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Chair

Mr. Rob Merrifield

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• (1530)
[English]

The Chair (Mr. Rob Merrifield (Yellowhead, CPC)): We'll call the meeting to order.

We want to pursue our study on direct assistance measures and fiscal environment for the forestry and manufacturing sectors. We have some witnesses before us this afternoon from four different groups: from the City of Thunder Bay, the Quebec Forest Industry Council, the United Steelworkers, and the Communications, Energy and Paperworkers Union of Canada. Those are the four.

We also have one further, an individual from Thunder Bay. There seems to be a bit of a communication breakdown. We don't know exactly how that happened; we'll follow it through. We have an individual who has travelled from Thunder Bay, who was, in his words, asked to present.

I'm asking the committee whether they would prefer to handle this by way of offering a five-minute presentation from this individual and allowing him to join the panel, or not. It would take unanimous consent. That's the only way I'd permit it, so I'll put it to the committee at this point.

If there are any objections, speak now or hold your peace.

Some hon. members: Agreed.

The Chair: Are we all good?

Okay. Then we'll ask the individual to step to the table.

We won't take much time, because we only have an hour; it's going to be very fast. I would ask the presenters to please keep your comments as tight as possible, and we'll get everybody in.

We'll start with Mayor Lynn Peterson, for the Northwest Forestry Coalition. The floor is yours, Lynn. Take it away.

Mayor Lynn Peterson (Mayor, Northwest Forestry Coalition, City of Thunder Bay): I'm Lynn Peterson, the Mayor of Thunder Bay. Thank you very much for the opportunity to discuss the impact on forestry and manufacturing in my community.

Forestry is the lifeblood of every community across northern Ontario, and Thunder Bay is no exception. In Thunder Bay, our sawmills and pulp and paper operations collectively accounted for—that's the past tense—almost \$2.5 billion of annual sales in Ontario's forest products sector. Our output of forest-based products accounted for almost 6% of Canada's total output, and our sawmills in Thunder Bay and region accounted for almost 50% of the total Ontario softwood lumber exported to the United States. That translated to

4,127 sawmill and pulp and paper jobs in Thunder Bay, with about a \$400-million payroll.

When we consider the fact that the forest industry represents over 60% of Canada's trade surplus, the Thunder Bay stats underscore the importance of this industry and the major contribution my community made to the national GDP. Unfortunately, the forest industry is in crisis, as we all know. The impact on Thunder Bay has resulted in the loss of 2,400 jobs, which means that 2,400 families are facing uncertain times, where at least one person is underemployed, unemployed, or working elsewhere to make ends meet. Many of them go to Alberta.

When we experience this type of job loss in our community it affects us on many levels. As families leave the city it impacts our business sector, erodes the property tax base, and leaves us with a human resource deficit due to the exodus of highly skilled tradespeople.

While the industry is facing challenging times—and my notes say I am confident, but I am not—it is imperative that the forest industry gets back to being a stable and prosperous sector. It is by no means a sunset industry, and I get extremely upset when people think it's a dying industry. Forestry is a growing industry everywhere but in Canada. Canada's forest industry could and should be a world leader. Boreal forest covers 35% of Canada's total mass, with 18 million hectares of that in my backyard. We have the water and energy to produce forest products, and we have the skilled labour.

We have another thing that no other country can say it has: our industry is a good steward of the environment. You can look at the United Nations for those answers. What we lack is the ability to compete on the global market. There are a number of reports out there, such as the ones you heard at the natural resources committee the other day. You will hear from the gentleman from labour this afternoon. The fact of the matter is that a lot of things need to be done to create a world-class business climate for the forestry industry in Ontario.

I also understand that the federal and provincial governments are still in the negotiation phase on the distribution of the \$1 billion national community development trust fund. I think the first priority should be to create a climate that will allow forestry workers to go back to work. Then the remaining money.... I have no idea what is being negotiated at this point and how this going to roll out. The forest industry needs to be stabilized. The government needs to provide mechanisms to make the industry able to compete in the global market and get people back to work.

The same thing needs to be said about the manufacturing sector. It also needs to be able to compete in the global market. This can be achieved by implementing Canadian content legislation. Canada is one of the few countries in the world that does not have local content policy in place for all infrastructure jobs, using public funds. This means Canadian manufacturers are at a distinct disadvantage when pursuing contracts in other nations, and they have no particular advantage at home.

The hard reality is there's very little preventing foreign suppliers from winning Canadian contracts, using Canadian tax dollars, and then taking the work offshore to benefit regions in other countries. Canadian manufacturers deserve to compete on an equal footing in the global marketplace. Canadian businesses, communities, and citizens deserve to enjoy some economic benefit from public projects funded by their own tax dollars. The Canadian government needs to recognize the greater contribution made to the local economy by local businesses by implementing a mechanism to give in-country enterprises the same consideration enjoyed by foreign businesses.

• (1535)

I think it's interesting that a recent study conducted by the Toronto Transit Commission to determine the number of components available in Canada for the recent streetcar request for proposals concluded that only 25% of the streetcar components were accessible in this country. I believe we need to look at what opportunities exist in Canada to bring that total to 60% and require that the final assembly be done in Canada to ensure that we can say our products are truly made in Canada.

Thank you.

• (1540)

The Chair: Thank you, Ms. Peterson.

We'll now proceed to Mr. Guy Chevette.

[*Translation*]

Mr. Guy Chevette (President and Chief Executive Director, Director of Communications, Quebec Forest Industry Council): Good afternoon.

I am going to give you a brief description of our industry. In Quebec, it has annual turnover of \$13 billion, and involves 200,000 direct or indirect jobs, 360 factories and 250 municipalities, about 150 of which depend solely on forestry. This gives you an idea of the importance of the forestry industry in Quebec.

The crisis has resulted in our losing 20,000 jobs to date. In terms of capitalization, companies have lost \$7.5 billion since the crisis started. You need only look at the stock exchange figures every

morning to see what share values are. You will realize that \$7 billion is not an exaggeration.

Certainly there are structural problems that the federal government can't do anything about. That is the responsibility of the government of Quebec. However, the federal government can certainly help to deal with the cyclical crisis. I would like to point out that the plan for \$1 billion, spread out over three years, for all manufacturing and forestry industries, is obviously inadequate. This is simply not meaningful assistance. Even the allocation of funds seems to us to be incorrect. It fails to take into account particular industries in particular provinces. It is based on population size, and so some populations may benefit proportionately more from these funds than others, and that is not fair. This is the case for Quebec's forestry industry, for example; it is receiving only a trifling amount when compared with what it might actually have been given.

As well, it would be wise to make the objectives of the program known. It is very nebulous. The objective we have heard about to date can be more or less summarized as helping communities. We have absolutely nothing against that idea, and I want to reassure the Mayor who is sitting beside me, but we believe that in order to stabilize the industry, to be prepared to start back up when the American crisis has been resolved, we are really going to have to have some help.

What are we proposing be done? First, neither our union colleagues nor you will be surprised to hear that we are not insisting that measures be taken that would jeopardize the softwood lumber agreement. In Quebec, we have taken a position on that subject: we want the softwood lumber agreement to be able to last for seven years rather than three years or five years, if necessary. We hope that it will be kept in place, for one very understandable reason: stability. We have cooperated with the government, and I think it will back us up on that. Quebec voted in favour of the agreement and is hoping that it will last as long as possible.

That being said, obviously there are measures that do not jeopardize the agreement. We want to talk a bit, and tell you, for example, that POWA, the Program for Older Worker Adjustment, is important to us. We are well aware that collective agreements, and we don't disagree with this, result in layoffs on a seniority-based system. In regions referred to as remote from the major centres, we are risking losing young skilled workers. We sincerely believe that POWA should very definitely be implemented.

As well, you could offer assistance to industry associations. It costs so many cents per cubic metre. For example, our little Quebec council paid the Canadian Wood Council \$800,000 this year to monitor building codes and changes to building codes. That responsibility could also be national, since it is the national economy that then depends on it. That would not be contrary to the softwood lumber agreement.

I would like to talk to you very quickly about two or three other measures, but because I am being told that the time available to me has run out, I will rely on the committee members' goodwill and hope they ask me what the other five measures in my brief are.

• (1545)

[English]

The Chair: Thank you very much.

Now we have the United Steelworkers. Joe Hanlon, the floor is yours for five minutes, please.

Mr. Joe Hanlon (President, Local 2693, United Steelworkers): Thank you.

I would like to thank the finance committee. As said, I'm the president of the United Steelworkers Local 1-2693. I'll be directing my comments to the forest industry and the crisis that has hit. Mr. Weir will be talking about manufacturing and economics.

United Steelworkers represents about 280,000 members across Canada, 50,000 of whom work in the forest industry. Our local represents approximately 3,700 members in the forest sector in a number of communities across northern Ontario. These members work in woodlands operations, sawmills, plywood plants, wafer plants, remanufacturing plants, trucking plants, and lumberyards, to name a few.

The thing is, they used to work there. As we speak, we don't even have 700 members working. These workers and their families reside in communities that have been hit hard with the downturn, communities such as Hudson, Atikokan, Ignace, Thunder Bay, Greenstone, Nipigon, White River, and Dubreuilville, also to name a few.

We're talking about 3,000 people who are unemployed, people who have families, many of whom have lived most if not all their life in these communities. The majority of these communities are one-industry towns.

A good example is White River. In July last year, Domtar curtailed their woodlands and sawmill operations for an indefinite period, putting 240 people out of work. We're talking about 240 people who live in a community of 1,000 people. That represents 24% of the total population.

Just imagine if Ottawa announced today that 24% of the people who work in this city were going to lose their jobs. It would be mass hysteria, and there would be immediate help from all levels of government. But in northern Ontario it's just a news story for a day or two, and it's all forgotten.

One of the largest one-industry towns in Ontario is Dubreuilville, with a population of 900. Dubreuil Forest Products Ltd., which employs 340 workers, announced last week that they will call back employees who've been laid off since last November. It should be good news, but it's not. They will only be going back for about a month. The company wants to clean their inventory and then close the doors. There is no indication if and when the mill may reopen.

The people of Dubreuilville, White River, and other communities that are affected with the same fate deserve more. These are real people, real families, real communities. In many cases, these are double-income families that are dependent on the same employer to pay their bills. In many of these small communities there are no other jobs.

How can these small northern Ontario towns afford to continue to provide public services if no one can pay their taxes? How can people continue to live there and raise their families? They can't. Their EI will run out, and they'll have no other means of income. The bank will foreclose on their homes, and they'll have to use up all their savings.

It could be said that before this happens maybe they should look for work elsewhere; maybe they could go out west. Well, many have left, but there are further problems they face. The equity they've built up in their homes is gone. Their homes are worthless. You can buy a house in some northern Ontario communities with your credit card. The hard part is trying to find somebody to buy it.

Another problem is when only one family member goes out west, who will deal with the social impact of the other parent singly raising a family? Let us not forget the high cost of living out west, which is a huge challenge for someone who has had their credit rating affected because they could not pay their bills, taxes, loans, or mortgage.

Wrong or right, many workers believed they could wait out the storm. They believed the operations might reopen. They believed the provincial and federal governments would not just sit back and watch people, their families, and their communities be destroyed. They know now they were wrong.

Many have taken their severance with the hope of catching up on outstanding bills or to use it to start a new life, but reality sets in very quickly. They find out that the government wants it. They cannot pay anything off. They must use the money to feed their families, because their only means of income, EI, is cut off until their severance is used up.

Other workers are told that they can be retrained. Many are upgrading their skills, but they continue to ask, once they've received the training, where are the jobs; who's going to hire them? In the end, they still have to move if they want to work.

These are just a couple of stories in northern Ontario about job losses. These two communities lost about 600 direct forestry jobs. We are just a small local in northern Ontario. There are other steelworker locals, other unions, community leaders, and industry that can tell you similar stories. There have been thousands of jobs lost in northern Ontario, tens of thousands across Canada over the last few years.

Today is a start, but we need to ask, where have you been for the last two or three years? The devastation that has taken place in the forest industry is not new. Government will hear from us today, but where are the public hearings to allow workers and communities to give input on the softwood lumber deal? Maybe if that was done, the government would have negotiated a good deal for Canadians and kept working families first.

We'd ask the finance committee to ensure that the federal government pay attention to these people, their families, their communities, union leaders in the forest industry, and the provincial government. We need to work together. We need to listen and move fast so that people can get back to work instead of migrating out, being retrained in limited programs where there are no jobs, and before any more lives and communities are destroyed.

• (1550)

Our plan for the future is that we need to look at EI. It needs to be extended or changed to ensure that it doesn't defer or eliminate benefits in regard to severance pay.

We should have taxation and regulation policies to encourage firms to develop new processes.

Training facilities should be located in forest-based communities.

Companies should have to discuss alternatives prior to shutdowns.

We should look at a jobs commissioner and at a jointly sponsored provincial and federal government fund to support forestry industry workers.

We should target job creation and protect wages and pensions.

Thank you.

The Chair: Thank you very much.

Next we have David Coles, president of the Communications, Energy and Paperworkers Union of Canada. The floor is yours, for five minutes.

Mr. Erin Weir (Economist, United Steelworkers): Mr. Chair, we were told that each organization would receive up to ten minutes.

The Chair: I'm sorry. It's five to ten minutes, and our time is very, very tight. We would extend the time we have for testimony if we could, but we are against the clock of votes this evening, so we have a very tight agenda. So that's the way we're going to run it. Thank you.

Mr. Coles, the floor is yours.

Mr. David Coles (President, Communications, Energy and Paperworkers Union of Canada): Great. Thank you very much.

I'm Dave Coles. I am the president of the Communications, Energy and Paperworkers Union. For those who are interested, I'm a fifth-generation forestry worker.

With me is the former head of our research department and now my assistant, Keith Newman, who is also an economist and has worked in the industry for over 25 years.

We have 150,000 members—about 50,000 in the forest industry. Over the last 36 months we've lost 20,000 jobs permanently.

I would like to put it quite bluntly. This is probably the fifth, sixth, or seventh time.... Many of you are getting tired of seeing my face here.

I met with the Prime Minister and the Governor of the Bank of Canada.

What we're asking the government to do is to hold a national summit on the crisis—just to hold a summit with the key players of industry, the community, the unions, and the government, and find a solution.

We're a forest nation. It's not this government's fault, nor the one before it, nor the one before it. We don't have an economic strategy on forestry.

Go to Sweden, Finland, or Norway, and you have an economic vision of a forest industry, but not in Canada. You're a fresh government, you're new, and it's not your fault, but now you're there and you need to do something about it.

We have fundamental problems with our employment insurance scheme. It is a bridging for us. It is just a transition.

We need the Canada Pension Plan to enhance the ability of workers to leave when the industry is shut down. We need the government's finance committee to look at some form of bridging for those workers who are 50 to 55 years old and who can't make it to our pension plans.

So we would ask that the Prime Minister, the government, and the opposition parties drop the partisanship issue around a national summit and hold one. Get all of the best minds we have in the country together and find a solution.

We could say to you—and we have—give us \$10 billion for the industry. But one paper machine, one new pulp mill, is \$1.5 billion to \$2 billion. We need a long-term solution, and it's about getting out of making toilet paper or newspaper and getting into products that actually have a real value, a convertible value to it, and provide a longevity to the industry.

I'd like to give a couple of minutes to my assistant so he can make a few remarks in French, and then we'll pass it on to the next speaker.

• (1555)

[Translation]

Mr. Keith Newman (Director, Research, Communications, Energy and Paperworkers Union of Canada): Thank you, Dave.

I'm going to make a few comments relating in particular to the \$1 billion the government has granted, in a somewhat strange way, as Mr. Chevrette mentioned. For example, we're talking about something like \$250 million for Quebec. For the entire manufacturing sector, that is not even a drop in the bucket. It is completely inadequate. We need \$1 billion for the forestry sector alone, not to mention the entire manufacturing sector. As Mr. Coles said, substantial funds are going to be needed, but also a strategy. We can't just allocate money without proposing a plan, a strategy. We are going to have to decide on a niche, the key products of the future that our industry is going to have to produce, and do something to provide assistance, by providing adequate funding.

Thank you.

[English]

The Chair: Thank you very much.

Now, with the indulgence the committee, we have allowed Mr. Rigato five minutes. The floor is yours.

Mr. Emilio Rigato (As an Individual): Thank you very much, Mr. Chairman. I'm glad to be here.

I want, as David said, to repeat a couple of things.

The pulp and paper industry is merely a hundred years old. For the first seventy years, up until about 1975, it enjoyed a very good life. It always had its three- to five-year cycles. They were tied to wage negotiations or inventory levels.

Canada had five manufacturers of paper machines, and paper machines in those days were \$50 million. In the seventies, they were \$225 million projects. So it was a pulp and paper industry with a huge manufacturing component.

Margins up until the seventies were 20%, and consumption of paper was increasing by 1% to 2% a year. Things started to change in the 1970s. The power went from the producer to the consumers, and the consumers were both the publishers, which grouped together—some 10 to 12 publishers now in all of North America buy 60% of the newspaper produced—and the consumers. They started to advocate for recycling mills and things like that.

In the seventies, business in North America, more than ever, was done north-south, but our infrastructure was east-west. So we started to see things like shipping to San Francisco from the middle of the country being three times as expensive as shipping to Japan. You could ship from central Ontario to Vancouver to Japan for less than half the price of shipping to San Francisco.

Technology was not in Canada by the 1970s. It had moved to Finland, Sweden, and Germany. A radical shift happened. We all went from North America. The paper machine suppliers disappeared in the seventies, and we went to Sweden for the technology.

Twenty-four newsprint machines were under construction in the early 1980s, almost 100% supplied by Scandinavia and Germany. The demand for fibre was huge, and it was fueled by increasing demand plus a policy that said we're going to subsidize the construction and import of some of these technologies. Stumpage came in to take advantage of that. The industry responded. There were five-year contracts. Things started to change. Some years had

zero. There was more tonnage to drive down the cost. So every mill made more and more. And mills became publisher-owned.

In the 1990s, we saw fibre pressures and cost pressures. South America and China, by that time, were building more machines and faster machines. The technology is now over there. We're behind. We cannot compete.

I agree with Lynn. It's not a sunset industry, but the technology has moved offshore.

What I think we need to do is look again at the pulp and paper industry in the guise of a biofibre industry that includes paper, lumber, and products like that. The industry has to reinvent itself, and the federal government has to provide the national policy that will allow that to happen. I don't think it's a question of 100% aid. As long as oil is \$60 a barrel or more, the pulp mills will survive and can compete.

Thank you.

• (1600)

The Chair: Thank you very much.

I know it seems rushed, and it is, but now we'll go into the question and answer period. Any of the panel members are welcome to try to answer, but we are going to reduce the question and answer per individual from seven minutes to five minutes in the first round.

Mr. Boshcoff, you have five minutes. The floor is yours.

Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.): Thank you very much, Mr. Chairman.

I also thank finance committee for accepting my three nominations for witnesses. That's very much appreciated. The people of Thunder Bay and northwestern Ontario certainly appreciate that.

I'll ask the three questions, and then perhaps others can also jump in.

Mr. Hanlon, the community development trust is a \$1 billion program over three years, it's not \$1 billion a year, as requested. But I'll ask you, and maybe Mr. Coles, if labour was consulted, seeing as it seems to be more a skills development and retraining package. How consulted were you in the design and layout of the program and the kinds of conditions you wanted to see?

Your Worship, yesterday one of your colleagues from Saskatchewan stated that forestry has earned the right for national support. So when we talk about the community development trust, it specifically eliminates communities such as yours and identifies only single-industry towns. I'm wondering what you think the threshold limit for such a program should be. And if the program is going to be delivered by the province, do you feel there's any hope for municipalities to get some access to this funding?

Mr. Rigato, your talk about biofibre created quite a splash in the natural resources committee a few weeks ago. Certainly that recommendation will be included in the natural resources committee's report to Parliament, but I'm wondering if you have any suggestions for the finance committee as to how that idea specifically can gain some national traction.

Thank you.

Mr. Joe Hanlon: Thank you.

I guess I'm not sure who's been consulted in regard to the \$1 billion, because you can't even get answers in regard to where the money's going to go, how much each province is going to get, and how it's going to be divided among and going down to the workers.

There could have been a lot of details provided by us in regard to assisting our members. But we look at the \$1 billion or more money that's needed. It could have gone into other avenues—"other avenues" being let's get people back to work. We have a very skilled workforce in northern Ontario and across Canada in the forest industry. We need to get our jobs back. We need to get these people back to work.

And once we get the training—and this is what our members back in northern Ontario are asking, because some of them are taking advantage of training programs—where are they going to get jobs? There is no job creation program, in a sense, to get these people back to work. That's what we should be focusing the energy and our money on—trying to get them back.

The Chair: The question you asked was to Mr. Rigato. Go ahead.

Mr. Emilio Rigato: I think the government has to show leadership in promoting the biofibre industry, and it has to do that through a national policy of technology, research, and development leadership. It should provide the light, not the paved road. I think the industry can do that. We need to leap-frog ahead 25 years and lead the way in developing biofibre-related industries, not pulp and paper.

• (1605)

Mayor Lynn Peterson: First of all, I wasn't aware it was single-industry towns, because as of yesterday—I made phone calls to the Province of Ontario—the negotiations continue. So whether or not the City of Thunder Bay will have some part of whatever this thing is at the end of the day is yet to be seen. The fact that we lost a \$200 million payroll, 2,400 jobs.... If I'm going to have to say to the people in my community, "Somehow, at the federal level you don't count", that's not going to work for me.

Mr. Ken Boshcoff: Thank you.

The Chair: Okay, thank you very much.

We'll now move on to Mr. Crête.

[*Translation*]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Thank you, Mr. Chair.

On February 26 the budget was presented, and on March 3 the members of the committee decided to reconsider the situation in the manufacturing and forestry sectors because they thought it was appropriate to do their homework again. It is now March 12.

Mr. Chevrette, you talked about five additional recommendations. Could you give us some more details on that. I would also like to know what the impact would be on the forestry industry in Quebec if the federal government did not make additional investments, did not take further measures. Other witnesses might expand on the answer, for the rest of the industry.

Mr. Guy Chevrette: I think we have to take both short-term and medium-term measures. I pretty much agree with Mr. Coles on the medium and long term, but I also agree with Mr. Hanlon on the medium term. In any event, we have to do something in the short term, because otherwise we are not going to be ready when the economic recovery comes. For example, I was saying that we are going to be short 3,000 jobs for new graduates, and that if POWA, the Program for Older Worker Adjustment, is not in place by then, we are going to be done for. We are going to have trouble finding workers when the economic upturn comes.

As well, you are talking about tax rebate programs, but we are not making a dime. You could offer us any program you like, but it won't change anything, it isn't support. Get off that track, it's going nowhere in terms of assistance. I think, however, that you could support the certification coaching program. We want to have certified products and we are prepared to get moving on that, but as you know, certification is expensive. That program could really be very worthwhile. FERIC, PAPRICAN and FORINTEK could be given support for research. We have 700 projects in our companies in Quebec, including under CRIC and FERIC. That form of assistance would not be contrary to the softwood lumber agreement with the Americans.

Product certification programs are a long and expensive process. We can opt for lifting the tax on fuel for off-road vehicles, for example vehicles used in the forest. That is also a form of support that does not violate the softwood lumber agreement. Biomass is an approach for the future. In my opinion, it helps in finding substitutes for fossil fuel. It is an avenue that is very worthwhile for governments to explore, given all of the environmental issues on a planet-wide scale. I mentioned the industry associations aspect, and I would reiterate that. Monitoring building codes in the United States, for example, costs us \$800,000. That means that proportionately, for us in Canada, this amounts to nearly \$4 million. We are talking about something like 10¢ or 12¢ a cubic metre for the industry in general. That is also a form of short-term support.

There are avenues that can be explored, and we are prepared to work on committees, but there have to be some concrete results. Stop telling us you are going to help us. That is what I call saying one thing and doing another.

Mr. Paul Crête: Does anyone want to add anything?

Mr. Erin Weir: Yes. People have often said that the crisis in the manufacturing sector has caused the loss of 250,000 jobs since 2002, but according to Statistics Canada's most recent figures, 350,000 jobs have been lost. The crisis is continuing and it is going from bad to worse. In addition, the people at Statistics Canada told us recently that in the last few months of 2007, our current account balance became negative for the first time since 1999. That is explained by the fact that the decline in our manufacturing exports has been much sharper than the increase in our resource exports. As you said, the crisis is going to get worse if the government does nothing.

•(1610)

Mr. Paul Crête: Thank you.

[*English*]

The Chair: Thank you very much.

We'll now move to Mr. Joe Comuzzi.

Hon. Joe Comuzzi (Thunder Bay—Superior North, CPC): Thank you, Mr. Chairman, and I thank the members for coming and making these submissions.

I guess we can sit back and be political. As someone at this table said, this is not the time for the forestry industry to be political, and I completely concur.

I think the two suggestions, and it's not the first time we heard them, that came from Mr. Coles and Mr. Rigato are very positive in the evidence that we've heard today. There has to be a summit or round table of the top forestry people in this country to decide how.... As Mayor Peterson stated, the forestry industry is not a sunset industry, but we have to rethink our position and decide how the forestry is going to be a viable industry for Canadians and for Canadian workers in the future.

I think Mr. Coles' suggestion about the summit and what Mr. Rigato told us last week about the biofibre industry is exactly what's going to happen tomorrow in discussion at the natural resources committee, where this motion is going to be put and discussed because of these two gentlemen. The membership of this forestry council will hopefully be struck tomorrow. I think that's a tremendously positive move. It may not be the move that satisfies people politically, but it's a move that will satisfy people who are very concerned with the forestry industry.

Let me answer one more question in order to be entirely clear. I want to talk about the community development trust. This was an announcement by the Prime Minister. It was made in New Brunswick. I think it had its genesis when the Prime Minister travelled through northern Ontario on two different occasions and he looked at what was happening in the forestry industry and in other sections of this country and decided that single-industry towns were of primary importance. We have an argument there, but that's for another issue.

He came up with the idea of the community trust. That was a very broad-stroke program—\$1 billion over three years. It may not be enough, but it's a hell of a lot more than what we had before he announced it. At that point in time when I was consulted, I said that now is the time for every member of Parliament to take this community trust and see what the methodology is to access these funds and try to fit the needs of their individual communities and

how that fund can be utilized. I have to say this, and I know the mayor isn't listening right now, but I have taken five programs that are presently working their way through the system using the community trust as a financing agent and they're all for northwestern Ontario. There's some role that a member of Parliament has to play when it comes to developing programs for their own particular communities. That's the onus on all of us.

I would like to hear more from Mr. Rigato and Mr. Coles about what their thoughts are. I don't want to get into arguments with people, but if they want some time they could have whatever balance of time I have, Mr. Chairman. I think they're talking a lot of sense.

The Chair: We can hear you quickly. We have about a minute and a half, if you'd like to speak to that, Mr. Rigato.

Mr. Emilio Rigato: The technology does exist to redo the forest industry. Every pulp mill in Canada can survive. They will make different things. It needs to leapfrog the technology and become a source of chemicals, fuels. Every cord of wood contains almost two barrels of oil. The technology to get that out is in its infancy. Germany imports half a million tonnes of pellets from B.C. to burn in their coal-fired boilers and call it green fuel. Ontario has Atikokan right in the middle of the forest, a coal-fired boiler that's going to shut down. It doesn't make sense.

We need to put in R and D programs that say we're going to get 25 years ahead. The manufacturing will follow the R and D. That should be the policy, the leadership that is required.

•(1615)

The Chair: Thank you very much.

The time is pretty well gone, but I'll allow you a quick answer.

Mr. David Coles: We should stop following each other. The government needs to take a really hard look at research and development. Have the ministers go to Europe and South America to take a look at what's going on and you'll find we're in the wrong century.

If we really want to be forward-looking on this, we need to spend money on research and development. It is not subsidy. It's not hand-outs. It's not a left-wing versus a right-wing view. It is an intelligent economic view that you need to be able to break into markets that we don't even know exist today to use the fibre that's in the bush.

Thank you.

The Chair: Thank you very much.

Monsieur Mulcair.

[*Translation*]

Mr. Thomas Mulcair (Outremont, NDP): Thank you, Mr. Chair.

I would like to pursue what Mr. Chevrette said a little earlier and what Mr. Rigato said about the economic possibilities of building a little more. Mr. Hanlon talked about the real facts in the regions, but I would like Mr. Weir to talk to us about the real possibilities of building this new forestry economy. I would also like to know how it has happened, as Mr. Coles was saying, that we have stayed in a different century.

Mr. Erin Weir: I am going to answer in English.

[English]

A big part of the problem is that investment in manufacturing has declined since the year 2000. In fact since then it has been insufficient to even cover the depreciation of existing assets. We're not going to make the forest industry or any other manufacturing industry viable without a lot more investment in new technology. I think the way to achieve that is through much more targeted incentives that are directly tied to new investment.

Certainly we welcomed the acceleration of the capital cost allowance, but we think it should be done on a straight-line rate rather than a declining basis. A limitation of that approach is that it's only useful to manufacturers who have profits against which to write off those capital investments.

Mr. Thomas Mulcair: That's Mr. Chevrette's point from before.

Mr. Erin Weir: Exactly.

An alternative to that would be to introduce an investment tax credit, equivalent, say, to a proportion of a manufacturer's fixed investment. This could be made wholly or partly refundable, which would be particularly good for manufacturers who don't have profits currently.

These proposals are extremely cost-effective. The capital cost allowance changes cost only a few hundred million dollars per year, yet they reduced Canada's marginal effective tax rate on investment by far more than the corporate tax cuts that cost billions of dollars per year. Fixed investment in manufacturing in 2007 was about \$20 billion, so a 10% investment tax credit would cost somewhere in excess of \$2 billion, depending on how much additional investment it stimulated.

That is a significant amount of money, but it pales in comparison to the \$15 billion a year that is being given away to profitable industries through these no-strings-attached corporate tax cuts that both the dominant political parties in this country, the Liberals and the Conservatives, have been pushing for in recent months and years.

Mr. Thomas Mulcair: Thank you very much, Mr. Weir.

[Translation]

Mr. Chevrette, do you want to add to that?

Mr. Guy Chevrette: Certainly we can have a vision for the future, but in the short term, how are we going to assist the communities and the workers in the regions, and the industry, to get through this? That is the question. Mr. Comuzzi said that speeches are not what is needed. That is exactly what I want: no more speeches; concrete programs. I was asked to come and talk about how we could help the industry, and that is what I am telling you. It is implied that we are making speeches, but they are not speeches. On the contrary, I am eager to see governments, with opposition party support, propose

concrete programs in the short term, because people are at the end of their ropes.

Some forestry companies have 100 years of history and have been passed down from father to son. They are being uprooted now, to the point of losing everything they have worked for. We know that it is not always the government's fault. It is not responsible for the value of the Canadian dollar. We understand that. You can do something, but you can't do it all. We understand that you can't do anything about the collapse of the construction industry in the United States; you can't do everything. However there are some programs that would allow us to survive and make concrete preparations for the recovery so that Canada...

When it was time to support British Columbia because of the mountain pine beetle, you did not hesitate long before allocating \$340 million. Could you do the same thing for Quebec, which is currently being hit by two crises? There is a major structural crisis. It is Quebec's responsibility, but you could help the province. There is also a terrible cyclical crisis that has cost us 20,000 jobs. And that's not all. We are well aware that the number is going to grow in 2008 and the banks are simply going to shut the plants down because they won't have any line of credit left. These are jobs for which there are no programs. POWA does not exist anymore. Those people will be left with a pittance, barely \$5,000. That is not even the equivalent of income security.

We can tell the companies they are not looking after the workers, but in the circumstances I think you can kill two birds with one stone. When the recovery comes, we will not be able to keep our young graduates, who will be leaving the remote marginal regions. They will not be staying in Chibougamau or Chapais or the Gaspé or Abitibi if they do not have a glimmer of hope for work. An older workers assistance program would be one of the keys, and you can help us in that regard.

• (1620)

Mr. Thomas Mulcair: Thank you.

[English]

The Chair: Thank you.

We're going to go into another round, but we're going to ask for two minutes. It's going to be really tight, so give it your best shot in two minutes.

We'll start with Mr. Boshcoff.

Mr. Ken Boshcoff: Thanks again, Mr. Chair.

Mr. Coles or Mr. Newman, yesterday at the natural resources committee one of the presenters said that if the forest industry's request to extend the capital cost allowance to five years had been included in the budget, the presenter's plant would have been even more competitive. Had this happened, how many plants or mills do you think would still be in operation?

Mr. David Coles: I wasn't there and didn't hear the debate, but it's a mug's game. That's not what's wrong with the industry. You can't tweak it. You can't adjust the tax credit. You need to find the fundamental flaws.

Mr. Rigato is right. I don't agree with all his corrections, but generally he's right. We know what was wrong. We need to find an overall solution. Tweaking it here and there won't do it—absolutely not.

We need to talk about co-generation. Pulp mills can make secondary product pulp. First product: green energy. There are all kinds of technologies that need to be utilized.

While I would respect that comment about a single move, it is not the answer to the overall problem.

Mr. Ken Boshcoff: Thank you.

The Chair: Thank you.

Monsieur Laforest.

[Translation]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chair.

Mr. Chevrette, you mentioned POWA two or three times. There have been repeated calls for a program for older workers to be reinstated. We are told that it is an old program that had no role left to play and that people should get retraining. You said that if the program were brought back it would free up jobs so that young people could stay in the regions.

Did I understand you correctly?

Mr. Guy Chevrette: It would not only free up jobs, it would also preserve jobs for young people. When a paper mill has to lay off 200 people, it does it according to seniority, because of the collective agreement, and I respect that, when there are people who are 56 or 57 or 58 years old who would be prepared to retire as long as they did not suffer any actuarial penalty. That would allow us to keep our young graduates who are just entering the labour market. They will not stay in remote regions and be unemployed for years. They will leave their region, and when the time comes to hire them, they won't be there anymore, and they won't be coming back. That is a tragedy for the resource regions.

Mr. Jean-Yves Laforest: That is the case where I come from, I can tell you.

Thank you, Mr. Chair.

[English]

The Chair: Thank you.

Mr. Wallace.

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

Mr. Chevrette, is your organization part of the Forest Products Association of Canada? Does your association belong to that association or is it completely separate?

[Translation]

Mr. Guy Chevrette: All of our big members, like AbitibiBowater, Domtar, Kruger and Tembec, belong to the FPAC.

[English]

Mr. Mike Wallace: You mentioned the softwood lumber agreement. You said you were happy that it was in place, and that Minister Emerson and the Conservative government made it happen.

Could you tell me what you think the industry would look like today if we didn't have the agreement in place?

• (1625)

[Translation]

Mr. Guy Chevrette: Actually, it doesn't change much, because of the cyclical crisis. Whether or not we had an agreement, it doesn't get houses built in the United States and it doesn't change the rate of the Canadian dollar. But we have no penalty for the little wood that is getting in at present. Instead of paying \$22 in taxes, we are paying \$5.

[English]

Mr. Mike Wallace: The value of the dollar is a big driver in the problems your industry's facing.

[Translation]

Mr. Guy Chevrette: Every cent represents \$50 million in losses for the Canadian industry. You can imagine the loss we have suffered. When I took office three years ago, the dollar was at 71¢. Now it's at par, if not higher. It's a tragedy.

[English]

Mr. Mike Wallace: Mr. Coles, I heard you say that you're not blaming the current government, that it's been around for a while. The United Steelworkers in the *National Post* said basically the same thing. The crisis didn't start with the Conservative office. The Liberals had 12 years to deal with it.

But tell me, why are you asking government to have the symposium? Why is the industry not having the symposium and inviting government? Why are you always looking to us to do it instead of you? Industry could get together, invite us, put all the bright people in the room, and then ask us to come and discuss all the good ideas. Why not that way? Why the opposite way that you suggest?

Mr. David Coles: We're trying both ways, actually. I am meeting with the CEOs of every major corporation in Canada and pushing those ideas as well. Fundamentally, the federal government is responsible for foreign trade and all the trade issues. You can't have the parent there and have the kids running around trying to make the family work.

Mr. Mike Wallace: It works at my house.

Mr. David Coles: Well, I'm afraid, sir, that's not the way it works in my house.

You need to have one who holds the purse strings and one who has the law on trade and the issue of responsibility across provincial jurisdictions. We'll try to do it, if the industry will come together, but the government has to be there and it has to be there in spades.

The Chair: That's all, Mr. Wallace.

With that, we're going to close the question and answer period. We want to thank the witnesses for coming forward.

I do want to say the industry, the forest industry particularly, is going through the perfect storm, with the slowdown in the United States market, the rise of our dollar compared to the United States dollar, which has a major impact, and also the pine beetle issue. I just had news this morning on the pine beetle issue that up to 98% of the beetles have been killed because of the attack from the weather. I just wanted you to have that information as you leave.

Thank you for coming forward, and thank you for the questions.

We'll now ask you to retreat from the table.

We have one quick motion that we want to deal with here. Mr. Crête, the floor is yours if you want to introduce your motion.

[*Translation*]

Mr. Paul Crête: The text of the motion seems to me to be complete. I don't think we need to have a very long debate on this question, unless someone wants to move a quick amendment. Otherwise, I would like...

Mr. Thomas Mulcair: Mr. Chair, I am going to move a quick amendment.

I move that we add a last line that would read as follows: "tenir un sommet pancanadien sur la forêt", in the French version. In the English version, it would be

[*English*]

"hold a pan-Canadian forest summit".

[*Translation*]

Mr. Paul Crête: I agree.

[*English*]

The Chair: Okay? So we have an amendment on the floor that is seen as a friendly amendment, so we'll go back to the main motion. We have a friendly amendment. Everyone is clear on it? Everybody understands it? I got in trouble before for going too fast, so we will reread that.

Mr. Wallace.

Mr. Mike Wallace: I know it's an amendment, but I might have some sympathy for it if it wasn't attached to the full motion. So my question to the mover is, if it happened to fail, would he be moving it as an individual motion?

The Chair: We wouldn't see it as an individual motion. If it's defeated here, it's over. We would not be able to.... You'd have to have a notice of motion to be able to do that. That's the explanation of it.

We will repeat the amendment.

Mr. Mulcair.

Mr. Thomas Mulcair: Mr. Chair, the amendment is to add a final line. In the French it would be

• (1630)

[*Translation*]

"hold a pan-Canadian forest summit".

[*English*]

And in the English it would be "hold a pan-Canadian forest summit".

The Chair: As the last bullet, right? Fair enough. Everyone's clear on it?

An hon. member: No.

The Chair: We have an amended motion that has been accepted by the mover. I see no debate.

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

The Chair: I'll report it to the House tomorrow. That was a friendly amendment.

Thank you very much.

We will now recess for a moment while we ask the minister to come forward.

- _____ (Pause) _____
- _____

The Chair: We have our witnesses here. We'll ask our members to take their seats and we'll call the second part of the meeting back to order.

I'll just remind the committee that bells are supposed to ring at quarter after, so we have an abbreviated time. Hopefully we can get to the answers we are looking for.

This is a briefing on a remission order for certain former employees of SDL Optics, Inc. That's what we're here to discuss. It's pursuant to Standing Order 108(2) and a motion adopted by this committee on February 11, 2008. We have Minister O'Connor of National Revenue here to answer these questions.

Point of order, Mr. Del Mastro?

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

Before the minister makes his statement, I'd just like to raise an issue that is before the committee. Mr. Turner's motion that we're here to discuss today refers to a remission order for a company called SDL Optical. To the best of my knowledge, there's no company by this name. There is a company called SDL Optics. I assume that's the company Mr. Turner intended to study. I suppose we should seek consent by the minister to consider discussion of SDL Optics in this study, as opposed to SDL Optical.

The Chair: I think there's a difference. We understand it. Okay with that?

Mr. Dean Del Mastro: You should know what you're speaking about, Garth.

The Chair: With that, we'll ask the minister to open with a few comments and then we'll go into the questions and answers.

Mr. O'Connor, the floor is yours.

•(1635)

Hon. Gordon O'Connor (Minister of National Revenue): I want to thank you for the opportunity to provide members with information regarding a remission order granted to certain former employees of SDL Optics Incorporated on October 25, 2007.

As has been pointed out, I understand the motion says SDL Optical, but I believe it means SDL Optics, and also refers to stock options when it actually involves stock purchase plans. These are important distinctions, as I did not recommend a remission order for a stock option plan at SDL Optical. If these assumptions are correct, then we can continue here today.

The Chair: Let's assume they are.

Hon. Gordon O'Connor: Okay.

To start, I would ask the members of the committee to remember that even though a remission order has been provided to certain individuals, I am still required to respect the confidentiality provisions of the Income Tax Act. I want to thank members in advance for respecting the limitations that this may place on my remarks here today.

I would like to provide members with a quick overview of how the remission process works and then continue with some details about the remission order for SDL Optics employees.

Remission orders are provided for under the Financial Administration Act.

[Translation]

Through the remission process, the FAA allows the Government to provide full or partial relief from a tax where it considers the collection of tax to be unreasonable or unjust, or that it is in the public interest to remit the tax.

[English]

It is a requirement under the FAA that every remission order be recommended by the responsible minister. It is then up to a group of ministers, usually Treasury Board ministers, to make a final determination on behalf of the government as to the merit of a remission request. If ministers agree that remission is warranted, they approve that remission and the Governor General signs the remission order.

One of the features of remission orders is that they are transparent. All remission orders are published in the *Canada Gazette*, where all Canadians can see them.

As the minister responsible for the Canada Revenue Agency, any tax remission orders coming from the CRA must be recommended by me. Since becoming Minister of National Revenue, I have recommended remission five times, including the order we are discussing today. I will make a few comments about this particular remission order.

There are some key factors that gave me cause to believe that relief was warranted. For starters, the individuals affected were employees of a company that offered a stock purchase plan, but a stock purchase plan with specific features. The SDL plan offered employees the opportunity to purchase shares at a discounted price.

In other words, at the time they signed up to buy shares, the shares were priced below market value. As a result of this discount, these individuals were not entitled to a tax deduction that other individuals who participate in share purchase plans and stock option plans are able to claim.

The effect of this tax deduction is to have the employment taxed at a rate equal to the capital gains inclusion rate. It therefore has a significant impact on overall tax liability. That, combined with their financial circumstances—which members will appreciate I am not at liberty to discuss—provided sufficient cause for me to recommend relief.

Members of the committee may ask why this group of employees, and will remission be available to others in similar circumstances. My answer to you is that each remission request has its own specifics and is assessed on its merits. If a taxpayer has the same circumstances as SDL employees, I would suggest that they make a request to the CRA with the relevant facts of their case.

Beyond the remission order, our government is examining the circumstances that led to the situation faced by this group of employees. I've stated in the House of Commons that our government is conducting a review to determine if change is necessary. This will take some time, as I hope committee members will appreciate.

[Translation]

Canadians have every right to expect fairness and consistency from the federal government when it comes to their taxes. None of us expect to pay any more than what we have been fairly assessed, that is the hallmark of an effective and fair system.

[English]

As a government, we have based three consecutive budgets and our economic statements on tax fairness. Ensuring that our tax laws are fair and that we are not overtaxing Canadians is a major priority for our government.

Our government has also put in place a taxpayer bill of rights. The taxpayer bill of rights is a corporate policy direction introduced by my predecessor to guide the Canada Revenue Agency in service of our clients. The 15 rights range from service in Canada's two official languages, to published service standards, to consistency and fairness under the law. Governments must never lose sight of the fact that it is taxpayers' dollars that fund our programs and make governments work.

As a government, we must have the common sense to correct problems, even if it is amending minor amounts when government policy unintentionally hurts our citizens. That is what we did with this remission order, and that's why I stand behind it today.

Thank you.

•(1640)

The Chair: Thank you very much.

We'll now open it up to questions and answers. We'll start with Mr. Turner, for seven minutes.

Hon. Garth Turner (Halton, Lib.): Thank you.

Minister, thank you very much for coming here today. We appreciate your time and your statement. Thank you.

I have a few questions. As you may know, there are three current or former revenue ministers in this room, and all of us have been in a similar situation wherein taxpayers have asked for forgiveness for one good reason or another. Every time that happened to me, in the brief period I was doing it, the deputy minister would slap me down and tell me it was not a good idea. I understand that your deputy minister here did the same thing.

Very quickly, because our time is limited, you said in your statement that if taxpayers have similar circumstances to these employees, they should get in touch with CRA. It sounds like they may have a hopeful case. Can you just quickly give two or three points on which taxpayers, in what situations, should contact you?

Hon. Gordon O'Connor: In the circumstance I'm talking about, it involves stock purchase plans. The purchases would have to be below market value so that they could not take advantage of the capital gains deduction. And then we'd have to look at their financial situations and at what occurred.

Hon. Garth Turner: Do you have any idea how many taxpayers there are in that particular situation in this country?

Hon. Gordon O'Connor: No, I haven't.

Hon. Garth Turner: All right. Well, maybe you'll find out soon.

Hon. Gordon O'Connor: Maybe.

Hon. Garth Turner: You said that one of the two conditions, which you just spelled out, that you would take into account was the financial situation of the taxpayer. Is that correct? I notice that Sandra Woodward was forgiven \$3.30 under this remission order. What was her particular financial circumstance that did not allow her to pay \$3.30?

Hon. Gordon O'Connor: That's one of the reasons. It doesn't necessarily mean that in her case she couldn't afford to pay the \$3. I can't get into all the details, but one of the factors is if someone didn't lose any money at all in this venture and ended up with net profits. That would be one of the factors we would have to look at.

Hon. Garth Turner: All right. I find that curious then, because Penny Taylor was forgiven \$28.91, and there are others for relatively insignificant amounts. It strikes me that this is pretty dangerous when you're forgiving somebody \$3.30, when your own deputy minister, I'm sure, told you that this opens up CRA and the Government of Canada to lawsuits from those people who may feel that they are in similar situations.

Has the Government of Canada established a contingency for lawsuits arising from this particular remission order?

Hon. Gordon O'Connor: As I said before, if people have the same circumstances, they can apply to CRA for a remission. Their cases will be considered. I have no idea if there is anyone out there with the same circumstances. If there is, the Government of Canada will look at them and deal with them as carefully as possible. I have no idea how many people are out there in the same circumstances.

Hon. Garth Turner: Thank you.

You rightly noted in your remarks that we have a taxpayer bill of rights—

Mr. Dean Del Mastro: Point of order, Mr. Chair.

Hon. Garth Turner: What is the point of order?

The Chair: Okay, let's hear if it's a point of order.

Mr. Dean Del Mastro: I would just ask that he direct his questions to the chair, and stop referring to the minister as "you".

The Chair: That's fine. That's not a point of order.

Go ahead, Mr. Turner.

Hon. Garth Turner: The minister has clearly stated that our taxpayer bill of rights says that you have the right to have the law applied consistently. Do you feel that the law has been consistently applied because of this remission order? You just said that you didn't know how many taxpayers would be in a similar circumstance. So how can it be a consistent application?

Hon. Gordon O'Connor: As you know, as a former revenue minister, our whole tax system is based on voluntary disclosure. Each of us, and I think there are about 25 million or 26 million of us, submit our tax returns each year. The corporations, and I think there are 1.6 million corporations, do the same thing.

We, the government, do not go out and seek how many taxpayers there are or what their income is. The taxpayers report it to us. So any individuals, beyond this case, who feel that they are not being treated properly within the tax system have the right to approach CRA at no cost and have their cases reviewed.

•(1645)

Hon. Garth Turner: All right, so anyone who had a stock purchase plan who feels they're in financial difficulty can approach you now and you'll be open to reviewing their case? Is that what you said to us, sir?

Hon. Gordon O'Connor: No, that's not what I said, if you check the words.

Hon. Garth Turner: Could you restate it, then?

Hon. Gordon O'Connor: You've lost the other factor, which is that they would have to have bought the shares below market value, so they could not take advantage of the capital gains deduction.

Hon. Garth Turner: All right.

This particular situation was brought to you by a colleague, Mr. Gary Lunn, the Minister of Natural Resources. Is that correct?

Hon. Gordon O'Connor: No.

Hon. Garth Turner: How did it come to your attention?

Hon. Gordon O'Connor: I inherited it. When I took over as revenue minister I inherited a number of files, and this was one of the files.

I didn't even know about this thing until I took over the revenue department. Maybe in the world of revenue and taxes people are aware of this, but in the rest of the world it's hardly known. I picked this up as one of the files I inherited when I took over CRA.

Hon. Garth Turner: All right.

The remission order was granted at a cabinet meeting, I gather, in December 2007. What led you to rule favourably when your deputy minister told you to rule against it?

Hon. Gordon O'Connor: The deputy minister is a very competent individual, but I don't always accept advice from my staff, either my exempt staff or my department staff. And I don't think, probably, if I asked all of you MPs whether you accept all the advice from your staff—

Hon. Garth Turner: On just one point of clarification, sir, how long had you been in the job when you decided to grant this remission order?

Hon. Gordon O'Connor: Well, you've just said the date, that it was done by December, so it was a few months.

Hon. Garth Turner: A few months. You were up that much on the file that you thought this was a specific case that merited that special attention at the cabinet table?

Hon. Gordon O'Connor: Yes, and you don't have to be a tax expert to understand these things. We have all kinds of advisers around us who tell us about the tax rules and—

Hon. Garth Turner: But your advisers told you not to do it.

Hon. Gordon O'Connor: And I just said that I didn't accept the advice.

Hon. Garth Turner: Where did the advice come from? It can be overwhelming—

Hon. Gordon O'Connor: It came from me. It is my authority to judge these things.

Hon. Garth Turner: What were your reasons, sir?

The Chair: Please allow the witness to answer.

Hon. Gordon O'Connor: I considered the thing to be unfair to those individuals. On that basis, beyond all the other things they talked about, I granted the remission, which is, by the way, my right under the FAA.

Hon. Garth Turner: Absolutely it is.

So the overwhelming factor was the unfairness of it. That leads us to the whole tax law now that you say we are reviewing as an administration. Do you feel this law, overall, is unfair in that requires people to pay tax in this instance?

Hon. Gordon O'Connor: I don't know. It's being reviewed and we'll see what the results of the review are.

The Chair: Thank you very much.

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

[Translation]

Mr. Paul Crête: Thank you, Mr. Chair.

Good afternoon, Minister.

In the particular case of this company, when you had the assessment done, did you inquire into whether other employees of other companies were experiencing the same thing, to see whether this was really an isolated case or whether the same model existed elsewhere?

[English]

Hon. Gordon O'Connor: Every day at CRA people approach CRA for a change in their taxes or their penalties or their interest. A large number are changed by the CRA staff themselves. They call them adjustments. When it gets to my level, they call it remission. But daily there are all kinds of changes of taxes going on.

This is the only one of this type that was brought to me. As I said previously to Mr. Turner, I'm not aware if there are other people out there who are in the same circumstance. If there are, they should apply to CRA.

[Translation]

Mr. Paul Crête: When you made your decision, did you inquire into whether there were other companies in the same situation? This creates a unique precedent. Were you informed as to whether the Department had knowledge of other similar cases?

[English]

Hon. Gordon O'Connor: No, I wasn't.

[Translation]

Mr. Paul Crête: Did you ask for information to be given to the public, to inform them about this decision? Kind of like in the case of a class action, other people who think they are in the same situation could have asked for the same decision to be applied to them.

● (1650)

[English]

Hon. Gordon O'Connor: The remission order is published in the *Canada Gazette*. There are people out there whose interest... There are columnists in the financial papers, etc., who talk about this.

As I said before, we work on a voluntary tax system. We are not going to go out and say, "Is there anybody out there who wants to come and apply?" It's up to the individuals or the corporations to come to apply.

[Translation]

Mr. Paul Crête: For a majority of the public, the process followed for income tax is generally this: the Act is interpreted, a decision is issued, an appeal is filed, but the decision is upheld. I am not sure that many people know that the Minister has the power to reverse the decisions.

Do you think there could be more structure applied to that power, so that you could still reverse a decision, but other people in the same situation could also benefit from the decision?

[English]

Hon. Gordon O'Connor: I'm not aware. You're referring to overturning decisions. I don't know what decisions you're talking about.

I have the power, under the Financial Administration Act, to provide remission in cases where the minister deems it justified. I haven't got the exact words, but that's the thrust of the FAA.

[Translation]

Mr. Paul Crête: The effect of your decision was to change the way things are done by the Canada Revenue Agency, the way these individuals' cases are handled. Do you think that in that situation the rest of the Canadian public should be informed of the change, just in case there are similar cases?

[English]

Hon. Gordon O'Connor: As I said to you, the CRA staff makes decisions daily. They call them adjustments.

[Translation]

Mr. Paul Crête: We are talking about decisions of the Minister here.

[English]

Hon. Gordon O'Connor: Are you going to let me answer?

The Chair: Just let him answer.

Hon. Gordon O'Connor: Many times I've become aware of their adjustments or their lack of adjustments, and I offer opinions. The CRA employees still get their authority from the minister to offer adjustments. I don't think any political authority agrees every time with their staff. Otherwise, they'd be getting direction. Otherwise, their staff would be directing them instead of the minister directing the staff.

[Translation]

Mr. Paul Crête: People who have been in the same situation elsewhere in Canada did not get the same treatment because they did not go to the Minister to get the decision reversed. They were not informed about that practice.

Does it seem fair to you to apply a judgment only to one particular case rather than allowing other people in the same situation to get the same treatment?

[English]

Hon. Gordon O'Connor: It is fair, as I said, under the same circumstances. If there are people out there or corporations out there in the same circumstances, they can apply to CRA. They don't have to apply directly to me, as the minister. They can apply to the CRA bureaucracy, and the CRA bureaucracy is aware of this remission order. So they don't have to apply only to me. They can approach anybody in the CRA.

[Translation]

Mr. Paul Crête: Were you informed as to whether other people or companies, or employees of companies, had done the same thing to get the same treatment you gave in that case? That decision is important to you. You could have asked for follow-up. Has it been determined whether other people have relied on that decision to have

the way their cases had been handled by the Canadian Revenue Agency changed?

[English]

Hon. Gordon O'Connor: At this time I'm not aware of anybody. There might be some, processing through the department. I have no idea. I haven't been made aware of that yet.

It's like the other remission orders. Remission orders are remission orders. If they set some precedent, well then people can take advantage of it.

The Chair: Thank you very much.

We'll now move on to Monsieur Mulcair.

[Translation]

Mr. Thomas Mulcair: Thank you, Mr. Chair.

I am going to continue along the same line as my colleague, Mr. Crête.

[English]

I'll carry this part in English, Mr. Chair, so it will be quicker.

The minister said he took a decision based on his best counsel. And you know what? Having served for several years as a minister, I admire that.

Despite the fact that we are surrounded by strong people who are there to give us good advice, sometimes a minister has to take his own decision and stand on it. In fact, not only do I admire it, I actually agree with the substance of the decision.

But what I would like to know is based on what Mr. Crête was saying to you before. I took careful notes in the prepared statement that the minister made at the meeting. He talked about, in the French version,

[Translation]

fairness and consistency and an effective and fair system. He also referred later to what he called, in English,

• (1655)

[English]

the taxpayers' bill of rights.

[Translation]

Those are all very noble principles, but in our society there is a basic principle, that the law must be the same for everyone. Earlier, I heard the Minister say:

[English]

"The CRA bureaucracy is aware of this remission order", leading us to believe that the bureaucracy would therefore follow. But it doesn't make sense to wind up in an arm-wrestling contest with your own bureaucrats. If they didn't like your decision because they advised you otherwise, they're not obliged to follow it when similar cases arise.

This notion of taxing people for phantom income is a fundamental issue of fairness. That's why I agree with your decision. But instead of having something aleatory or discretionary that will go on a case-by-case basis, why not solve the problem? Wouldn't that make more sense? Wouldn't that more objectively meet the criteria of equity, uniformity—your word not mine—fairness, and efficiency? Wouldn't that be a better solution, Minister?

Hon. Gordon O'Connor: I'd answer that in two parts. If there are individuals in this potentially interim period who believe that they're unfairly taxed, then they can approach CRA. But I also said that the government is examining this issue now to see whether changes have to be made in the future. This is under active examination.

But people don't have to wait for that examination. As I said, if an individual feels he is in similar or the same circumstances, and wants to seek tax relief, then he can approach CRA.

Mr. Thomas Mulcair: I understand that, and the minister was clear on that before. But approaching CRA means approaching the bureaucracy. The minister is an elected member and he's a member of the executive. You can approach the bureaucracy. But who's boss? The minister is the boss, as the elected member, but there is an administrative boss called a deputy minister, and that deputy minister has given different advice. So you can be sure that the machine is going to listen to its permanent boss more than the transitory one.

There is a way for the transitory boss to effect the result that he correctly brought here. I agree with him. Change the law. Propose to your colleagues in cabinet that the statute be amended, and bring that before the House. You can count on our support, and I suspect you can count on the support of a lot of other people around the table.

We're not pleading against helping people who are being taxed unfairly for phantom income. We're pleading against the unfairness of a purely discretionary case-by-case approach. Why not solve the problem once and for all?

Hon. Gordon O'Connor: Because when you make formal changes to the tax act, you have to make sure that all the consequences have been worked through. This is being examined, and when a result is arrived at, if it's recommended that we change the tax law, then the tax laws will be changed. If they say on balance that it shouldn't be changed, then it won't be changed.

Mr. Thomas Mulcair: Who are "they"? You just told us proudly—and I backed you up on it—that you were the one making the decision.

Hon. Gordon O'Connor: It won't be the bureaucracy; it will be the cabinet.

Mr. Thomas Mulcair: Okay, "they" will act based on your advice. But what's your advice? Today, what's your advice?

Hon. Gordon O'Connor: It won't be just me; it will be the finance minister.

Mr. Thomas Mulcair: Fair enough, but you're the executioner of the finance minister. He sets the numbers down on paper and you have to go get the money.

Hon. Gordon O'Connor: At the moment, my job is to implement the various tax rules.

[*Translation*]

Mr. Thomas Mulcair: You do the Minister of Finance's dirty work.

[*English*]

Hon. Gordon O'Connor: Yes, I am implementing the rules and also applying judgment from time to time, where the rules may not be appropriate. But the finance minister is ultimately responsible for changing the tax rules.

Mr. Thomas Mulcair: Is it fair to say that this is essentially a revenue-neutral operation, in the long run?

Hon. Gordon O'Connor: Let's put it this way. We plan on certain incomes based on certain rules. I don't know if the rules will be changed. Maybe not. I don't know. I'd better not speculate on whether it's revenue neutral or not.

• (1700)

Mr. Thomas Mulcair: Thank you, Minister.

The Chair: Thank you.

Mr. Menzies.

Mr. Ted Menzies (MacLeod, CPC): Thank you, Mr. Chair.

I would like to share the support that we all have for a decisive minister, one who doesn't necessarily listen to the advice of the bureaucrats. Although they often have good advice, it's good to see a minister who thinks on his feet.

In one of your answers you briefly referred to the FAA. Just to clarify, it seems this act gives you the authority through a remission order to allow government to give full or partial relief of federal taxes, penalties, interest, and so on. Is it actually the FAA that it gives you this authority?

Hon. Gordon O'Connor: Yes.

Mr. Ted Menzies: It is. Okay, thank you.

And I would assume, if you were presented with the same situation, or same circumstances, or similar circumstances, you would make the same decision.

Hon. Gordon O'Connor: Yes, the same circumstances; but you know, all up there are ministers.... I don't know my predecessors, and I don't know if I could ever check those facts, but for a minister this is not a frequent event.

As I said, since I've been there, it's been five so far, whereas the bureaucracy makes literally thousands of adjustments.

Mr. Ted Menzies: You made a reference earlier, I believe through a question, about officials not being able to make the final decisions. They're bound by specific criteria, whereas you have the authority to look at the extenuating circumstances.

Hon. Gordon O'Connor: Yes, that's correct.

Mr. Ted Menzies: Okay, we appreciate that.

As well, thank you for explaining the difference between stock purchase plans and stock options. For those who are watching this, I think that was a good lesson.

Mr. Del Mastro can go ahead.

The Chair: Mr. Del Mastro.

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

Mr. Minister, you indicated that you made this decision a couple of months after coming to the job, but it wasn't a new issue, was it? This had actually been an issue of public record for some time?

Hon. Gordon O'Connor: Subsequently I learned that, but in my recollection, if I go back to the election of 2006, I remember my orientation then was defence. But the only two things I can recall out of that platform for revenue was the taxpayer bill of rights and the ombudsman. I wasn't aware of any of this other stuff. I only learned about it later, when I took over the department.

Mr. Dean Del Mastro: Okay.

I just want to note, for the record, that there was some indication that perhaps the Minister of Natural Resources had unduly influenced this decision.

I want to go back to statements made in 2004 and 2005 by then Revenue Minister McCallum. In speaking to the specific issue that dealt with the stock purchase plans, and specifically SDL Optics, he responded to the House, on February 17, 2005, as follows:

Mr. Speaker, this is a very important case and I am determined to treat it with maximum fairness and flexibility within the law. That is why I am receiving daily reports on the matter. That is why we have a team dedicated to this matter.

In particular, I would like to express my gratitude to the member for Esquimalt—Juan de Fuca, who has provided me with excellent information and insight into the importance of this matter.

Again, on April 21, 2005, he mentions the member for Esquimalt—Juan de Fuca; December 14, 2004, the member for Esquimalt—Juan de Fuca; December 9, 2004, Esquimalt—Juan de Fuca.

Mr. Minister, did you make this decision as a favour to the member for Esquimalt—Juan de Fuca?

Voices: Oh, oh!

Hon. Gordon O'Connor: I didn't make the decision in favour of anybody.

Mr. Dean Del Mastro: So it was made on the merit.

Hon. Gordon O'Connor: Yes. I mean, no one approached me about this—no one approached me about this—before; I learned about this when I took over the file. I learned about it, I read about it, and I talked to my staff about it.

No, I'm not doing any favours for the member for Juan de Fuca.

Mr. Dean Del Mastro: Thank you.

Nothing further, Mr. Chair.

The Chair: Thank you very much.

We'll now move on to Mr. McCallum, five minutes.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you very much.

Look, I know from my experience dealing with this same file.... You came in a little after the fact, so you maybe didn't have quite the same exposure. But I was told by the commissioner and his staff repeatedly that hundreds of thousands of people were in a similar position. There's a quote here from an AIM Trimark vice-president that hundreds of thousands of people were in the same position.

I felt very bad for these people, but I was persuaded that I couldn't do for them what I could not do for hundreds of thousands of people. As Mr. Del Mastro was saying, we did provide some assistance within the law, but we didn't provide a blanket remission order the way you did.

So as my first question, if hundreds of thousands of people—the people in your department, at least, would have an order of magnitude—get an average of \$1,000 or \$10,000 each, you're talking about hundreds of millions of dollars or more. Especially when your government's going within \$1.3 billion of deficit, have you not considered making any kind of provision against this legal liability?

• (1705)

Hon. Gordon O'Connor: Well, I'm not aware of these hundreds of thousands you're talking about. Maybe during your time somebody gave you that piece of information, but I can tell you that I have never received any such piece of information. No one has ever estimated how many people, if any others, in the whole country are involved in these circumstances. I have no knowledge whatsoever of any particular number.

As I said, we will meet our requirements. If people come forward with the same circumstances, if they justify remission, they will get remission. But I'm not aware of any large numbers of people.

Hon. John McCallum: So you've never asked your commissioner for an estimate of how many people there are, or you've asked him and he told you he didn't know?

He knew when I was there. It couldn't have changed.

Hon. Gordon O'Connor: Did you have the same commissioner?

Hon. John McCallum: No, it was a different commissioner. But have you asked him?

Hon. Gordon O'Connor: As I recall, I think in passing I did, but no one has ever been able to provide any number whatsoever.

You can come up with any number you want, but I'm just telling you, at this time there is no number in CRA provided to me.

Hon. John McCallum: Okay.

Secondly, in terms of legislation, I agree with the line of questioning that we should have fairness for all through legislation in like circumstances. But I would just point out to you that it would not produce fairness for all unless you produced retroactive tax legislation, because this was a retroactive act. If there's one thing the bureaucracy hates, it's anything retroactive, as I'm sure you know. So I would submit to you, without asking a question, that even if you get that legislation, it won't be on a level playing field with these people, because you're not going to make that legislation retroactive.

Finally, on a question of process, I'm a little bit curious as to how you found out about this. You arrived as minister, you didn't talk to Gary Lunn, and the Canada Revenue Agency didn't want you to do this. So did the Canada Revenue Agency bring you a file and say "Here's the file, but we don't want you to do this"? How did you find out?

I admire ministerial independence to make decisions. I was like that myself in some cases. I admire that. But you don't just make a decision in a vacuum. Some people must have been feeding you at least the basic facts of the case.

Hon. Gordon O'Connor: As I said, when I took over the job, at some time—I can't remember the precise date—the commissioner and his staff made me aware of this issue and gave me sort of all the background information about the issue, and ultimately gave me their advice. I basically got it from the commissioner and his staff.

The Chair: Thank you very much.

We'll now move on to Monsieur Bouchard.

[Translation]

Mr. Robert Bouchard (Chicoutimi—Le Fjord, , BQ): Thank you, Mr. Chair, and thank you as well, Minister, for being here with us.

You said you had authorized five remission orders. In your statement, you referred to small amounts, but I see from the order I have here that there are large amounts: \$134,834, \$183,000, \$179,000. There aren't just small amounts; large amounts have been authorized by these orders.

What is the average of the five remission orders you have authorized? Can you give us the average amount remitted?

• (1710)

[English]

Hon. Gordon O'Connor: Yes. I think you can find them in the *Canada Gazette*. I don't know if these are precise amounts.

By the way, all SDL Optics is one remission order. It's not a number of remission orders.

But on the other ones, for an individual—I'd have to do the math here—it's about \$900; for another individual, \$31,000; for another individual, about \$3,000; and there's another one, on which I don't have the precise amount, affecting quite a number of people in Quebec.

I just don't have the amount here on a piece of paper.

[Translation]

Mr. Robert Bouchard: You also said that you informed the public through the *Canada Gazette*. In other words, your orders are published in the *Canada Gazette*. I thought I understood you to say that this was sufficient, in your view. People have to consult the *Canada Gazette*, and that is how taxpayers are informed.

Why didn't you consider instructing the Canada Revenue Agency, because you are the Minister responsible for it, to adopt uniform practices? Given that the Minister can authorize remission orders, why didn't you order the CRA to refer to that measure in the income tax guide, which is available to all taxpayers?

[English]

Hon. Gordon O'Connor: I think to date—and maybe you can ask a couple of my predecessors—this government and previous governments have found it sufficient to put it in the *Canada Gazette*. People in the industry, financial advisers, etc., who read this on a regular basis, aside from politicians and media people, get the information from the *Canada Gazette*.

It's like appointments. Appointments appear in the *Canada Gazette*. We don't announce appointments in every newspaper.

[Translation]

Mr. Robert Bouchard: I have one final question to ask.

You said you were not really aware of what was authorized by your predecessors. Undoubtedly, before making a decision, a minister has to seek advice from his or her advisors. Did you ask your advisors what your predecessors did before deciding to sign remission orders?

[English]

Hon. Gordon O'Connor: As I said, I got the file from the CRA staff. We discussed all the aspects of it. They gave all the implications they could think of and their advice. I don't go to previous ministers and ask them what they would do in that circumstance. I just don't do that. I made my decision.

The Chair: Thank you very much.

We'll now move to Mr. Wallace.

Mr. Mike Wallace: I'll be very quick and I'll share my time with Mr. Dykstra.

Of the \$25 million in tax money that comes in, how many remission orders do you approve?

Hon. Gordon O'Connor: I said since I've been there, since August 14, I've approved five.

Mr. Mike Wallace: Just five in all that time.

My second and final question is on the ombudsman we've now created—the taxpayers' ombudsman. Will they have the ability to recommend or authorize remission orders, or is it still going to lie on your table?

Hon. Gordon O'Connor: The ombudsman's main function is to make sure the CRA lives by a number of these taxpayer bill of rights rules that relate to service. The ombudsman is there to make sure Canadians are served well by CRA. The ombudsman does not get involved in tax as such.

Mr. Mike Wallace: Thank you.

I'll share my time with Mr. Dykstra.

Mr. Rick Dykstra (St. Catharines, CPC): I have a couple of things, Mr. Chair. I realize we're getting to the end.

I know quite a story was written on May 28 during the election of 2004. The member for LaSalle—Émard, the Prime Minister, said to a number of employees from JDS Uniphase that he had already asked finance minister Ralph Goodale to fix this problem. I assume, based on his comments then, that he gave some direction to the former finance minister to correct the problem. It may have been a mistake to say that, because obviously it should have been the revenue

minister. I want to find out from you and get on the record whether or not the member for LaSalle—Émard has ever contacted you about this file.

● (1715)

Hon. Gordon O'Connor: No politician—not the Prime Minister, not Minister Lunn, not former Prime Minister Martin, not my predecessor—no political person came to me about this file.

Mr. Rick Dykstra: I respect your being upfront about this.

Thank you.

The Chair: Thank you very much.

I want to thank you, Mr. Minister, for coming and for being so frank, open, and concise with your answers. That's refreshing. It's refreshing to see a minister take charge of his files.

With that, we will adjourn this meeting.

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