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## **Standing Committee on Finance**

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**EVIDENCE**

**Monday, December 3, 2007**

**Chair**

**Mr. Rob Merrifield**

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• (0910)

[English]

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

We have a little bit of an intimate group. Some of us who decided to come here had a few problems, so you'll see some of us dressed funny, because all our luggage hasn't arrived here. I think some of the witnesses are still missing. We don't have all the members we thought we'd have, because we've also set up a subcommittee in Ottawa to study budget bills. That was a bit of bad planning on the government side, but I'm not going to get into that.

If we can begin, the way it's going to work is I'm going to allow you five minutes to present your presentation, your brief, and then we'll go to a round of questions. We'll see if we can fit it into the time. I'm going to try to stick to the five minutes as much as possible so I can allow members to ask questions. I think that's the most important part.

I'm going to go in the order I have listed here.

I have the Arrivals Duty Free Coalition. Ms. Stiene, go ahead. You have five minutes.

**Ms. Susan Stiene (Member, Arrivals Duty Free Coalition):** Thank you, Mr. Chair.

On behalf of the Arrivals Duty Free Coalition, we are pleased to appear before the committee. The coalition draws its membership from Canada's largest airport and duty-free operators. Coalition members include six airport authorities—Vancouver, Toronto, Calgary, Winnipeg, Montreal, and Halifax—and three airport duty-free operators—Aldeasa, Aer Rianta, and the Nuance Group.

The coalition's goal is simple: to put a framework in place to allow arrival duty-free operations at Canadian international airports.

Currently, Government of Canada policies allow only for the sale of duty-free products to passengers who are departing from Canada. However, Canada is falling behind the global trend. Already, 55 countries have implemented arrival duty-free programs that allow passengers arriving in a country to access duty-free shopping. Countries that have adopted this type of program include Hong Kong, China, Australia, New Zealand, and Italy.

The prohibition of arrivals duty-free creates a competitive disadvantage for major Canadian airports and reduces the potential revenues that could be generated by international visitors and returning residents. It is estimated that implementing arrivals duty-free in Canada would yield some \$61 million per year in new

revenue for Canadian airports. The addition of these non-aeronautical funds would in turn be directed toward improving the competitiveness of all major airports in Canada.

Implementing arrivals duty-free will offset some of the negative impact and lost sales incurred by duty-free retailers in the aftermath of restrictions on carrying liquids and gels on aircraft.

Canadian airports depend on retail operations to maintain their global competitiveness. While air travel has recovered since 9/11, between 2002 and 2005 duty-free sales have declined by some 23%. A large part of this decrease is attributable to the increasing trend towards arrivals duty-free at foreign competitor airports. As previously stated, 55 countries already have arrivals duty-free, and more countries are conducting feasibility studies.

The economic impact analysis of arrivals duty-free at Canadian airports suggests that over a five-year period, from 2007 to 2011, incremental sales would generate some \$15.9 million in wages and \$4.6 million in federal taxes. In terms of employment benefits, arrivals duty-free would generate direct employment for over 490 Canadians.

Other benefits have been noted in jurisdictions that have introduced arrivals duty-free programs. These benefits include: 1) increased tourism; 2) additional non-aeronautical revenue for airports, which in turn helps to keep costs to airlines and passengers low; 3) reduced carry-on luggage loads for aircraft, with corresponding reductions in operating costs; 4) reduced airline fuel consumption from not transporting duty-free goods, with a corresponding reduction in emissions; 5) the ability to promote Canadian products to travellers; and 6) increased customer convenience and purchasing options.

Arrivals duty-free is an excellent opportunity for Canada to repatriate sales that residents would normally make when departing foreign airports prior to returning to Canada. Further, experience in other countries, such as Australia, where arrivals duty-free has been in place for some time now, has shown no negative impact on domestic sales.

For these reasons, Canada's airports and duty-free operators, along with other organizations, such as the Retail Council of Canada and local chambers of commerce and boards of trade, support arrivals duty-free.

Arrivals duty-free is tax neutral, as these goods would otherwise be purchased abroad. In no way are we seeking an increase in the current personal exemptions. Simply put, introducing this option to travellers who wish to purchase duty-free products would be beneficial to Canadian industry rather than to foreign markets. Implementing arrivals duty-free at airports is consistent with the federal government's *Advantage Canada* goals for innovative regulations in Canada's economy and with promoting a tax system that ensures that the Canadian economy remains globally competitive.

• (0915)

Our recommended action is that in order to support the competitiveness of all major airports in Canada, the committee should recommend that the Minister of Finance implement arrivals duty-free, permitting the sale of duty-free goods to international passengers upon arrival at Canadian airports.

Thank you for your time. I'd be pleased to answer your questions regarding arrivals duty-free.

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

I'll put my finger up when you have a minute left so you can try to wrap up before then.

You got in on time, so thank you, Ms. Stiene.

The next person I have is from the Alliance pour l'égalité des personnes aveugles du Canada, Mr. Albert Ruel.

**Mr. Albert Ruel (National Equality Director, Alliance for Equality of Blind Canadians):** Thank you very much, Mr. Chair and committee members.

First, I want to welcome you to Victoria—stormy Victoria.

The Alliance for Equality of Blind Canadians is a national not-for-profit charity organization whose goals and aims are to work toward that Canadian dream, the total inclusion of full access to all that this fabulous country has to offer. We've been in operation in Canada since 1992. You may have heard our name in the past, as the National Federation of the Blind: Advocates for Equality. Two years ago we changed our name because we wanted to become truly Canadian. We changed it to the Alliance for Equality of Blind Canadians. Our goal today is to bring some awareness to three major issues facing blind, deaf-blind, and partially sighted Canadian citizens.

Employment among persons with disabilities in Canada is drastically low, and it seems a tragedy in this current environment and in an economy where businesses are closing early or shutting down altogether because of a lack of employees that we have a population here that enjoys about a 20% to 25% employment rate. We have many, many skilled individuals with disabilities, particularly those in the blindness field. Our education levels are equal or nearly equal to the able-bodied population, and yet we find ourselves very much unemployed.

We urge the Government of Canada to look again at its employment programs for persons with disabilities and look perhaps at a program of assisting, promoting, and perhaps giving concession to employers who will take a chance with a person who has

phenomenal skills but perhaps lacks all the abilities. We desperately want a framework of employment programs that make more sense to today's economy, today's technology. And therein lies a great deal of the issue for persons who are blind, deaf-blind, and partially sighted, and that is, technology, which in some cases is a tremendous help and in other cases is a huge barrier to access.

The second issue is that of personal supports. The cost of disability is huge for a population that is 20% or 25% employed. In fact in Canada today, 48% of the people who are blind, vision-impaired, and deaf-blind live on a combined household income of \$20,000 or less. About 25% of us have an income of less than \$10,000 a year. For example, an ordinary bathroom scale to allow me to monitor my own health and fitness and weight will cost you about \$19 at Canadian Tire; the cheapest one I can find is \$60. Health issues are very much at the forefront of the whole personal supports program and the access to technology. The thermostat for my house is a \$250 purchase. Only 20% of the people in my situation are employed, and they certainly can't afford to buy something as simple as a thermostat. Instead of a microwave being a \$69 purchase at Wal-Mart, a microwave for me is \$500.

Ladies and gentlemen, we are desperate for a program of assistive technology like the ones that exist in Alberta, Saskatchewan, Ontario, and Quebec. They need to be universal. We are all Canadians and we all have the same needs and wants and aspirations. We need a program of assistive devices that will be universal and will cross the boundaries from province to province and territory to territory.

• (0920)

The third item is the disability tax credit. It's a tremendous help in terms of leaving more funds in the pockets of those who live with a disability. But it needs to be higher. It needs to be indexed to the cost of living. It hasn't changed in several years and it doesn't change as often as the prices go up at your local grocery store. So the disability tax benefit that is there for persons with disabilities is a tremendous help, but it needs to be higher.

I guess the fourth item—and I didn't have it in the brief—is access to literature. Only 3% to 5% of printed material that's available to our fellow Canadians is available to the blind community. Alternate formats that we can read and enjoy and learn from are incredibly important. The \$3 million that has recently been announced by the government to build a program where publishers would make available their work, so that charity can then transcribe it into a usable format for the blind and partially sighted...those \$3 million could have produced a lot of books in an alternative format if it were granted to publishers for that express purpose.

**The Vice-Chair (Mr. Massimo Pacetti):** Mr. Ruel, perhaps you could start to wrap it up.

**Mr. Albert Ruel:** That does wrap it up, and I thank you very much for the opportunity.

Again, welcome to Victoria.

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

From the Alma Mater Society of the University of British Columbia, Mr. Jeff Friedrich.

**Mr. Jeff Friedrich (President, Alma Mater Society of the University of British Columbia):** First allow me to thank you for inviting us to present today.

I'll quickly introduce myself by saying I'm a student at the University of British Columbia, Vancouver, and president of the student society there. We represent about 45,000 students.

Hopefully many of you are also familiar with the Canadian Alliance of Student Associations, which is a national student advocacy organization. On that organization I sit as the board chair, and we represent about 350,000 students, so I hope I won't be guilty of speaking from a UBC or university-centric view. The views we're presenting today are part of a broad consensus of students from across the country.

The things that Canadians hold most dear about their society also come at a high cost: public health care, a national defence program, and a clean environment are merely some of the many national programs that rely on the tax base of this nation in order to function.

In order to ensure a sustainable economy and, by extension, a sustainable tax base, we must show a considerable degree of foresight with regard to our post-secondary education system. The most effective way to ensure that Canada has a sustainable tax base is by fostering greater access to post-secondary education, particularly for those populations with low participation rates, such as first nations and individuals from low-income families and rural communities. By investing in the students of this nation, Canada can ensure we will have a workforce with the skills to keep Canada at the forefront of today's knowledge economy. Canada will have a workforce that is healthier and better educated, sustainable and self-sufficient.

We know that those who graduate from post-secondary education earn more and contribute more through the tax system than non-graduates. Canadian post-secondary graduates provide nearly 60% of government income tax revenues, while receiving only 30% of government spending. In spite of this, we have seen significant cuts to PSE funding since the mid-1990s, and we know students are being asked to cover a higher proportion of the costs of their education. In my case, tuition covers about 30% of the cost of my education; in the 1990s, it was around 20%.

I am also of the view that Canadians have assumed a level of quality exists in post-secondary education, partly because the demand persists, but we know that the demand is within students who are generally from higher-income backgrounds. We know that American institutions enjoy an \$8,000-per-student funding advantage.

We also know that inequalities still persist within the system. You are less likely to attend post-secondary education if you're from a low-income background, you're a student with a disability, your parents did not attend PSE, you're from an aboriginal background, or you're from a rural locale. In this we are missing an opportunity to advance Canada and to fund our tax base sustainably.

We have suggestions highlighted in the brief, but I'll briefly prioritize a few of those for you.

The AMS encourages the Government of Canada to improve the national system of student financial aid, including making the Canada student loans program fairer and easier to understand and extending the Canada access grants to cover all years of an undergraduate education; currently that program just covers the first year.

We've asked for a review of student financial assistance. That is something on which the current government took a step in the right direction, but the current review is mostly focused around the Canada student loans program and lacks a holistic look at the interactions between jurisdictions and federal and provincial programs.

The federal government also currently spends about 40% of all student financial assistance in the form of tax credits. The research literature is consistently clear that this is less likely to benefit students who are underrepresented in the system. Those students who are underrepresented are more likely to be debt-averse and to underestimate the returns on an education while overestimating its cost, so it's really important that a review look beyond just the Canada student loans program and look also at the tax credits and the savings programs that represent a big portion of what the government currently provides.

I'll briefly outline the second priority, which is a really important one for us. It's the renewal of the Canada Millennium Scholarship Foundation. It's something we've been talking about a lot. The foundation needs to be renewed this year in order to keep sending students money in 2010, when the program is up. Not renewing the program amounts to a \$350 million loss of around 90,000 instances of annual upfront, needs-based, non-repayable assistance to students in Canada.

Grants and bursaries particularly are an important part of the system, because they not only help people get in the door, but also help to improve graduation rates. That's more favourable than a tax credit or a savings program or something that would be delivered as assistance on the back end.

● (0925)

We are part of a broad consensus of students who support the foundation's renewal. Through our partnerships we represent around 650,000 students. That's the largest partnership in Canada. We're also part of a consensus of premiers, ministers of education, and post-secondary stakeholders across the country who are talking about the renewal. It does represent 30% of all student grants in Canada. We're particularly anxious about the lack of conversation around this program. We know there has been conversation about putting this money into other areas where it might be less effective, in the form of tax credits or other programs.

One last thing I'll highlight is dedicated transfer and a pan-Canadian accord. With respect to post-secondary education, Canada is one of the few OECD countries that doesn't have a national vision for education. I know the NDP colleagues have spoken about a ministry. We're talking, first, about a pan-Canadian vision, to get the conversation started. A dedicated transfer is a way of ensuring that the federal dollar that's invested in the province actually goes to where it was intended. This is something we've been talking about for quite a while.

The Conservative government did earmark the \$800 million that was announced in Budget 2007, but we're concerned with how that will be continued in future budgets. We see the transparency and accountability that's obtained through a dedicated transfer to be optimal.

Thanks.

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

The next group is the BC Association of Magazine Publishers. Ms. Tores.

**Ms. Anna Tores (Executive Director, BC Association of Magazine Publishers):** Good morning. My name is Anna Tores, and I'm the executive director of the BC Association of Magazine Publishers. Thank you for the opportunity to present.

The BC Association of Magazine Publishers represents, connects, and promotes the B.C. magazine industry. BCAMP membership is made up of more than 75 titles, including arts and culture, news, business, lifestyle, leisure, and special interest magazines. British Columbia's magazines are part of a successful cultural policy story. Our federal cultural policy endeavours to ensure that Canadian creators of cultural products, like books, TV, and magazines, have space on our airwaves and on our newsstand shelves so that Canadian content is available and so that our marketplace is not totally dominated by foreign—mostly American—products.

We are pleased in the magazine sector to be able to boast that about 41% of Canadian purchases of consumer magazines are Canadian titles. This compares very favourably with other cultural sectors where the greater share of the market is taken up by U.S. content. We want to do better, and we are committed as an industry to attracting more Canadians and encouraging them to buy and read more Canadian magazines. Our goal is to have a majority of sales and readership in our own market.

In our brief, you will see that our recommendation is that the federal government endorse this goal and continue to support efforts to build Canadian readership.

You have our full brief, so I won't repeat it all, but please allow me to focus on the distribution of Canadian content magazines, in particular the importance of the publications assistance program, in making Canadian magazines available nationally.

A year ago this month, the Government of Canada directed the Canada Post Corporation to maintain its contribution to the publications assistance program until at least March 2009. We welcome and appreciate this action. Canada Post still intends to withdraw its \$15 million contribution at that time, a date that is not far off.

It's important that government and our sector work together on confronting this issue, determining how to support magazine distribution and the future role of Canada Post in this process. A reduction of \$15 million of support from the postal assistance program would cause an immediate 31% increase in postage costs for the average magazine. For national circulation magazines, there are simply no alternative options for subscription sales.

If the PAP is reduced by 25%, the effects will be many. It will mean cutting back on the amount of editorial and Canadian content

pages that can be produced. It will mean fewer jobs and assignments for Canada's writers, creators, illustrators, and photographers.

The fact that some magazines won't survive means there will be fewer Canadian magazines in the marketplace and less choice for readers. It will also drastically alter the way magazines are delivered to Canadians because Canada Post will no longer be an affordable option. If the industry is forced into alternative delivery methods, it could mean prohibitive distribution costs, especially in rural areas of the country. This will mean that Canadians living outside major urban centres will not have the same access as others to affordable magazines.

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

What we are asking today is for the finance committee to recommend that adequate budgets be maintained for the publications assistance program. This can be achieved either through direction to Canada Post that the crown corporation maintain its support or that this portion of funding be delivered as part of the budget of the Department of Canadian Heritage.

Carving out a space for the Canadian voice has always been a challenge in Canada, for two reasons. The country's geography, with a relatively small population spread across a huge land mass, makes magazine distribution more difficult and costly than in many other countries. Culturally, competing with the enormous size and influence of the U.S. entertainment industry is daunting.

Before we allow drastic cuts to successful programs, we ought to be looking at how we can do things differently and how we can ensure there continues to be a choice of Canadian content available across the country.

● (0930)

The magazine sector has been highly effective in utilizing public investment to ensure a healthy presence for Canadian options, perspectives, and information, thanks in large part to the postal assistance program. This is why it's absolutely critical that the \$50 million contribution to PAP be maintained by either Canada Post or the federal government. Stability is required until Canada's magazine policy has been reviewed and understood.

Thank you for allowing the BC Association of Magazine Publishers to appear today.

● (0935)

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

Next, from the BC Sustainable Energy Association, is Mr. Hackney.

**Mr. Tom Hackney (Vice-President, Policy, BC Sustainable Energy Association):** Greetings, Mr. Chair, vice-chairs, and committee members.

The BC Sustainable Energy Association is a not-for-profit society registered in B.C. It has eight chapters around the province and some 600 members, including individuals, businesses, municipalities, and other organizations. Our vision is a future in which British Columbia's energy comes from clean, renewable, efficient sources so we can meet our present energy needs without compromising the ability of future generations to meet theirs.

We are motivated by a strong sense of urgency. The climate change that is taking place now has become undeniable, as has the main driver of it: human-caused greenhouse gas emissions, particularly from the burning of fossil fuels. Fossil fuel resources around the world, especially natural gas and oil, are becoming scarcer and more expensive; the large, easily accessible resources are becoming depleted; and the scarcity is increased by the dramatic rise in the global demand for energy.

Finally, the environmental effects of developing energy resources are inadequately addressed in society's planning. This is especially evident in the production of non-conventional fossil fuels, such as coalbed methane and tar sands. Great quantities of water are used up and contaminated at a time of increasing water scarcity and predictions of increasing droughts and water stress due to climate change.

The present consultations here are entitled, "The tax system the Country needs for a prosperous future". True long-term prosperity cannot be achieved by a business-as-usual approach. The main thrust of the BCSEA's submission to this committee is that the federal tax system should, as a priority equal to other tax priorities such as revenues and economic stimulation, encourage a broad societal shift away from fossil fuel use and other greenhouse-gas-emitting activities.

Present economic valuations still systematically ignore or discount the harm of climate change, the long-term global depletion of fossil fuels, and the strategic benefits of diversity in energy systems. Instead, we see continuing massive investments that are based on the false premise of supposedly cheap fossil fuels.

Climate change has already hit British Columbia through the mountain pine beetle infestation. This is destroying our interior forests and the economies that depend on them. Dollar losses are in the hundreds of millions; the personal and social losses are incalculable.

Although the causes of global climate change are global, Canada's greenhouse gas emissions are small on a global scale, yet it is still crucial for Canada to act to control its emissions. The only practical way to control emissions globally is through international cooperation. Canada's present example, as one of the highest per capita emitters in the world, stands as a powerful disincentive to other nations to take effective action. If we improve our performance, we encourage others to do likewise, to the benefit of all.

Second, we should anticipate not only that fossil fuels will become scarcer and more expensive, but that the international community may impose disincentives on greenhouse gas emissions and promote non-greenhouse-gas-emitting energies. If we remain over-invested in fossil fuels, we can expect to suffer economic disadvantages and lose trade opportunities.

Finally, morally and philosophically, how can we as a nation continue to give credence to our own values of democracy, prosperity, peace, and good government if we and our government take an attitude of denial and avoidance toward this critical issue? We can only take our values seriously to the extent that we truly face reality.

● (0940)

On behalf of the BC Sustainable Energy Association, I thank you for the opportunity to submit our brief to the committee and to make this presentation.

I will be glad to field questions.

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

Mr. Munro.

**Mr. Murray Munro (Senior Vice-President, National Sales, Marketing and Government Relations, GrowthWorks Capital Ltd.):** Thank you very much, Mr. Chair.

It's a pleasure to present to the committee. I'd like to thank the committee for its support on the same issue we raised last year.

GrowthWorks Capital is the second-largest manager of retail venture capital funds outside the province of Quebec in Canada. We manage over \$900 million on behalf of 250,000 Canadians in seven provinces.

I'm here today to talk about an important economic development issue for Canada. It really revolves around the purchase size for investors in retail venture capital funds like the Working Opportunity Fund here in B.C.; the GrowthWorks Canadian Fund in Manitoba, Saskatchewan, and Ontario; and the GrowthWorks Atlantic Venture Fund—increasing the federal labour-sponsored fund tax credit from \$750 to \$1,500.

In B.C. the Working Opportunity Fund has approximately \$400 million in assets under management. We're the largest single source of venture capital in western Canada, and we account for a full 20% of the venture capital marketplace in B.C. In the past 14 years we've invested \$450 million in 120 entrepreneurial B.C. companies. We have created over 10,000 jobs in the province. In addition, we partner with other venture capitalists in the majority of the deals we do, which means that for every \$1 million we invest we bring another \$4 million from outside of British Columbia. If you look at the 15% tax credit the federal government provides, this is equivalent to \$20 million of investment in B.C. for every \$1 million in tax credits provided by Ottawa.

On average, the companies we invest in have less than 15 employees at the time we do the deal. These companies tend to grow rapidly as a result of our financing and increase their employment levels to an average of 50 to 60 employees. The capital we provide allows them to invest in R and D, sales and marketing, and commercialization of the product. As such, we're an integral part of the commercialization process in Canada. We've been involved in 30 company spinoffs from universities allowing scientists to bring their research to life, given the federal government's support of basic research. These companies we invest in typically grow to become global competitors in their respective markets.

In Atlantic Canada we started a fund in 2005. We raise and invest money in four Atlantic provinces. It has local management and a local board of directors, along with offices throughout the region. We have broad support from all governments in Atlantic Canada and the four provincial federations of labour. The fund currently has \$32 million in assets and 12 companies in its portfolio, and we're committed to investing in entrepreneurial Atlantic Canadian companies, helping to grow that region's economy and provide jobs there.

There is a real inequity in Atlantic Canada, which has 8% of the population yet only 2% of available venture capital. Every year \$1.2 billion leaves that region during the RRSP season, and the vast majority of the money is invested outside of Atlantic Canada.

The first problem our industry faces is that there is fierce competition for RRSP investment dollars. You might think that the 30% tax credit given to our investors—15% from the federal government and 15% provincially—is sufficient. While it looks great on paper, there are more lucrative options for investors. Flow-through shares, for example, effectively give investors a 44% tax credit and allow them to transfer the shares into a registered retirement savings plan.

Our industry is not here to ask for an increase in the tax credit percentage. We're here to ask the federal government to increase the federal labour-sponsored fund tax credit limit to \$1,500.

B.C., Manitoba, and Nova Scotia already have increased the provincial tax credit limits to this amount. The federal legislation was created in 1985, and over the past 22 years there has been no increase in the maximum purchase size for investors. RRSP contributions, by the way, have increased from \$5,500 in 1985 to \$15,500 today. As a result, the relatively small \$5,000 purchase of our funds has become a nuisance trade for investment advisors, and these are our bread-and-butter clients who raise the money for these funds, which then get invested in entrepreneurial companies throughout the country.

In addition, the banks, which have taken over most of the brokerage firms, have created new compensation structures. These structures have resulted in advisors getting paid up to 75% less on a \$5,000 purchase compared to a \$10,000 purchase. A number of the largest investment dealers are proposing to remove small purchases from the compensation grid completely, effectively cutting off any source of income to investment advisors who purchase our funds. As advisors are increasingly no longer getting paid to make purchases in our industry, the amount we are able to raise, and therefore invest across Canada, has been steadily declining.

Increasing the maximum purchase size of our product in the marketplace will allow advisors to return to the level of sales they've done previously, effectively increasing the amount of venture capital available to grow and develop Canadian companies. We estimate the cost to the federal government to be approximately \$20 million due to sales caps that exist in most provincial jurisdictions. We'd be happy to work with federal finance officials regarding the estimated costs.

● (0945)

Through the venture capital it provides, our industry has a large impact on the growth and development of the Canadian economy, in terms of commercialization, business development, global competitiveness, and job creation. To continue to have the same level of impact in the future, we need to have an increase in the maximum purchase size of our funds to \$10,000, so advisors will continue to sell the product to their clients, raising money for investment in new technology companies across Canada.

Thank you very much.

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

Mr. Garrison, we're going to go to you. You're here as an individual.

**Mr. Randall Garrison (Instructor, Criminology, Kwantlen University College, As an Individual):** Yes. Good morning.

I want to start by saying I will pick through a submission I made earlier this summer and try to highlight a few points in the interest of time.

I will start by saying that from a certain perspective it is the best of times. We have record low unemployment, a 30-year high for our dollar, and yet another in a series of balanced federal budgets. But when we look up from the ground directly in front of us, we see the enormous challenges facing us: climate change, rising health care costs, growing inequality, and conflict and extremism on the world stage. So it's disappointing to me that the finance committee has adopted what appears to be such a narrow theme for its pre-budget consultations: the tax system the country needs for a prosperous future.

This theme ties our thinking about the budget to a narrow perspective that ignores the urgency and the immensity of the challenges we face. In the end it ignores the fact that a federal budget is obviously about much more than just taxes. A budget is about what we want to accomplish together through our federal government.

I would argue there is a basic consensus among Canadians that there are several essential ingredients to a prosperous future. Canadians believe a sustainable environment, healthy individuals living in healthy communities, and a stable world free from the scourge of violence and war are necessary to any kind of meaningful and durable prosperity.



If we are going to avoid climate change on a catastrophic level, we need a tax system that produces enough revenue to support a rigorous attack on global warming and one that creates incentives to act now. If we are going to have healthy individuals, we need a tax system that will help the provinces reform and expand our public health care system.

Make no mistake. The growing prosperity gap that has begun to divide us into a nation of haves and have-nots is one of the most serious threats to our future prosperity. If we are going to live in a stable world, we also need a tax system that will allow us to attack the yawning prosperity gap at the international level and the resulting hopelessness that fuels conflicts and extremism.

Let me suggest a couple of priority areas where we could save money and where we must spend.

On the environment, we must end the more than \$1.4 billion annual subsidies now provided to the oil and gas industry, including those for further development of the tar sands. It will save us billions of dollars and begin to wean us away from our dangerous addiction to burning fossil fuels. Let's also reduce federal infrastructure spending for new roads and new highways and shift that money into spending on rail, mass transit, and repairing the crumbling infrastructure we have now.

Yes, I am from Vancouver, and I say yes to an Asia-Pacific gateway strategy, but no to \$1 billion of federal contributions to build new roads and twin bridges. We need a strategy to take goods and people off the roads and put them on the rails. We need to create incentives that will reduce our individual and collective environmental footprint. We also need revenues to support a transition program to help make sure workers don't pay with their jobs for this transition to a green future. When Canadians have good choices, they will make the right choices, but my neighbours can't ride the full buses that pass them regularly on Broadway. Only collective investment can help push the skytrain through a tunnel out to UBC. Most of all, what residents in my neighbourhood need is fewer cars in their neighbourhood.

Do we need new taxes to meet the environmental challenge, and particularly, do we need a carbon tax? I don't think so. I can't help thinking a carbon tax would do little more than make ordinary people walk, as gas prices skyrocket, while the privileged continue to drive.

In the area of health care, we need to expand our national health care program into the areas where we have significant opportunities for cost savings. A national home care program could reduce the cost of care for seniors by up to 50% and allow seniors to remain in their own homes and communities. A national pharmacare program could make sure all Canadians get the prescription medicine they need and reduce our overall health care costs by allowing us to bulk-buy important drugs. Most importantly, given the fact that we've just come through another World AIDS Day, we need a renewed national commitment to public education on the ongoing HIV/AIDS pandemic and other preventive health measures.

What we need is a budget and tax system driven by a system of who we are and where we want to go, which reflects the urgent needs and priorities of ordinary Canadians. It's time for the federal

government to take the lead on global warming, protecting public health care, and closing the prosperity gap.

● (0950)

My message today, therefore, is a simple one: no more tax cuts. While no one begrudges the small relief a cut in the GST will bring, it's not too late to stop the enormous tax giveaways to the most profitable corporations in the country that were recently passed in the last mini-budget. And there's still time to turn away from the kind of thinking the Minister of Finance was illustrating when he began musing about higher-income Canadians needing further tax breaks.

The residents of Vancouver Centre don't need further tax cuts. Right now, we need more federal money for urban transit. We need more federal funding for non-market housing to tackle the problem of homelessness and to make sure that ordinary people can continue to live in our community. We need a national pharmacare program to help seniors and others with high drug bills, and we need funding for home care and renewed HIV/AIDS prevention work.

If we don't want Canada to be engulfed by the rising tide of conflict and extremism in the world, then let's invest some of that surplus and meet our promise to hike Canada's foreign aid spending. The next federal budget should be about much more than taxes. It should be about our collective national priorities. The next federal budget must be about tackling climate change, building healthy communities, and ensuring we all live in a more just, peaceful, and sustainable world.

Thank you.

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

Usually we go to seven minutes, but we're going to go to a five-minute round because we only have one representative from each party; then we'll go to a second round of five minutes for anybody who wants it. The members have five minutes, but that includes the questions and comments or answers from the panel. If you will keep it to a brief intervention, I think we'll get more out of the debate.

What I did not mention at the beginning is that all your testimony is recorded, it's all transcribed, and it will be public. Even though there are some members who are missing, they will have the opportunity to review the presentations you have made. There are also officials from the Department of Finance who are here listening to you, so it does not go for naught.

Based on that, we'll go to Mr. Sukh Dhaliwal for five minutes, please.

**Mr. Sukh Dhaliwal (Newton—North Delta, Lib.):** Thank you, Mr. Chair.

Welcome to beautiful British Columbia. The weather is usually not like this, but I'm not going to put the blame on you fellows for bringing it here. I would like to welcome the panel as well.

My first question is to Jeff from UBC. You talked about a fairer system for grants and scholarships. Could you please tell me about the Millennium Scholarship, whether it is viewed as fair and easier to understand?

**Mr. Jeff Friedrich:** Do you mean is it fair and easy to understand in how it's delivered to students?

**Mr. Sukh Dhaliwal:** Yes.

● (0955)

**Mr. Jeff Friedrich:** I think so. Certainly, that's something we've heard from the large number of students who are on the program. It's upfront in nature, so it's money that's going to students to offset the high cost of tuition, the country-wide average of which has risen 180% since the mid-1990s.

Since it's on the front end, it helps students understand how much they're going to be paying for their particular education. That helps those students from under-participating backgrounds to understand the debt they're taking on; those are students who may be more debt averse and have a tendency to work more hours off-campus, those sorts of things.

Upfront grants provide an important part of the envelope of student financial assistance programs because they help students understand how much debt they're taking on and what the full cost of their program and education will be.

**Mr. Sukh Dhaliwal:** If you take a scale from one to ten, or percentage-wise, can you give me the consensus among students as to how many students are happy with this? Would you say it is over 90%?

**Mr. Jeff Friedrich:** I don't think any students in the country are actually.... I would say 100% are saying that.... There's a broad consensus around a looming loss, I guess, of \$350 million of upfront non-needs-based non-repayable grants. Everybody is supportive of that.

I think what you're getting at is the difference of opinion there has been between some of the constituency groups around the mechanism of Millennium itself. But we've felt the three government reviews or audits have shown that Millennium is an effective way to get the money to students.

**Mr. Sukh Dhaliwal:** Thank you.

If I still have some time, my next question is to Susan.

On the arrivals duty-free, I've travelled across many countries, and I certainly agree that I personally like the system under which we land and buy things there. You talked about the positives, right? Do you see any negative impact as well? When we take this to the minister, are there any challenges you think we may be facing from the minister on this particular issue?

**Ms. Susan Stiene:** We have actually met with the finance team in Ottawa, and the only negative issue that has come forward, of course, is that the policy dictates that all duty-free is for departing passengers only. So there will have to be some legislation change in order to put it into effect. Other than that, I think it's a win for

absolutely everyone, from the passenger or the resident here to the international arriving passengers. It's purely a win for Canada altogether.

[Translation]

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

The next thing he will be speaking French.

[English]

So for any of you who have your headphones, we're going to....

[Translation]

Let us see if the translation system works. Can everybody hear me?

Mr. St-Cyr, you have five minutes.

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

Thank you to all the witnesses. I am very pleased to be here with you today. I have a first question.

[English]

**The Vice-Chair (Mr. Massimo Pacetti):** I hear you.

[Translation]

**Mr. Thierry St-Cyr:** My first question is for Mrs. Susan Stiene. It relates to duty-free purchases on arrival. I want to make sure I understand your suggestion. At this time, someone leaving an American airport after having purchased alcohol or duty-free goods would not have to pay taxes on arrival in Canada if the personal exemption level is not exceeded. That is the situation today, is it not?

What is your proposal? Are you suggesting that the purchases could be made in Canada, within the personal exemption? Or are you suggesting that travelers could make unlimited purchases on arrival in Canada?

[English]

**Ms. Susan Stiene:** Thank you for the question.

Actually, no, we're not asking for any increase in personal exemption. We are asking that the passenger be able to purchase their duty-free upon arrival, and they will actually put that amount of purchase in their declaration.

● (1000)

[Translation]

**Mr. Thierry St-Cyr:** Very well.

This is my next question. In your grief, you referred to the impact the restrictions on liquids, gels and aerosols have had on the duty-free shops and you say that your suggestion would mitigate some of those losses. You also say that it would provide additional revenue to airports.

I would like to understand the linkage. If the sales of those shops increase, they will make more profit but how would the airport renting the space get any additional revenue?

[English]

**Ms. Susan Stiene:** Thank you.

The way retail operates at an international airport is that the tenants actually pay a percentage of rent from the sales, so a percentage of the sales goes to the airport authority.

[Translation]

**Mr. Thierry St-Cyr:** So, they have the same interests. Thank you.

My next question is for Mr. Friedrich. First, there are two groups and I do not always see the difference between them. There is especially the Canadian Federation of Students. One of the groups is proposing that all the money that is now invested in tax credits to cover tuition and interest expenses be instead directly reinvested in education, either as transfers to post-secondary education or as financial assistance to students. In fact, this Monday is generally used only after graduation because, during their studies the students simply do not have enough income to make use of the credits. Their argument is that it is during their studies that they need assistance, not later on.

What is your opinion?

[English]

**Mr. Jeff Friedrich:** First off, it's important to acknowledge that in Canada post-secondary education is an issue of provincial jurisdiction, and we recognize that. The federal government plays a strong role in funding universities—\$2 billion in tax credit supports each year—so there's a reality around how the government is already participating in post-secondary education.

Regarding your question of whether it would be better to invest that money directly in transfers, which I think is your point, yes, certainly. We've called for a dedicated transfer. We've acknowledge the special conditions in Quebec. In renegotiating Millennium or some other program, those arrangements can be made because it's a program that negotiates independently with the provinces. So we think it's a good example of effective federalism.

As for your point about whether a lot of those tax credits would be better spent as transfers to the provinces, yes. We're talking about just reallocating that to front-end supports. Certainly transfers to the provinces, and the provinces' ability to then put that on the front end, is an important idea.

[Translation]

**Mr. Thierry St-Cyr:** I only want to underline that it is less my opinion than that of the Federation of Students. I wanted to have your opening in about that.

**The Vice-Chair (Mr. Massimo Pacetti):** Ms. Savoie, you have five minutes.

**Ms. Denise Savoie (Victoria, NDP):** Thank you very much. As the member for Victoria, I want to welcome the members of the committee to our city.

[English]

I welcome those of you who are not from Victoria.

Each one of your presentations was very interesting. I wish we had time to tackle all of them. I'm going to focus on some issues I'm working on, particularly in Ottawa. I'll start with the issue of climate change and some of the proposals that were raised this morning.

Mr. Garrison said he didn't particularly support a carbon tax.

Mr. Hackney, I think you indicated that you did, and that you felt there were ways to address the issue of hardship to low-income people. Now, I'm wondering if you could address that, and how you think that can be done.

Also, given that we know the biggest portion of pollution or greenhouse gas emissions relate directly to the large emitters like oil and gas, and a huge percent of our increase has been related directly to the accelerated development of tar sands, I'm wondering if you don't think it might be better to first focus on a mandatory cap and on pricing carbon at that point first, to tackle where the biggest pollution comes from.

**Mr. Tom Hackney:** Thank you.

The position of the BC Sustainable Energy Association is that a cap and trade or a cap system, presumably with trade, is absolutely vital precisely because such a large portion of our greenhouse gases do come from point sources. However, we don't take an either/or position in saying the cap on large emitters is more important than a carbon tax. We think they're both vitally important.

The reason for a carbon tax, in our view, is to send a signal to all of society so that everyone feels involved, so that the government is signalling that it intends to act and do something significant, and so that the whole society will be brought along and will contribute to this.

We believe the question of hardship on the poor or low-income people can be dealt with effectively through a rebate. For example, you can have a carbon tax based on your fuel consumption, and you can have a flat rebate to all Canadians, as an example.

• (1005)

**Ms. Denise Savoie:** Thank you.

I'll address another question to Mr. Friedrich. We've had the opportunity to talk and I think agree on many points. I want to come back to the question of a more holistic review of post-secondary education assistance than that which is happening right now, because, as you said, there's a review of the loan program, but it's siloed, whereas we should be overhauling the whole system.

Coming back to your point about renewing the Canadian Millennium Foundation, you said, quite rightly, that some of the reviews indicated it had been providing aid in an effective way. I guess the mandate of the reviews was never about looking at the most effective way of delivering it. It was just looking at whether they did indeed give money appropriately to the right people and so on.

I'm wondering if you think that in order to have a comprehensive review, it's time to stop saying, okay, it should be delivered by this foundation and this piece should continue to be done here. Wouldn't it be time to open it up and look at ways of bringing together what is now a patchwork quilt of tax credits here and savings there and a little grant here, and look at it holistically, and look at an upfront, needs-based grant system in Canada to offset this huge debt that's spiralling out of control?

**The Vice-Chair (Mr. Massimo Pacetti):** Ms. Savoie, to allow Mr. Friedrich to answer—

**Ms. Denise Savoie:** Yes, sorry. I got carried away here on a subject I feel very passionately about.

**Mr. Jeff Friedrich:** To the first point on reviews, this is a program that's been reviewed three times. Compared to other programs, it compares very favourably on issues of displacement and accountability. If you look at other programs—tax credits are a good example—from my point of view, I'm not aware of any reviews done at the federal level that talk about whether or not tax credits are improving access for under-participating students. That's just a quick point.

**Ms. Denise Savoie:** It's a good one.

**Mr. Jeff Friedrich:** I think the review conversation gets really lost in the political legacy of the Millennium Foundation.

On your point about a wider review, I think the appetite is absolutely there, and that's something we support. That's what we're trying to get at in a pan-Canadian accord, looking at all these patchwork programs in a holistic way, so I would applaud your efforts to address that.

The only other thing is on the issue of why go after this particular program as opposed to going for that, and that is because the reality is that this program will be done next year and that represents a \$350 million hole. So there's an immediate need.

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

Mr. Dykstra, five minutes.

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

I do have a question for Mr. Ruel.

I found your presentation very enlightening, so thank you for that, not that any of the others weren't, but it's the first time we've actually heard a specific presentation on the issue of disabilities, and I appreciate that.

You commented I think very briefly about the piece the government had in the budget of 2007, which is basically the whole issue around financial security of a child with a severe disability. What we introduced, and what I want to get your comments on, is the Canada disability savings grant, and also the matching rates and contributions the federal government will play on that. On an individual basis, obviously, a lot of investment can be made. It doesn't mean, based on the numbers you suggested, that thousands of dollars will be placed into an account each and every year, but I think it does suggest we're taking a step in the right direction in terms of preparing the future for some of the folks you talked about. I wonder if you had a bit of knowledge about it and if you want to comment on it further.

•(1010)

**Mr. Albert Ruel:** Thank you very much.

I don't have a great deal of knowledge about it, but anything that allows an individual with a severe disability to be able to live further above, or at least gets people to, the poverty line—there are far too many below it—and helps along that continuum is a tremendous asset to persons with disabilities. So if parents are able to get a tax shelter while putting away money for future care of their disabled children, by all means, let's do more. But let's also do a great deal

more for those persons with disabilities who have the ability to work and care for themselves. They, too, are living way below the poverty line on welfare and are not getting opportunities for jobs and are not being considered very fairly or carefully in society. So we applaud that move and ask for a great deal more.

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

Mr. Garrison, you did an amazing job in talking about tax cuts, infrastructure, the state of finances in our country, and about health care. The one area with respect to health care you focused on was the issue of AIDS, and I wasn't sure why you did and I wanted to get your reasons. There are a number of large health issues that the federal and provincial governments deal with, and we as individuals deal with, whether they be breast cancer or AIDS or cancer in general.

I just wondered why you specifically targeted AIDS, from your perspective, as the most important one we have to face. The reason I say that is you talked about the further investment we have to make in it in 2008-09. I certainly don't want to disagree with you, but I do want to point out and get your comments on the fact that in the 2008-09 budget we will be spending over \$84 million a year specifically on the issue of AIDS. It is historic. It's the most that's ever been spent in one particular year, so I have to say that we're listening to what you're saying. Furthermore, last February the Prime Minister and Melinda and Bill Gates announced a \$111 million investment in an AIDS research facility in Canada.

So I just want to get your thoughts on the fact that we are addressing that issue in a very serious way.

**Mr. Randall Garrison:** I guess I would say, first of all, as a gay man living in the west end in Vancouver, it's a natural thing for me to be talking about. I do appreciate the amount of money being spent on care and research. However, there's been a decrease in the money being spent on AIDS prevention work. In the last two years we've seen a spike in the rate of new infections among young gay men in downtown Vancouver. Somehow people aren't getting the message, or they mistakenly believe there's a solution or a cure for AIDS. The reason I'm highlighting this is that we really have to go back to the community-based groups that are doing prevention work, because prevention is the only cure for AIDS.

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

Mr. Friedrich, I did want to get your thoughts very quickly. I probably don't have a whole lot of time left here.

Regarding the whole issue of the \$800 million investment we've made, one of the concerns of a number of your colleagues I've met over the last months—which I think you alluded to—was the continuation of that \$800 million and confirmation that it will in fact get a cost of living increase every year. That \$800 million is fixed and will not be going away. It sounded like you were mentioning that. I just wanted to make sure that it was very clear to you that the money for this commitment, the 40% increase this government has made, is not going anywhere; it's staying in the budget.

**Mr. Jeff Friedrich:** Yes, absolutely. I can confirm exactly that.

I applaud your regard for the CPI adjustments in that as well, because loans, grants, and most programs haven't really kept pace with inflation. Tuition, of course, is always acknowledging CPI.

•(1015)

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

**The Vice-Chair (Mr. Massimo Pacetti):** Mr. Dhaliwal, for five minutes.

**Mr. Sukh Dhaliwal:** Mr. Chair, my first question will be for Mr. Garrison.

Mr. Garrison, I can understand your frustration, because I have a similar frustration in my community of North Delta, because we are pushing that outdated perimeter road through the neighbourhood.

The way I see it, Canada is a vast country. We travelled to Europe and saw that the transit system worked there. I am fully in favour of having a transit system.

If we have billions of dollars in the fiscal surplus, why do you want to cancel the \$1 billion for the Pacific gateway project, especially when it will help the climate? I can see the trucks parked for hours in the lineup, emitting pollutants and hurting the economy as well.

In fact, I personally believe that people from Abbotsford, Langley, and Surrey want to travel across the bridge. Twinning the bridge, I personally don't see as a negative either. Why can't we have that and probably also have money to deal with public transit? Can you comment on that?

**Mr. Randall Garrison:** I guess I would say—with respect—that the problem is, build it and they will come. So when the Alex Fraser Bridge was built, it was expected to reach its capacity in about four years, and I believe it reached and exceeded its capacity in four months. So the problem with the gateway project as it stands is that it consists of old solutions.

Yes, I think we have to do something about congestion, and, yes, we have to do something about the trucks, but making them move faster is not the solution. The solution is to move to rail, a much more efficient means of transit. The solution for the river crossings is not to bring more cars into downtown Vancouver but to extend rapid transit across the river and to build rapid transit in the valley. These are the things that will help us avoid the congestion and the threat of global warming.

To me, it's not that we don't need a gateway project; it's that this project reflects the old thinking that's brought us to where we are now.

**Mr. Sukh Dhaliwal:** My next question is back to Jeff.

We brought in the millennium program, and I am a strong supporter of that. Some members have raised questions on that time and time again.

We both agree, but what will it take to convince those people who still do not agree with your approach?

**Mr. Jeff Friedrich:** The worst way of convincing people would be to see the money go into less effective forms of assistance, like tax credits, or to see a reduction in the amount of money and see it sent directly to transfers.

A lot of the debate that's happened around it is a result of the political legacy of the program—the fact that it has a strong Liberal

brand. I think that has discouraged people from taking a step back and asking whether the program is doing what we want it to do.

I haven't heard a lot of convincing arguments that the research, the displacement issues, or those sorts of things, are so substantive that we shouldn't be talking about ways to mitigate those concerns that are fair and still renew the program, instead of just scrapping it and starting over with something new.

The other way I would try to convince people is by saying that even if you're going to bring in something new next year—if you're going to give it to HRSDC or have a new system of national, needs-based grants—it took the millennium partnership program two years to negotiate effective agreements with the provinces so money coming in would be new money that went to people who needed it, and that's just not where we're at. The decision needs to be made this year if it's going to be available to students in 2010.

The urgency to look at it is really key. I applaud efforts to view the system more holistically, but if I were you I would encourage my colleagues to ask what the alternative is going to be next year. Even in the event that it's not perfect to them, how can we have an interim solution so students aren't going to miss that \$350 million, and how can we work to improve the concerns people have?

•(1020)

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

Thank you, Mr. Dhaliwal.

Monsieur St-Cyr.

[Translation]

**Mr. Thierry St-Cyr:** Thank you very much.

My next question is for Mrs. Anna Tores of the BC Association of Magazine Publishers.

I welcome your presence here today because your issues are not much of a topic of discussion in Quebec. Quebec magazines have the advantage of being mostly protected from US publications by the language barrier.

However, there is in your brief eighty statements that intrigues me. It is about the matter of price and of abandoning the national distribution model. I was not aware of that. I know that for letters and regular mail, Canada Post must set the same price throughout Canada, this policy being aimed at helping remote areas. As a matter of fact, it is a condition for its exclusivity privilege.

Am I to understand that from your brief that this uniformity does not exist, or does not exist anymore, or exists less and less in the case of commercial distribution? What is the maximum range of prices, perhaps in percentage, between the commercial distribution in urban areas commercial distribution in remote areas?

[English]

**Ms. Anna Tores:** I'm afraid I can't give you specifics on what the price difference between urban and rural would be, but I'll be happy to get that information to you.

On your question about a single price Canada-wide, it's an important thing to continue, given that urban Canadians deserve the same access to their Canadian magazines as rural Canadians.

[Translation]

**Mr. Thierry St-Cyr:** All right. Once you know the price differences, I would appreciate your sending that information to the clerk who will then distribute it to the members of the committee.

Mr. Hackney, I would like to your presentation relating to climate change. I got the point when you said that we should be an example for other countries by taking leadership of the climate change issue. At this time, that is not quite the situation. Our government is a saying that it won't do anything if the others don't do anything either. This seems a bit childish. A country as rich and wealthy as Canada showed on the contrary be an example, especially since we produce a much more greenhouse gases, on a per capita basis, then the Chinese, the Indians or the inhabitants of several other countries which do not produce more per capita because their populations are much bigger.

From an economic point of view, many people told us in committee that the Kyoto Protocol and the environmental issues are not only an environmental concern but also an economic concern. It is in the interest of our companies to become greener and more environmentally conscious. In this context, do you think it would be preferable for our companies to be at the forefront of this trend or would it be better for them to wait that others have made the first step?

• (1025)

**Mr. Tom Hackney:** Thank you. My answer will be in English.

[English]

In principle, certainly companies should go green and as quickly as possible.

I am aware there has been controversy about whether a company that goes green now is going to capture the appropriate credit, as we expect rules may come in that will limit their greenhouse gas emissions, and if a company has taken a hard choice early on, they may receive no credit for that and in fact have increased penalties put on them. So that type of problem obviously—

[Translation]

**Mr. Thierry St-Cyr:** If I understand correctly, you are saying that to we should act as quickly as possible without waiting in 2020 or 2050 and that absolute and maximum emissions targets should be established to let our businesses know what the future operating framework will be.

[English]

**Mr. Tom Hackney:** Yes, absolutely. We need definite targets now. They need to be allocated to the sectors of society, and in particular large final emitters.

[Translation]

**The Vice-Chair (Mr. Massimo Pacetti):** Thank you, your time is up.

Ms. Savoie, it is your turn.

**Ms. Denise Savoie:** Thank you.

[English]

Thank you.

I'll raise a question to Monsieur Ruel.

I've been participating in an employability study in Ottawa, looking at some of the issues, specifically how it impacts Canadians with disabilities.

You're quite right. They're overrepresented in the unemployment area. There seem to be some real barriers in the private sector to hiring perfectly qualified Canadians who happen to have certain disabilities. You suggested promoting, assisting, and giving concessions. Can you be more specific? What kinds of concessions and incentives could we give to the private sector to overcome some of the barriers that are present right now?

**Mr. Albert Ruel:** In our estimation, a great deal of the resistance to hiring persons with disabilities is the cost of accommodation, particularly. This is an issue that the federal government must wrestle to the ground. It's employers who are purchasing software that is not accessible to screen-access technology and thereby creating a brick wall in front of a person who is blind or partially sighted.

We need the production sector of software to be aware of the need for access technology to be able to get at the software they've created, the spreadsheets or the databases, and so on.

I know of a blind woman here in Victoria, working for an employer, and she's working in a total different system than all of the rest of her colleagues because the system that company decided to purchase cannot be made accessible to screen-access technology.

We need building ramps and ensuring that buildings are accessible to persons with disabilities. We just need an awful lot more help.

**Ms. Denise Savoie:** So make that kind of investment in equipment, or new software, or ramps tax deductible in some way.

**Mr. Albert Ruel:** Absolutely. When I buy a computer, I pay the same price as you, but to make it work for me is another thousand dollars.

**Ms. Denise Savoie:** Yes, absolutely.

Thank you. That helped.

I'd like to come back to the issue raised on climate change. The indifference of this government to the magnitude of the issue is nothing less than shocking. You mentioned the cap and trade earlier in your comments. We may have to adopt all the measures you've suggested, but in terms of tackling the problem in its biggest form, to get the biggest bang right now, because there is a feedback loop that's accentuating the problem, what would be the first measure that you think this government should take?

• (1030)

**Mr. Tom Hackney:** Certainly the first measure would be a policy measure directed at the energy strategy that we have now, which seems to be to maximize the production of fossil fuels for export. That needs to change.

**Ms. Denise Savoie:** Thank you.

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

Mr. Dykstra.

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

Ms. Savoie makes some interesting comments. Of course, she does disagree with our government's approach on this. The NDP would prefer to shut down the economy of our country to make sure that the environment is taken care of. We don't agree with that approach. It's very one-sided. We think we need a balance, making sure that we continue to have a strong economy and a stand on the environment.

Mr. Hackney, I want to get your thoughts on this, because we as a country make up 3% of the overall impact on emissions in the world. The Prime Minister just came back from Uganda, and one of things he insisted on, and a core group of other countries insisted on, is that we take an approach that isn't just about the developed world, in terms of their approach to climate change and reduction of greenhouse gas emissions, but that every single country in the world has to play a role in this, whether they are a developed nation or whether they are a developing nation.

I want to get your thoughts on that, because I certainly would like to think that countries like China and countries like India will not be excluded from having to participate and play a role in the climate change reductions that are necessary with respect to greenhouse gas emissions and obviously all pollutants.

**Mr. Tom Hackney:** Thank you.

As a matter of physical reality, I believe the United States is the largest greenhouse gas emitter, soon to be surpassed, according to projections, by China. India is a very significant contributor as well. Clearly, all nations in the world should cooperate to reduce greenhouse gases, but the largest would certainly have to be there. That said, I'm aware there's been a lot of controversy around the Kyoto Protocol, because some people have said we shouldn't comply with Kyoto because China is not on board. China was indeed a signatory to the Kyoto Protocol, and, as we know, the Kyoto Protocol represents, I would say, the first installment of a process toward achieving sufficient cuts to address climate change. The thinking then was that the developed nations should take the first step. This first step was 2008 to 2012, so going on to the next step, certainly, events are proceeding, and we should do everything we can to get everyone on board.

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

I wanted to comment. I know you are specific in terms of the direction we should take to make sure the funding is renewed after 2009.

Your organization received \$168,000 from the federal government, and I just wondered if you could comment quickly on how that was used as an investment for your organization.

**Ms. Anna Tores:** That funding was just announced within the last month. We're really excited about the opportunities that funding provides us.

We intend to have a number of programs to assist magazine publishers to improve the quality of Canadian editorial content. We intend to have a number of programs to increase rural magazine publishers' access to professional development opportunities, not only in Toronto but also in B.C. We have a number of marketing campaigns to try to familiarize Canadians with their local gems of B.C. magazines. In addition to that, we have a number of initiatives to

try to increase the access that B.C. magazines have on the newsstand.

• (1035)

**The Vice-Chair (Mr. Massimo Pacetti):** Thank you, Mr. Dykstra. Our time is up.

I have a couple of questions before we go. I'll ask Mr. Munro, since he didn't get a question and he's waiting with anticipation.

I read an article by the Fraser Institute on labour-sponsored funds, which said that there's not really a need to give them the extra benefit. In fact, in your presentation you didn't discuss your return. Was that done intentionally? Can you discuss that?

**Mr. Murray Munro:** No.

First, the study by the Fraser Institute was not a study. The report by the Fraser Institute was based on some research that was done by two Ontario professors, Cumming and MacIntosh, six years ago. The data has not been updated. They compared returns from American venture capitalist institutional managers with retail venture capitalists in Canada of the labour-sponsored fund industry, and half of our funds sit in cash, so it was an apples to oranges analysis, and the industry is working on a response to that. In terms of looking at it data to data, that should be out in the next six months.

I could speak about the GrowthWorks returns. In Ontario, where we have been for five years, we've now had compound annual rates of return of between 6% and 9% positive for the last five years, every year without the tax credits. In British Columbia our 10-year rate of return is 5% positive without the tax credit. As a management team running over \$900 million of Canadians' RRSP money, we've had a positive performance track record in every region we're in.

**The Vice-Chair (Mr. Massimo Pacetti):** What is your cash content?

**Mr. Murray Munro:** The cash content depends on the fund you're talking about, but it's usually in the portion of 40%, which is above the reserve requirement of 20%, and usually represents the successful divestments we've made. We've had two successful divestments in the last year for over \$176 million of cash. That cash stays in the fund until it's redeemed at the end of the eight-year cycle.

**The Vice-Chair (Mr. Massimo Pacetti):** In your presentation you mentioned at the outset that this didn't include Quebec. Have you no relationship with the labour-sponsored fund in Quebec?

**Mr. Murray Munro:** Do you mean the Solidarity Fund? No.

**The Vice-Chair (Mr. Massimo Pacetti):** Yes.

**Mr. Murray Munro:** It's run completely independently in that province.

**The Vice-Chair (Mr. Massimo Pacetti):** Are there no joint ventures with them?

**Mr. Murray Munro:** They have different rules in Quebec. They are able to invest a small percentage of capital outside the province of Quebec, and as a matter of fact, outside of Canada.

**The Vice-Chair (Mr. Massimo Pacetti):** How is your attraction rate in terms of small investors or small business? Are they able to access your funds, or is there a lot of paperwork involved?

**Mr. Murray Munro:** No. If someone, an entrepreneur, applies for funding from us.... Remember, we're not a lender; we're an equity investor. If we look at 100 business plans, on average, 90 would be reviewed and turned down within two weeks. And we try to do it in a manner that gives them another pathway. Of the remaining 10, we might fund two to three of those opportunities.

So of 100 deals we look at, we'd do 2% to 3%. The only security we have is the due diligence we do up front, because this is RRSP money from Canadians.

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

I have some other questions. I don't mean to cut you off.

Just quickly, Ms. Stiene, is there any way we can make money on what you're proposing? Can we generate some money? It's duty free. Duty free means tax free, so I'm trying to see what the benefit would be for government coffers.

**Ms. Susan Stiene:** Yes, the benefit for the government is that you are actually getting taxes from the 490 Canadians we've identified who will probably be hired to serve the public and—

**The Vice-Chair (Mr. Massimo Pacetti):** And the profit from the duty-free shops would be subject to tax in Canada.

**Ms. Susan Stiene:** Yes, it is subject to corporate tax.

**The Vice-Chair (Mr. Massimo Pacetti):** Mr. Ruel, just quickly, do you have a concrete example you can give us of what the government can do to help disabled people become employed? I've had a few people come into my office looking for jobs. You're not going to get a small business to adapt the company to hire somebody; let's face reality. But I think even the big guys have a bit of a problem. They're still struggling in trying to adapt the work atmosphere, if I can say that. I'm wondering how that's going.

**Mr. Albert Ruel:** Well, I think there are also a great many workplaces where very little, if any, adaptation is required. Personally, I believe there's a great deal of education to be done with the employer. There's a great deal of misunderstanding about disability.

**The Vice-Chair (Mr. Massimo Pacetti):** I agree with that, but I'm asking if resources should be put towards helping the employer or towards education.

**Mr. Albert Ruel:** I think there's a great deal of education to be done for the employer as well as a need for some help, as you say, in terms of some of the technology costs.

• (1040)

**The Vice-Chair (Mr. Massimo Pacetti):** Just quickly, last week somebody was advocating for refundability of the disability tax credit. Would that make a difference for some of your members?

**Mr. Albert Ruel:** Refundability of....

**The Vice-Chair (Mr. Massimo Pacetti):** It was refundability of the disability tax credit.

**Mr. Albert Ruel:** I guess I'm not clear on what that terms means.

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

The next question, for Anna, is about this magazine subscription. You're saying that you have about 41% Canadian content in magazines. That's the amount of the market you hold. Is that correct?

**Ms. Anna Tores:** Yes.

**The Vice-Chair (Mr. Massimo Pacetti):** So what is the ultimate goal? I was actually surprised that it was that high. Is there something you're aiming for?

**Ms. Anna Tores:** We want to have over 50%. We want Canadians reading Canadian products.

**The Vice-Chair (Mr. Massimo Pacetti):** How do you do that? Do we force them? We give it to them for homework and then...?

**Ms. Anna Tores:** That's right, everyone must read *Macleans*.

We make it available to them. I think one of the biggest barriers is the newsstand and the fact that there isn't a space for Canadian magazines to be visible. You often find Canadian magazines buried underneath 100 copies of *Vogue*. That's one of our opportunities—

**The Vice-Chair (Mr. Massimo Pacetti):** Are we competitive? Do people want to read Canadian content magazines? It's not American content magazines first.

**Ms. Anna Tores:** We are competitive, and I think we have the opportunity to be more competitive.

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

Just quickly, and this is going to be a little bit political, but Mr. Hackney, are you aware of the Liberal carbon budget and the proposal?

**Mr. Tom Hackney:** Not in detail, no.

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

Thank you to the witnesses. Again, I appreciate your input. It's very helpful for us in this process.

The meeting is suspended. Then we'll go to the next panel.

• (1040)

(Pause)

• (1050)

**The Vice-Chair (Mr. Massimo Pacetti):** We would like to start. Good morning.

Thank you to the witnesses for appearing. We have to apologize, because we've been scrambling a little bit. We had a bit of a problem trying to organize this from our end because some of the members got left behind, either because of snowstorms or because there's a budget bill being debated in the House. So some of the members were left behind.

Your testimony, your briefs, your memoirs are being recorded, so the transcript is actually going to be on record. So if anybody wants to look up what you're advocating for, we're going to have that on record.

Also, some of the members lost their luggage, so some of us are not properly dressed. We have to apologize for that as well.

If we can start, I'm going to allow you a five-minute opening commentary to present your brief, and then we're going to allow a portion of time for members to ask questions. So let's begin.

Mr. MacKinnon, you have five minutes, please. Go ahead.

**Mr. Gordon MacKinnon (As an Individual):** Thank you.



When you people are looking for the proper balance between the private sector being taxed and the citizen—the proper balance between the two—I think when you're evaluating that you have to look at what our needs are in terms of human and financial capital for the coming years. Because of the growth we anticipate, we're going to need large amounts of capital, and we'll also be facing extreme shortages of human capital. So there has to be a balance between what we're offering in terms of being able to reward capital while also offering rewards to human capital.

People are motivated a little differently from businesses. People will make a choice that is positive, perhaps at a little bit of discomfort and not necessarily in their own self-interest. They might choose altruistically. Because of the Canada Corporations Act, businesses are typically responsible to their shareholders to deliver the best returns and advocate those policies, so their decision process is based on the best results for their shareholders.

The challenge we have is creating a brand for Canada that's going to attract international capital that doesn't necessarily come at the lowest cost for taxation. There's a theory in business that you don't want the low-cost customer, the people who will go to shop across the street because it's a dollar less. Those people do not return; they do not invest in your commerce, so they're not the most valued customer. What you want to do is develop a customer who recognizes value-added that you're delivering, and court them, because their partnership is going to bring more value. They recognize the value they're investing for the value that is hidden.

Part of this process, I believe, is that if we start evaluating our capital investment decisions based with real options accounting strategies that recognize hidden value that's delivered through future flexibility, where a decision will be made based on not necessarily the best cashflow, but more that there's a future option that gives you flexibility, that's worth more than the underlying cost of securities. This is covered a bit in my brief.

Basically, what I would like to see is the opportunity to develop a brand for Canada where we are leveraging our ethics, our community, where we have high respect for the rule of law. We are reducing the risks for the investor by our very community, inasmuch as we have a great deal of political stability, fiscal stability and we're looking at a very prosperous future. That means we don't necessarily need to reward investors with lower taxation rates because we've already mitigated the risk.

In investment, there's risk and reward. If you're reducing the risk, you certainly don't necessarily have to sweeten the reward, because the balance works out.

So I think what we have to do is work on developing our communities through a lot of investment in the communities, but also looking at shifting to consumption-based taxation; from personal income tax to consumption-based taxation.

The idea of this would be perhaps an idea of an ecological cost-of-ownership tax, which would replace the GST and would allow people to factor in the ecological cost of their purchase—have it broken out with labelling or whatever—so that you know that there's an energy component that was in the tax on this item, and you can make a more responsible choice at the till. At the same time, we'd

shift the taxation from income tax to consumption taxation, so we can direct individual decisions and corporate decisions toward better ecological choices.

We could even integrate with the ecological cost-of-ownership tax, things such as the levies we now have in British Columbia for the disposal of goods that you purchase, because you are buying something for its life cycle and it also ends up in landfill or needs to be remediated in some way. These costs also need to be covered.

I guess that's more or less all for now.

• (1055)

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

From the Capital Unitarian Universalist Congregation, Ms. MacDonald.

**Ms. Jackie MacDonald (Member, Social Responsibility Committee, Capital Unitarian Universalist Congregation):** Hello. My name is Jackie MacDonald. I'm from the social responsibility committee of the Capital Unitarian Universalist Congregation in Victoria.

I would like to thank the chair and all the members of the Standing Committee on Finance for this opportunity to address you.

The points that follow are highlights from our written submission.

The criteria that should guide changes to government revenue should be fairness, ability to pay, environmental sustainability, and social impacts. Future tax policy based on these criteria will do more to create prosperity than the current tax policy, which has not addressed the growing gap between the rich and the poor.

Studies by the Organisation for Economic Co-operation and Development, the OECD, show that prosperity is achieved by providing adequate income, housing, health care, education, and other infrastructure. Federal tax cuts in recent decades have created negative impacts in all of these areas.

We believe that corporate taxation should be based on activity in Canada, particularly with respect to multinationals, to prevent the shifting of tax responsibility to other countries or jurisdictions that may have lower rates. If you assume that corporations are ultimately owned by individuals, then they have a responsibility to contribute to the economic, social, and environmental objectives of Canada and should not be able to delay this indefinitely by sheltering income within a corporation.

Grants or subsidies should be based on assessments of a corporation's environmental and social impact, as well as its economic impact, as is the case with the environmental assessments that are currently required for major capital projects. This would eliminate subsidies to the fossil fuel sector and would provide more tax dollars for such appropriate uses as renewable energy.

The level of corporate taxation should not be based on what is competitive with other countries if this means that an inappropriate contribution is made toward Canada's environmental, social, and economic objectives; Canadian society should not be driven to the lowest common denominator of other jurisdictions. A fair level of taxation should be based on the economic, social, and environmental policies agreed to by the electorate through genuine consultation. To that end, tax cuts should not be used as a vote-buying mechanism when there is obvious need, based on consultation.

Accounting rules should be changed so that all financial statements include a triple bottom line; in other words, if a corporation had a negative environmental or social impact, they would pay more tax.

In addition, we believe in creating a carbon tax in order to encourage the reduction of greenhouse gases. One way or another, the true cost of goods and services needs to be reflected in their price. Failing to implement a system with true costs will delay the changes needed to avoid disastrous climate change until it is too late.

This is an urgent challenge that demands immediate action. We need leaders who have the courage to step up, who care for their children's future more than short-term economic growth or the next election. We can't afford to wait for others to lead the way; we must lead the way. What legacy will you leave? How will you be remembered?

I deeply appreciate the opportunity to make this presentation. Thank you for listening.

• (1100)

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

Next is Mr. Jim Hackler, from the First Unitarian Church of Victoria.

**Mr. Jim Hackler (Chair, Justice Subcommittee of the Social Responsibility Committee, First Unitarian Church of Victoria):** I'm Jim Hackler, from the social responsibility committee of the First Unitarian Church of Victoria. I had no idea that Mrs. MacDonald would be presenting today. This is strictly a coincidence.

We are concerned that politicians tend to be very apologetic about taxes, as if they are somehow things we should not be using and that it's much better to give income back to people so they can buy stuff. In western civilization in recent years we've seen that things that really matter to quality of life have largely come from the use of tax moneys to do something for the community—public libraries being an excellent illustration.

We don't find that private enterprise necessarily deals with some of these issues. We rather regret this tendency to seduce voters by giving money back to them instead of using it in a constructive manner.

Let me try to deal with the issue. We talk about how we collect taxes. We don't collect taxes haphazardly; we have a reason for it. We tie those taxes to the goal we're trying to achieve. You develop pension plans on the basis that people who are working can prepare for their pensions. You don't go out and decide on these taxes independently.

With respect to the public transportation issue, we have the dilemma that most people drive cars. They want to pay very few taxes. They want to have cheap gas and big highways with nobody on them. Everybody else can ride bicycles and use public transportation. That's unsustainable, of course.

Hopefully, intelligent political leaders will try to convince the majority of these people who drive cars that they can't continue to be subsidized as they are now. They have to help in subsidizing cost-efficient things like rail traffic, which we know is much more efficient than other forms of transportation. Somehow you have to divert funds from those people who want to drive their cars to a public transportation system that is efficient. How that is done requires leadership rather than followership.

Let me go to one other specific illustration on how one might change things at the corporate level. Obviously corporate lobbies will play an important role in government. How do you resist that? We saw an illustration from the Toronto Stock Exchange a number of years ago where they resisted providing information to shareholders. Finally they gave in and the corporate salaries were revealed, as the New York Stock Exchange had done.

There are other steps. For example, we have an unlimited amount of salary dollars for CEOs that can be written off as expenses. A rational policy might limit corporation expenses to a salary for a CEO that is, say, 20 times the median salary paid to the rest of the people in the corporation. About \$1 million or so should keep the wolf from the door for some of these people. Beyond that it should be money taken directly from shareholders. Then shareholders might say, do I really want this to continue?

In other words, a modest change in the way we tax corporations might bring about some long-range gains. What I'm basically saying is similar to what my colleagues have said. The social good should be weighed.

Applying taxes to the public is not going to be a straightforward process; it's going to be manipulative, opportunistic, what have you. There will be double taxation. When corporations complain about it, they're just joining the crowd. Double taxation is going to be part of the game. We're going to have opportunistic taxation. We can live with that, but how do you do that in such a way that you get a decent social payoff?

• (1105)

At the present time, we are giving in to a variety of pressures, rather than having social good being the highest goal.

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

From the Greater Victoria Chamber of Commerce, we have Madame Renault.

**Ms. Shannon Renault (Manager, Policy Development and Communications, Greater Victoria Chamber of Commerce):** Good morning. My name is Shannon Renault from the Greater Victoria Chamber of Commerce. I thank you for this opportunity to present today.

Since 2000, the Government of Canada has introduced a number of tax changes that have been designed to place the country in a more competitive position and to lessen the tax burden on individuals. Significant as these achievements have been, at the chamber we believe we can do more.

Going forward, we believe the federal government should focus efforts on three fronts: first, encourage more active investment in the Canadian business economy; second, focus on the issue of labour attraction and retention; and third, invest in finding solutions to social problems that impact business and our communities.

In regard to encouraging investment, the recent announcement in October from Minister Flaherty about a reduction in corporate and small business taxes certainly will have a positive impact on the ability of companies to invest in productivity. Another important step that would encourage further investment would be a significant change in the taxation of capital gains, as promised in the 2006 Conservative election campaign. The elimination of capital gains tax for individuals on the sale of assets, wherein the proceeds are reinvested within six months, would encourage more active investment in our economy. That tax-exempt rollover of capital gains should be introduced in the next fiscal year.

Secondly, consideration needs to be given to including gains from the ownership of real property in capital gains exemptions. A good number of Canadians have investments in varying sizes in real property; however, these investments would not currently qualify for the capital gains deferrals. Investments in real property lack liquidity and portability, and the immediate application of capital gains makes it difficult for investors to grow their real property investments. As a result, and I'm sure I'll be supported by the real estate board on this, investments are locked in, and real property owners do not turn over their assets and have a more active participation in generating wealth in the economy. In addition, because owners are faced with a financial disincentive to maintain the overall quality of both commercial and residential investment properties, unfortunately, the unintended result of some of this is urban decay.

As to labour attraction and retention, the Greater Victoria Chamber supports the need for Canada to be more tax competitive with our U.S. neighbours. This is on a personal level, not a corporate one. Notwithstanding differences in our social service systems, the disparity in our respective levels of personal taxation are such that some of our professional and high-wage earners can be lured away to attractive opportunities in the U.S., where they personally benefit from significantly lower taxation. This is especially true of those in the top marginal tax bracket, which in Canada is 8% higher than in the U.S. In addition, the threshold at which the top marginal rate kicks in is much lower in Canada than south of the border. These two things together make Canada appear to be a less competitive market on an individual basis for our best and brightest.

Also, to become more competitive in the shrinking global labour market, it's advisable for the federal government to develop innovative tax policies focused not only on attracting skilled foreign immigrants but also on luring Canadians back to Canada—so those talented expatriates as well. Some suggestions might include introducing a tax incentive for individuals in targeted skills areas for which there is a particularly high need across the country. You might consider something not unlike municipal tax holidays, which

are designed to encourage particular types of development in the cities. You could consider also federal tax holidays to attract back expatriates in specifically skills-short areas in Canada.

Also, we would suggest a tax credit for small and medium-sized enterprises for employing co-op students in positions that have the potential to grow into full-time employment. It has been well documented that co-op placements are a hugely useful way to anchor students to the places from which they take their education. Many small businesses and medium-sized enterprises don't participate in co-op placements because it's not in their budget to do so, and certainly a tax credit would assist in that.

Last, but certainly not least, the Government of Canada needs to take a far more aggressive lead in solving the problems of chronic homelessness across our country. Through the commitment of \$256 million to the housing partnership initiative, we see the government is mindful of the homeless problem in Canada; however, the funding allocation is insufficient to deal with the size of the problem. By comparison, the U.S. government invests 3.6 times per capita what the Canadian government does on results-oriented homelessness initiatives. In the U.S., the numbers of homeless are decreasing; in Canada, the numbers of homeless are growing.

• (1110)

Businesses across the country, those that are on the front lines of our urban landscapes, are languishing each morning as they clean up the human mess that results from the problem that is being ill-handled and continues to grow. I might illustrate that you need only go a short walk from this hotel to see that for yourself. In this time of record government surplus, it is absolutely necessary for the federal government to apply a focused effort to reducing homelessness across Canada, and in doing so improve the business environment for thousands of Canadian companies.

So in conclusion, and to sum up our recommendations, the Greater Victoria Chamber of Commerce would recommend introducing the capital gains rollover and including the gains from real property in the group of qualifying assets; reducing income tax levels on the highest tax bracket and increasing that bracket's threshold; introducing a variety of tax incentives to attract workers in targeted areas of skill shortages and to retain our students with Canadian companies; and investing far more aggressively in a results-oriented strategy to reduce chronic homelessness across the country.

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

From Heritage BC, Mr. Goodacre.

**Mr. Rick Goodacre (Executive Director, Heritage BC):** My name is Rick Goodacre. I'm the executive director with Heritage BC. Heritage BC is a non-profit provincial umbrella society that represents about 165 member organizations around the province.

Thank you, Mr. Chairman and members of the committee, for the opportunity to speak this morning.

Before getting into my presentation, and to put it into context of current discussions about sustainability and global climate change, I would like to note that the greenest building is the one that's already built.

In our brief submitted in August we spoke to one principal issue, the national historic places initiative, and I will this morning use my time to speak about this one issue again.

In its written invitations to Canadians to make their views known, the committee specifically identified tax policy, asking what changes to the current tax system might be beneficial. I will be talking about such a measure this morning.

Before doing that, I would like to give the committee a little background on the essential nature of heritage conservation, which I think would be some useful context.

Canada has many heritage buildings and historic places that we value as part of the fabric of our society. There are an estimated 20,000 such places that have some official designation or identification across the country. While some heritage buildings are publicly owned, most are in private hands, and while a few have been set aside and protected as unique artifacts of Canadian history, the great majority have not. In fact, like people, buildings have to work to make a living, and heritage buildings are no exception.

A heritage building, if it is to survive, must have a useful function, and this means there must be routine maintenance and sometimes significant investment and rehabilitation when that function must be updated or changed altogether. For many of our heritage buildings, we rely on the private sector to develop an industry to make these investments to keep the building working and to find new uses when required, but the public also has an interest in these resources. We value the buildings for their heritage character, the qualities they bring to our historic downtowns—and I refer you to downtown Victoria, just across the bridge here—their appeal for tourists, and their opportunities for business and housing.

We want to see them used and reused. We don't want to see them demolished and put in the landfill. We don't want to see the embodied energy in these buildings wasted and we don't want to lose more of our history.

The reality of heritage conservation is therefore a complex relationship and partnership between the private and the public sectors. The private sector provides the initiative and takes many of the risks. The public sector provides the planning and developing context but must also share in the investment if we expect heritage conservation to happen.

There are many excellent programs at the local government level; nonetheless, many of our heritage buildings remain underutilized—derelict, even—and facing demolition. In response to a scenario of continuing losses of our heritage, in 2001 the federal government launched the historic places initiative, or HPI. The HPI has been a national rather than a federal effort, involving all provinces and territories in an exceptional degree of accord that reflects the unanimous agreement that this is something worth doing.

A basic federal commitment from the outset that was fundamental to building this national accord was to bring the federal government

into the heritage conservation business at the street level in cities and communities across Canada by becoming a participant in the business of heritage rehabilitation. The historic places initiative over the next two years laid the groundwork. The historic places branch was created, a national register of historic places was established, standards and guidelines for historic conservation were published by the federal government, and a network of project certification agents was set up to deal with project inspection and approval.

The next step was to launch the Commercial Heritage Properties Incentive Fund in the 2003 federal budget. This \$30 million program, providing grants of up to \$1 million to private development projects involving recognized heritage buildings, was confirmed at the outset by then Minister of Finance John Manley to be a pilot for a much anticipated federal tax incentive to attract investment in the rehabilitation of heritage buildings.

Although a number of projects were supported by this program, it was wound up early, a year ago. To date we've heard nothing more from the federal government about a tax incentive program for heritage buildings or any similar measures.

• (1115)

Canada needs a federal tax incentive for our irreplaceable stock of heritage buildings. All of the basic elements are in place. The preliminary milestones have been passed. The research has been done. The departments of environment and finance have been talking about this for several years. The pilot project has been completed, and it's now time to act.

Thank you.

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

From the Housing Affordability Partnership, Mr. Mitchell James.

**Mr. James Mitchell (Executive Director, Housing Affordability Partnership):** Good morning.

I would like to thank the committee for this opportunity to bring our recommendations forward.

The recommendations in this presentation are related to the challenges and needs within the housing sector. In the capital region of B.C., the need for affordable housing is increasing. The present housing environment prevents households at or below the median income level from achieving home ownership. The market forces are such that we have the lowest vacancy rate in the country, and one of the corresponding results is a homelessness count in Victoria alone of over 1,500 persons.

I would like to stress a few key points from our written submission and update some information using the report published by the City of Victoria entitled "Mayor's Task Force on Breaking the Cycle of Mental Illness, Addictions and Homelessness". This report was released on October 19, 2007.

The average house price reported by the Victoria Real Estate Board for a single family home sold on the MLS system for October 2007 was \$556,222, and the vacancy rate for rental apartments remains below 1%. This extremely tight housing market burdens the low- to moderate-income earners with additional hardship as they seek safe, affordable places to live.

The situation can most easily be seen when we look at the challenges faced by individuals who are homeless and living on the streets of Victoria. The mayor's task force states that homeless residents consume an inordinate amount of the social services provided due to their continued movement through the service system without obtaining the help they need. These costs can be reduced and homelessness can be eradicated through the provision of permanent supportive housing. Providing housing for homeless people is the essential foundation for a successful response to homelessness. It is estimated that there are now approximately 1,500 homeless people in the greater Victoria area. The task force is recommending that a minimum of 1,550 units of housing be built or secured in the next five years.

Although 1,550 units would make a substantial impact, they may still not provide a home for every homeless resident who needs one. The Housing Affordability Partnership, or HAP, is a unique public-private, not-for-profit group working together to address housing affordability concerns and raise awareness of emerging housing issues and opportunities in the capital region of B.C. HAP is a volunteer working partnership with representation from industry-related profit and non-profit sectors. We have recently supported and participated in the development and establishment of a regional housing trust fund to initiate the production of affordable housing, and since the establishment of the RHTE, we have seen the establishment of similar housing trust funds set up by the City of Victoria and the City of Langford. The partnership has also been involved in the development and adoption of a regional housing affordability strategy that details a region-wide framework that supports the development of affordable housing projects.

While these housing initiatives are successful and very much needed, the housing crisis cannot be adequately addressed without the private sector's developing purpose-built rental housing. This has not happened in our community for 25 years. To encourage the needed private sector development, we must remove the impediments in the federal tax structure. We must also face the fact that some 3.1 million apartments in Canada are over 30 years of age, and we are losing them to demolition or conversion by the tens of thousands per year, far exceeding the number of apartments being built. It is critical that this imbalance be addressed as quickly as possible to ensure that workers are able to afford to live in the area in which they are working.

The Housing Affordability Partnership would like to compliment our local RECO, the CHBA, ROMS BC, our Victoria Real Estate Board, as well as the rest of the partners who created the report "Why Isn't Rental Housing Being Built?" Their recommendations provided the framework for our written submission.

A few key recommendations that we strongly encourage the committee to consider are to allow the rollover of capital gains should an owner wish to sell a rental building and either buy or build a new one; rebate 100% of the GST, as is the case with other multi-unit buildings; have the same taxation rules apply to the construction and operation of rental apartment buildings as are applied to condos, hotels, and warehouses; allow landlords to apply capital cost deductions at a rate that will foster significant reinvestment in upgrading and maintaining the existing 3.1 million apartments in Canada; and apply a flat taxation rate of 15% on all revenues

generated from secondary suites, rather than the application of standard taxation practices.

● (1120)

Our written submission has more substantial recommendations in it as well.

The Housing Affordability Partnership also stands with the Greater Victoria Chamber of Commerce, which issued a press release on October 30 that called for a more significant contribution from the Government of Canada in solving our national homelessness problem.

The chamber is also encouraging the federal government to invest more in the national housing first strategy. The federal government should immediately increase its level of funding support for affordable housing to levels experienced between 1985 and 1990.

Quality affordable housing is a cornerstone to developing healthy, economically vibrant communities across Canada. Canada is desperately in need of an affordable housing strategy. Affordable housing and homelessness have reached crisis proportions in our urban, rural, and remote communities.

We need Canada's federal government to help address these issues through additional direct funding support and significant tax changes that will empower local communities and entrepreneurs to respond effectively and quickly.

Thank you very much.

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

We'll go to seven-minute rounds.

I will remind the witnesses that the members have seven minutes for the questions and the answers, so if you would keep your answers to a brief intervention, I think it would help the debate.

Mr. Dhaliwal, seven minutes.

**Mr. Sukh Dhaliwal:** Thank you, Mr. Chair.

My first question goes to Mr. MacKinnon.

You have talked about consumption taxation. Would you like to comment on this GST cut? How could we have handled it better? When I look at this, the incentive goes directly to the taxpayer, even though it does not make a big difference in the pockets of people who are spending about \$40,000 a year, but that's one person....

Could you elaborate on this issue?

● (1125)

**Mr. Gordon MacKinnon:** First, look at it from the standpoint of the economic burden on a business. I run a business. I have to file my GST input credits and returns. I'm doing the same amount of work to file for 5% as 7%.

That means, similarly I would presume—this is pure conjecture—the Department of Finance is going to have overhead costs in a similar range. So, in effect, by reducing the GST from 7% to 5%, they have effectively reduced the efficiency of the collection, which is not necessarily the best signal, I would think, to send businesses about improving productivity when the department is heading in the opposite direction itself.

Second, there is quite a bit of evidence from the OECD, from the Department of Finance—I gathered this information from a report of the Fraser Institute about the effectiveness of various revenue-neutral forms of taxation—and consistently, consumption taxation was one of the most effective forms of economic stimulation and economic benefits derived from that form of taxation.

It seems to me if you have a revenue-neutral situation, you have more personal income with reduced personal income tax, and then you have the choice of spending on consumption or investing and reinvesting in our economy. So there's the added benefit to that.

I'm not an economist, so I can't break down all the benefits that were identified in those studies, but that's my point of view.

**Mr. Sukh Dhaliwal:** How would it help the low- or middle-income families, because I see most of the panel here as socially responsible? How could it help those families?

**Mr. Gordon MacKinnon:** That's certainly the challenge, because I don't know how the GST rebate as currently structured, that comes to people on a quarterly basis, is necessarily going to address the inequities in income if you have to wait every quarter to get the money to pay the additional taxes you might be paying on your consumption. That's a bit of an economic hardship, and there is a challenge in identifying a better way of targeting some equalization strategies for the economically disadvantaged.

Similarly, if we were to go to a concept of an ecological cost of ownership tax, there would also be an issue of how to develop strategies to lessen the burden on economically sensitive businesses.

**Mr. Sukh Dhaliwal:** You have also covered the direct funding for major centres. Do you mean the cities and communities?

**Mr. Gordon MacKinnon:** Yes. I often think when you have direct funding at a municipal level there is a lot more input. It's community based, and the needs of each community are a little bit different. So it's difficult to have a national strategy and say how we're going to do this when each community has different priorities and different requirements. And unfortunately they're limited in their means of generating revenues.

Unfortunately, the other problem is constitutional issues. Municipalities are not a federal responsibility, so it requires a great deal of cooperation with the provinces on this matter as well.

**Mr. Sukh Dhaliwal:** So you're acting with the large city mayors to have much more control and direct funding for their communities.

**Mr. Gordon MacKinnon:** I think that would be more effective. As I said, it's on the ground at the municipal level where you have.... We don't have a homogenous country. There are different issues here in Victoria than there might be in Toronto, Montreal, or Halifax.

**Mr. Sukh Dhaliwal:** Ms. MacDonald, you talk about a carbon tax. The deputy leader for the Liberals talked about bringing in a carbon tax as well. Could you elaborate more on how it would help? Can you give us the pros and cons on that for the economy?

**Ms. Jackie MacDonald:** I guess it depends on how it's structured. I know there are two different ways of structuring it. One is based on international energy and one is based on domestic energy. From what I've read, it appears that if you structure a carbon tax based on domestic energy, it's more effective.

There would be disadvantages, as this gentleman said, to low-income people, because consumption taxes affect them more than income taxes. There would have to be something for them so they weren't overly disadvantaged by that.

Sorry, what was the other question?

• (1130)

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

Mr. St-Cyr, just to help everybody out, do you have translators?

[Translation]

Let us see if it works in French. Perfect.

Go ahead, Mr. Saint-Cyr.

**Mr. Thierry St-Cyr:** Thank you very much for being here.

My first question is for a Mrs. Renault. I wonder if you speak French, with such a pretty name. I guess not.

[English]

**Ms. Shannon Renault:** Sorry, I don't.

[Translation]

**Mr. Thierry St-Cyr:** I will have better luck next time.

You have made two recommendations relating to income tax. The first is to reduce the rate of income tax, especially for low income workers as well as for middle and high income people. So, there is nothing specific there, you just want a general income tax reduction.

However, your second recommendation is to raise the bottom of the highest income tax bracket from \$150,000 to \$200,000. I must admit that there has been a long debate within the Standing Committee on Finance to know if we should be more in favour of a general tax-cut then a targeted cut for lower income people but this is the first time that someone wants a tax cut for the highest incomes, especially since tax cuts are always more beneficial to the richest among us. If we lower the first bracket, all taxpayers benefit from it, even those who are in the highest brackets. However, if we cut only for the highest bracket, nobody else gets any benefit.

I suppose you are aware that this would be somewhat difficult to sell in our ridings and I would like you to tell us how many taxpayers they are in Canada earning between \$150,000 to \$200,000, apart from the 308 MPs in Ottawa.

[English]

**Ms. Shannon Renault:** Actually, there are a couple of things there.

To answer your immediate latter question, I don't know the number of Canadians who are in that actual tax bracket.

But if you don't mind, I'd like to correct something you said. We are aware that there have already been tax reductions introduced for those in the lowest tax bracket. They were just announced recently by Minister Flaherty and will be retroactive to January 1, 2007, this year. The announcement made in October will actually remove somewhere in the order of 385,000 to 400,000 Canadians from the federal income tax rolls altogether. That is something we had been advocating for ourselves at the chamber of commerce, and it was certainly being advocated for by the national chamber of commerce. That's a tick in the box already. We're happy with that one.

However, this particular personal tax deduction that I spoke of today was presented in the light of labour market attraction and retention. Some of the most highly skilled professionals and workers in different categories are up in that tax bracket. So these are your highly skilled technical people, professionals, people who have a lot of choice in terms of where they're going to sell their labour. We don't need to tell anybody in this room how competitive the labour market is, not only between Canada and the U.S., but globally. So while it might not be emotionally palatable to say that people who make a lot of money should get a better tax break, it's logical that when you're finishing your education and you've invested the amount of money that you need to invest to be able to market yourself to those positions, you have a lot of expenses, and you're going to personally be marketing your skills to the area where you're going to be saving most of your money, and right now that's the U.S.

[Translation]

**Mr. Thierry St-Cyr:** I would like to conclude with two comments. Most of those studies has been funded by society in general, which means that they have been funded also by the middle class and classes at the lowest levels.

On the other hand, I would like to remind you of my first comment. Income tax reductions for the poorest people do not exist. When there is an income tax cut for the lowest income people, all taxpayers benefit from it. One cannot say that taxpayers in the highest classes did not benefit from previous cuts. Each time the minimum level of taxation is raised, all taxpayers get a tax cut, highest incomes included. Here, you're talking about eight cups aimed at the eight-day limited number of taxpayers. To my mind, very few people earn \$150,000 or more.

Since I have very little time, I want to ask you another question on another issue where we might be more of a mind. It is on the manufacturing sector. The present difficulties of the manufacturing sector has been mentioned frequently in this committee, especially those caused by the increase in value of the Canadian dollar, the cost of energy, and so on. The Bloc Québécois was a suggesting, in particular, to make the research and development credit refundable and to allow for accelerated depreciation of the machinery and equipment purchases, of investments in businesses. Those are two measures that would cost very little since they consist of deferring taxes in the future but they would provide more cash to companies during this time of crisis.

Do you believe that those two measures could be helpful to the manufacturing sector of British Columbia?

• (1135)

[English]

**Ms. Shannon Renault:** Yes, we're certainly in support of that. It's something that has also been talked about at the Canadian Chamber of Commerce. It's just not the piece we chose to focus on at this presentation.

[Translation]

**Mr. Thierry St-Cyr:** Very well.

I have a brief question for Mr. James which does not necessarily relate to the federal government. It is more for my own information. In my riding of Montreal, a new standard is slowly being implemented for new developments. With this standard, 30% of new units would have to be affordable units in major developments, even in high-end ones.

Does that exist in British Columbia?

[English]

**Mr. James Mitchell:** There is one municipality within the Capital Regional District, which has 13 municipalities, that actually has the requirement that new developments have to have 30% affordable housing.

[Translation]

**The Vice-Chair (Mr. Massimo Pacetti):** Thank you, Mr. St-Cyr.

Your turn, Ms. Savoie.

[English]

**Ms. Denise Savoie:** Merci.

Thank you all very much for your presentations. They were really interesting and stimulating.

I think despite the differences in perspective, in some cases you all seemed to say the tax system should be attentive to the social outcomes. So I have a couple of questions to some of you, but I'll start with you, Shannon.

Certainly, you've advocated for tax cuts. My colleague here has just pointed out that you made the unusual recommendation of suggesting tax cuts for the highest bracket. Given that the taxes we have are a finite pool, how would you balance the need to provide the kinds of tax cuts the government is providing—I think it was \$14.8 billion in corporate tax cuts—with little attention to the social outcomes?

We've just heard this morning, what was it, \$550,000-some for the average house in Victoria. We know the problem we're having with affordability. I'm just wondering, how do you balance that?

Obviously, there's a balance issue, and the government needs to pay attention. I wonder if you could comment on it.

**Ms. Shannon Renault:** Keeping within the context of the priorities we presented, if I were to combine the recommendation regarding the tax cuts to the highest income bracket with a recommendation regarding increased investments for homelessness initiatives, that might sound like a cost to the federal government all the way around.

Quite frankly, the recommendation regarding the income tax decreases, as your colleague so rightfully pointed out, doesn't necessarily target a large group of Canadians. However, it does target a group of Canadians we want to maintain in Canada in our own workforce, doing our research development and all the other highly skilled jobs we need to have done in our own country. The cost to government on that measure is, frankly, not significant, but it improves the competitive platform in terms of labour market attraction and retention.

On the other hand, keeping within the context of those priorities we presented, investing more on the part of the federal government in initiatives that address homelessness clearly has a multiplying effect in terms of cost savings in other parts of government expenditures, be it in policing costs, judicial costs across the country, and health care, most significantly, which has a significant contribution, as you all know, from the federal government. Contributions from the federal government will go a heck of a lot further if costs are not being absorbed at any exorbitant rate by the increasing number of the homeless.

The recommendations need to be looked at in terms of the whole compendium of what costs and to what advantage and what savings and to what advantage. Certainly, in the ones we've put forward, I think the tax costs, if you will, compared to the tax savings, are like this.

• (1140)

**Ms. Denise Savoie:** Thank you.

From all the studies I've read, quality of life is a big factor in attracting and retaining people, so the issue of homelessness is a big one that needs to be addressed to reduce some of the risks for business, not to mention the humanitarian aspect of providing housing.

I want to go back to the issue, not just of homelessness but of affordability, in terms of what the government can do. You've made a number of recommendations. I wonder if you could elaborate on them.

Ms. Renault referred to the capital gains rollover, and you've made it a little more specific, Mr. Mitchell. I think you talked about applying the gains rollover specifically to real property. Is that something you think would be preferential to the broad, just plain capital gains rollover?

**Mr. James Mitchell:** I wouldn't like to say it would be preferential; I'd like to say having it as a component would be sufficient. It's very important that—

**Ms. Denise Savoie:** That in itself would be sufficient, just to be clear on your answer.

**Mr. James Mitchell:** I would like to see the capital gains rollover on real property, yes.

**Ms. Denise Savoie:** Okay, thank you.

You mentioned allowing "landlords to apply capital cost deductions at a rate that will foster significant reinvestment in upgrading and maintaining", and I gather that's for rental property. Would you see that measure linked to maintaining affordable rents in any way, and how could you do that?

**Mr. James Mitchell:** I think that's a great idea. Yes, I certainly can see them being linked together. How that would actually happen, at this point I have no idea.

**Ms. Denise Savoie:** I would like to address a question to Mr. Goodacre as well.

I know from my former role as a city councillor that we worked very hard on heritage tax incentive programs. And like Vancouver, we counted on the senior levels of government to come to the table. What types of problems are resulting from the federal government's absence basically in this area? I remember some specific examples that we faced in Victoria. But in a more general way, can you discuss that?

**Mr. Rick Goodacre:** Certainly. In Victoria, in June of this year, a consulting report commissioned by the city pointed out that while the city's tax incentive program and its grants program had been working very well, the gap between a project that is a go and a no-go is widening because the cost of purchase of properties is going up. While buildings may have second and third and fourth storeys empty, the retail level on the street is still going pretty well. That means that the purchase price of property is high. And of course we all know that the cost of construction is skyrocketing. So the developer is facing greater and greater expenses. The city is trying to meet that shortfall on these projects on its own.

At the same time, this past summer, with the City of Vancouver, a staff report to city council pointed out that with the incentive program it brought into place in 2003, the city has invested over \$91 million through tax incentives, grants, and measures like density bonusing and transfer, which have attracted over \$400 million in investments in Gastown, Chinatown, and the East Hastings quarter—some pretty tough real estate.

That program now is strained to the point that they're having to put more and more density in terms of bonuses into a project to make them go. The city has agreed on a stack of recommendations to put that program in suspension while it looks again at its density transfer approach and whether or not it's creating too much density. That means that all development is on hold right now. There are developers with buildings ready to go with money financed already that are just now brought to a halt.

The first reeve report—

• (1145)

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

Mr. Dykstra, for seven minutes.

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

It's interesting to see the comparison between the chamber's view on the initiative of homelessness and yours, Mr. Mitchell, in terms of presenting your proposal, or at least your request.

I have a couple of questions for both of you. I'm not going to pick one or the other. I just want to say a couple of things and then get your thoughts.



There's the issue of investments and expenditures that the federal government would make in this area to hopefully alleviate homelessness and obviously move in a direction that gets us into that position. I look at the numbers. The minister actually just announced another \$79 million to create more than 1,100 affordable new housing units in Ontario. I look at \$1.4 billion in new funds for the creation of affordable housing. This is on top of \$2 billion that our government will spend through the year, through the Canada Mortgage and Housing Corporation, in support of some 630,000 low-income residents. And I also look at the 2006 budget, which allocated \$800 million for additional investments in housing. Specifically, British Columbia would receive \$106 million in general for that, and for off-reserve aboriginal housing there's an additional almost \$51 million.

I don't throw these numbers out here to try to impress everyone and say the problem is gone. It obviously isn't. We're dealing with it. You mentioned, Ms. Renault, that there's obviously an issue that Victoria is dealing with just a couple of blocks away from this hotel. But the reason I bring it up is that it would seem to me that there has been a substantial amount of investment into this, and there has certainly been, from a federal government perspective, a continuing will to try to alleviate homelessness.

I didn't necessarily hear anything specific, Ms. Renault, in terms of trying to address the issue.

I wondered if both of you could comment on a need for an understanding of where each of the provinces needs to go—and I obviously speak specifically of British Columbia because we're here—in trying to address this. In your comments, you both addressed issues from a very local perspective, but obviously the federal government deals with things on a broader basis than having to get assistance from the municipalities and from the provinces in order to deal with it.

I'd just like to get at a couple of things that we could include specifically that would address.... I know money is always an issue, but I'm not so sure that all of those recommendations have to include more money. Maybe we just need to spend some of this money a lot more wisely.

**Ms. Shannon Renault:** I could make a bit more of an elaboration on that.

I don't address this locally. I give a local example and invite you to take a walk, but this certainly is not a local issue. This is an issue clear across the country, as everybody knows, and it is something that has been supported by the Canadian Chamber of Commerce. We presented this as a policy initiative in September, and save for the "no" vote of I think two members out of 296, it was supported by chambers across the country, because every city and town, large and small, is seeing an increase in their own community. So I don't address this as a local issue by any means.

**Mr. Rick Dykstra:** I didn't mean to infer that.

**Ms. Shannon Renault:** Yes, the federal government is spending money. I also don't mean to say they're not. In April, the minister responsible did announce \$256 million specifically for the housing partnership initiative, which is a portion of the housing strategy.

I think it's useful to take a look at what percentage of the funding allocation is actually going into capital costs, at how many units are actually being created. You can take an example of where we're having a place open up in Victoria with 45 beds for the absolutely homeless. In actuality, that's only an increase of 16, because it's a rebuild on a place that was smaller. In really looking at those numbers, how much is each one of these units costing us? Maybe there's a more effective way of doing it. And what percentage of the housing partnership initiative funding is going toward programming, as compared to actually putting units in the ground?

Again, I know it's really complex and that there is a lot of overlap and interplay between the provinces and the municipalities. We have examples in the province of B.C. where there's federal money and there's provincial money on the plate, and the municipalities are saying, "Not in my backyard". Maybe there needs to be a contingency attached to the money that's given by the federal government, so that it has to go to places where there is zoning in place.

In some ways, I do think there is some evaluation to be made of the efficacy of how the money is spent, but I cannot get away from stressing that, in comparison to our neighbours south of the border, we just don't have a big enough plate on the table.

• (1150)

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

I have one minute. I did want to ask Mr. Goodacre a question, but I'll have to do that afterwards.

Go ahead, Mr. Mitchell.

**Mr. James Mitchell:** I agree with everything Ms. Renault has said. We do acknowledge that the federal government has put money in place to address issues of homelessness. A lot of that is actually being funnelled through public projects—some places are being built; they're providing services. What we're trying to encourage is more apartments to be built by the private sector. We cannot meet the need with just publicly funded units. We need to have the private sector building apartments, and we need to increase the incentives so that they'll actually build rental apartment buildings rather than condos.

As an example, here in Victoria, numbers from CMHC show us that the cost for building a rental apartment per door is three times as much as building a condo. So the private developers in the city who get the land are building condos, which is taking a lot of units out of the market. If we could change the tax structure so that we could get more private developments going, then we can increase the number of apartment units in Victoria and keep the prices down.

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

I have a quick question.

I think everybody was shocked to see that you had affordable housing in your brief, Ms. Renault, from some of the questions you got. In terms of practicality, do you work with Mr. Mitchell's organization, seeing that as you were speaking, Mr. Mitchell was agreeing with some of the things you were saying? If you were to present a joint brief or a joint statement, wouldn't that help your cause?

**Ms. Shannon Renault:** The chamber doesn't sit on the Housing Affordability Partnership, but we're certainly well aware of it, and we often consult on our positions on submissions that concern housing. So, no, formally, not together—

**The Vice-Chair (Mr. Massimo Pacetti):** But if you were to, would there be a problem with that? We see this issue across the country. It doesn't just pertain to Victoria. I mean, we have the problem everywhere.

**Ms. Shannon Renault:** No, there would not philosophically be a problem with that.

**The Vice-Chair (Mr. Massimo Pacetti):** Mr. Mitchell.

**Mr. James Mitchell:** No, it would not be a problem from our side. I would see this more as a recent convergence of interests that many organizations in Victoria, through efforts of many groups, are now seeing the issues of homelessness and housing and affordable housing in a similar way. The community is starting to come together, and you're going to find a number of organizations here saying the same things.

**The Vice-Chair (Mr. Massimo Pacetti):** Great. It's good to see. If we can get some of that cooperation, then I think some of the politicians can start cooperating as well.

Mr. Goodacre, just quickly, in your brief, I think you listed 20,000 to 30,000 different heritage properties. I think that's only in B.C.

**Mr. Rick Goodacre:** When I mentioned the number 20,000, that's the number that under the historic places initiative across Canada—

• (1155)

**The Vice-Chair (Mr. Massimo Pacetti):** Oh, across Canada.

**Mr. Rick Goodacre:** —have been designated and identified.

**The Vice-Chair (Mr. Massimo Pacetti):** Correct me if I'm wrong, but in your brief there are no dollar amounts.

**Mr. Rick Goodacre:** On the dollar amounts, in the United States such a program was set up in 1981. There have been about 29,000 projects that have gone through that tax incentive program down there.

With the historic places initiative in the early days, we estimated that the number would be about 6% to 10% of that in Canada, and that's over a 25-year period. You're down to maybe 30 or 40 projects per year. The dollar amount would depend, of course, on the amount of dollar value for each of those projects, but you're talking about in the tens of millions, I think.

The commercial heritage property incentive fund was a \$30 million project at the outset in 2003.

**The Vice-Chair (Mr. Massimo Pacetti):** How would you run it? Would it be based on priority? Would it be based on PPP where there's a public portion, a private portion? In your vision, how would that work?

**Mr. Rick Goodacre:** Looking at the American model—we've had people come up from the States and talk about this—their model is a 20% tax share, tax return or tax relief, on the overall cost of rehabilitation.

In terms of setting priorities, it would be—

**The Vice-Chair (Mr. Massimo Pacetti):** So there wouldn't be any funds. It would be a tax benefit to the organization or to the heritage property—

**Mr. Rick Goodacre:** It would be a corporation that would have to be applying. It would be corporate tax relief, yes.

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

Just quickly, Mr. Hackler, in your brief I think you state that you believe individuals should pay a significant portion of the taxes.

**Mr. Jim Hackler:** Individuals versus...?

**The Vice-Chair (Mr. Massimo Pacetti):** Corporations, I would imagine.

**Mr. Jim Hackler:** I don't think that's what I'm implying there.

**The Vice-Chair (Mr. Massimo Pacetti):** I think it's in your point number two, if I'm not mistaken.

Do you have a balance anyway? My point is this. Would you like to see corporations paying a certain amount and individuals paying another amount in perhaps consumption taxes? Have you done any of that analysis?

**Mr. Jim Hackler:** I don't think it's that simple.

By the way, I have the five copies of my summary here. I'm wondering what was on the five copies that I gave to the lady here, that were circulated to you folks. For some reason there was a mix-up there.

I think the point I wanted to make—

**The Vice-Chair (Mr. Massimo Pacetti):** We would have whatever you would have submitted prior to July 31, I guess.

**Mr. Jim Hackler:** Fine. Okay.

Let me give you an illustration of how I think.... If we take Imperial Oil, the largest oil company in Canada, and compare it with Statoil in Norway, we notice that over the last 50 years or so, Imperial Oil has put away \$10 billion or \$15 billion in its reserve. Statoil has put away \$100 billion. In other words, we're talking about two populations of roughly the same size, but one particular corporation has managed to do much better than the other. Now, that was because it was state-controlled.

I don't think I have a clear formula as to who pays more or less. I would think that a wealthy individual should pay considerably. By the same token, a corporation that is using natural resources and contributing a lot to pollution should pay more, say, than a company that's dealing with solar energy.

I would say that I'm not trying to work out any particular tax model according to some income level but rather what the social contribution is and what the social costs are.

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

Again, thank you to all the witnesses. We appreciate your intervention in coming here to present your briefs. The meeting is adjourned.

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