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## **Standing Committee on Finance**

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**EVIDENCE**

**Thursday, December 6, 2007**

**Chair**

**Mr. Rob Merrifield**

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• (1305)

[English]

**The Chair (Mr. Rob Merrifield (Yellowhead, CPC)):** I'll call this part of the meeting to order.

I would like to welcome the panel for this session. We want to thank our witnesses for coming forward. We look forward to their presentations before the committee.

We ask for a five-minute presentation. We have a large panel, so I'll keep you on a fairly short and tight leash with regard to the time on your presentations. We'll then look forward to as much time as we possibly can for questions and answers.

I will give the floor to you individually and introduce you as we do that. I think that's the easiest way to do it.

We want to thank you for coming. We look forward to what you have to say to the committee as we deliberate on pre-budget consultations.

We'll start, first of all, with Richard Oram, of Accor Services. The floor is yours, for five minutes.

**Mr. Richard Oram (Accor Services):** Thank you, sir.

Mr. Chair and honourable committee members, my name is Richard Oram. I'm the founder of the Commuter Check company, which is owned by Accor Services, a Paris-based company.

In addition to similar programs worldwide, Accor provides public transport benefits—transit benefits, as we call them—or employer-based incentives for public transit use. We operate these for over 350,000 public transport users and 8,000 United States employers. Accor operates vouchers, online, and other transit benefit plans serving every significant transit market in the United States.

For the brief that we submitted to your committee in August, I'm here to propose that the federal government allow, first, employees to purchase transit passes, single tickets, or transit vouchers good for passage or tickets, as a pre-tax payroll deduction.

The second thing is to allow transit media—passes, tickets, or vouchers—to be provided by employers as a tax-free employee benefit. Such a policy would promote public transit, reduce traffic congestion, and reduce greenhouse gases by empowering and encouraging the business community to reduce its employees' automobile work trips. In essence, the proposal would allow employees to get transit passes and tickets with tax-free money. This saves them money and it saves employers money. It secures support from employers for the use of public transit and for the

promotion of public transit use at the work site, where it is most effective.

This policy has proven very successful in the United States over the past 25 years. Federal government studies have shown that it builds transit use by approximately 25% at participating employers. The policy has been expanded eight times, and pending legislation would expand it further. This policy promoting public transport at the workplace was also recently begun in Great Britain.

In Canada, public transit accounts now for 11% of all work-related commuting trips. This leaves tremendous room for growth. It's an opportunity. After fifteen years in San Francisco, as one example, in San Francisco's largest transit system, the BART train system, over 60% of employed rush hour commuters are now getting transit benefits. This is a commonplace program in the United States. This data suggests that Canadian greenhouse gases could fall by 9 million tonnes by 2025 as a result of this policy, from 21 million fewer automobile trips. To make this understandable, this is the equivalent of planting 65 million trees.

Building transit use reduces traffic congestion, which improves business productivity. This is a business-based program. It also makes communities more liveable and improves air quality.

In sum, allowing tax-free employer-provided benefits would contribute to a more prosperous and sustainable future in Canada in the following ways: by growing the number of Canadians using public transit; by increasing transit revenues; by being a private-sector-driven solution having negligible costs in early years; and being highly visible to employees who would see their savings every time they buy their transit tickets or pass, and really every time they board the bus or train.

This would be a Canada-based environmental policy, and it would complement the 2006 budget's public transit tax credit with an employer-focused plan with proven effectiveness and proven cost-effectiveness.

Thank you very much.

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

We'll now move to the Association of Nova Scotia University Teachers, and we have Marc Lamoureux, president, here.

Before I yield you the floor, I understand you have an associate who will be here for questioning, and maybe you would introduce her to the committee as well.

• (1310)

**Mr. Marc Lamoureux (President, Association of Nova Scotia University Teachers):** We have a member right next to me who may be able to answer questions.

**The Chair:** Fair enough. Okay, now we'll hear your presentation.

**Mr. Marc Lamoureux:** Thank you, Mr. Chairman.

First, I'd like to say that when the question period is on, I'll be able to answer questions in both official languages. It's really up to the members to determine that, but I will be making my presentation in English at this point.

First, thank you for providing me with the opportunity to speak to the Standing Committee on Finance.

This year, the House of Commons Standing Committee on Finance is requesting submissions regarding the tax systems the country needs for a prosperous future, to maintain and increase Canada's future prosperity in a competitive world, and to ensure that its citizens are healthy, have proper skills, and are presented with appropriate incentives to work and save.

We, at the Association of Nova Scotia University Teachers, ANSUT, believe that to achieve these goals, we need to have a very high-quality post-secondary education system.

I'd like to also point out that our association, ANSUT, and the various groups representing students—for example, the Canadian Federation of Students—have a symbiotic relationship, so we are very much in tune with each other and we believe these two groups speak very much about what is needed for post-secondary education in Canada.

Our studies have repeatedly shown that those who complete post-secondary education have access to a greater variety of work opportunities, earn higher incomes and therefore pay more taxes, and enjoy better health than those who have not, particularly because of the nature of their employment, and all that is integral to our social and economic well-being.

I will list the recommendations we have put forward. ANSUT recommends the restoration of funding for the post-secondary sector under the provisions of a post-secondary education act, such as proposed by the Canadian Association of University Teachers, CAUT. Such a bill, a private bill, has been submitted to the House of Commons. That act would ensure accountability on the part of the provincial governments and make possible improvements in both the quality and affordability of post-secondary education for all eligible Canadians. This act would ensure that Canadian universities are financed at the level that will allow them to remain competitive in the world in both teaching and research.

Also, ANSUT recommends the education funding formula be modified to reflect the fact that Nova Scotia is educating a greater share of the Canadian student population—we're talking about the

transfer payments. At the moment, that formula is based on the average population of every province. Nova Scotia is educating a far greater share than its weighted population.

ANSUT also recommends that the 21st century chairs for research excellence program and the administration of funding through the Canada Foundation for Innovation be reassessed to allow the problems of regional inequity to be addressed. For example, Nova Scotia has roughly 12% of all faculty in Canada, and yet we are receiving roughly 3.5% of those funds. So we have a lot of qualified faculty, yet very low dollars coming our way.

ANSUT concurs with the recommendation of the Canadian Association of University Teachers that the federal government should significantly increase the unrestricted funding available through the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, and the Canadian Institutes of Health Research.

ANSUT also recommends that the 2005 Atlantic accord be maintained as negotiated in 2005 by the federal and Nova Scotia governments. I understand that has been an ongoing issue. There's been discussion. When we submitted our brief, this was a very topical matter.

ANSUT recommends the taxation system be modified to provide an additional tax break to students who are entering the workforce with a student debt.

• (1315)

Finally, ANSUT recommends that the crisis created by the massive increase in student tuition fees over the past decade, which actually is a result of a large decrease in core funding to post-secondary education in the nineties, be addressed. We recommend that this be done both through a restoration of core funding to levels that would allow tuition fees to be reduced, and through the introduction of needs-based programs to provide students with the levels of financial support that will guarantee access to all qualified applicants, regardless of income level.

Thank you, Mr. Chairman.

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

We'll now move on to the Halifax Chamber of Commerce. We have the president, Valerie Payn.

The floor is yours for five minutes.

**Mrs. Valerie Payn (President, Halifax Chamber of Commerce):** Thank you, Mr. Chairman and ladies and gentlemen. It's a pleasure to be here.

The Halifax Chamber of Commerce is a best practice organization that continuously strives to make Halifax an attractive place in which to live, work, and play. The 1,700 chamber members employ approximately 75,000 people in Halifax, over one-quarter of the labour force in our city. It is the first North American chamber to be certified to the ISO 9001:2000 international standard of quality and is the oldest chamber of commerce on the continent, with roots going back to 1750. Our membership is small business-based. Approximately 83% of our members are small businesses, which in our estimation is under 25 employees.

I would like to start by acknowledging that we've made great strides. Since 1995-96, for example, when it peaked at 68.4%, our debt-to-GDP ratio has been brought down to 32.3%, obviously something the chamber has long been advocating. More recently, especially with the latest economic statements from the federal government, we've seen moves to capitalize on our strong economic position and foster more growth with tax measures in the economic statement, such as the reduction of general corporate income tax and personal income tax measures, and this too is good news for business.

We must not forget that these are good times and we must not waste this opportunity of good times. We've seen a divergence recently in the U.S. and Canadian economies, and Canada is strong on its own. We must seek to maintain that position of strength, look ahead, and ask ourselves what it will take to keep us economically healthy. We must not see our surpluses as reasons to spend more, but rather to use this opportunity to examine rationally the programs that we have, to look at sunset clauses on new programs and spending, to ensure our tax regime is competitive to attract and keep the best businesses here.

This is an excellent time to look at our challenges—the high dollar, for example—and to respond to them. That high dollar is a double-edged sword that we love—good for some and not so good for others. It's a good time to look at our productivity, especially at this time, and consider measures to encourage investment in research and development to make sure our technology is the best it can be by ensuring the capital cost allowance rates match an asset's economic life. This is a good time to build competitiveness by reducing barriers to internal trade, and so on. This is the time to be looking at these opportunities while our federal government is in good shape financially.

While consecutive very large surpluses indicate there might be room to increase expenditures, it is really worthwhile to re-examine the mix between spending and tax cuts. It's also worth noting that recent increases in program spending have been outstripping trends in personal income. This suggests that it might be more appropriate to have a decrease in personal taxes rather than an increase in spending.

Furthermore, on the business side, as of 2006 Canada still had the sixth highest effective tax rate on capital among 36 industrialized and leading developing countries. Improvement to Canada's competitiveness and productivity would follow from an improved tax system. It is also important to recognize that in both cases—in the cases of spending increases and tax cuts—changes are very difficult to reverse. Once we start spending, it's difficult to cut back, and once we cut taxes, it's difficult to reinstate them.

There is much support among economists that those tax cuts with the greatest potential for our country to stimulate our economy and increase productivity and competitiveness are cuts to corporate taxes and personal income taxes. While the 2007 budget and the proposed economic statement in October of this year go some way towards a more competitive system, we are fiscally well positioned as a country even more to do things to make our country a more attractive place to do business.

Given this, we would recommend a mix of tax changes that address both personal and business taxes, including reducing personal income tax rates, introducing a tax-prepaid savings plan, continuing to review and adjust any capital cost allowance rates to line them up with the true economic life of the relevant asset, and reducing the general corporate income tax rate.

More specifically, we suggest the government consider raising the threshold at which the top marginal personal income rate kicks in to \$150,000; introduce tax-prepaid savings plans—you may have heard that from other groups as well—alongside current savings vehicles and fully integrate these contributions to those of all existing tax-deferred savings plans; and continue to review and adjust any capital cost allowance rates that do not line up with the true economic life of the relevant assets.

• (1320)

While technically not a tax measure, EI is a major cost to employers. We recommend that the EI program be returned to its original goal of providing insurance against unintended unemployment. This will facilitate further reductions in premiums. We also recommend that employer EI premium rates be gradually reduced to a level equal to that of the employee premium level; that a system be implemented that allows for over-contributions for employers to be refunded; and that an experienced rating system be examined, to be gradually introduced for employers.

Generally speaking, the chamber supports broad-based tax cuts as opposed to very specific tax breaks. With respect to the relationship between levels of taxes and levels of services, again I would point to consecutive large surpluses as evidence that there is room for additional cuts.

Finally, taxes must not be considered in isolation. Continued adherence to a clear debt management plan and attention to spending are equally important elements of the fiscal and economic equation.

On a final note regarding taxation—because I know that's the primary mandate of your listening today—the chamber surveys its members periodically to get input on policy and advocacy directions and to identify our members' priorities, remembering that 83% are small business. While taxes are always high on the priority list, when it comes to detailed feedback this is hard to come by, particularly at the provincial and federal levels. When you're a business person and someone asks you what we can do with taxes, "Lower them" is a pretty good answer, and one that we hear a lot. Depending on the business size and the industry, business owners are looking for a specific tax mix, but it's important to keep in mind that they don't often do their own taxes.

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

I remind the panel to try to keep it to five minutes.

**Mrs. Valerie Payn:** My apologies for that. Thank you.

**The Chair:** We'll now move on to the Sport Matters Group. We have Ian Bird, a senior leader.

**Mr. Ian Bird (Senior Leader, Sport Matters Group):** Thank you, Mr. Chairman. I'll try to keep my remarks brief. Really, I'm just going to speak to the highlights of the brief, if I can.

We've been quite consistent. I think you heard from one of my colleagues in Calgary, Mr. Dale Henwood, on Tuesday about the role that we believe the federal government can be playing in the upcoming years as it relates to sport in Canada. There are two particular things that we have identified as being key activities for the federal government, and we'll be requesting that the committee bring forward as a favourable recommendation, in this year, at least the first of these two items.

It is our position that the federal government has played a leadership role in international sport, and has in particular played a leadership role in international development through sport. I believe Ms. McDonough would know of the good work of Dr. Bruce Kidd in creating a venue in which sport can be a tool for community and individual development.

There's also a role for the Government of Canada in international sport as it relates to how our athletes and the teams of Canada compete and excel and reflect the nation on the international stage. Again, I think the Government of Canada has done an increasingly strong job over the last six or seven years in terms of preparing our teams with a view to 2010, and particularly a strong job in preparing teams on the winter sport agenda. Where we have yet to complete the work is as it relates to athletes, coaches, teams, and young people who represent our country in terms of summer sport.

I think about the rowers in St. Catharines who are up at five o'clock in the morning and are preparing to represent the country, who are travelling to Victoria to take up residence through the winter months in order to continue their competitive training. I think as well of our divers in Montreal, our swimmers in Quebec City, and how effective a job we're doing in helping them to represent the country on the international stage. Of course, being here in Halifax, I think about the paddlers who are out on the lake, again looking for flat water and the opportunity to represent their country.

The work has been done to prepare the policy framework and the plan. In fact, we brought home Alex Baumann, whom I understand you'll see tomorrow, to lead the implementation of that plan on behalf of the nation.

The favourable recommendation that we're seeking is to increase the Government of Canada's budget, through Canadian Heritage and within Sport Canada, by an additional \$30 million on an annual basis. This would allow the government to complete the development work in the public-private partnership called Podium Canada—where the corporate sector has become significantly engaged—and would allow us to move into a second stage of policy work that I'd now like to speak to.

I've framed that second stage here as looking at what we talk about as the new economics. This is moving beyond the government as spender and into what the enabling policy activities are at a fiscal

level that the government can take on, that support the 34,000 local, non-profit, community sport organizations that really are the lifeblood of Canadian sport. They create those Saturday mornings in the hockey arenas. They create the opportunities for young people here in Dartmouth and at the north end of the city. They're the groundswell of Canadian sport.

What we have yet to do is create for them the fiscal tools to completely maximize their potential. We don't have a designated infrastructure program, nor do we have the kinds of charitable tax measures that would allow for capital fund development. We have yet to do the complete work in greening sport, yet we know that technologies made in Canada are available to us. We have yet to maximize what we can do to engage the corporate community through the kinds of incentives that we do see in European nations.

So our second recommendation is to strike a blue-ribbon panel or a committee of Parliament that could look more closely at the economic underpinnings of Canadian sport. Do so in advance of the games in 2010, so that post-Vancouver and post what we think will be a marvellous occasion for all Canadians, we'll have a new economic framework in which citizens, corporate Canada, government, and donors can be full partners in the Canadian sport enterprise.

• (1325)

Thank you very much.

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

We'll now move on to Gary Glauser, from the New Brunswick Non-Profit Housing Association.

The floor is yours, for five minutes.

**Mr. Gary Glauser (New Brunswick Non-Profit Housing Association):** Thank you, Mr. Chair and honourable members.

It's a pleasure to be here to follow up on the brief we submitted in September.

Our association in New Brunswick has 213 non-profit and co-op housing providers who are serving some 6,000 households in New Brunswick. Our members provide affordable housing to people with low incomes, whether they be families, seniors, or clients with special needs.

The needs are great. In New Brunswick there are 30,000 households in need of affordable housing. That compares with the total number in Canada of 1.7 million. So these numbers are huge, and there's obviously a lot of work to do there.

Many of our clientele deal with poverty issues. They have problems providing for the basic necessities of life, such as food, shelter, and clothing. We try to help address these issues by providing safe and affordable housing. But to be successful in this work, we need to have the support of all levels of government and the cooperation of the private sector, working in partnership in developing affordable housing strategies.

In our brief we state that we feel that the federal government must be the leader here in the development of a long-term affordable housing strategy that will serve all Canadians. This strategy would recognize that affordable housing is a major pillar in building a strong and competitive Canada. So we call on the present government to make a commitment for itself and for future governments to maintain an annual level of investment in housing at current levels and to work in partnership with the other levels of government, the private sector, and the non-profit community to effect these housing goals.

Last year, the federal government transferred some funding to the provinces and territories via housing trusts, and this money was to be spent by March 31, 2009. However, since the allocation of those funds, we haven't heard anything more from government regarding any longer-term plans. As well, we want to make it clear, as we did in our brief, that we're very concerned that federal investment in housing is in fact declining. I've passed out copies of a report from the Canadian Housing and Renewal Association where the analysis shows that federal expenditures in housing will be declining steadily from now until 2040, and over that time period, there will be \$32 billion in federal dollars that we want to stay in place to ensure the viability of the affordable stock that has been built up over the last 40 or 50 years and to provide for new additions to the stock. This is not new money; this would just be keeping the current level of federal investment in housing in place, rather than letting it decline.

In terms of Canada's tax system, we feel that individuals and corporations should pay their fair share, but we agree with the Wellesley Institute in Toronto, which maintains that the system right now puts too much of an emphasis on individuals. So we would like the government to address the inequity there.

In terms of tax cuts, everybody is talking about tax cuts. We have an example of the cut to the GST. We would favour a more targeted use of tax resources to help those who are in need. The tax loss of the GST cut amounts to some \$4.5 billion dollars, which equates to the rough estimate of the annual cost of homelessness to Canadian taxpayers. So we think appropriating that amount of money to homelessness makes more sense than giving an across-the-board cut to the GST.

• (1330)

In our work, we're trying to provide people with affordable housing and help them to become more productive and better able to pay income taxes than to be a draw on tax revenue. Homelessness and the lack of affordable housing results in costs to Canadian taxpayers. A recent Dalhousie University study showed that providing the support of housing is by far the cheapest way to address homelessness. It costs \$40 a day to provide someone a supportive housing environment, while in comparison a hospital can run to anywhere from \$200 to \$650 per day, a shelter can be \$50 to \$60 a day, and a jail can be \$120 a day. Housing is very low-cost and cost-effective for government.

**The Chair:** Thank you very much. We'll now move on.

We have the Nova Scotia Government and General Employees Union. We have Ian Johnson, policy analyst and researcher.

The floor is yours for five minutes.

**Mr. Ian Johnson (Policy Analyst and Researcher, Nova Scotia Government and General Employees Union):** Thank you very much, Mr. Chairman.

As you said, my name is Ian Johnson. I'm a policy analyst and researcher with NSGEU. I'm here on behalf of our president, who was unable to attend the meeting. Our president is Joan Jessome.

I also want to let you know that we're part of the Nova Scotia Post-secondary Education Coalition, of which my colleagues Marc Lamoureux and Kaley Kennedy are also part. There was initially a joint request to appear before you, and then we submitted separately from that.

As a bit of background, our union is the single largest union in the province, representing 24,000 public and private sector employees working in a wide range of workplaces, including education, of course, the provincial civil service, community agencies, correctional services, and liquor stores.

What I'd like to focus on, starting with the main focus of the work of the committee at this point, is that for us the key question is not whether we need taxation or how to reduce taxes, but rather how to ensure that all major public needs are being met and how to fairly distribute the moneys raised by taxes.

Unfortunately, governments seem interested in cutting taxes instead of looking at the needs we should be meeting. Quite seriously, how can we allow growing and unacceptable levels of poverty and income disparity and at the same time talk about cutting taxes? Surely this must be one of the most basic questions we need to address.

In addition, Mr. Chairman, we feel that having a high-quality publicly funded and publicly delivered health care system is vital to the health and well-being of our citizens. Similarly, there should be no doubt about the importance and even the centrality of post-secondary education.

In our view, no discussion of taxation of revenues for this region would be complete without reference to what has happened to the 2005 Atlantic accord. As the government here said—before October, anyway—the federal government had no right to unilaterally break that accord. It is still our view that the federal government must ensure that every dollar guaranteed to us is protected and flows to Nova Scotia as was originally intended.

Also, in September 2006 the Harper government announced that the government had found “a billion dollars in savings in unused funds, non-core programs, efficiency savings, and programs not providing value for money”. However, with those cuts, many important programs were eliminated.

Besides the need for urgent action to address the growing gap in income disparity, there are for us many pressing needs in health and post-secondary education. In health care we see a number of areas where federal leadership is sorely needed. That includes federal leadership on wait time solutions in the public system, using public solutions, Canada Health Act compliance and enforcement, a national pharmacare program, which is really important at this point, health human resources, and aboriginal health and northern needs.

While the value of post-secondary education is not disputed, public funding for post-secondary education has been severely compromised for at least the last decade, certainly in this province. In short, in post-secondary education we see a critical situation developing of limited affordability and accessibility, diminishing teaching and staff resources, and crumbling infrastructure, all leading to a reduced quality of education.

Before my time runs out, I want to highlight a few key recommendations that we've put forward. My colleague has already touched on key ones in post-secondary education, but we strongly urge, through the committee, that the federal government recognize the fundamental need and value of taxes for individual transfers and social programs; that it abandon plans for broad corporate and individual tax cuts in order to help implement and develop a comprehensive poverty-reduction strategy; that it honour the Atlantic accord and stop trying to break it; that it reverse the cuts that took place last year to many important programs, especially in this region; and that the federal government commit itself to taking a leadership role in developing wait time solutions in the public system instead of pursuing care guarantees, to ensure that the Canada Health Act is complied with and enforced, that there is a move to establish a national pharmacare program, a national health human resources strategy, and serious attention to aboriginal health and northern needs.

Mr. Chairman, I would conclude with that, because I know my time is close. I appreciate the chance to appear before you.

• (1335)

**The Chair:** Thank you.

The Sierra Club of Canada is next. We have Gretchen Fitzgerald, director of the Atlantic Canada chapter, for five minutes.

**Ms. Gretchen Fitzgerald (Director, Atlantic Canada Chapter, Sierra Club of Canada):** Thank you, Mr. Chair and members of the committee, and thank you to the support staff as well, who are diligently working behind the scenes, I notice.

It's a real pleasure to be here.

The Sierra Club, Atlantic Canada chapter, has a presence in four of the Atlantic Canadian provinces: Newfoundland, Prince Edward Island, Nova Scotia, and New Brunswick. We have over 1,000 members, friends, and supporters who are working at the grassroots level to promote the values of sustainability for the future.

One of the first recommendations we make to this committee is that we begin to put a cost on carbon. This is so important that I'm going to say it again: we have to start putting a price on carbon that we emit.

On Monday, environment minister Baird announced in the House of Commons that a rise of two degrees Celsius in the earth's temperature as a result of human activity contributing to global warming is, simply put, unacceptable. Mr. Baird has stated this, and international panels of scientists have indicated that we really need to make severe cuts in our emissions if we are going to not get beyond that two-degree increase in global temperatures.

What we are asking for is carbon pricing at \$30 per tonne of carbon dioxide equivalent emitted. That's \$30 per tonne. How the committee decides to put that value on carbon is a decision, I believe, that you will make as a group, either through carbon levies or through a cap-and-trade system or some combination of the two. But again, we need to put a price on the carbon we are emitting.

Of course, the impact on low-income Canadians of any price put on carbon needs to be taken into account if the prices are going to impact those Canadians. Ontario's Low-Income Energy Network is advocating a lifeline rate: targeted subsidies that will prevent low-income Canadians from paying above 6% of their income to utilities. This type of equality needs to be factored into any price put on carbon. Of course, any moneys raised should also be put into renewable energy sources. Currently we are only using between 0.7% and 3% of our renewable energy potential. We can do a lot better.

Second, we need to enhance our capacity to promote sustainable resource use that results in an equitable distribution of wealth and does not deprive future generations of their ability to meet their own needs. We need to incorporate the principles of sustainability.

There are lots of ways we need to get there, but what I'm going to emphasize today is that we have to make departments such as the Department of the Environment and the Department of Fisheries and Oceans a priority.

Cuts to grants and subsidies to communities that are doing on-the-ground sustainability work need to stop. From 2004 to 2007 we've had about a 50% cut in those grants and subsidies, and for the Atlantic region this is devastating.

We have here the Atlantic coastal action program, which works in coastal communities doing monitoring that Environment Canada estimates would cost 12 times more if the government itself carried it out. Between 1997 and 2001, \$6 million was invested in these Atlantic coastal action programs, for which there are 14 organizations in Atlantic Canada. That would be \$72 million, if the government had to carry out those same projects with the same results. In addition, these projects have resulted in hundreds of jobs and \$22 million in direct and indirect feedback into these communities. These are really important projects. The cuts have to stop.

These cuts also do not, of course, reflect the priority that Canadians in general place on the environment. When it comes to Fisheries and Oceans, we need to stop subsidizing fisheries that are not sustainable. I need to highlight that right now we are undergoing a reassessment of the Fisheries Act that will, we fear, result in privatization of a publicly owned resource. This is a huge subsidy to certain parts of the fishing industry, and this committee needs to re-examine this.

●(1340)

There have also been studies showing that there are heavy subsidies that result in over-exploitation of fish stocks to the tune of \$163 million per year. I would like the committee to re-examine these subsidies so that only fisheries that are sustainable are being encouraged by the government.

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

We'll now move on to Symphony Nova Scotia with Erika Beatty.

The floor is yours for five minutes.

**Ms. Erika Beatty (Chief Executive Officer, Symphony Nova Scotia):** Thank you very much.

Good afternoon and thank you, Mr. Chair and members of the committee.

It's a pleasure and honour to be here, not only as the CEO of Symphony Nova Scotia but as a representative for Orchestras Canada. You received a written submission earlier on behalf of the Canadian orchestral community, whose membership includes 40 professional orchestras across the country with memberships in all provinces, plus another 90 orchestral groups and training organizations.

The thoughts that came forward from my colleagues over the summer that had been included in the submission can be boiled down probably into two ideas. The primary one is our unanimous support for the work of the Canada Council for the Arts and our gratitude for the permanent \$30 million increase that was recently made to the council's budget by the Government of Canada.

The second thing I'd like to cover briefly later is the encouragement of the continuation and enhancement or expansion of some of the programs that the Government of Canada has put in place that have been tremendously successful in helping the orchestral community develop private sources of funding, particularly ones that are sustainable and bring stability into this sector.

As a bit of background, Canadian orchestras engage more than 5,000 professional musicians each year, as well as many more staff and suppliers and volunteers. We're all involved in co-productions of choirs, dance and opera companies, and many more community collaborations with music schools and faculties, local festivals, presenters, classrooms, libraries, health care providers, charities, and many other opportunities to expand our reach and impact through community engagement.

Symphony Nova Scotia, for example, performs almost 100 times every year to more than 40,000 people, at least 8,000 of whom are young listeners. Our annual budget is just under \$3 million, and 72% of our annual costs are directed on stage for artistic and production costs. While Halifax is our base, this year we'll also perform in Wolfville, Amherst, Pictou, Lunenburg, and Antigonish. This is a fairly familiar picture with orchestras all across Canada. Community engagement is of vital importance to us to expand our bases in the community, but also to ensure that we're there in the future as well. You'll find what Symphony Nova Scotia does is pretty well what all orchestras across the country are doing as well.

Already this season we've performed a week-long Brahms festival to sold-out audiences, a world premier of a new ballet, and partnered with the Department of Theatre of Dalhousie University to bring to life *A Spider's Tale*, a children's story written by Binnie Brennan, a member of the orchestra.

Orchestras across Canada served audiences totalling 2.3 million people in 2005 and 2006. A study recently published by Hill Strategies Research states that 10% of Canadians over the age of 15 attended a symphonic or classical music performance during 2005. This is up from 8% of the population in the last study in 1992.

Another study by ACOA, the Atlantic Canada Opportunities Agency, revealed that in 2005 the cultural sector generated approximately \$2.1 billion for the economy of Atlantic Canada, and approximately \$33 billion nationally, or 3% of the gross domestic product.

The Canada Council for the Arts refers to the cultural sector as "the creative engine of our community". I love this phrase. This is something that they're bringing in as part of the strategic planning exercise they're doing right now. The Province of Nova Scotia recently recognized the importance of this sector last week when it announced in the Speech from the Throne that it would double the province's culture budget over the next three years.

To expand a little more on those two main points that I brought up earlier, first of all, thank you very much for your support of the Canada Council for the Arts. The work this organization does is extraordinary. That Symphony Nova Scotia is a vital connected part of our community today is in large part a credit to the vision behind that funding support.

●(1345)

Second, we recognize the Government of Canada's significant investment in the Canadian arts and heritage sustainability program provided through the Department of Canadian Heritage, which is due to expire in 2009-10. Programs made possible through this spending package with the greatest impact on us and our communities include an endowment incentives component. The matching gifts provided through this program have been an invaluable catalyst for many orchestras that embark on endowment campaigns to create, through their foundations, a stable source of future income. Symphony Nova Scotia's foundation, for example, has grown from just over \$600,000 in 2001 to just over \$3 million today. This security dramatically extends our planning horizon and allows us to embark on creative partnerships and collaborative education programs in the future.

The forms of financial support for you to consider perhaps expanding or developing upon, ones that will help us to increase private sector support and a wider base, include the development of a coherent national charity strategy, clarification of the taxation of charitable remainder trusts under the Income Tax Act, streamlining of the federal charitable donation tax credit, and reducing or eliminating capital gains on the gifts of shares in privately held companies to registered charities. We have all noticed a tremendous impact of the work you did in eliminating the capital gains on the publicly traded shares.

Thank you very much.

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

Just to let the committee know, if we split it up at six minutes each, everyone around the table will get a turn. Are we good with that? Okay.

Let's start with Mr. Pacetti.

**Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.):** Mr. Savage is first.

**The Chair:** Mr. Savage.

• (1350)

**Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.):** I'm going to move quickly. My first question is to Mr. Oram, just for clarification, really.

One of the criticisms of the Conservative public transit tax credit was that it basically helped people who were already using public transit, but it wouldn't bring in new users and wouldn't reduce greenhouse gas emissions. Am I understanding that your plan would do those things?

**Mr. Richard Oram:** The employer-based transit benefit really is wholly different from the existing tax credit. They are fundamentally different.

The employer-based program focuses on the work site and where people drive to work. There are tremendous numbers of infrequent riders. Most people don't understand that the body of transit ridership is, even more so than regular riders, composed of infrequent riders. Most people don't use monthly passes. The existing tax credit is limited to monthly passes. The employer-based programs tend to focus on infrequent riders, so the use of passes, tickets, and vouchers is very important at the work site. In fact, the vouchers are redeemable for either fare instruments, tickets, passes, smart cards, or anything else. So indeed, the focus is on infrequent riders.

**Mr. Michael Savage:** Mr. Bird, thank you for your presentation. We've had a chance to talk about this before, and you have always well articulated your advocacy at this committee.

You know my issue. I think we need to do a lot to support our elite athletes in Canada. I think it's important for the nation.

My bigger interest is how we get more kids active generally. We're in Nova Scotia, the first province to have had a Department of Health Promotion and Protection. I know Scott Logan, who was the first deputy minister. There has been some very good stuff done in Nova Scotia to support animators and a lot of other stuff done by health promotion.

How do we get more kids to be active? My son plays hockey and my daughter plays soccer. In my son's school, there are a lot of kids who don't play hockey. They can't afford \$350 to register. They can't afford the equipment. They can't afford the trips. I don't think it's an issue of tax cutting. I'm not saying families shouldn't have some benefit from having their kids active, but I think it's the same as the public transit situation. We want to find a way to get more kids active, give them more opportunity.

You mentioned a multi-billion dollar sport and recreation infrastructure deficit. In my own community of Dartmouth, I think

we have fewer rinks now than when I grew up. A major one closed this year.

So it's a difficult situation. It seems to me that we have to have some direct investments or else find some other way for investments to provide more opportunity for kids. Do you agree with that in general?

**Mr. Ian Bird:** I appreciate your support for the role of Canada's athletes, coaches, and teams in the international milieu. I do think the challenge you point out is significant. It's complex.

I'll speak to three different barriers. One is the infrastructure crisis. The solution to the infrastructure crisis, whether it's in sport and recreation or in other hard capital costs, requires multiple interventions. We've argued at this committee in the past for a designated fund. We're arguing here today for a rethink of the whole economics behind the development of infrastructure, so that it addresses government investment but also poses other fiscal tools, such as sports having a charitable status so that local communities can raise the kind of capital funds that they do in other parts of the voluntary sector.

The other point I would make is that programs such as kids' sports, which provide accessible opportunities for all Canadians, are critical. Creating the right support for those kind of initiatives is key.

The third thing I would mention is the human element. You talked about the animators who have been put in place in Nova Scotia. This is a strategy that could be rolled out across the country. The human leadership is a key part of this in our communities.

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

Valerie Payn, whether one agrees or disagrees with all the issues of the chamber of commerce, it has been one of the most successful advocacy groups here in Nova Scotia, not just on finance issues but on a whole host of issues. I think that's important.

I want to ask you about something I've discussed with the Greater Halifax Partnership folks, with whom you have a close relationship, and that's program review in the 1990s. I raise this as a Liberal and a supporter of program review in the 1990s. It hit this area very hard in terms of the reduced federal presence, of people working for the federal government in this area. Many other parts of the country have had that difference made up over the years. Ottawa certainly has, but that's not the case in Halifax. We still lack. I think Halifax was the area most hurt by the program review of the 1990s.

Are you familiar with that? Would you agree with that? Would you have any comment on that?

• (1355)

**Mrs. Valerie Payn:** Yes, I am familiar with it. The numbers are staggering in terms of the exit of the federal presence as a result of that review, and things have not been reinstated over time. Other areas of jurisdiction in Canada have had reinstatement. In fact, we have not recovered on the federal side. Of course, what we like to say in the chamber of commerce is that the private sector has stepped up to fill that gap; nevertheless, the inequity exists. In terms of spreading around the federal services, that has never been restored to where it was originally. It's nowhere near its original capacity. We're talking about thousands of positions here.

**The Chair:** Thank you very much. Your time has gone.

**Mr. Michael Savage:** Thanks, Chair.

[Translation]

**The Chair:** Mr. St-Cyr, it's your turn.

**Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ):** Thank you very much. I'm going to start with Mr. Lamoureux.

Mr. Lamoureux, your first recommendation in your brief is that a law on postsecondary education be put in place. You know that, in Quebec, there is solid unanimous opposition to any interference in education. I asked the two student federations that appeared before us, which would also like a law on postsecondary education, whether they agreed that there should be an opting-out provision for Quebec, that is an unconditional right to opt out with full financial compensation.

Would you be able to support that?

**Mr. Marc Lamoureux:** Thank you for that question.

Absolutely. In fact, the purpose of this exercise is mainly to make it so that there is a uniform program in Canada, to at least allow funding to be contributed to postsecondary education programs. If Quebec decided to exercise an opting out option, that would be entirely possible.

**Mr. Thierry St-Cyr:** All right.

Mr. Oram, you talk about a measure that would enable employers to pay employees tax-exempt supplementary benefits for public transit. That somewhat resembles the tax credit we already have.

Do you have any studies or figures demonstrating the effectiveness of that measure?

We know that public transit is already much less costly than motor vehicles. And yet a majority of people continue to use motor vehicles. If we compare the money the government currently allocates to the tax credit and what it would allocate under your measure, would that additional discount really make a difference? Shouldn't the government allocate the money directly to transit infrastructure in order to improve the quality of service and supply, and thus hope to attract more people?

[English]

**Mr. Richard Oram:** Yes, I agree that investment in public transport is very valuable, but I'll speak to the transit benefits particularly.

It is very effective. It has been studied and concluded by dozens of studies, including ones done by the National Academy of Sciences in the U.S. In fact, it is surprisingly effective.

The employer-focused transit benefit is more effective than simply reducing fares. The reason for its effectiveness is that it focuses on the problem at the work site. Many employers in Canada, and certainly in the United States, get free parking at the work site. When you offset that, you are leveling the playing field right on the playing field, if you will.

[Translation]

**Mr. Thierry St-Cyr:** All right, thank you very much. That was a good point.

Mr. Bird, you talk about studying the results of the tax credit that was granted for physical exercise among young people.

In that same spirit, do you have any analyses that demonstrate that that measure was effective? If you don't have any analyses, what is your perception in the field of the results of that measure?

[English]

**Mr. Ian Bird:** I think it's very early days. Not a single taxpayer has yet filed a tax return that includes this credit, though there are a few things, anecdotally, that we've already identified. A number of non-sport or physical activity programs for children and youth have adapted their programming to make it inclusive of physical activity or sport. It's anecdotal, and we won't know over time.

The important thing, I think, is that this is the first time we've used the tax system to enable sport and physical activity by children and parents. I think we want to give it time to assess its effectiveness and then come back and look at other tax measures that may be supplementary.

• (1400)

[Translation]

**Mr. Thierry St-Cyr:** Mr. Glauser, a few months ago, a private member's bill was voted on in the House providing for the use of the surpluses of Canada Mortgage and Housing Corporation, CMHC, the federal agency concerned with housing. Under that bill, CMHC would have retained \$1 billion for eventual crises, if it had an actuarial role to play, but the rest of the surpluses would have been remitted to the provinces so that they could invest in social housing.

Unfortunately, that bill was defeated by the Conservatives and the Liberal Party. If such a bill were to be put before members again in a future Parliament, do you think they should support it or not?

[English]

**Mr. Gary Glauser:** Definitely, that would be an excellent move, I think. Instead of having the surpluses from CMHC go into general revenue, it makes terrific sense to put it into affordable housing, whereby we continue to build on the stock we have on the ground and ensure its longevity. So I think that would be a great move.

[Translation]

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

[English]

**The Chair:** Thank you very much. Your time has gone.

We'll go to Mr. Keddy for six minutes.

**Mr. Gerald Keddy (South Shore—St. Margaret's, CPC):** Thank you, Mr. Chairman.

I thank our witnesses for appearing here today.

I have a question for Erika Beatty with Symphony Nova Scotia. Erika, you mentioned the \$30 million, and I appreciate the fact you did that, but you didn't mention that this is on an ongoing annual basis. That's secured funding.

The question I have for you is this. In the 2006 budget, we announced the elimination of the capital gains tax on donations of publicly traded security. Have you been able to benefit from that, or is that something that hasn't really kicked in yet?

**Ms. Erika Beatty:** No, we've noticed a great difference at Symphony Nova Scotia, as have other orchestras. They've mentioned that as well. I can't give you national stats on that, but what I can say is that we've noticed an increase in the number of donors who are using this option, about a fivefold increase, which is wonderful. Some of them are new and some of them were existing donors. But this is really exciting. This is the reason we're asking for consideration that this be extended as well to privately traded stock.

**Mr. Gerald Keddy:** Thank you.

Just as a comment, before I move to my next question, I want to say that your outreach program is fantastic. The string quartet that played at St. John's Anglican Church in Lunenburg, which is a terrific setting—it's a big setting and it seats 350 to 400 people—was absolutely magnificent. It works well.

Valerie Payn, we had some discussion over lunch, and you mentioned the high dollar and some of the competitive—I wouldn't go so far as to call it a disadvantage—challenges this causes. One of the great issues we faced in the export industry in the last 15 years was a deliberate low-dollar policy on behalf of the government, a dollar that was 10¢ to 15¢ lower than it really should have been. One of the things this caused was a lack of productivity, and that's straight across the board. The dollar is now at par, with all the challenges that brings with it, and the companies that have done the best have figured out that they have to cut costs and they have to increase productivity. Some of that means greater mechanization and innovative ways of cutting costs.

I'd like a comment from your point of view and your group's point of view on this.

**Mrs. Valerie Payn:** Thank you very much.

Yes, indeed, there are some who have benefited. Obviously people whose business model includes a great number of imports have benefited. Canadian exporters have been hit hard in many cases. But there are also critics who would say that Canadian businesses have long been hiding behind the Canadian dollar, especially as it relates to our productivity levels, which are traditionally way behind those of the United States. We've begun behind them, and our growth has lagged behind them year after year.

It seems to me that this might be an opportunity for the federal government, kind of like the perfect storm. If the need for productivity improvement is there and the dollar is strengthening, a lot that has to do with improving productivity includes upgrading

capital, technology, and so on, a lot of which is purchased from outside our own country to do that, and this might be a good time to somehow incent Canadian business, maybe through the tax system, to spend more on improving their productivity.

• (1405)

**Mr. Gerald Keddy:** Part of that was an increase in the capital cost allowance, and I just want your opinion, again, on that. Certainly that's one of the directions in which to go.

**Mrs. Valerie Payn:** On the capital cost allowance in terms of aligning them....

The thing is, too, with technology, as we all know, it changes as you blink. Technology has changed, and what was new last year is suddenly old technology. I won't speak to that specifically, but we need to make sure that we're constantly re-evaluating the capital cost allowance to make sure it reflects the actual life of an asset, which is where that can get a little away from us, especially in a big business like the federal government and the Department of Finance, in trying to keep up with current trends and what's happening in the environment.

**Mr. Gerald Keddy:** Technology, in particular, faces that great challenge with the capital cost allowance, because you buy technology today and tomorrow it's obsolete.

**Mrs. Valerie Payn:** Exactly, and it's not just technology firms you're talking about here. Pretty well all Canadian business would be impacted.

**Mr. Gerald Keddy:** My next question is to Gretchen Fitzgerald.

I appreciate what you were saying about the challenges of cleaning up the environment, and the previous government and our government have been struggling with that. The entire world is struggling with that, quite frankly. We may have slightly different opinions on where we go, but one great thing worries me about the Kyoto challenge, and that is the fact that we're not bringing the entire world under the same blanket.

Quite frankly, under the aegis of Kyoto, if we followed the Kyoto mandate to the letter and we allowed India and China, those big third world economies, to continue to build just at the rate they're building today, not to be increased, we would double our greenhouse gas emissions by 2050.

So beyond Kyoto, what else has to happen?

**Ms. Gretchen Fitzgerald:** As most of the committee probably will know, we are in the phase now of entering into the new negotiations for a new agreement beyond Kyoto, and the Sierra Club of Canada is looking for a breakthrough from Canada to commit to absolute cuts, not intensity-based cuts, to emissions. We feel that as global citizens, you're right, we are under a blanket, as in a cloud of carbon, and we need, as we have in the past, to take responsibility as global citizens for that.

I do take your point about India and China, and I'm glad, in some senses, as long as on the other side we are lobbying those countries heavily and trying to get them where they need to be. We need to also be acting in good faith and getting where we need to be as global citizens.

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

We'll move on to Ms. McDonough.

**Ms. Alexa McDonough (Halifax, NDP):** Thanks very much.

I appreciate all of your presentations. It's always difficult to figure out how to get at each one, but I want to try to do a little bit of an overview from the presentations we've heard so far today.

Nineteen out of 21 groups have made very convincing and compelling and, I think in most cases, pretty passionate pleas for the need to see a reinvestment of our very massive surpluses year after year, nine a row, into all the various things that people have identified: health, education, grassroots sports, culture, environmental initiatives, health, and so on. Yet—and I'm going to put this question very directly to you, Valerie—the chamber of commerce in the city is consistent in its position again this year, for the ninth year in a row, that despite the fact that we're in the ninth year of surpluses, the argument has been for faster debt reductions and deeper and faster tax cuts.

Since you yourself acknowledged that there have been massive cuts that were very punishing to us here in Atlantic Canada between 1993 and 1997, and never made up—never was there any rebalancing, which means that the gap is growing between Atlantic Canada and the rest of Canada in terms of federal infrastructure and investment—how do you reconcile the position you are taking, with the almost universal clamour from every segment of the community that you and I live in, for investment?

• (1410)

**Mrs. Valerie Payn:** For more spending.

**Ms. Alexa McDonough:** You don't call it spending, you call it investment in the business community. How is it you cannot bring yourself to understand that this is about investment in communities?

**Mrs. Valerie Payn:** I don't disagree that there are investments required. We're obviously, as a chamber of commerce, advocating for where we think the best investment would be, and sometimes the investment may not be in additional spending, new spending, but rather in turning that back to the consumers and the businesses in terms of tax cuts.

By way of an example of what's happening—and to my colleague here, Mr. Glauser, who was, of course, advocating that as well—I smiled thinking of our chairman and the challenge he has in keeping us all on time and listening to completely opposite points of what we should be doing with our money. My congratulations to you on that. But the fact is that businesses today, whether it's business in Halifax or in Hamilton or in Burnaby, are not competing among themselves. They are competing with business in India, Ireland, and the Caribbean. It's worth keeping in mind that if we get it right, lower tax rates can actually lead to increased revenues, and we have to look no further than places like Iceland, Ireland, and other countries to witness that.

For example, Iceland now collects more revenues as a percentage of gross domestic product from a lower corporate tax rate of 18% than it used to collect when the corporate rate was 50%. In Iceland it's been remarkable. In 1998 the country's 40% rate on investment income produced 2% of government revenue, yet in 2006 its 10% rate, down from 40%, produced 14% of its government's revenue.

What we're advocating is to look at it a little differently, and we obviously have other people who say, look at it my way. The chamber of commerce says let's look at it this way as well. And if we do bring in new spending in addition, with the existing spending we have, we just can't bring things in and let it sit there. We have to have a way to examine it to find out whether it's still relevant. Is it contributing to our competitiveness to allow our business to grow? At the end of the day, without a strong economy, there is no money for the social programs that we all love and hold dear, whether it's education, sports, the symphony, or whatever.

I rest my case.

**Ms. Alexa McDonough:** Unfortunately, we never have time to debate this at length. You've cited Ireland. It's my understanding that it was the major investment in education and in culture and in targeted tax cuts that resulted in the Celtic tiger.

You are advocating broad-based tax cuts, and even from a business analysis point of view, we know that's the least efficient thing to do. It's very difficult to square the advocacies of the chamber of commerce with the results that you see in Ireland if we pursue your remedies.

**Mrs. Valerie Payn:** That's why—and you would know the difference, Alexa—I would never want the other groups to think that this chamber of commerce hasn't worked and put a lot of effort into health, wellness, and education. In fact, we have a five-year strategic commitment to education, so absolutely, we see the value of that.

I can't comment specifically on Ireland and the phenomenon that happened there, today, but I'll simply say that when we say “broad-based”, what we mean, what we're trying to say there, is do not put the government in the position of picking winners and losers in industries or business. If you bring about a tax environment that is sustainable, predictable, and fair, that's a far better way for the federal government to encourage all businesses at all levels—be the tide that raises all ships.

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

We'll now move to Mr. Pacetti.

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

Thank you to the witnesses for coming before our committee. It's always interesting, especially when we have people from different backgrounds.

Ms. Payn, you're the one on the right, so I want to continue with what Ms. McDonough was getting at. I think we're past the stage where you can continuously advocate for tax cuts. We were in Victoria, and it was funny because we had a presentation by the Victoria Chamber of Commerce, and at the end of the presentation they said we have to invest in affordable housing because there's a big crisis in Victoria. I think the vacancy rate is 0.6% or 0.8%. It's the lowest in Canada, and there's a big, big demand for housing.

We have to get past the point where the business groups are advocating for cuts and the housing groups are advocating for affordable housing. We're not working together.

We see the same thing with the environmentalists. I'm a little bit disappointed that we're still talking about a carbon tax. That was a suggestion from two years ago. We're way past that. Our leader has been advocating it. He's putting the whole package together—social justice with a prosperous economy and sustainable environment—and this is what we're working towards. We have to blend the three together.

I understand that everybody on the panel is representing their own interests, but it has to come together and I'm not seeing that, especially in Halifax, where you have your own regional needs and requirements. I can see the presentation coming from the Canadian Chamber of Commerce, but there has to be something for the businesses to need. If you're not going to invest in housing, then you're going to want to invest in your people, in your human resources. There has to be a little more, and I'm not seeing that. Maybe I'm missing a piece of the puzzle.

Mr. Glauser, as well, you can help me out.

Mr. Johnson, your brief was in detail. It had a lot of points in there, but there has to be one or two items in there about which you can say, okay, this is a priority and we can go to the chamber and say, listen, let's focus on that and let's work together. That's what we're doing as a caucus. We're trying to prioritize and come up with a platform with which everybody's going to be happy.

We can't be compared to Ireland. Ireland had a different situation. They got lucky. They reduced their taxes, they have tons of money, and now they're investing in infrastructure. Now they're investing in programs. But they're way behind. We can't compare ourselves to countries like that.

I'm not sure who I'm going to address the question to, but I guess, Ms. Payn, you'd like to go first.

• (1415)

**Mrs. Valerie Payn:** I'm not quite sure what your question is, but I would like to state that I don't think lucky is a good business strategy. I think there's a lot more to Ireland's success than luck. I think there were some strategic investments there.

The other thing I think we need to keep in mind is that ours is still the sixth highest effective tax rate among 36 leading countries in the world. Is that where we want to be? And now that we have the fiscal capacity—

**Mr. Massimo Pacetti:** I agree with that—and it's just because my time is limited; I don't mean to interrupt. I understand your point, but the fact that we have a higher tax rate and we're still able to attract people is because we do offer social services in return, and some of those services are services that you mentioned as being benefits, being the health system and the educational system. But there have to be additional benefits to businesses. We were talking about national child care programs, things like that.

Mr. Glauser, I don't know how it is in New Brunswick. Is there a movement with the chamber of commerce to try to develop a more comprehensive strategy, or is this—

**Mr. Gary Glauser:** I have a good example for you. In the city of Fredericton over the last year we developed what's called an ad hoc affordable housing committee, where we have all levels of government—the federal, the provincial, the municipal—and we have the business community, the home builders, and the non-profit groups there. We are trying to work together, and the basic concept is that everybody benefits if there's a good supply of housing in the community for all people of all income ranges.

So that's one model that we're going to try to transport around New Brunswick. It's working in Fredericton.

**Mr. Massimo Pacetti:** Thank you.

Ms. Fitzgerald, again, I don't mean to attack you, but the carbon tax does not seem to be the way to go. I mean, we made changes to some of the proposals that the Conservatives had put forward, and I think the Liberals got it right with the carbon budget, where people who are polluting the air are going to make proper investments, and they will reduce emissions. By just imposing a carbon tax, all that's going to happen is that the consumer's going to pay in the end. I just don't see how that's going to help at all. That would have been the solution, I think, three or four years ago, but there's technology out there that can encourage polluters to reduce their emissions.

**Ms. Gretchen Fitzgerald:** Thanks for allowing me to expand on that a little bit. I'm not advocating one or the other, but probably a combination of the two. The reason my brief focused on the tax is that I had a good example of a levy having worked really well in the United Kingdom without having exactly those kinds of costs going back to the consumer. Those taxes or levies were actually financially neutral, because it was reinvested.

The other point is that I completely endorse any idea of reducing our emissions by investing in technology. But again, we have to get around the idea of intensity-based cuts; we need absolute cuts in carbon. I just want to correct that: any combination, as long as we really value the carbon at \$30 a tonne.

• (1420)

**Mr. Massimo Pacetti:** I want to get a quick question in for Mr. Bird.

Are you comfortable with the amount of \$30 million? Is that going to put Canada at the top of the medal heap for the next Olympics?

**Mr. Ian Bird:** It's an investment to leverage corporate support as well, and the role of our national and provincial sport organizations. It will complete the development phase for Podium Canada. Then we can start looking at other fiscal measures.

**Mr. Massimo Pacetti:** Thank you.

Mr. Johnson, if Mr. Chair will allow you.... I know you had your hand up, but I wanted to get into that conversation with....

**Mr. Ian Johnson:** Sure. Thank you. You raised a question that I thought was in part directed to me in terms, the way I heard it anyway, of whether there are areas where labour, business, and other groups could work together. I'd like to identify two that I think are important.

One is in the area of public health care. It's clearly been shown, and many businesses have actually come forward to show, the important competitive advantage they have in having a publicly funded and delivered health care system. If you look at the auto industry, for example—GM in the U.S. and in Canada—there's quite a difference.

Ms. Payn, I think, is familiar with the other area. Our president has spoken to the chamber about the importance of joint action on violence in the workplace and the cost of it to workers across the board, whether in small business or in a unionized or non-unionized sector. That's an important area. There's a real cost. We've been part of a campaign trying to encourage business to work with us.

Thank you for the time.

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

We'll now move on to Mr. Dykstra to finish off this round.

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

I want to pursue the issue with you, Mr. Oram, of what we've been able to accomplish, in the short order we've been in government, with respect to training.

In the 2006 budget we incorporated a \$400 million payment to provinces and territories that were linked into the agreements that were going to be working on adding investments in public transit. We also included \$900 million in further investment. That was put in a third-party trust for provinces and territories that were working toward a more structured and solid infrastructure for transit systems. Then, of course, we included the tax credit for purchase of monthly passes. I certainly appreciate Mr. Savage's support for that endeavour. It didn't come on budget day, necessarily, but certainly his question is leading and shows that perhaps we could expand that as a positive thing for the country.

I think part of the reason you're here today is that we have moved in this direction and that you see a potential for the country, from an environmental and a user perspective, to expand it.

I want to get your thoughts on the fact that it has been implemented over the last couple of decades in the United States and maybe get a little more detail about how the policy actually works on the ground.

**Mr. Richard Oram:** Thank you.

To your first point, surely the investments that you made in public transport are valuable; I'm sure they are. In distinction to that, the transit benefit is actually one of these magic potions that doesn't cost anything. It focuses a small amount of resources, a minimal tax break, at the work site and it does change things. I would emphasize that the tax cost of this in the early years, perhaps the first five to seven or eight years, is negligible, because companies do not adapt employee benefits immediately.

**Mrs. Valerie Payn:** May I also just add—

**Mr. Rick Dykstra:** Be really quick, please.

**Mrs. Valerie Payn:** It relates to this point. My only comment to it would be that this is one that the federal government could certainly very easily measure, because oftentimes when you put resources to something, it's out there; you're not really sure. To work, this would have to change behaviour. You could actually measure in numbers of people and numbers of dollars and so on, I would suggest, in a very easy way.

**Mr. Rick Dykstra:** Well, I think that's a great point. In fact, I get bimonthly updates from the transit commission in St. Catharines, in my riding, just to identify and let me know the increase in usership. There's no question that it has had a significant impact on and provided additional revenue for the transit system itself.

Mr. Bird, I can't resist. You mentioned St. Catharines and the tremendous number of athletes who have come out of there and are training in Calgary. When we were in Calgary on pre-budget consultations, it was pretty uplifting to know that, whatever size a community may be and wherever it may be located in the country, there are a number of them that produce solid athletes to represent our country, both on the sports side of it and also in terms of representing our country. I wanted to mention that I appreciated your noting that we have some pretty strong and competitive athletes from St. Catharines who compete for us on the world stage.

To add to that, I note that both Mr. Savage and Mr. St-Cyr again complimented the government on the child credit for children playing sports. I don't know whether you guys are going to do some research or not, but I guess my question is, if you are doing some anecdotal work now, in terms of the benefits it's had, are you planning to do a follow-up to see what the increase means?

● (1425)

**Mr. Ian Bird:** I think your chairman, when he was on the Standing Committee on Health, recommended that the research be done and be tabled within the first three years of the credit's use. I think that's fair counsel.

The further research, though, needs to look at the non-tax-paying part of the population and how they get the kind of support that makes it more.... I think that's something—speaking to Mr. Pacetti's point—that can be done in concert with the business community, the philanthropic community, and the public community.

Thank you.

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

Mr. Glauser, you made a comment with respect to the \$800 million we included, from a federal perspective, in 2006. Those funds were transferred. Every province, including New Brunswick, put in a third-party trust account pretty much the day after the federal budget was released.

For New Brunswick, that meant an additional \$18.4 million for affordable housing and an additional \$6.7 million for off-reserve aboriginal housing. I'm disappointed to learn today that while that money may be sitting in a third-party trust account collecting a little bit of interest, it hasn't been put to use. I wonder if you know when this might actually be implemented by the provincial government.

**Mr. Gary Glauser:** The funds are available for the groups to apply for, so groups are, as we speak, applying for the funding.

One issue, though, is the March 31, 2009, deadline. That's one of the main issues of not having a long-term housing strategy: groups get some money, and then they have to panic and try to get a housing project put together. It doesn't work that easily on the ground. But they are feverishly working to get those moneys spent.

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

Do I have a little bit of time, or is that...? I have a really quick question.

**The Chair:** Yes, I'm going give you one more.

**Mr. Rick Dykstra:** Ms. Payn, you mentioned the additional countries, especially in Europe, that have taken advantage of the lowering of their corporate tax rates and the benefits this has on the situation with respect to the rest of the country. Sweden and Finland are countries that have done that.

Have you prepared a document, or has the Canadian chamber prepared a document, to show the types of benefits that lower corporate tax rates have on the...? I'm not even going to list them out, because once you start to list them out, you pick favourites, and I think you made a good point that we shouldn't be doing that.

Has the Canadian Chamber of Commerce attempted to do that?

**Mrs. Valerie Payn:** I can't speak for the Canadian chamber, but is your question, can we see the benefits of lower corporate tax rates on the country overall and what would happen?

**Mr. Rick Dykstra:** Yes.

**Mrs. Valerie Payn:** I'm sure we could come up with something for you. I can't say from my head what's out there. I'm sure work has been done and models done by our various economic think tanks around the country—perhaps even us, for all I know. One can only assume that if there are more moneys available, business will reinvest in things such as productivity, growing the business, etc., and as a result will be taxed more. This is what happens: there's a broader base, but at a lower rate, so there's more of it. That's what happened in other countries. One can only assume that would be the natural course of events in this country as well.

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

**The Chair:** Thank you very much to the witnesses for coming forward. We thank you on behalf of the committee.

We'll take a quick pause as we bring our second group of panellists in and take a bit of a stretch break.

We'll adjourn for five minutes.

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\_\_\_\_\_ (Pause) \_\_\_\_\_

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• (1435)

**The Chair:** We will resume the meeting. We want to thank the panellists for coming forward and being here. This is our last panel for the day. We're looking forward to what you have to advise us with regard to our pre-budget consultations.

We'll start the presentations with the Canadian Association of Social Workers, Glenn Drover.

The floor is yours. We'll give you five minutes. We have a full panel, so if you can keep it to five minutes, we'd certainly appreciate it.

**Dr. Glenn Drover (Social Worker, Canadian Association of Social Workers):** Thank you, Chair, and thank you for inviting us.

I'm going to divide my oral presentation into two parts: briefly, an expression of our concerns, which will echo several things you've already heard, and then talking about our suggestions.

In terms of our concerns, our written submission to you comes from a social policy perspective. Like many other organizations whose primary interest is social policy, we ask that changes in the tax system be examined not only in terms of economic efficiency but also in terms of their social and distributional impact. Some government and tax expenditures are simply based on an ethic of solidarity and an obligation to help those in need, not on economic efficiency.

A related concern is that the ongoing preoccupation of governments—federal and provincial—with tax cuts, particularly income tax cuts, can and maybe will undermine the capacity of the federal government to maintain the existing programs into the future and curb dramatically the potential for new initiatives, particularly when such cuts, in terms of their efficacy, have not been yet examined.

At present, there are serious gaps in federal social policy. There is no national housing strategy, there is no commitment to reduce poverty, the correctional system is underfunded, the welfare and employment insurance system is dysfunctional, labour market policies with regard to women are constrained, the development of publicly funded child care spaces has gone into slow motion, and there is a need for a national strategy on disability.

Each of these concerns is not purely social in nature. They all have implications for the tax system. Many of them have or can have an impact on productivity, investment, and economic growth. Nor does their resolution necessarily mean the resurrection of old programs. New federal approaches that put a greater emphasis on transfers and refundable tax credits for individuals rather than transfers to provinces and territories need further exploration. New approaches may also help to clarify the relative fiscal responsibilities of different levels of government.

With these observations as background, the following are the main suggestions or recommendations we would like to put forward.

First, in terms of the criteria for tax reform, in our judgment, equity and fairness should be a primary tax principle, as well as efficiency. We think here particularly of vertical as well as horizontal equity.

Second, taxation should be consistent with constitutional responsibilities, and jurisdictional overlap should be minimized as much as possible.

Third, taxes should be implemented not only to promote economic growth and efficiency, but also to assure development that is socially sustainable.

Fourth, a preference in social policy should be given to taxes with a broad base that do not impede work and are redistributive.

Fifth, we think core social and health services, as well as income security, should be funded primarily through taxes on income and payroll.

Sixth, the OECD suggests that Canada could increase value-added taxes to offset lower business taxes. While that may make sense for business, value-added taxes are generally regressive and tend, in some respects, to neutralize the progressivity of income taxes.

In terms of the second question you raised, about the appropriateness of corporate taxes, this is not an area about which we know very much of anything, but we just want to make one suggestion: given the ongoing debate about appropriate levels of corporate taxes, we recommend that the federal government follow proven international practices in order to ensure that additional corporate tax cuts will in fact lead to significant economic and productivity gains for Canada. We think that at the moment this is an unknown.

Finally, in relation to what is an appropriate form of personal taxes, we have three suggestions.

One is that the ongoing use of income tax cuts and non-refundable tax credits to benefit middle- and higher-income individuals or families is not only inequitable but compromises the capacity of future governments to finance high-quality, comprehensive services and income supports for Canadians at risk.

Two, we think these and other charges should not be a major deterrent to essential public services such as health care, social services, and education.

Then, three, we suggest that the federal government reassess its bias to cutting income taxes and examine more closely those

economies that maintain high standards of public provision, along with high levels of economic growth and productivity. That is a path that, in our judgment, is more likely to sustain high standards of living in this country, and in the future, a more equitable society.

In our written brief, we give you an example of a reform that we think meets many of these criteria, and it has been put forward too, I think, by the Caledon Institute of Social Policy in relation to the reform of welfare and employment insurance. It's a comprehensive reform that, in our judgment, does two things: one, it shows new approaches in the way the federal government can deal with these things; and secondly, it clarifies jurisdictional responsibility for taxation.

• (1440)

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

We'll now move on to the Canadian Healthcare Association. We have with us Sharon Sholzberg-Gray, president and CEO.

In a past life, we heard your testimony before committee many times, and we look forward to your five minutes today.

**Ms. Sharon Sholzberg-Gray (President and Chief Executive Officer, Canadian Healthcare Association):** Thank you.

CHA is the federation of provincial and territorial hospital and health organizations across Canada, representing over 900 hospitals and more than 4,700 health facilities covering acute, home, community, and long-term care.

Just for people from Nova Scotia, I want to remind you that our Nova Scotia member is the Nova Scotia Association of Health Organizations.

Our members are basically the publicly funded health system in Canada. I'd like to say that the CHA is a leader in developing and advocating for health policy solutions that meet the needs of Canadians. We're committed to a publicly funded health system that provides access to a continuum of comparable health services throughout Canada.

First, we have to say this because every day in the newspaper someone else is saying that our publicly funded health system is not sustainable: we must state categorically that, contrary to the myths that are circulating, the Canadian health system is sustainable. I'd like to use the latest OECD data. These data were produced recently and take into consideration the increases after the 2004 health accord.

What the data say is that Canada ranked ninth amongst OECD countries in total health spending—that is public and private combined—as a percentage of GDP. How many times have you read that we're second? We're ninth. If you look at public funding only, we're thirteenth. What this really shows is that Canada's health system is both sustainable and efficient and compares favourably with the OECD countries to which Canada is usually compared.

Privatizing more health costs by shifting them to individuals or their employers would not make these costs less onerous. We've said over and over again that cost shifting isn't cost saving. We already heard somebody in the previous session talk about the competitive advantage to Canadian businesses of having our health system. Given the high Canadian dollar, this is more important than ever.

Now to the issue of taxes, which I'd like to link to the federal spending power. There's so much talk about how important it is to cut taxes—and we're not saying that taxes ought not to be cut and we're not saying Canadians ought not to have some money to spend on their own—that we have to keep reminding ourselves that taxes are the price citizens of a country pay for the goods and services they collectively provide for themselves and each other. Federal tax revenue enables the federal government to help deliver services and fund programs for the health and social well-being of all Canadians.

While we know the delivery of health services is a provincial and territorial responsibility, the federal government has traditionally used its constitutional spending power to assert the Canada Health Act and to achieve pan-Canadian objectives. Any move to restrict the use of the federal spending power—and I'm not saying it should be used without provincial concurrence and agreement—in the future could have a negative, if not chilling, impact on future health programs like pharmacare, which is the program most provinces are asking for, by the way.

Let's talk about tax cuts and debt repayment. CHA is particularly interested in the question posed by the committee as to whether tax cuts should be broad-based or targeted to specific groups. Here, of course, the details are important. What we'd like to say is that socio-economic status is tied to health status. Therefore, if we improve the financial status of low-income individuals through a reduction in the tax rate at the lowest income bracket, this will benefit the health system as well as individuals at all income levels. I know the government has done this to some extent, but it can do it perhaps a little more at the lowest levels.

Also, CHA recognizes the need to pay down debt with surplus funds, but we would like to ensure—and I'm sure everyone else has told you the same thing—that some surplus money is allocated, before the end of the fiscal year, to special funds to achieve health and social purposes, rather than allocating the entire unplanned surplus to debt reduction. There needs to be some balance between tax cuts, paying down the surplus, and the need to invest in the infrastructure of this country. And we're not just talking about health infrastructure; in fact, we think it's important to invest to the determinants in health.

So what do Canadians want? Every time there's a poll, what Canadians are saying is what their number one issue is. Sometimes they're saying the environment now, and sometimes they're saying health, but health is still up there. Only 3% of respondents in most polls—and I don't quite know how Canadians have this split personality, but they do—say taxes are the most important issue facing Canadians. Remember that when Premier Charest announced that some of his increased equalization payments would go into tax relief, Quebecers answered, no, we want them to go into health and education and social services. That's an interesting thing to keep remembering.

● (1445)

But I have to repeat that CHA is not arguing for higher taxes. We're only saying that taxes pay for needed services and that if there are tax cuts, we think they should be broad-based in a way that enhances economic growth, that they should help low-income Canadians, and that they have to improve health status.

Am I at five minutes now?

**The Chair:** You're over.

**Ms. Sharon Sholzberg-Gray:** I'm over. Can I give a list of where I wanted...? No? It's all in our brief.

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

We'll now move on to the Heritage Canada Foundation. We have with us Chris Wiebe, officer of heritage policy and government relations.

The floor is yours for five minutes.

**Mr. Chris Wiebe (Officer, Heritage Policy and Government Relations, Heritage Canada Foundation):** Thank you.

The Heritage Canada Foundation, HCF, was created as a national trust in 1973. It's an independent, membership-based charitable organization and has a public mandate to promote the rehabilitation and sustainable reuse of historic buildings.

Over the past 30 years, Canada has lost 20% of its pre-1920s historic buildings to demolition. This is lamentable. But why should we retain and rehabilitate Canada's historic places in the first place? There are many socio-economic benefits. As Professor Pacey mentioned this morning, these iconic places define our communities and attract tourist dollars. What's more, their rehabilitation generates twice the jobs of new construction, and it is also a proven catalyst for the revitalization of depressed urban areas.

There are also many environmental benefits. Reviving old buildings reduces greenhouse gases. A recent Canadian study showed that rehabs use a third of the energy of new construction. Rehabilitation also supports sustainability by recycling, and it keeps demolition waste away from the landfills.

Unfortunately these days, there are many financial disincentives that stand in the way of preserving these historic places. The federal tax system contains disincentives of its own. The Income Tax Act is unclear on which types of rehabilitation work are repair and maintenance—a deductible current expense—and what must be capitalized and depreciated. This discourages rehabilitation. Moreover, GST rebates for substantial renovations and new housing are not currently applicable to heritage buildings.

So what can be done to tip the balance in favour of preservation? Over the past year, HCF has been listening to heritage property developers, municipal planners, and grassroots heritage advocates. They have all told us that federal financial incentives would be powerful tools to help Canadians preserve their historic places. This spring, city councils from six major centres, including St. John's, Vancouver, Kitchener, the Region of Waterloo, Winnipeg, and Toronto, passed council resolutions calling for these kinds of financial incentives for heritage.

At HCF's annual conference in October, six prominent heritage property developers from across the country said that fiscal measures would greatly help them reuse buildings as well. All these groups have seen how effective federal initiatives such as the ecological gifts program have been in the conservation of ecologically significant land. They all believe similar strides could be made with historic buildings if the right tools are put in place.

Federal financial incentives to help preserve these places could take many forms, including measures for taxable corporations. As Professor Pacey mentioned this morning, the United States has a 20% tax credit for rehabilitation of historic properties, and it has been very successful for the past 30 years, with over 32,000 buildings rehabilitated. All told, \$5 billion in federal tax credits have leveraged \$36 billion in private investment.

The Canadian government's own commercial heritage properties incentive fund, also known as CHPIF, showed that financial measures could be just as successful here in Canada. The program was instrumental in resurrecting sixteen major properties. Two projects, the historic Leader Building in Regina and the Union Bank Tower in Winnipeg, had sat empty for over a decade. In downtown Saint John, New Brunswick, the CenterBeam Place project resurrected an entire block of deteriorating 19th century buildings—and I hope you have a chance to look at John F. Irving's article in the magazine I sent around.

These and other CHPIF projects have roughly the same five-to-one ratio of private-to-public funding. CHPIF funding tips the balance and makes these cost-effective for private companies to undertake.

Other kinds of financial incentives could also benefit non-profit groups that are rehabilitating historic buildings. Earlier this year, the federal government undertook an initiative with the Nature Conservancy of Canada to purchase and preserve ecologically sensitive land. The federal government's \$225 million contribution will be matched by private donations. A similar national endowment fund of this type for heritage buildings would stimulate partnerships in heritage preservation.

In summary, our three recommendations are that the federal government introduce a federal rehabilitation tax incentive or comparable measure for taxable corporations, that it ensure existing tax measures accommodate the rehabilitation of historic buildings, and that it promote private-public partnerships for historic places by providing seed funding for a national heritage conservation endowment fund. With these, the federal government could be a powerful catalyst by putting in place key tools to help Canadians protect and invest in the heritage we all cherish.

Thank you.

● (1450)

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

We'll now move on to Imagine Canada. We have Ms. Teri Kirk, vice-president. The floor is yours.

**Ms. Teri Kirk (Vice-President, Public Policy and Regulatory Affairs, Imagine Canada):** Thank you, Mr. Chair and members of the committee.

Imagine Canada looks into and out for Canada's charities and not-for-profit corporations. We're pleased to bring forward four recommendations to this committee. They've been developed in collaboration with, and formally endorsed by, some of Canada's best-loved national charities, known to all the committee members and to Canadians more broadly: the United Way of Canada and Centraide Canada; YMCA Canada and YWCA Canada; the Salvation Army; the Sport Matters Group, which was here earlier today; the Canadian Conference of the Arts; the Canadian Council for International Cooperation; Community Foundations of Canada; the Inuit Women of Canada; and the national charities and not-for-profit law section of l'Association du Barreau canadien and the Canadian Bar Association. These organizations work throughout the year to develop consistent positions to present to this committee that are concerns of charities and non-profits in Canada.

Of the four recommendations that we unanimously present to you today, members, two relate to tax policies that are already in place but that in our view have become unduly complex or are unclear and are therefore not achieving the tax policy objectives that they set out to achieve.

It's our recommendation that clarification of the charitable remainder trusts and the streamlining of the charitable donation tax credit would result in improved use of these important tax incentives for charitable giving. Details of those recommendations are in recommendations 2 and 3 of our brief.

Our two other recommendations, committee members, propose new measures to stimulate giving by Canadians to the charities of their choice.

● (1455)

[Translation]

Donations received by organizations in the sector from 22 million donors amount to \$9 billion every year.

[English]

About 22 million Canadians donate \$9 billion a year to charities. Tax policy is a critical foundation that underscores any society with high rates of giving, as we experience in Canada. We've all seen the creative and positive impact of the full deductibility of capital gains exemptions on gifts of stock. That was very welcome by the sector and had a stimulative effect on giving.

Other recommendations that we feel would be beneficial to Canadians were presented by Philanthropic Foundations of Canada when it appeared before this committee. They recommend that donors and other funders should be able to invest in and lend to charities as well as to donate and give in grants, and they should receive favourable tax treatments when they do so.

From the recipient organizations' point of view, charities should be able to access a full range of funding instruments, much like venture corporations, particularly when they're trying to raise significant funds of donated community-based capital to take on very significant causes such as disaster relief or building child care centres and so on.

Mr. Chair, I think I have a minute or so left. Do I?

**The Chair:** Yes.

**Ms. Teri Kirk:** Thank you.

Canada's charities and not-for-profit corporations feel increasingly concerned that the federal government doesn't necessarily see the charitable sector as being within its scope or as necessarily federal jurisdiction or high on its policy agenda. I do want to remind the committee members that charities are creatures of the federal government. They are corporations that are given favourable tax benefits to carry out select activities in their communities that are deemed to be charities under the scope of the Income Tax Act.

We would ask that you designate a minister or perhaps a parliamentary secretary or a multi-party task force that would look at modernizing the fiscal framework to assist charities to secure the financing they need to meet the expectations of Canadians. We feel that Senator Marjory LeBreton has done an extraordinary job in developing a strategy around seniors; former Senator Michael Kirby played a similar role in developing a strategy in respect of mental health for Canadians. We would ask that this committee consider the merits of a strategy to improve the fiscal framework governing Canada's charities.

Thank you.

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

We'll now move on.

We have Mr. Trevor Lewis from the National Association of Indigenous Institutes of Higher Learning.

Thank you for being here. You have five minutes.

**Mr. Trevor Lewis (Chair, National Association of Indigenous Institutes of Higher Learning):** Thank you, Mr. Chair.

I'd like to thank the committee for giving me the opportunity to address the issues we have.

I'm the chair for the national association, which is an organization established in early 2000 to support the recognition and resourcing of indigenous-controlled institutes of higher learning in Canada. There are currently just over 50 indigenous institutes across the country, impacting all aspects of lifelong learning, from advanced to undergraduate degrees, all the way down to elementary and secondary programs, and everything in between, including training.

Indigenous institutes continue to play an important role in the post-secondary system in Canada, not only for the students who access the services we provide, but also as significant economic drivers in the communities where they are located.

In a recent review by the Standing Committee on Aboriginal Affairs and Northern Development, they released a report—in February, I think it was—that stated:

We cannot emphasize enough the established importance of these institutions and of Aboriginal programming for post-secondary learners. The successes of Aboriginal-controlled institutions should be acknowledged by government, supported and built upon. In our view, government's objective should be to put in place measures that strengthen and promote the long-term viability of these key institutions for the future of Aboriginal post-secondary education.

This is just one recommendation in the report. When the Department of Indian Affairs responded, they failed to respond to this particular recommendation, which is, I guess, a bit concerning.

As well, as recently as early November, I attended a western universities round table organized by Lloyd Axworthy, where they were talking about providing access for aboriginal folks in universities. At the end of that round table session, they issued a press release that reinforces the recognition of the important role of first nations institutions and calls upon the federal government "to strengthen its support for Indigenous institutions of higher learning".

So these are just two significant events in this past year that have continued to reinforce the things that have built aboriginal institutes in the country. Despite that support, we continue to be bounced around in the jurisdictional volleyball game. As I'm sure everyone is aware, post-secondary education is the responsibility of the provinces and Indians are the responsibility of the federal government, so the two never meet. We exist in the middle of somewhere, a no man's land.

I'll give you a real example of this. In 2005 the federal government introduced Bill C-48, which provided up to \$1.5 billion to support training programs and enhanced access to post-secondary education to benefit, among others, aboriginal people. None of this funding found its way to the indigenous institutes across the country. The federal government told us the funding was transferred to the provinces, and more or less, they don't like to tell the province what to do with the funding they receive. The provinces stated that funding was only for publicly funded and supported institutions, so there again we're in the middle. We're neither.

I want to keep this as brief as possible. As a recommendation, if the federal government is looking for ways to invest the huge surpluses they have, I might suggest a low-risk investment in aboriginal post-secondary education to lift the 2% cap, in addition to increasing the funding that's available for post-secondary students. It will have very high dividends in the very near future when we see, over the next few years, baby boomers retire and a huge skill shortage that will exist in our country. So I see that as a very low-risk investment for the federal government. Indirectly, I might say, that particular investment also helps aboriginal institutions, because it's one of the ways in which, right now, some of our organizations are available to access small amounts of dollars through the Indian studies support program.

● (1500)

With that, I'd like to thank everyone for listening.

Thank you.

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

We'll now move on to Nova Scotia Federation of Labour. We have with us Betty Jean Sutherland, vice-president-at-large.

The floor is yours for five minutes.

**Ms. Betty Jean Sutherland (Vice-President-at-Large, Nova Scotia Federation of Labour):** Thank you.

The Nova Scotia Federation of Labour is an umbrella labour organization that has a membership made up from affiliated unions from across the province, from every region and from every walk of life. Our executive council is comprised of representation from every union in the province, and we represent approximately 70,000 affiliated members, including over 6,000 members of the Public Service Alliance of Canada.

The Nova Scotia Federation of Labour is a legislative body that represents the interests of affiliates on matters of impact on workers and their families, matters that normally cannot be resolved at the bargaining table. Taxation is one of those issues. We welcome the opportunity to raise concerns and to make recommendations on behalf of our affiliated members. We have some serious concerns about the tax system in this country and the needs for a prosperous future.

In the preamble to the questions the committee is asking, it states that the responsibility of government is to ensure the existence of a system of taxes, fees, and other charges that meets the needs of the country, its residents, and its businesses. This is an important question in the context of the committee's statement that we live in an increasingly global world characterized by ongoing and rapid change.

Globalization is one of the main reasons the federal government must ensure not just that a taxation system exists, but that it must be a fair one. The first question asked is about the criteria that should guide federal decisions about changes to taxes. Fairness is one of those criteria. Upper-income citizens and large corporations have the greatest ability to pay, and they have been the major beneficiaries of the growing economy and the tax cuts.

The Federation of Labour does not believe in tax cuts. Cutting taxes not only reduces the services Canadians depend on, it also reduces the revenue the country relies on to manage the fiscal debt and the expenditure pressures it faces.

In a recent Environics research poll, 76% of Atlantic Canadians supported increasing taxes on wealthier Canadians to pay for programs that benefit the rest of the population, while overall 70% of Canadians interviewed agreed with this statement. Any tax increases should be based on the ability to pay, and the upper-income earners and corporations fall into that category.

These assertions lead to the second question posed by the committee on the appropriate form and level of corporate taxes, fees, and other charges, and the extent to which federal revenue should be derived from corporations rather than from individuals. An appropriate form of taxation for corporations is just that—taxation, not tax breaks or cuts—and it must be based on the ability to pay. The same applies to individuals.

We do not believe the federal government needs to ensure that corporate taxation is competitive with that in other countries. It should look to the economic prosperity of those who have fair taxation and spend the money on social services and infrastructure as an example to emulate. Consideration should be given to the various levels and types of goods provided by the country only if it means we are trying to raise the bar, not lower our standards to save money.

The Federation of Labour does not believe in privatization of any public services. Public delivery of these services is the only way to ensure the quality accountability that Canadians deserve and are willing to pay for. Having said that, an appropriate form of personal taxation is fair tax based on the ability to pay.

Investment income should not be taxed at lower rates than employment income. A new and higher rate for incomes above \$250,000 and an increase in the inclusion rate for capital gains for personal and corporate earnings.... We need tax reform, but not in the form of cuts. We need to tax fairly and ensure that moneys are allocated fairly to the provinces and that federal transfers are not just maintained by increases.

● (1505)

Concerns about the federal budget have provoked debate and scrutiny in Nova Scotia about equalization and federal transfers in general. A major concern is whether the federal budget becomes another means by which our provincial government underestimates revenues and makes cuts or eliminates important social and economic programs.

**The Chair:** Are you just about done?

**Ms. Betty Jean Sutherland:** Yes.

Nova Scotia has been putting off investments in, for example, post-secondary education, supports to low-income households, more sustainable energy production and consumption, and transportation and infrastructure. There are ways to invest revenue in tangible programs that support Canada's working families while keeping the nation in a balanced budget situation.

**The Chair:** Thank you very much. We appreciate that.

We'll now move on to our last presenter. From the Ontario Council of Agencies Serving Immigrants, we have Roberto Jovel.

The floor is yours for five minutes.

[Translation]

**Mr. Roberto Jovel (Coordinator, Policy and Research, Ontario Council of Agencies Serving Immigrants):** Thank you very much.

The acronym OCASI stands for the Ontario Council of Agencies Serving Immigrants. We don't have a French name for the moment, but that's a matter of time.

We are an organization of provincial federations with approximately 190 members. These are community organizations serving immigrants and refugees in Ontario. They are highly diverse organizations, which work with immigrant women, certain communities of specific national origins and faith-based organizations. In fact, it's quite a diversified network.

We are not tax experts, but we have seen that the tax reform measures from previous years have had an impact on the populations that we serve and represent. In general, given the poverty afflicting many immigrants and refugees, a good number of the measures and changes made to the tax system in previous years have provided no benefits for these persons.

So in today's presentation, I would like, somewhat as in the text we submitted in advance, to establish the connection between this tax system reform and the need for a Canada-wide anti-poverty strategy. I would also like to establish the connection between the issue of poverty in Canada and discrimination based on race and gender or, as it is called more officially, gender differences.

I draw your attention to page 3 of our brief, where we talk about modern labour market realities in Canada. The fact is that a growing percentage of the present labour market fall into employment categories such as under-employment and unstable employment. This quest for flexibility in labour markets was a strategy used by employers to shirk their responsibilities in labour hiring cost areas. There are studies that outline this situation and establish the fact that immigrants are harder hit by the bad effects of this situation.

I also draw your attention to the study by the Workers' Action Centre of Toronto, to which we refer in footnote 5. What are the effects of these under-employment and unstable employment practices, under which workers have no rights? This is a lack of any right to form a union: no right to conduct collective bargaining, no access to employment insurance, no paid vacation, no coverage for parental leave, no recourse against employers' abuse of power, including against unfair dismissal.

• (1510)

[English]

In terms of the link between poverty and race and gender issues in Canada, and the need for this committee to look at that very closely, like any other policy-makers or legislators in Canada, the production and reproduction of poverty are not neutral processes that equally affect the members of different groups of residents in Canada. In this country today, race informs who is most probably going to get cut in the shifting sands of poverty, and gender informs that as well.

The migrant experience, the immigrant experience, is an experience very often profoundly marked by disempowerment and abuses, and it is informed by the combination of issues of race and gender, and this combination yields the disproportionately racialized and effeminized face of Canada's poor today.

I would like to quickly refer to the very well-known studies by Michael Ornstein and Grace-Edward Galabuzi on these matters, and as well, our most recent project, which is called the Colour of Poverty Campaign, of which OCASI is a part with several other community groups, which has produced a series of fact sheets detailing with statistics the situation of poverty and race in Canada. These are accessible on the Internet at [colourofpoverty.ca](http://colourofpoverty.ca) and they are, again, very useful for policy-makers, policy analysts, and legislators.

Over the last 15 years—and the census results that were published just yesterday continue to confirm this—immigrants to Canada have been arriving increasingly from countries in the global south, and thus they are increasingly members of racialized communities and face related forms of injustice.

Earlier this year, Statistics Canada released a study depicting the chronic low income and low-income dynamics among recent immigrants. There's also a study by Evangelia Tastsoglou and Valerie Preston that looks specifically at the situation of immigrant women. The results are that immigrant women are less likely to participate in the paid labour force than Canadian-born women. Immigrant women are more likely than Canadian-born women, and both immigrant men and Canadian-born men, to be unemployed. Among full-time workers, immigrant women have the lowest income, and racialized immigrant women make 20% less money than non-racialized immigrant women, that is, white immigrant women. This does not account for refugee women, who were not part of this study.

Thank you.

• (1515)

**The Chair:** Thank you.

We'll now move to questions and answers. I believe we can get seven minutes for each one on this round, and that'll take us to our time.

We'll start with Mr. Pacetti.

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

Thank you to all the witnesses. It's very important that you appear before us, and as I said to the last panel, when you have diverging views, I think it makes it more interesting for us.

[Translation]

Mr. Jovel, I didn't have any questions to ask you before hearing your testimony, but I find the issues you raise interesting.

I'm a member who represents quite an urban riding where the rate of immigration is very high. Some organizations definitely offer services, but I don't know what services can be offered to help someone. I'll cite one of your examples. You said that an immigrant woman receives 20% less.

Is it the government's responsibility to help or to act, or is it up to the organization to do that? Even the organizations don't have the tools. Has your organization taken any action to find a solution or to reduce this difference?

**Mr. Roberto Jovel:** Organizations like OCASI generally offer direct services to immigrants. We provide information services on employment, housing and health. However, they are not generally able to work to defend the rights of individual immigrants. On the other hand, as a provincial umbrella organization, we raise these issues with the various levels of government.

There are also different responsibilities. Many responsibilities for employment are under provincial jurisdiction, whereas others are under federal jurisdiction, such as employment insurance legislation.

So when we talk about women living in situations of unemployment or unstable employment and who do not have access to employment insurance, there are measures that the federal government could implement in an attempt to improve the situation.

**Mr. Massimo Pacetti:** The question is whether that will help them even if available funding is increased for the community centres offering such services. Only 1% of the population is served by these centres. In particular, only part of the immigrant population isn't aware of government services, even of the services you offer. That's the biggest problem for us. There's always a small percentage of people who use the services, but a lot who do not use them. That's the problem we have.

**Mr. Roberto Jovel:** We didn't address the issue of funding for community organizations in our brief. We focused instead on the anti-poverty strategy and tax reform, which can help remedy the situation. So the question is not necessarily to inform individuals, if they find themselves in a—

**Mr. Massimo Pacetti:** I don't want to interrupt you, but if an immigrant comes to Canada and is not informed, will it change something if he or she goes to you?

**Mr. Roberto Jovel:** Of course, we can inform them about their rights.

Now we're thinking of establishing measures to obtain fair treatment for immigrant workers. The federal and provincial governments have undertaken to recognize credentials acquired outside Canada. That's a very good measure. However, if there isn't any federal or provincial legislation against discrimination in the areas of hiring, salaries, career advancement opportunities, we are—

•(1520)

**Mr. Massimo Pacetti:** I understand. All right. Thank you.

[English]

Ms. Kirk, just quickly, there was something you mentioned concerning which I'm not sure I caught on. Did you say we should be treating charities like venture corporations?

**Ms. Teri Kirk:** Well, I'm not really suggesting that. I'm saying that many charities have financial needs to address a very significant need in the community—say, a large economic disaster—for which they want to raise large amounts of capital. By being restricted to donations, to amounts people are willing to give out of their back pocket, they are limited in their access to capital. One of the biggest gaps identified by American universities is the need for capital to address these needs and the lack of it.

**Mr. Massimo Pacetti:** That is, the lack when you have a big project on the go, and things like that.

**Ms. Teri Kirk:** Yes. What we're really suggesting is that while there are many measures now in place to support donations and giving, we think our society is now sophisticated enough to support more varied investment instruments in charities—debt instruments, equity instruments....

**Mr. Massimo Pacetti:** Correct me if I'm wrong, but you didn't address the volunteer sector. Are there any steps underway to acknowledge the volunteer sector by putting in a dollar amount when somebody volunteers for a specific charity or charity event or charity purpose?

**Ms. Teri Kirk:** We work very much on behalf of the charitable and volunteer sector. We focus on the objectives of investors, donors, and recipient organizations—

**Mr. Massimo Pacetti:** I'm talking specifically about a volunteer, somebody who comes in and volunteers for a charity for whatever it may be—10 hours or 20 hours a week, or a month. Is there any way you can attach a dollar amount to that and say, this is worth that amount? Is there any work being done for that?

**Ms. Teri Kirk:** We do. Exactly right. There is a lot being done, both within Imagine Canada and in Volunteer Canada. We feel that the volunteer hours—and I have the numbers and will follow up with you more specifically—are a close-to-1%-of-GDP contribution.

Are you asking specifically whether we support tax measures?

**Mr. Massimo Pacetti:** No, it was whether you have a specific recommendation or idea of how we can value that, because there have been some recommendations that I've heard.

**Ms. Teri Kirk:** Yes, we do. We can show you as a percentage of GDP that it adds up—

**Mr. Massimo Pacetti:** Not as a percentage; if somebody comes in and does 10 hours of work for your charity—whether it's 10 hours a week, or a month—could we put a dollar value on it so that the person can benefit from that?

**Ms. Teri Kirk:** Yes, we have some data on that.

**Mr. Massimo Pacetti:** Okay. You can send it over to the clerk.

I have a quick question to Ms. Gray.

We were discussing the attraction for employers or companies to come to Canada and make their investment here in Canada rather than in the United States or any other country. I'm talking specifically about our health care. Is there a percentage that it is worth? When I talk about percentage.... The statistics are that we're eighth in the world in our tax rates, or seventeenth. Should our corporate tax rate be two or three percent more because we provide medicare? Is there a specific number?

**The Chair:** Very quickly.

**Ms. Sharon Sholzberg-Gray:** I'm certainly not going to be advocating corporate tax increases right now. But it is a benefit to those corporations that get the tax—

We don't have a number. We can look up some numbers for you. It's more than \$1,000 per worker, something like \$2,500 per worker. That's a lot of money.

**The Chair:** Thank you.

We'll move on now.

Monsieur St-Cyr, you'll have seven minutes.

[Translation]

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

My first question is for Ms. Sholzberg-Gray. In your brief, among other things in point 4(d), you call for a pan-Canadian strategy on drug insurance. As I've often said, in Quebec there is a unanimous objection, across political parties and groups, to the federal government's dictating standards in areas of exclusive provincial jurisdiction, particularly since Quebec already has its own drug insurance plan. It isn't perfect, but it has had some success.

I often put the same question to people calling for pan-Canadian programs. If that's the wish of the rest of Canada, I don't see any problem. Would you agree to Quebec's being excluded from such a pan-Canadian program and having an unconditional right to opt out with full financial compensation?

[English]

**Ms. Sharon Sholzberg-Gray:** First of all, I'd like to note that Quebec signed the 2004 accord—accepted strategies and pan-Canadian objectives, I think in a very open way, and signed the accord.

But with respect to the fact that Quebec already has a pharmacare program—which has, as you note, some imperfections but certainly meets the needs of bringing pharmaceuticals to everyone—I think we would agree that the Social Union Framework Agreement, which wasn't adopted by Quebec, allows for compensation to existing programs that meet everybody's objectives. So if Quebec's program met the broad general objectives that are set for a pharmacare program, they ought to be compensated for it.

As to whether you call that opting out or not, certainly a province that has the program.... Manitoba has a good home care program. If we had a better home care program, I would say they should be compensated as well.

•(1525)

[Translation]

**Mr. Thierry St-Cyr:** I consider your answer a no.

When we request a right to opt out with full financial compensation, we're asking for an unconditional right to opt out. We're asking that the government of the Quebec nation, recognized by this Parliament, be solely responsible for the criteria that define it. This is a true consensus in Quebec.

As regards the health agreement you referred to, Quebec did not support it wholeheartedly because it was conditional. The Liberals imposed it and they told Quebec that, if it wanted money, it had to sign the agreement. They imposed criteria. Everyone in Quebec denounced it. The government itself said that it did so reluctantly.

Is there a willingness on the part of an organization such as yours to respect the concept and existence of the Quebec nation, which has been unanimously recognized by this Parliament, by saying that, if Quebecers form a nation, they have a right to determine their policies in the areas of health, education and so on? If so, funding should simply be transferred to the provinces and it should be allowed to determine its priorities and what it wants to do with that funding.

[English]

**Ms. Sharon Sholzberg-Gray:** I would say our board agrees with the principle that Canadians have to have access to comparable services wherever they live in this country, and they'd really be reluctant to see money being transferred to Quebec to achieve a pan-Canadian objective—not a specific objective, but an objective of access to pharmaceuticals. It seems to me that even Quebecers who want to be in charge of their own nation and their own destiny couldn't object to the fact that Quebecers ought to have access, without financial barriers, to pharmaceuticals.

I'm not saying micromanaging a project or giving all the details; I'm saying that opting out, at least with the notion of a commitment to those objectives.... And if they're objectives that Quebec is already meeting, I'm not sure why that would be so onerous.

So I think there's a way of creating respect for Quebec's right to determine its own future in terms of pharmaceutical policy, at the same time as knowing that there's no reason the federal government would keep spending money over and over again, if not to ensure that wherever you live in this country you'd have, not identical access to services, but some sort of comparability.

We discussed this over and over again with our Quebec member, which is in a strategic alliance with us. They are very in favour, of course, of the Quebec government's objections to national programs. At the same time, they also want universal access to pharmaceuticals. So I'm not sure....

We're talking semantics here. Quebec already has a program, and some of the other provinces don't. If they get money for the program, Quebec ought to be compensated. I'm not sure why it would be so hard to say we also agree with access to pharmaceuticals.

[Translation]

**Mr. Thierry St-Cyr:** In fact, you can look at the semantics in two ways. You have to ask yourself why it's so hard to say we're going to give Quebec money and to allow it to do what it wants. If that's what Quebecers want, they're going to do it. That's more than semantics.

The issue is that the Constitution provides for a division of powers. Currently, however, the government is using its enormous surpluses to impose its conditions on Quebec and the other provinces. That's not semantics; it's something fundamental.

I'm not going to dwell on this issue because I have very little time left to speak to Ms. Sutherland and Mr. Drover, who spoke, among other things, about tax systems for societies.

I appreciated that you recalled each in your own way: when you work on the tax system, if you reduce taxes, there have to be economic results. The goal is not to cut taxes for fun, but if you have to do it, as was mentioned in one of the briefs, you have to make sure that really achieves significant productivity gains for Canada.

If you have to have tax relief for businesses, do you think we should take targeted measures to assist businesses in difficulty, or should we instead proceed with general tax cuts that will essentially help businesses that are already making profits?

• (1530)

[English]

**The Chair:** Your time has gone, but I will allow a very short answer.

**Dr. Glenn Drover:** In terms of the corporate tax cuts, I'm not experienced in that area, but the one thing that has been raised by the environmental groups is that certain kinds of targeted tax cuts make sense, particularly for those corporations that are moving in the environmental direction that we want them to go. I think the same is true in terms of social objectives if we're trying to encourage these kinds of initiatives.

**The Chair:** Please be very quick.

**Ms. Betty Sutherland:** It would be only with accountability. They'd have to be accountable.

**The Chair:** Thank you.

Mr. Keddy, you have seven minutes.

**Mr. Gerald Keddy:** Thank you, Mr. Chairman.

Welcome to our witnesses.

To Sharon Sholzberg-Gray, the health care equation is almost impossible to square. I'm not in disagreement with anything you've said about Canadians' wide-ranging support for socialized medicine and our responsibility to maintain that. I remember actually attending the Romanow report and inquiry and looking at trying to find ways within the system itself—and it would cost money—to actually find more revenue by cutting some costs and thereby generating more revenue from those cost savings.

One of the issues we've looked at is the Canada health information highway, or Infoway, and the \$400 million that's been put there. I think that's pretty significant. I remember talking about this at the Romanow commission, and it didn't go anywhere at the time.

We're all attached to our BlackBerrys, our computers, and our information systems, but there's no reason a doctor or nurse in the hospital can't be walking down the hall, input the medical file into their electronic chart, and have it go everywhere within that system all at the same time. If a person is allergic to a certain drug, then that should automatically come up on the person's chart. It would also prevent some of the human error that can occur. If a person is allergic to milk products, that should automatically go to the kitchen. Somehow or other we've not done that, but the technology is readily available.

Can you comment on that?

**Ms. Sharon Sholzberg-Gray:** Yes, I'd like to.

This is at the top of our list of expenditures; it is really an investment.

First of all, it's going to create jobs in the information technology sector, which is a great thing. Second, it's going to make the health system more economical. It's going to reduce duplication. Patients used to walk with their X-ray in their hands from one building to another. It's also going to improve quality, which reduces costs as well, because you don't have to pay for mistakes.

The problem is that the \$400 million you referred to, and the \$1.2 billion that was given to Canada Infoway previously, is not going to do the job. No one has been realistic enough to say that it is going to take billions of dollars. We say it's more than \$6 billion; it's going to take \$10 billion, and some people say \$20 billion, over a number of years. If we don't do it, it's going to cost us \$50 billion more.

In other words, in order to save and to make this system sustainable, we have to do it. I would look to the federal government to try to book some of the unplanned surpluses for a multi-year program to do this thing once and for all, and to stop talking about it.

It has to be done.

**Mr. Gerald Keddy:** Thank you.

It's because technology is one way to save money; then you can use those same dollars within the system—

**Ms. Sharon Sholzberg-Gray:** The veterans administration in the United States did it, and they improved quality and introduced savings.

**Mr. Gerald Keddy:** That's interesting.

My next question is to Trevor Lewis. Mr. Lewis, I appreciate the comments you made here today.

I had this discussion with one of the earlier witnesses. We have a significant first nations community that is better educated and better informed than they ever were. They're underemployed, without question. There's a huge opportunity to have more aboriginals enter the workforce, but there's a disconnect. Aboriginal communities, the chief and councils, recognize this. I think governments recognize this straight across the board.

There seems to be one group that is not really applying it, and that seems to be the employers. I'm not picking them out to blame them—some companies, such as Michelin in Nova Scotia, have done a very good job at hiring first nations—but there's huge potential here. Has anyone ever quantified how many first nations people—young people in particular—are available to go into the workforce over the next decade?

• (1535)

**Mr. Trevor Lewis:** There have been statistics done on age of population. I think over 50% of the aboriginal population is under the age of 25; it's something like that.

**Mr. Gerald Keddy:** I am aware of that.

**Mr. Trevor Lewis:** That's a huge number. I don't know if I can answer your question directly, other than that. I don't know if that helps. It's significant.

**Mr. Gerald Keddy:** It's a lot. It certainly is a significant area, and an area that I think all Canadians benefit from, straight and clear.

My last comment is on our immigrant community, because that's the next largest group that can potentially enter the workforce. One of the challenges our government and previous governments have fought with has been the recognition of educational qualifications and professional qualifications from foreign countries. Some of that, quite frankly, is protectionism on behalf of Canadian professional groups, and perhaps other groups; it may be some of our unions as well. I'm not pointing blame at any particular group here, but we have to find a way to get beyond that to recognize those foreign qualifications. So far I hate to say we've failed, but I think we have. I'm just wondering if you've got a new angle or a new way for us to work at that.

I put it all on your shoulders, right?

**Mr. Roberto Jovel:** Again, that's only one part of the problem, as I was telling your colleague.

At least in Ontario last year, Bill 124 was enacted. That is the fairness commission and recognition of foreign-trained professionals' diplomas.

It's going to start being implemented now. It has a few exceptions, I think, as regards some medical professions, but it has become legislation, so we're really looking forward to its implementation. They have as well appointed a fairness commissioner, someone who has a little background in terms of systemic discrimination issues, and I believe that's part of what you need as well with what's going on.

I'm sorry, I'm trying to finalize my sentence....

**Mr. Gerald Keddy:** I'm trying to get more time with the chair.

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

We'll move on to Ms. Alexa McDonough.

You have seven minutes.

**Ms. Alexa McDonough:** Thank you, Mr. Chair.

I'd love to get seven questions in, but I doubt that I'll do it.

I'll quickly start with Glenn Drover.

I appreciated your citing authoritative references that indicate that other countries using public policies and taxation measures different from Canada's have produced results of lower poverty rates, more equal distribution of income, higher pensions for seniors, lower infant mortality rates, higher educational outcomes, and better environmental performance. I don't want to say it's all-inclusive, but it seems to me that you've just cited the general aspirations that Canadians express, and why they pay taxes, if not joyfully, at least with an understanding that this is the price for a civilized society.

Can you speak directly to the government on this issue, in the sense that we can talk until we're blue in the face, but the government is not listening? You have government members here; you have a committee that reports back to government on this issue. What is it? Is it pure ideology? Is it pure ignorance? What is it that makes it impossible for them to understand this, and can you try again?

**Dr. Glenn Drover:** I can tell you in more general terms.

If you look at the taxation trends within Anglo-Saxon countries, which tend to be the United States, Canada, the U.K., and to some extent Australia, we've gone down a similar path. If you look at the Scandinavian countries and parts of Europe, they've gone down a different path. They've made different choices both economically and socially. I think they're winners in some respects, and perhaps we're winners in some cases. But ultimately, whether it's this government or any government, it has to look at it in terms of what the reasonable objectives are that they're trying to achieve and whether they're achievable using the tax system that they have.

I was struck by a couple of things in terms of how it's always getting into a level of detail we probably don't want to get into in talking about tax incidence, tax levels, and so forth. In terms of the tax incidence in Canada, we know taxes are now mostly proportional to income. You talk about things being progressive. The only tax really left that is progressive is income tax, and that represents about 30% of total revenue, I think. It's declining. We also know that at the top end of that, it's becoming regressive. That's pretty well documented with research.

So if the current government or any government wants to continue in that direction, it seems to me they have to somehow show that Canadians are going to benefit from it. I don't really think that has been shown, by studies for sure, and by other countries. Those are the kinds of challenges we're facing.

In terms of these kinds of initiatives, there's a fair amount of evidence. The example that would be closer to our political tradition is the U.K., where the Blair government certainly kept fairly conservative fiscal policies. On the other hand, they came up with some very strong measures on poverty and developed an anti-poverty strategy that we've been talking about several times today. They laid out all the ingredients of such a strategy, and they have been relatively successful.

● (1540)

**Ms. Alexa McDonough:** Ms. Sholzberg-Gray, I noted that several of your strongest recommendations are very high priorities from the Romanow commission. I know how closely engaged you were in that process. What do you think happened? The Romanow royal commission recommendations were measured to be supported by some phenomenal percentage of Canadians, yet the previous government didn't move on most of those recommendations, and certainly the current government isn't doing so either. I'm thinking about the information stuff, about the home care, and about the national pharmacare program, just to mention three.

**Ms. Sharon Sholzberg-Gray:** To be fair, the 2004 accord did have a home care program—a two-week post-acute, after-hospital stay, and a bit of palliative mental health care in the community. What we don't have is a comprehensive approach to home care that deals with chronic needs, ongoing needs, frail elderly, and what not. We're actually going to the Senate Special Committee on Aging on Monday on those kinds of things.

I think the real issue is that we have to be a little flexible in the way we fund the programs. There is a bit of a social test on some of these social support programs, and we have to admit that there ought to be, because not everything can be done according to Canada Health Act rules and because there hasn't been that flexibility between the federal government and the provinces.

With respect to pharmacare, the real issue is that we haven't addressed issues of utilization, inappropriate prescribing, the high cost of generic drugs, and those kinds of things. Most people want to address those issues; otherwise, the costs can escalate. When you look at total health costs, what's going up fastest is still pharmaceuticals, not all of the other things, which may be good or it may be bad. Hospitals are not really going up at all. As you may have noticed, they're much lower than they were years ago.

So the real issue is that there has to be a will to do it. I haven't yet given up on a pharmacare program, with opting in or not opting in, or opting out, as long as people everywhere in this country have access to pharmaceuticals. I haven't given up on electronic health records. That's something we're going to have to have to improve quality, efficiency, access, and all kinds of things and to sustain the system over time.

So I haven't given up on these things. I just think things sometimes take a long time. I've been making these presentations for twenty years, and you know, we've made progress in a number of areas. So I'm always hopeful.

**Ms. Alexa McDonough:** Just before asking a final brief question to Ms. Kirk, I just wanted to say to Mr. Wiebe how much I appreciate your confirming the sound practical recommendations that have been made by Phil and Elizabeth Pacey in this province for

years and years. They're always responded to by a lot of the corporate interests as some kind of pie in the sky, when they're in fact very practical solutions.

Ms. Kirk, I was interested in asking you to comment briefly on two things in relation to your recommendations. One is the community foundations movement and how you see that intersecting with the charitable organizations' needs.

Secondly, I was interested in the fact that you didn't make reference—and I've forgotten the exact question that you were asked—to what came to my mind, and that was the voluntary sector initiative that took place over a period of years. I know there were a lot of concerns by the charitable organizations about the constant pressure to eliminate advocacy, or at least downplay advocacy to a very alarming degree. I wonder if you could comment on that.

**Ms. Teri Kirk:** I'll respond very quickly. I see the chair noting the time constraints.

We're huge fans of the community foundation movement and organization. They supported our brief here today, and we work closely with them. They've done an extraordinary job in making Canada a leader worldwide in providing a community-based foundation where donors can give and enjoy a more strategic approach to the community's needs. They are themselves charities, and important charitable organizations.

In terms of the VSI, one of the comments I made is that charity seems to be a little bit off the agenda, and we really hope the government will put it back on. We realize you're a new government and were elected to achieve a very specific set of policy objectives. We'd like to see this among your policy objectives. The VSI was there for a decade, a voluntary sector initiative. It achieved some really great and important gains. Frankly, we feel we don't have a champion or minister responsible, and we encourage you to provide one. The key data sets at Statistics Canada are subject to being cut right now, as we speak, and we're very concerned about that. We'd like to see a champion in cabinet and have brought forward that recommendation already.

● (1545)

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

We'll now move on to Mr. Savage. You have seven minutes.

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

I want to thank you all for coming out. We've had a very interesting day here in Halifax-Dartmouth.

I want to chat a bit with Ms. Sholzberg-Gray, if I could. This may be partly philosophical, but it's partly financial. I'm taking advantage of your years of service on the health care front. I want to talk about caregiving with you, because you mention this in your brief—informal caregiving.

My experience with caregiving is a personal one, as is most people's. My parents died close together four and a half years ago. I had two sisters who moved from Toronto and came back to the family home and saw my parents out. We're a large family, so we all helped, but those two women in particular provided so much care to my parents, which is a wonderful experience. I can recall my parents, late in their lives, saying how wonderful their death was about....

It occurred to all of us then that it's an experience everybody should be able to have if they so choose—to die at home rather than in a hospital. It seems to me there's an economic argument here, that by keeping them out of the hospital, if you have volunteer caregivers, family caregivers.... There's an organization in Nova Scotia called Caregivers Nova Scotia. Alexa has a close association with them, as do I, and perhaps Mr. Keddy has as well. These are people who can make the case that they are providing so much care and are taking a significant burden off the health care system in terms of personnel and a hospital bed.

You talk about volunteer caregiving. Would you agree with me that this must be something we could work out financially; that we could shift some resources directly to people who are providing care for loved ones in a way that would actually reduce the burden on the health care system and improve the quality of life and death of citizens—not just for those who can afford it, like my family, but to enable other families to have that same experience?

**Ms. Sharon Sholzberg-Gray:** First of all, we're not only talking about palliative care here, though that's part of the picture. We're talking about anything that involves ongoing chronic needs of relatives, whether it's children or the elderly or what not. We actually had proposed a package of supports for informal caregivers. One of them, which we mention in this brief, is a drop-out period from the Canada Pension Plan for people who take time off to be caregivers, just as there's a drop-out provision for children. That's one way. There are a number of other ones we could put on the table.

But it seems to me also that we have to recognize that another thing is to have positive programs, such as better respite programs, that are part of an expanded home care program. These are the kinds of things that have to be in any definition, it seems to me, of pan-Canadian approaches if there's going to be any more federal money. I know that all over the country there are those kinds of programs, but they're not necessarily enough, and they don't support and relieve families enough, because families can't do this 24 hours a day.

Absolutely, people ought to be at home rather than in hospital. People always ought to be in the appropriate setting as opposed to the most expensive setting, which is the hospital. In some provinces, though, because they don't have access to pharmaceuticals at home, they have to choose to go into the hospital so that they get the pharmaceuticals.

What I'm trying to say is that there's a link between everything and everything else. If you don't have pharmaceuticals at home, you're going to want to be in a hospital, and that's going to be the place with

the most expensive care, so it would actually be cheaper to bring a pharmaceutical program to people who are at home—and so on and so on.

We have a package of those kinds of things to recognize the support to informal caregivers—but all the links between all parts of the system.

● (1550)

**Mr. Michael Savage:** I recognize there are a lot of parents with autistic children and situations in which sisters are taking care of brothers. This should apply to everybody, but it would seem to me to be an awfully good stake in the ground to say that anybody who wants to die at home should have that opportunity.

You came in on the same plane as I did last night. You woke up this morning in Halifax. You saw that the front pages of both local newspapers were talking about private health care and what appears to be the premier's endorsement of some degree of private health care. Would that concern you? What thoughts do you have?

**Ms. Sharon Sholzberg-Gray:** Our association has an evidence-based approach to issues of private delivery. We are pretty well on record as saying that the single-payer system works. There ought to be a social analysis here and there if you want to bring on home care social programs, and there is room for copayment in long-term care facilities, providing, of course, people aren't impoverished by those copayments. But let us put that aside and talk about whether or not we can save money by contracting out to private surgical clinics. Can we be assured that there is accountability, that there are cost savings, that there is quality, and that there is no cream-skimming? Because you realize that the publicly funded health system can do easy procedures just as cheaply as any private clinic. The real issue is how to do complex things in private clinics.

I'd just like to cite my friends in the American Hospital Association, because I go to their board meetings. By the way, 80% of American hospitals are not-for-profit. The worst problem they say they have is private surgical clinics that take the easy things, the cream-skimming things, the routine things, including healthy people who need knee replacements and routine cataract procedures for people who have no comorbidities like high blood pressure or heart problems. They take all the easy things, and as soon as there's a complex case that lands on their doorstep in their emergency, boom, they have all the costs. So I don't think cream-skimming to private surgical clinics is an answer.

We would say we should look at the evidence. Show us where it's cheaper. The evidence is that it isn't cheaper. If it's cheaper, we'll go for it, because it's good to have values. I oppose private this and private that, but I don't think values are enough. Values need to be supported by evidence. So we would say that you should show us that you get quality, accountability, cost savings, and what not. Maybe you do for urine testing, blood testing, and maybe some housekeeping services; let's see. Let's look at the evidence. I'm not convinced.

**Mr. Michael Savage:** Do I have time for a question for Mr. Drover?

**The Chair:** You have less than a minute.

**Mr. Michael Savage:** Mr. Drover, you mentioned the Caledon Institute of Social Policy in your brief. They've done some very good work. Ken Battle has written on a number of issues. Have you seen any of the stuff they've done on the universal child care benefit?

**Dr. Glenn Drover:** Do you mean their criticism of it?

**Mr. Michael Savage:** Yes. I don't want to get into it. They had criticism of it, I would agree, but also there is their recommendation that it would be better delivered through, for example, the child tax benefit and a number of other things.

**Dr. Glenn Drover:** Their proposal is to integrate the initiatives.

**Mr. Michael Savage:** Do you think that makes sense?

**The Chair:** We'll now allow Mr. Dykstra to finish off the questions.

**Mr. Rick Dykstra:** I did want to ask Mr. Wiebe a question. We've had an extraordinary number of heritage organizations presenting over the last number of weeks. That's probably not a coincidence, but it is certainly not a negative thing, and we appreciate your being here.

One of the things in the 2007 budget that I've asked a couple of the other presenters about is the whole aspect of the Canadian national trust. That was a program that tried to emulate one from the United Kingdom. As to your program, in trying to move government away from it, if you will, in terms of actually building a heritage trust organization that actually can do some things, we've dedicated funds to that, obviously.

I wondered what your thoughts were on it, and whether people from your organization are participating in it.

**Mr. Chris Wiebe:** Yes, actually our executive director has been in discussions with people in the federal government about the ongoing shape and nature of this national trust that was announced, and it was obviously natural we'd see ourselves as being key participants in that discussion.

I also want to point out that when we're thinking about a national trust, we're thinking about owning particular buildings and saving them in perpetuity. There are limits to what can and can't be done in that regard. We can't save every building. The cost would be prohibitive, so there will have to be some limits put on that. Then these other measures in place for the other buildings that may not be able to be afforded those protections have to be there in terms of the incentive to allow the private sector to intervene and to help rehabilitate them.

•(1555)

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

The next question is for Ms. Kirk. It's nice to see you again.

One of the interesting points you made in terms of your recommendations is to consider incentives for private debt funding for charities and not-for-profits. I wonder if you could expand on that a little bit.

**Ms. Teri Kirk:** Yes. First of all, my understanding is that right now our main donors, private foundations and other significant donors, cannot make low-interest, below-market loans to organizations; they're prohibited. They would like to explore things like interest-free loans to organizations.

I know when Philanthropic Foundations Canada appeared here they highlighted for you something the UK has introduced, called corporate social bonds, that allow corporations to lend to causes they're highly committed to at below-market interest rates. So this becomes a win-win. These are the range of instruments.

Some charities take on small issues, some take on very large issues that require significant sources of capital, and they do it to complement government or in areas that governments aren't performing. They'd like to do so increasingly, beyond a grant structure, be able to borrow, get equity financing, and so on.

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

It might be helpful if you could follow up on that. I would certainly like to receive it, and I don't know whether other members of the committee do, but it would be helpful.

**Ms. Teri Kirk:** Yes, I'd be pleased to. Yes, certainly we'd welcome that expression.

**Mr. Rick Dykstra:** The other question I had for you related to one of the first presentations we heard with respect to pre-budget. It was from a not-for-profit organization that talked a lot about the advantages of potentially raising the threshold for the rebate on contributions.

Currently it averages out at 29%, and one of the points they made was the potential for us to take a look. It's been that way for a long time. What about potentially raising that a little bit? I started to think a little about the fact that all the tax reductions the government has made over the last couple of years have put a little more money in people's pockets, potentially, by offering an added incentive that would be helpful to the organizations you spoke to in terms of the total amount of money that 22 million Canadians have contributed.

I wanted to get your thoughts on whether you've looked at that and what a potential increase might look like.

**Ms. Teri Kirk:** First of all, we very much appreciate your interest in that area. The charitable tax donation credit is one of the recommendations we brought to the committee. I think 22 million Canadians take advantage of that credit. Basically everybody gives to charity, adults; it's extraordinary. We're very generous. So the credit becomes very important.

Right now it's unnecessarily complex; it's two-tier. It's 16% for the first \$200 and then it jumps to 29% and you can split it with your spouse and you can roll it over in multiple years. What we're saying is that having different rules for \$200 is just a little out of step. I think even as a first step, we could up it to 29% across the board and then even look at raising the credit a little further.

**Mr. Rick Dykstra:** Okay, thank you very much.

Mr. Lewis, maybe you could expand on one of the recommendations you spoke a little bit about, ensuring that first-nations-controlled institutions have access to all grants and special funding available to mainstream colleges and universities, including research and research chairs.

I wonder if you could expand on that a little in terms of the concerns you might have in terms of overlap, that you would fall under the jurisdiction of the provincial or territorial governments in that regard. I know that's an issue for you in terms of wondering if you are one or the other. Is that a step you're prepared to recommend,

that it become more mainstream and that it be a direct funding relationship?

**Mr. Trevor Lewis:** To answer your question, yes and no. A direct funding relationship is what we would want or what we would see, but we would see it as an added segment or a third segment of the existing education system.

Right now, we have colleges and universities. We would like to see aboriginal institutes right beside them. It makes it more complicated when we talk about jurisdiction, because it's not like having more institutes within provinces under their jurisdiction; it's in between both. It's hard to explain. It's not becoming mainstream, but it's consistently having our own identity alongside the other ones that exist already.

I don't know if that answers your question.

● (1600)

**Mr. Rick Dykstra:** Yes, it's helpful.

Thank you.

**The Chair:** Thank you very much for coming and presenting to the committee. We'll take it in due consideration as we consider our report to the House.

With that, we'll adjourn the meeting.

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