custom.

We have a couple of bills before us. We have a shorter deadline on Mr. Fitzpatrick's. I'm going to propose that we deal with Mr. Fitzpatrick's on clause-by-clause. I do not know and I cannot predict how long that will take. We have only 25 minutes remaining. I don't wish to keep Mr. McTeague unnecessarily. Would it be all right with the committee if we deferred clause-by-clause on Mr. McTeague's until the next available opportunity to allow him and his staff to go about their business?

Thank you, Mr. McTeague. Then we'll do that. I see your Liberal colleagues would like your attendance to be mandatory and to continue, but I'll dismiss you now. We'll take 30 seconds, the cameras will be off, and we'll deal then with clause-by-clause on Mr. Fitzpatrick's bill right now.

- _____ (Pause) _____
-
- (1235)

The Chair: Before Finance officials leave, I understand we may need some answers to some questions during clause-by-clause. I'd encourage you to stay for a few minutes, anyway. I would appreciate it if Finance officials would hang around just for 20 minutes, just in case there are some questions pertinent to the issue.

All right, we're into clause-by-clause consideration now of Bill C-294.

(On clause 1)

The Chair: You have in front of you an amendment. I would emphasize to committee members, for the maximum effective use of time, that the cameras are off.

It's Diane's amendment, isn't it? Would you like to speak to that?

Ms. Diane Ablonczy (Calgary—Nose Hill, CPC): Mr. Chairman, I would be happy to do that.

The amendment is in front of all members. Is there anyone who does not have a copy of this amendment to Bill C-294? The amendment is that the bill, in clause 1—there is only clause—be amended by replacing lines 7 to 24 on page 1 with the following.

I would ask my good friend Mr. Del Mastro to read the rest of it. I am a little incapacitated at the moment.

The Chair: The dulcet tones of Mr. Del Mastro now on record, proceed.

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

It reads as follows:

(v.1) allowances for board and lodging of the taxpayer, to a maximum total of \$300 for each month of the year, if:

(A) the taxpayer is, in that month, a registered participant with, or member of, a sports team or recreation program of the employer in respect of which membership or participation is restricted to persons under 21 years of age,

- (1240)

Hon. John McKay: On a point of order, Mr. Chair, as charming as Mr. Del Mastro's tones are, I can read, as can most other members. I'm just wondering if someone could cut to the chase and give us an explanatory note on the explanatory note. There's an explanatory

note attached, and I'm not quite sure I necessarily appreciate the significance of the changes that Ms. Ablonczy is making.

The Chair: There is no point of order, of course, but there is a point. Would you like to just move to the explanatory—

Hon. John McKay: No, it's a point of order.

The Chair: Are you challenging the chair's ruling? Are we going to have to get into that?

On the explanatory note, Dean, if you wouldn't mind, I think that probably covers off the changes you're proposing here. Let's deal with that.

Mr. Dean Del Mastro: Certainly.

Bill C-294 amends the *Income Tax Act* to exclude certain allowances from the computation of a taxpayer's income from an office or employment if those allowances are paid to the taxpayer by a not-for-profit organization in connection with its operation of a sports team or a sports or recreation program for persons under 21 years of age of which the taxpayer is a member or participant.

This motion:

- provides that the exemption applies only in respect of board and lodging of the taxpayer;
- reduces the monthly maximum exemption to \$300 and clarifies that it applies only during the months in which the taxpayer is registered with, or participates in activities of, the organization;
- utilizes the appropriate legislative references for non-profit organizations and inflation indexing;
- clarifies that the exemption applies in respect of the participation or membership of a taxpayer (e.g. of an athlete or performer), and not to amounts received by a taxpayer as a coach, trainer, etc. in respect of their services; and
- provides that the Bill comes into force for taxation years that end after the Bill is assented to.

The maximum allowance is constrained to \$300 in recognition that allowances for food and lodging are generally considered taxable benefits in other employment categories.

The intent of the amendment, Mr. Chair, is to tighten the bill up and to restrict the scope of the bill to its intended purpose.

The Chair: Very good. This is putting some fence around the ranch.

Mr. Fitzpatrick, do you want to quickly comment? I know you had asked for retroactivity in there.

Mr. Brian Fitzpatrick: Yes. I'm in agreement. I accept this as a friendly amendment. I think it's a worthwhile process that we're going through.

I've talked to Mr. Short about unintended consequences. I know Mr. McKay's concern about unintended consequences. I'm quite happy—and I think Mr. Short is—that these amendments will close off those possibilities 99.9%. I'm happy with the changes.

The Chair: Thank you, Mr. Fitzpatrick.

First Mr. McKay, then Mr. Pacetti.

Hon. John McKay: On the second bullet point in the explanatory note, it's pretty obvious that you go from \$350 down to \$300. It says "that it applies only during the months in which the taxpayer is registered with, or participates in the activities of, the organization". A junior hockey season is generally eight or nine months, so the credit would apply for only those eight or nine months. Is that the way I'm supposed to understand that?

Mr. Brian Fitzpatrick: That's the way I understand it.

Hon. John McKay: Thank you.

The Chair: Massimo.

Mr. Massimo Pacetti: Because the original bill came from our legislative counsel, I just want to know if the legislative counsel is okay with this bill.

A voice: Do you mean the amendments?

Mr. Massimo Pacetti: Yes, the rewritten bill.

Ms. Diane Ablonczy: Mr. Chair, in fairness to counsel, he can't really express an opinion on it, but I think he could express an opinion as to whether the amendment effectively clarifies things.

Mr. Massimo Pacetti: Yes, that's all I'm asking.

The Chair: Let me assure you that they can't express—

Mr. Massimo Pacetti: Sorry, I wasn't talking to you, Mr. Chair.

The Chair: Regardless of that, you should have been. Since you weren't, your time's up.

Is there any further discussion?

Mr. Massimo Pacetti: Just out of curiosity, can we ask legislative counsel if he's okay with this amendment?

The Chair: Well, I don't know. Really, I'm at a loss for words, Mr. Pacetti.

Mr. Massimo Pacetti: Through you, Mr. Chair.

The Chair: No.

Does anybody else want to venture in? Diane.

Ms. Diane Ablonczy: I only want to ask Mr. McKay, who raised some concerns about the bill, whether or not these amendments deal with those concerns, in his view. He has a lot of experience, and he's also seen this bill before. I always respect his opinion.

• (1245)

Hon. John McKay: I don't know whether it's a different tune or we've changed hymn books.

Ms. Diane Ablonczy: Okay.

The Chair: If I could, I have a sideways question.

I remember earlier in the discussion of this bill, there was some concern about the impact of this bill on the potential disqualification of athletes going from tier two junior to play college hockey in the States. Has it all been dealt with? Do you have some kind of prior approval from the U.S. program that there's no problem with our okaying this?

Mr. Brian Fitzpatrick: When the department made this ruling, there was a major concern that there would be a negative fallout from it.

In the U.S., the University of Minnesota uses entirely American players at their main campus and a lot of the other teams they're competing against use Canadian players. There's always the potential in this kind of ruling for them to seize on the ruling to go through the process of disqualifying Canadians from being eligible for those scholarships, which I think would be a crying shame if it ever happened. It's a tremendous benefit to the players and their families, and it's a real career thing.

The Chair: To be clear, though, Brian, there's no problem with this bill, to your understanding of it, in terms of any eligibility issues.

Mr. Brian Fitzpatrick: I think it would help clear the whole issue up. I think it would be helpful.

The Chair: Mr. Pacetti.

Mr. Massimo Pacetti: In extension to what Mr. Pallister was asking, Brian, is this going to make the net much bigger in terms of hockey teams trying to take advantage of this?

Mr. Brian Fitzpatrick: If you mean this is some kind of income trust gimmick and there's a bunch of money at the end of the rainbow, the answer is no. The minor hockey system in Canada basically is not—

Mr. Massimo Pacetti: It's not going to hurt the players, in the end, because they're going to be able to get more money or something like that.

Mr. Brian Fitzpatrick: Actually, Massimo, in the Saskatchewan case, they sent auditors to Flin Flon, which is seven hours away from Saskatoon. They spent days on end. They've hounded all these teams and auditors.

Even with Mr. Short saying it might cost \$5 million for the government, I think a compliance and audit with the department to harass these teams probably costs the government \$5 million. To me, the thing's almost neutral.

Mr. Massimo Pacetti: Will this make the government go and check out the teams more?

Mr. Brian Fitzpatrick: No, I hope not. I would hope this would free it up, because it's about the only thing they could audit.

The Chair: Essentially, this eliminates the need for the team to do source deductions on CPP and EI for the chunk of change they pay these guys for room and board.

Mr. Brian Fitzpatrick: That's right.

The Chair: For the \$60,000 and whatever those source deductions add up to, it's saving them that much in fundraising exercises.

Mr. Brian Fitzpatrick: It's \$5,000 to \$6,000 a year, which is a lot of money.

The Chair: All right. Are there any further comments?

Mr. Dykstra, do you want to add to this?

Mr. Rick Dykstra: Thank you. I only have a couple of little questions, Mr. Chair.

Through you to Brian, on the \$350 to \$300, it seems to be an arbitrary figure to move down from \$350 to \$300. What are your thoughts on that?

Mr. Brian Fitzpatrick: I guess I'm a fiscal conservative, and sometimes it's what spills over the edge of the pot that ends up creating the deficits with management. The department is perhaps concerned about keeping a lid on unintended consequences.

I'm inclined to err on the side of caution and put some restraint on it, for fear that there is somebody out there who can find a loophole on this thing and exploit it. I don't know what the loophole would be, but even at \$300 a month, I think most of the teams would be fairly happy to get that kind of relief.

Mr. Rick Dykstra: The other question I have is around this issue of registration. In the way I read the amendment, it would suggest that you almost have to register or be registered on a monthly basis. Am I to assume that's the case? Do you register at the beginning of the hockey season or sport season and you remain registered until you acknowledge you're not registered anymore?

Mr. Brian Fitzpatrick: I think the teams have limited amounts of money to be spending on room and board. If a player is no longer a player, I don't really see why these non-profit organizations would be shelling out money to somebody.

•(1250)

The Chair: Thanks, Brian.

It's clear on the notes, at least. It says "or participates", Rick, so I don't think the monthly registration would be important. It does say "or participates in".

Mr. Brian Fitzpatrick: Coaches and trainers and people like that are not eligible. It's clearly in the amendment.

The Chair: Thank you, Brian.

Sorry, Rick, were you done?

Mr. Rick Dykstra: Yes, I'm done. Thanks.

The Chair: Thanks.

Diane.

Ms. Diane Ablonczy: One of the concerns about the bill is what I like to call the law of unintended consequences, where it looks very simple upfront, but then, as I think one of the questioners opposite mentioned, other people rush through that door in a way that hadn't been intended.

I'd be interested in legal counsel and maybe Brian commenting on whether, in their view, this amendment would sufficiently narrow the focus of the bill so that we won't have any surprises down the road with a flock of other people coming to take advantage of the provisions.

The Chair: I think we dealt with that question earlier with previous witnesses, and I don't know how scientific an answer we're going to get from legislative counsel on a question like that. If there isn't any further discussion, I'm going to move to—

Ms. Diane Ablonczy: Mr. Chairman, could the counsel not express an opinion on that?

The Chair: I'm not sure of the validity of that opinion, in any case. It calls for speculation on what swim clubs across Canada are going to take advantage of this legislation.

Let's move to clause-by-clause. We're dealing with the amendment now.

Mr. Massimo Pacetti: I'm sorry, Mr. Chairman, I have a point of order.

The Chair: A point of order from Mr. Pacetti.

Mr. Massimo Pacetti: There are two members who have asked for an opinion from legal counsel. Whether we take that opinion into consideration or not, you've asked us to give you amendments on clause-by-clause in less than an hour. I think to hear legal counsel's opinion is valid and appropriate at this moment in time.

The Chair: That's quite true.

I'll tell you what. Are you interested in talking about what swim clubs and football teams might—

Mr. Massimo Pacetti: You don't have to tell him what to say, but he can just express an opinion.

The Chair: No, are you interested? You'd be welcome to express an opinion, just to get these guys off the chair's back.

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

Mr. Marc Toupin (Procedural Clerk): I have to say to members that I'm the legislative clerk assigned to the committee. As such, I provide advice to the chair on the parliamentary procedure as it relates to the admissibility of amendments. I am not the drafter of the bill. The legislative drafter is not in the room at this time.

The Chair: Thank you, sir.

Now we are on the amendment.

(Amendment agreed to)[See *Minutes of Proceedings*]

(Clause 1 as amended agreed to)

The Chair: Shall the title carry?

Some hon. members: Agreed.

The Chair: Shall the bill as amended carry?

Some hon. members: Agreed.

The Chair: Shall the chair report the bill as amended to the House?

Some hon. members: Agreed.

The Chair: I'm sorry, I have one final question. Shall the committee order a reprint of the bill as amended for the use of the House at report stage?

Some hon. members: Agreed.

The Chair: All right.

Thank you, and congratulations to you, Mr. Fitzpatrick, on behalf of all junior hockey programs.

Some hon. members: Hear, hear!

The Chair: Ladies and gentlemen, we have a notice of motion from Mr. St-Cyr. The motion's been distributed, has it?

Monsieur St-Cyr, I'll invite you to speak to the motion, which is now being distributed.

[*Translation*]

Mr. Thierry St-Cyr: All right.

A week ago, you received a motion requesting that our committee examine tax measures granted, among others, to oil companies, more particularly regarding the oil sands. We propose to determine whether it would be appropriate to reduce those incentives in order to transform them into renewal energy incentives. So we're talking about holding two meetings with witnesses and one meeting to prepare recommendations for the minister for the next budget.

I had made a similar recommendation in the context of the prebudget consultations, and it was rejected. I'm aware of that. However, I believe that the environment is once again a current issue. All the parties in the House attach an importance to it and to the measures that may be taken.

The purpose is to examine the question. We can then make recommendations to the minister, in one way or another. I think it's necessary to take a stand on this issue in order to show Canadians and Quebecers that we're doing our job as they've asked us to do.

•(1255)

The Chair: Thank you very much, sir.

[*English*]

I will encourage committee members, as we go into this discussion, to listen carefully to their colleagues and not till the same field twice. In the interests of all our time, that would be useful.

Mr. Pacetti, to begin.

Mr. Massimo Pacetti: Yes, I would make a friendly proposal. Perhaps we can put off discussing this motion and have a steering committee meeting before Tuesday's meeting to discuss what is going to be coming forward in the next little while. The steering committee can then have a proposal for the rest of the committee as to its workings between now and the end of the session, or else all we are going to be doing in the next two to three months or so is having motions put forward by committee members as things come up, discussing whatever item of business that particular member has in his head at that particular moment.

So that would be my suggestion, but I'll leave it up to the rest of the committee.

The Chair: Well, Mr. Pacetti is proposing we put aside this motion until Tuesday, until, say, about half an hour before our 11 o'clock meeting, to allow the steering committee to have a brief discussion on the issue.

Are you accepting of that, Massimo? Is that all right?

Mr. Massimo Pacetti: Even an hour before, because—

The Chair: Okay. A steering committee meeting at 10 o'clock, followed by our 11 o'clock meeting, which is dealing with income trusts.

[*Translation*]

Mr. Thierry St-Cyr: Mr. Chairman, I know there are a number of other issues to consider, but I'd like us to vote today on our committee's intention to examine this question.

Then it will be up to the steering committee to schedule meetings so that that works properly. But we have to vote today on the question whether we want to examine this point before the budget is tabled.

Mr. Pierre Paquette: Mr. Chairman, I amend—

The Chair: Pardon me.

[*English*]

Order, please.

I want to know how to proceed and I need your advice.

Mr. Pacetti has made a proposal that I think precludes me from calling for a vote on the motion by Mr. St-Cyr. Is that correct? I have to deal with Mr. Pacetti's proposal, which constitutes an amendment.

Mr. Massimo Pacetti: My suggestion is not a motion. I am suggesting that.

The Chair: Then I can proceed with Mr. St-Cyr's motion.

All right. We're not discussing Mr. Pacetti's suggestion here. We're discussing this motion, and we are going to deal with that.

Next in order is Mr. McCallum.

Hon. John McCallum: I definitely support this in principle; it's only logistically.... If the Bloc is saying that we should knock off the dates here, if they want to amend the motion to that effect to allow the dates to be discussed at the steering committee, that's certainly fine with me. But in principle we support this. I support this.

The Chair: Okay, this is just for clarification, Thierry, on that. If you are agreeing to a friendly amendment, all that would be required is to take out the piece that says, "2 sessions before February 23". If you agree to that, we can proceed to vote on your motion now, and then deal with this as a scheduling issue in the context of the steering committee discussion, which was suggested earlier by Mr. Pacetti, and which I would agree to do. Are you okay with that?

[*Translation*]

Mr. Thierry St-Cyr: Then there'd be one meeting left before March 2 to study and prepare the recommendations.

The process has to have a timetable. I agree that we should set the detailed agenda in the steering committee. I don't want the 12 of us to discuss it, but I'd like us to agree on the fact that we have to have finished before the budget, before the budget debate starts again.

If all we have to do is delete "two sessions before February 23", I agree.

[*English*]

So we will be removing "2 sessions before February 23".

The Chair: Taking out that reference to the two sessions before February 23 would allow the steering committee to deal with the issue more effectively than this prescriptive approach and it may result in the passage of your motion.

The only other thing I'm troubled by, Thierry, is this word "analyze". I'm not sure what you mean by "analyze". If you were to say "consider", "that the members of the committee consider by March 2...." Because analysis...what is that?

•(1300)

[*Translation*]

Mr. Pierre Paquette: Mr. Chairman, I just want to mention that the date isn't the same in English and French.

[English]

The Chair: I'm sorry, Pierre, what was your point?

[Translation]

Mr. Pierre Paquette: It's March 2 in French and March 1 in English.

The Chair: No it's March 2 in English.

Mr. Pierre Paquette: This shows the two solitudes. There's nothing new in that.

The Chair: Yes, yes.

So we want them both to say "March 2"? All right.

[English]

All right. So we have Mr. St-Cyr's agreement that the references to two sessions before February 23 be removed from this, and now we are dealing with the notice of motion by Mr. St-Cyr in respect of this.

Mr. McCallum, I believe you had a chance to make your comments, so I'll move to Mr. Del Mastro now.

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

Mr. Chair, I don't see the point in this whatsoever. We've gone through this. We visited Fort McMurray. We listened to several people bring forward evidence to this effect. We've all had an opportunity in pre-budget consultations.

This may well be something worthwhile doing, but not while we have to get to the Bank Act. We have to get some of the work done that's before this committee, so that we can actually achieve that which we've been charged with achieving. This is not part of our agenda. You have had an opportunity to present a minority report to the Minister of Finance, which I assume he will be duly considering.

I don't see the urgency in this, and I really encourage Liberal members across to be responsible and let us get to the Bank Act, as we are supposed to. This is only going to take us away from getting the work done that we have to get done, and I really object to it.

The Chair: Thank you, Mr. Del Mastro.

Now, I have several other people. Monsieur St-Cyr, I'll let you round up the discussion after other members have a chance to venture in.

No, monsieur, I have five other people who wish to speak first. Thierry, you'll have the chance to wind up discussion. I will not entertain other discussion now.

Madam Ablonczy.

Ms. Diane Ablonczy: Mr. Chairman, I would just like to point out to the committee, with respect to the Bank Act, that we do not have until April to do this work. April is when royal assent has to be given to changes that we recommend to the Bank Act, which the House votes on. So we have to report back to the House with our recommendations on Bill C-37 well before that. In fact, we have to do it by February 22.

With all of the extra time that has been spent on the happy game of Conservative-bashing on income trusts, we have lost a great deal of time. So we have to get that Bank Act review out. A lot of financial

institutions have been waiting quite a while for this, and we simply can't hold it up again. It was already held up six months. I think it would be extremely irresponsible. So whatever we do, let's do our job for the country, and then we can play some political games after that, if we have time.

The Chair: Mr. Wallace, to conclude.

Sorry, Judy, you're next, after Mr. Wallace.

Mr. Mike Wallace: I'll be very quick, Mr. Chairman.

First of all, I agree with my colleagues on the Bank Act. I've had lots of people come to see me about our moving on that and getting on with that. But my other point is—whether my Bloc friends would ever take it or not—that there is a special committee of Parliament looking at the Clean Air Act and environmental issues. The financing of some of those items will be dealt with, I'm assuming, at that committee. So my suggestion is that if you're really interested in this topic, it be referred to that committee so they can get Finance people to come and talk about incentives there, and not here, and that we get on with Bank Act.

The Chair: We'll have Madam Wasylycia-Leis to conclude, and then we'll give Mr. St-Cyr a chance to round up discussion.

Order, please.

Ms. Judy Wasylycia-Leis: I'd like to make three points, if you'll permit me.

The first is that, unlike the Conservatives, I do think this is a very urgent issue that needs our attention, and I think it needs as many committees as possible dealing with it.

The second point I would make is that we do, however, have a standing order for the House of Commons that says very clearly that legislation from the House of Commons takes precedence over any other matter. We've already seen that principle violated. The practice of the House has been turned upside down with the move by both the Liberals and the Bloc on income trusts. We're now going to see another day taken away from the time we need to be dealing with bills, so I hope that is clearly stated when we deal with this at a steering committee meeting and that we as a committee come to some agreement about commitment to the Standing Orders.

My third point is that while I might be able to support this to some extent, I also want to point out the hypocrisy of the Bloc in bringing this forward along with the support of the Liberals, and I point these members to the fact that motions were presented during the pre-budget consultation hearings. Three of them that I moved received no support from anyone. Those three motions—

Some hon. members: Oh, oh!

Ms. Judy Wasylycia-Leis: Mr. Chairman, I got no support on three motions. They were that the government should eliminate the current accelerated capital cost allowance for oil sands. That's one. The second one called for the removal—

An hon. member: Oh, oh!

Ms. Judy Wasylycia-Leis: Let me finish, please. It was for the removal of subsidies for non-renewable and nuclear energy industries. Finally, Mr. Chair, and most interestingly, there was no support from the Bloc or the Liberals or the Conservatives for just a simple recommendation that we call for a study on the effectiveness of tax incentives and subsidies for non-renewable and nuclear industries.

I find it passing strange. Just to keep on top of the moving target of the Bloc and the Liberals—I don't oppose this, but I find it very strange to see the kind of politics they are playing.

• (1305)

The Chair: Next is Monsieur St. Cyr, to conclude.

[*Translation*]

Mr. Thierry St-Cyr: To conclude, I'm going to say this: what was said in the last speech was totally false. Not only do we support these measures, we've also made motions. I've moved that we withdraw the tax incentives from the oil companies. The Liberals felt we should conduct studies. I move that we conduct studies, but that still wouldn't be accepted. So I've come back to the subject.

I agree with Mr. Del Mastro when he says that the question was addressed during the prebudget consultations. However, the circumstances have changed. That's the opinion of your own Prime

Minister: he said that the environment was not one of his priorities. He's even replaced the Minister of the Environment. There's also been the election of the Liberal Party Leader. So there's a desire on the part of Canadians—

Mr. Pierre Paquette: And Quebeckers.

Mr. Thierry St-Cyr: Canadians and Quebeckers want us to examine the issue. That should be a priority. If you were against this motion, will have to conclude that it's not a priority for you.

As for the Bank Act, I think this is a red herring here. The measures are ultimately quite minor. That should be done quite quickly. I think the future of our planet should take priority over this kind of act.

[*English*]

The Chair: Thank you, all members, for your fine interventions.

We are dealing with a motion that has a friendly amendment to change the word “analyze” in the first sentence to “consider”—whatever that translates to, Thierry—and deleting the piece about two sessions before February 23, which is about six sentences down.

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: The meeting is adjourned.

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