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Chair

Mr. Rob Merrifield

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● (1530)

[*English*]

The Chair (Mr. Rob Merrifield (Yellowhead, CPC)): We have enough members at their desks to be able to hear witnesses. We have our witnesses at the end of the table.

We want to start the meeting. This is our last meeting with witnesses with regard toBill C-50. Tomorrow we'll be going clause by clause, starting and finishing it tomorrow. We just want to let the committee know that.

We'll start in order. I'll yield you the floor as I introduce you.

We'll start with the United Steelworkers. We have Erin Weir, economist. Erin, the floor is yours for seven minutes.

Mr. Erin Weir (Economist, United Steelworkers): Thank you very much. I really appreciate the opportunity to appear before this committee.

I'd like to talk a little bit about the general direction of the budget being implemented by Bill C-50 and then make some more specific points about the changes to employment insurance proposed in the bill.

Budget 2008 was formulated in the midst of some very serious national challenges. The manufacturing sector is in crisis. We've lost about 378,000 jobs since November 2002. That's about one in six of all the manufacturing jobs that existed in Canada in November 2002. The recently released census confirmed that employment earnings have been essentially flat over the past quarter century, and that the gap between the rich and the rest of us is growing ever wider. Canada's greenhouse gas emissions continue to increase, our public infrastructure is crumbling, and the list goes on.

Given these pressing needs for government action, I found it quite surprising that the government chose to unveil a budget with the least new public spending of any federal budget in more than a decade.

This severe lack of public funds for important purposes is a direct result of very deep tax cuts that will disproportionately benefit wealthy individuals and profitable corporations. When the tax cuts implemented by this government are fully in effect by 2012-13, the cost will be $14.8 billion of lost corporate income tax revenue, $14.2 billion of lost GST revenue, and $11.2 billion of lost personal income tax revenue. These numbers come to a grand total of $40.2 billion.

Interestingly, this exceeds the $40.1 billion the federal government expects to spend on the Canada health transfer and the Canada social transfer combined, in 2012-13. In other words, if the government had not implemented these destructive tax cuts, it could have afforded to double federal transfers in support of health care, education, and welfare.

My principal objection to Bill C-50 is that it implements a budget that does not address these pressing national challenges and that deprives future governments of the fiscal capacity to do so.

Moving on to employment insurance, Bill C-50 proposes to put that program into a separate fund. Over the past 15 years, when the Canadian economy was growing, unemployment was falling, and employment insurance premiums consistently exceeded employment insurance benefits, the federal government was quite happy to treat employment insurance as part of general revenues. Now we're in a situation where the Canadian economy is slowing down, unemployment is trending upward, and there's the possibility of employment insurance premiums falling short of employment insurance benefits, so now the federal government is saying that employment insurance needs to be in a separate fund, apart from its general revenues.

Philosophically we agree that employment insurance should be administered through a separate fund. Our concern, though, is that the government is proposing to put only $2 billion into that fund. That falls far short of the $54 billion accumulated surplus of premiums over benefits in the employment insurance fund. It also falls far short of the $10 billion to $15 billion needed to maintain employment insurance benefits without increasing premiums during a recession, according to the former chief actuary of the employment insurance fund.

If a recession occurs, the regime proposed by Bill C-50 could require either increases in employment insurance premiums or reductions in employment insurance benefits, which would be the worst possible response to a recession. I think it's very important to maintain employment insurance as an automatic stabilizer for the Canadian economy by providing adequate funds to maintain benefits during a recession without an increase in premiums.

A related concern is that Bill C-50 rules out improvements to employment insurance benefits. It's well known that the proportion of unemployed workers eligible for employment insurance benefits has declined dramatically. The $54 billion surplus is more than enough money to expand those benefits to cover almost all unemployed workers, but Bill C-50 takes this surplus off the table.

• (1535)

In addition to that, Bill C-50 proposes a new rule for the administration of employment insurance that would require new surpluses in the separate fund be used to finance premium cuts as opposed to improve benefits.

To summarize, the concern I have with the changes Bill C-50 makes to employment insurance is that this new fund will not provide adequate employment insurance benefits to Canadian workers who become unemployed.

Thanks very much for your time.

The Chair: Thank you very much for your presentation.

We'll now move on to the Canadian Restaurant and Foodservices Association. We have Joyce Reynolds, executive vice-president, government affairs.

Joyce, the floor is yours.

Ms. Joyce Reynolds (Executive Vice-President, Government Affairs, Canadian Restaurant and Foodservices Association): Thank you, Mr. Chairman.

The Canadian Restaurant and Foodservices Association appreciates the opportunity to present the views of the nation's restaurant and food service operators on part 7 of Bill C-50. I'm here today on behalf of Canada's largest hospitality association, which has 33,000 members right across the country. We represent a $59-billion industry with more than a million employees.

I have been before this committee many times on the subject of employment insurance. Because of the labour-intensive nature of our business, where $3 out of every $10 in sales goes to payroll, restaurant operators pay a disproportionate amount of taxes as payroll taxes.

Recognizing the burden artificially high employment insurance rates place on labour-intensive industries, CRFA is on record as objecting to the setting of EI premiums at excessively high levels and has argued against the use of EI funds for purposes unrelated to EI.

CRFA, long ago, concluded that the only way to ensure employment insurance premium rates were set on a break-even basis was to establish a dedicated trust fund that is separate from Canada's public accounts and operated at arm's length from government.

Over the last 10 to 12 years, EI premiums have been set at rates that consistently far exceeded program costs, resulting in the accumulation of a $54-billion surplus in the EI account. This has resulted in an enormous financial obligation to the employers and employees who exclusively fund the program.

In principle, building up a surplus during times of economic growth makes sense, so that premium assessments do not have to increase during a prolonged recession. In practice, the intention behind establishing surpluses has not been respected.

As far back as 1994, in a submission to the Standing Committee on Human Resources, CRFA expressed concerns about this approach. We said at that time:

> Unfortunately, our experience has been that surpluses have been too irresistible for government, and have been diverted to other initiatives. CRFA cannot support the anti-cyclical financing approach unless there is a statutory guarantee that the surplus would be accumulated for an economic downturn only.

Our fears back in 1994 were obviously well-founded. Governments quickly became dependent on the funds in the EI account.

The 1986 directive of the Auditor General to integrate the employment insurance program into the overall finances of the government has been used as an excuse to justify the diversion of EI funds. It has been clarified many times by the Auditor General that it was never the intent of the Auditor General to have EI revenues as part of the government's general tax revenue stream, nor was it the intent to have them used for purposes unrelated to EI. The only reason for the directive was that back in 1986 the EI account was in a deficit and contributed to Canada's overall deficit, which in turn impacted the overall borrowing requirement of the country. As we all know, there has been an enormous improvement in federal government finances since then.

We also know there will always be pressure on any government to increase spending on a multitude of programs and activities and to lower taxes in a host of areas. As a result, we are very pleased that part 7 of Bill C-50 will no longer allow the EI program to be treated as a cash cow. Payroll taxes are profit-insensitive and regressive, and should never have been part of the government's general tax base.

A counter-cyclical approach to rate-setting was pointless, as long as the EI account was consolidated with general revenue, because government's accounting principles do not allow surpluses to be carried forward from year to year. Employers and employees were always vulnerable to premium rate increases when the unemployment rate went up, regardless of the reserve in the EI account.

CRFA recognizes that the $54-billion EI surplus is a notional account and, given fiscal realities, cannot easily or immediately be turned over to the proposed Canada employment insurance financing board. We could debate whether the $2-billion reserve to be provided to the new crown corporation is adequate. The long-term economic outlook suggests low unemployment levels and intensified labour shortages. This is in stark contrast to the double-digit unemployment rates during the 1981-82 and 1991-92 recessions, which significantly reduces EI reserve requirements.

In the case of a prolonged or severe recession resulting in a significant increase in EI expenses, CRFA would certainly expect the federal government to make up for the revenue shortfall. Given the $54-billion surplus, the federal government would be expected to respect its obligations to employers and employees even if it meant raising other taxes or cutting spending.

To conclude, CRFA supports the establishment of the Canada employment insurance financing board and a stand-alone EI fund to be administered at arm's length from government. This is the only fair and responsible way EI premiums can be set on a counter-cyclical basis. It also allows the program to be maintained on a sound financial footing without temptations for government.

CRFA believes that part 7 of Bill C-50 provides necessary statutory protection for employers and employees by removing the option of having their hard-earned premiums used for other purposes.

Thank you.

● (1540)

The Chair: Thank you very much.

We'll now move on to the Investment Industry Association of Canada. We have with us Ian Russell, president and CEO, as well as Barbara Amsden, director, capital markets.

I'm not sure how you're going to divvy it up, but the floor is yours. Please go ahead.

[*Translation*]

Mr. Ian Russell (President and Chief Executive Officer, Investment Industry Association of Canada): Good afternoon, Mr. Chair.

[*English*]

Ladies and gentlemen, I'm Ian Russell. I've come before the committee many times, but this is the first time I've been here in my capacity as president and chief executive officer of the Investment Industry Association of Canada to talk to you on the singular subject of tax-free savings accounts, or TFSAs. With me today is my colleague Barbara Amsden, who will be helpful to me in responding to a number of the questions that may come from the committee.

The IIAC is one of Canada's oldest and youngest associations. It was founded in 1916 as the Investment Dealers Association, which began as a trade association that over the next 90 years became increasingly a self-regulatory body. From 1996 to 2006, the IDA grew rapidly as a regulator, tripling in size. In April 2006 the organization separated its dual mandate, creating a single self-regulatory organization and a trade association.

The Investment Industry Association is the trade association for the Canadian securities industry. In that capacity we've been able to lobby effectively or advocate on behalf of our members, some 210 firms in the Canadian investment industry, for improvements in regulatory and tax policy to strengthen the capital markets in the Canadian economy and to meet the government's objective of productivity improvements. We've been better able to publicize what our industry does to promote the savings investment process and encourage capital formation.

As I said, we have 210 members. They range from very large, national, full-service investment dealers to small boutique operations, which operate as an institution with an institutional focus, and also as a regional focus, in all parts of the country.

● (1545)

[*Translation*]

The role of the Investment Industry Association of Canada is to promote the growth and development of the Canadian investment sector. The IIAC represents a strong and proactive voice that seeks to represent the interests of the investment sector and all market participants. Our corporate members range from regional companies employing few persons to major corporations that employ thousands of Canadians. Our members assist Canadian investors in building and protecting their capital to ensure their financial future and that of their families.

[*English*]

For our members to successfully begin offering TFSAs and to promote further savings by Canadians, we believe it is in the best interests of investors, governments, and TFSA providers that TFSAs be made as simple as possible to introduce and manage, and to this end that they be as similar as possible to and able to leverage the current RRSP framework.

A great deal of work needs to be done by our members between now and the January 1, 2009 start-up date. Technology changes don't just occur at the push of a button. We hope to have your help with legislative changes, as well as the help of the Department of Finance and the CRA on regulatory and administrative matters, to ensure a smooth launch and an excellent good-news story for the front pages of the first newspaper editions of the new year.

With your permission, I won't read the rest of my remarks, but I will touch on four problems and amendments that we suggest.

First, Bill C-50 limits TFSA offerings to a trust annuity contract or deposit, and excludes securities accounts. Interest and annuity rates have dropped since the early nineties, and more and more Canadians now rely on investments, rather than just term deposits and annuities, to finance their retirement. Requiring that brokers still resort to the trust structure of using third-party trustees to offer TFSAs adds costs and inefficiencies, and we believe it is really unnecessary.

Second, the CRA proposes more frequent reporting than for RRSPs, but based on the RRSP example, we believe this is not cost-justified, as material over-contributions to RRSPs are proportionately small, excess amounts are usually low, and penalties can be imposed to dissuade over-contributions. As for RRSPs, an annual report with contributions and withdrawals will enable the CRA to identify over-contributions, even if those are withdrawn in the same year in an effort to unfairly take advantage of the tax system.

Third, the treatment of TFSAs upon the death of the TFSA holder differs from that of RRSPs. Income or capital gains on the TFSA become immediately taxable at the time the holder dies, in contrast to RRSPs, where there is an exempt or transitional period after death, which allows for a period to learn of the holder's death and a process for deeming the disposition of assets and for resetting costs at fair market value, and various other points. As we know, the death of a family member means a difficult time for everyone, and treating RRSPs and TFSAs differently will lead to additional complications and frustrations at a time when complexity and administrative complications are particularly difficult for the bereaved.

Fourth, on implementation, Bill C-50 provides that qualifying TFSA arrangements must be entered into after 2008. This would prevent the opening of accounts with a zero balance earlier and would lead to a rush following the new year. Our members are already getting calls about opening TFSAs. This risks negative publicity for TFSA providers and the government, if there is congestion at the beginning of the year.

So we are requesting four legislative changes.

First, we recommend amending the legislation to allow brokers to offer TFSAs directly under an account agreement, and not just as a trust.

Second, for efficiency and cost-effectiveness—while leaving CRA's ability to manage the integrity of the tax base undiminished —we ask or recommend that you amend the legislation to require annual transaction-related reporting by TFSA providers to the CRA without a requirement for reporting transfers between the accounts of the same TFSA holder. This government is committed to reducing the regulatory burden and not adding to it. We believe that more frequent reporting will in fact cause more problems for investors and intermediaries than necessary.

Third, for simplicity, and given little risk to the tax base, we propose an amendment to standardize and simplify processing on the death of the holder, treating TFSAs like RRSPs, or in the same manner.

Fourth, for smooth implementation, we recommend that you allow TFSA providers to open accounts before the new year while still preventing contributions or transfers until January 1.

So those are the recommendations that we have before you, Mr. Chairman.

● (1550)

The Chair: Thank you very much.

Now we will move on to the Canadian Federation of Independent Business. We have Corinne Pohlmann, vice-president, national affairs; and Garth Whyte, executive vice-president.

Mr. Garth Whyte (Executive Vice-President, Canadian Federation of Independent Business): Thank you, Mr. Chairman.

On behalf of the Canadian Federation of Independent Business and the 105,000 business owners we represent from every sector and every region of the country, I want to thank the committee for inviting us to provide comments on Bill C-50.

Small and medium-sized businesses play a major role in Canada's economic growth and job creation, accounting for almost 50% of the GDP and 60% of total employment. I ask committee members to refer to the first graph in the document we've provided. The first graph tracks the GDP to CFIB's business barometer, based on small business owners' expectations for their own business. This is used by the Bank of Canada on a regular basis and by the Department of Finance. As you can see, our members are cautiously optimistic concerning the economic downturn.

And some good news can be seen with the graph on page 2. Thirty percent of the small and medium-sized enterprises said they plan to increase employment in 2008, compared to 8% who plan to decrease employment. This is good news when considering future unemployment rates, EI premiums, and EI surplus.

We have included several surveys based on thousands of responses from business owners. I may not have time to go through the entire presentation. However, I thought it important for the committee to have this information. Perhaps we can discuss it with the questions afterwards. But if you look on page 3—this is about 10,000 responses—it identifies the high priorities for small and medium-sized enterprises, and you can see that Bill C-50 touches the top six.

Our immediate reaction to the budget is summarized in the report card we attached, which you also have in front of you. We'd be happy to answer the questions you might have on any of these issues, but I want to focus the rest of our presentation on the establishment of the Canada Employment Insurance Financing Board.

The overall message we are delivering today is that EI is a major concern for small and medium-sized enterprises, as you can see on page 3. They feel the EI system needs to be fixed because the rate-setting process is flawed; the EI surplus continues to grow; and the EI program does not address today's labour market needs. This concern is so high that we currently have over 20,000 of these action alerts signed by business owners sitting in our office right now. We'll be delivering them to HRSDC Minister Solberg in a couple of weeks and we'll deliver them to each MP in a little while too.

As you can see on page 4, of all the various taxes a business must pay, business owners identify payroll taxes like EI affecting the growth of their businesses the most. The graph on page 5 shows that reducing taxes and EI premiums allows business owners to increase wages, hire additional employees, and provide more training. Page 6 shows that our members, 74%, feel a good first step to fixing EI is to move the account from general government revenues to a separate fund. They also think there's a need to improve the management and governance of the EI account. Currently, only one-third of our members are satisfied with the federal government's approach to managing EI, as you can see on page 7. They believe EI premiums should be used exclusively for EI purposes.

Having said that, CFIB supports the creation of the Canada Employment Insurance Financing Board. The rate-setting mechanism has been improved, while still retaining some of the positive aspects, such as a fixed date, November 14, to publicly announce the new premium rate, and limits to ensure rates do not fluctuate wildly from year to year.

We are very pleased that the EI operational surplus will no longer flow back to general revenues. The new reporting mechanism should ensure accountability and transparency. However, we do have some concerns and issues that should be addressed. For example, will there be significant operating costs that employers' and employees' premiums must cover? Will this be a truly arm's-length board, or will it be a partisan board, with members changing as political parties are newly elected? Will this board be able to address the issues of hundreds of millions of dollars paid by employers with EI over-contributions, an issue that's a high priority for our members, as you can see on page 8?

We are also concerned that the new system will create pressure to increase rates rather than to decrease rates because of the administrative costs and the limited EI surplus provided on top of the annual increase in the maximum weekly insurable earnings.

Finally, we're concerned that employers and employees must bear the risk of paying for economic downturns after having built up a $54-billion surplus. It's shameful and unfair. At the very least, the federal government should cover off any future shortfall on the EI account, if the need arises. However, it is a good first step to fixing EI.

We agree that the Canada Employment Insurance Financing Board should not be involved in EI policy and programs, but that is where there's a dire need to fix EI. The EI system is failing. It does not address employers' needs.

● (1555)

In 2006, only 44% of EI premiums were spent on regular benefits, as you can see on page 11. The vast majority of the over 9,000 business respondents to the survey—on page 12—were unaware of, or did not use, EI programs such as the labour market partnerships, self-employment assistance, job creation partnerships, and employment assistance services.

It's not fair that business, especially small business owners, continue to pay 60% of the EI premiums. The rate should be gradually moved to a 50-50 split, or 40-40-20 split for premiums, where government pays 20%.

Finally, the EI system needs to be fixed because it does not address today's labour market needs. With the aging population, many companies are begging for employees. The graph on page 14 clearly shows that as the unemployment rate decreased over the past decade our members' concern with the shortage of qualified labour has increased dramatically. This is not a coincidence. Both are linked to a demographic trend caused by an aging workforce.

The shortfall of qualified labour has steadily increased, and it is expected to increase over many years to come. In March of this year, CFIB released its “Help Wanted” report. The report looked at the long-term vacancy rate. As you can see on page 15, the long-term vacancy rate has almost doubled since we first did the study in 2004. Our study found that a 4.4% long-term vacancy rate meant there would be an estimated 309,000 long-term vacancies last year. Page 16 shows that there were long-term vacancies in every province, and page 17 shows that, not surprisingly, our members have told us it's getting harder and harder to find employees for the future.

Canada needs a long-term comprehensive strategy to deal with the labour shortage challenge. CFIB has been working with the provincial and federal governments in several areas to deal with this critical issue, such as education and training, apprenticeship programs, co-op education, business succession, and immigration strategies. However, EI policy is one area where little has been done.

EI policy can play a significant role in either alleviating or exacerbating the labour shortage issue. We are concerned that the current EI program is hindering rather than helping employers and employees deal with the labour shortage issue. As you can see on page 18, one out of five employers stated they had difficulty hiring people because some people would rather stay on EI benefits. In some provinces the people who would rather stay on EI are close to 40%.

We need to fix EI so it better meets the needs of employees and employers. It's too important a program to leave in its current state for another 15 years. The creation of the Canada Employment Insurance Financing Board is a good first step, but more needs to be done in the near future.

Thank you, Mr. Chair.

The Chair: Thank you very much.

We'll now move on to our last presenter. We have the Canadian Manufacturers and Exporters of Quebec, Jean-Luc Trahan.

The floor is yours. Thank you for coming.

[*Translation*]

Mr. Jean-Luc Trahan (President and Chief Executive Officer, Canadian Manufacturers and Exporters of Quebec): Thank you, Mr. Chair, and thank you, members of the Standing Committee on Finance.

Allow me to introduce myself. My name is Jean-Luc Trahan, I am the President and Chief Executive Officer of the Canadian Manufacturers and Exporters of Quebec. I'm accompanied of Mr. Robert Davis, who is the Vice-President of Research, Analysis and Government Affairs.

● (1600)

[*English*]

We are pleased to share our observation about the budget tabled by the government this past February. We'd also like to share with you our assessment of the situation prevailing in the manufacturing sector in Quebec.

[*Translation*]

The mission of the Canadian Manufacturers and Exporters of Quebec is to enhance competitiveness within the industry and stimulate export growth. The manufacturing sector represents 10,000 companies that generate approximately 20% of Quebec's GDP and employ more than 550,000 people. The industry conducts 75% of private research and development activities and accounts for 86% of Quebec exports.

The five major challenges export manufacturers are facing, not only in Quebec but throughout Canada, are the following: finding ways to make ongoing improvements to manufacturing companies' productivity and global competitiveness; improving access to world markets; advocating the application of a more competitive tax system and flexible regulatory regime; developing the skills of employees of the manufacturing sector; and lastly, intensifying the shift towards sustainable development and the use of clean and efficient energy.

[*English*]

We are in a situation that we describe as a perfect storm. In the manufacturing sector this perfect storm can be explained by four factors: first, the rapidly rising Canadian dollar; second, a strong increase in energy costs; third, the intensification of globalization; and finally, the economic slow-down in the U.S. economy.

[*Translation*]

The demands we are submitting to the government are based on the Rajotte report released in February 2007, and can be summarized in eight points.

Firstly, the two-year capital cost allowance on investment in manufacturing and processing equipment should be extended to five years; secondly,

[*English*]

consider measures to monetize tax losses or to monetize depreciation if companies are in a loss position;

[*Translation*]

thirdly, harmonize provincial sales taxes with the GST; fourthly, improve the tax credit system for R&D; fifth, grant tax credits to employers for training and reduce employment insurance premiums accordingly ; sixth, organize a conference of provincial premiers and the federal minister to discuss problems arising from globalization; seventh, support the creation of a trade agreement with the European Union; lastly, provide financial support to associations such as ours whose mission is to provide concrete assistance to manufacturers in helping them become more competitive and productive.

[*English*]

Our biggest disappointment in this budget is the new measure concerning accelerated depreciation. Manufacturing made it clear to the government that the two-year write-off for investment in manufacturing and processing equipment, introduced in last year's budget, had to be extended for five years to give companies time to make investment decisions, to customize equipment, and to meet regulatory approval. Manufacturers are under the gun to innovate, and this measure basically takes us back to where we started.

A one-year extension at current levels doesn't fit into the business planning cycle for Canadian companies, so many hard-pressed businesses won't be able to take advantage of this. The timeframe proposed by the government in this year's budget is simply too narrow to allow manufacturers to take advantage of this measure. Companies must respond to a capital planning process that, in some cases, will require several months for determining capital allocation and the most attractive or competitive investment opportunities. Many manufacturers rely on customized machinery and equipment for their operations. Lead times for equipment suppliers are lengthy. And additional time is required to install the equipment and train workers in time to bring the equipment into full operation.

Our association now also proposes a recommendation for improving the SR&ED program, including the need to make tax credits refundable. In doing so, the benefit of the tax credit should be extended to companies operating in Canada that, because they suffer a decrease in profit, are forced to invest their own funds in R and D before they make a profit.

[*Translation*]

Lastly, the association had recommended to the government that it grant a 15% tax credit on investment to help to maintain and develop skills. The credit would also serve to reduce employment insurance contributions made by the employer.

Our association supports the implementation of recommendations put forward by the Standing Committee on Industry, Science and Technology; those recommendations are supported by the members of this committee.

The budget does not meet the expectations of manufacturers, and corporate tax cuts are not sufficient to allow manufacturers to make the necessary investments in manufacturing technology, innovation and skills development. Canada is lagging behind other countries in this regard.

[*English*]

It is essential that manufacturers are able fight on a level playing field in international markets.

[*Translation*]

We have referred to certain measures put in place by the federal government as unveiled in the economic statement of October 30, 2007, and the budget speech of February 26, 2008.

● (1605)

[*English*]

The reduction of the business tax rate was an important step that would allow Canada to maintain internal private investment levels and to continue to attract foreign investment.

[*Translation*]

On February 26, 2008, we also applauded the responsibility and prudence demonstrated by the Minister of Finance, who chose to not significantly increase the pace of government expenditures. We also recognized the benefits of the Community Development Trust, and pointed out that the federal government had acknowledged the changes that the Canadian manufacturing sector is facing, particularly single industry communities in Quebec and the rest of Canada that are feeling the strain of highly turbulent and competitive times.

However, in all of these cases, we signaled that the government should have completed these efforts with measures targeted specifically to the manufacturing sector, in keeping with the actions of the Quebec and Ontario governments. The association believes that measures announced to date are a step in the right direction, but we described them as insufficient, and continue to believe that.

In addition to alleviating the tax burden, the Government of Quebec adopted another approach, that of concretely supporting the manufacturing sector to stimulate productivity and increase competitiveness.

Over the course of the last 18 months, the Government of Quebec has suggested specific initiatives tailored to the manufacturing sector in an effort to stimulate innovation, increase productivity, spur investment, support the development of new markets, make up for the lack of liquidity of manufacturing companies, encourage the development of manufacturing workers' skills, and strengthen the financing capacity of specialized investment funds.

We believe that these measures are indeed positive for our sector, as can be supported by recent statistics on the economic outlook, as prepared by Statistics Canada. On May 14, Statistics Canada reported that Quebec's productivity increased by 1.5% in 2005, at a rate in excess of the national average. The Statistics Canada study shows that Quebec's manufacturing productivity increased by 3.2%, double the figure recorded in 2006.

Things are not good in Quebec. There is a reason for this. We believe that the Quebec government's openness toward the sector, and the approach of Premier Jean Charest and his minister Raymond Bachand, have had a positive impact on the situation.

Our governments must take action, because other OECD countries are focusing efforts on their respective manufacturing sectors. For instance, simply look at the actions of the Department of Trade and Industry in England, and the Agence française pour les investissements internationaux in France.

Our manufacturers are fighters and winners. They are firmly resolved to fight; but to win, they need certain essential conditions, and the assurance that the rules of competition are being followed, so that they can confront foreign manufacturers on an equal footing.

The Government of Canada must play an active role as a partner of the Canadian manufacturing sector and support the industry with structural and economic measures.

[*English*]

We also want to inform members of this committee about the support to non-profit organizations dedicated to economic development by the Economic Development Agency of Canada for the regions of Quebec.

[*Translation*]

Several organizations such as ours have had their funding cut back by the Economic Development Agency of Canada. In Quebec, the Association of Manufacturers, along with others, plays a significant role in economic development. We must be taken into account.

[*English*]

Thank you for your attention, and we would welcome your questions.

The Chair: Thank you very much.

We'll start our first round of questioning. We have seven minutes, and we'll start with Mr. McKay.

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

Thank you, witnesses.

I'll direct my comments first of all to Mr. Whyte and then Mr. Trahan and Mr. Weir with respect to this proposed EI board.

It strikes me as a bit of a half-pregnant solution. For those who argue EI should be segregated from consolidated revenue and set up under its own board and in effect act at arm's length from government, there is a step in that direction. But they've only funded the board to the tune of about $2 billion, while the actuaries say it needs to be funded to the tune of about $15 billion so that it doesn't act as a counter-cyclical measure on the economy.

So I'd be interested in your thoughts on this proposal, because on the face of it the proposal appears to be attractive. Mr. Whyte, you in particular express some enthusiasm for the proposal. But I'd suggest to you that in fact it may be counter-productive to some of the other things you have on your check list, particularly on down economic times when the government or the board in particular is going to have to raise its premiums in order to be able to maintain its $2 billion surplus. So the only place the premiums are going to come from is the people you represent, and they're going to be really unhappy campers if in fact the economy is going down. Their businesses are under pressure, as are Mr. Trahan's companies under pressure, as are Mr. Weir's on the other side of the equation, and yet those premiums are going to have to go up in order to be able to maintain what many argue is an insufficient level of reserves. I'd be interested in your comments.

● (1610)

Mr. Garth Whyte: I agree with you, and I said it in my commentary. But that was the same case when it wasn't a separate fund, because the surplus—as the government of the day and the government before it said—was gone, so if we were ever going to go into a deficit the option was to increase premiums. We're in it anyway. So the first step is to shut off the tap and quit building on the $54 billion surplus. That's the first step. You're right. Half of it's done.

The second issue I think all of us brought up was whether $2 billion is enough to put into the surplus. No, it isn't, even though if you look at the chart we have based on the annual reports, the lowest —and I remember this clearly—it went was a $6-billion deficit, and times are changing and we do have a shortage of qualified labour. The EI rate is going down as we continue to stay at those levels.

Having said that, we don't know if $2 billion is enough. We'll have to see, but I think it should continue to be topped up by government. Employees and employers should not have to pay any increases whatsoever until we get this fund in shape.

Hon. John McKay: So would you propose that in fact instead of consolidated revenue transferring $2 billion, it would transfer $15 billion out of the so-called $54-billion notional surplus?

Mr. Garth Whyte: I don't know if we can do that. I don't know if we can transfer it, because I don't think our members will support now going into a deficit situation to put $15 billion back into the account.

However, in a—

Hon. John McKay: In effect, you can't have it both ways.

Mr. Garth Whyte: It's done, but at the same time as the surplus builds up, some of that surplus money should go into the fund or the government should guarantee with a zero interest loan to make sure it doesn't go into a deficit situation.

Hon. John McKay: So if there were a surplus on an annual basis above $2 billion, you wouldn't propose sending it back to the consolidated revenue fund.

Mr. Garth Whyte: I wouldn't, but I have a concern, and this is where I would like to work with the committee, because I don't have the full answer. But we have worked with workers compensation boards before, and there will be a bias by the board to increase premiums not to reduce them, because if you and I are board members we want to make sure it doesn't get below that $2 billion threshold, and it's going to be very difficult for them. So there will be a bias to still build up that surplus. The difference is at least it stays in the EI account.

Hon. John McKay: I just want to let Mr. Weir and Mr. Trahan in on the conversation.

The Chair: Ms. Reynolds wants to answer as well. You may not be able to see her from where you're sitting.

Go ahead, Ms. Reynolds.

Ms. Joyce Reynolds: Garth mentioned that the $6 billion was the largest deficit—and that was back in the early nineties—but you have to remember that the buildup happened between 1990 and the beginning of 1993, and the government before that paid 15% to 20% of the cost of EI until 1990. So when that government funding was removed, it certainly contributed to that $6 billion deficit. And as Garth said, I think times have changed remarkably since then.

I also think that all of the employer and employee associations are going to be beating down the government's door to transfer more money to that account if we run into a prolonged and severe recession. Right now, with the 15¢ maximum reduction or increase, there is some protection against—

Hon. John McKay: It's going to take a long time to build it up to the necessary amount, though, at 15¢ a head. It's going to take a while.

I'll just go to Mr. Weir.

Mr. Erin Weir: I certainly agree with the question. Essentially what the government has proposed to do is to create a separate fund for employment insurance, but to take all the money out of it. The $2 billion is far less than the accumulated surplus of $54 billion in the employment insurance account. As you said, it's also far less than the $10 billion or $15 billion that the actuaries say is needed to maintain the program in a recession without premium increases.

In response to that, Mr. Whyte suggested in part that at least what's being proposed is no worse than the status quo. But I would quibble with that a little bit. The former government's position when employment insurance was part of general revenues was that if there ever were a deficit in the fund, it would be backstopped with general revenues. My concern is that now that it's being hived off from general revenues into this completely separate entity, the government may be abandoning its commitment to backstop the fund and to make sure that benefits continue without premium increases during a recession. So things could actually be getting worse as a result of the changes in Bill C-50.

I'd like to see, at the very least, the bill amended to ensure that the government continues to maintain its commitment to providing employment insurance benefits in the event of a downturn without raising premiums.

● (1615)

The Chair: Mr. Trahan.

Mr. Jean-Luc Trahan: I don't have much to add. We've been asking the government to provide an employers' training tax credit creditable against the EI premium. What we believe is important at the moment is to keep workers on the job, so our main focus is to find ways to train those workers to face globalization and what's happening in the marketplace.

I don't want to add anything more than what was said, but that is our primary concern.

The Chair: Thank you very much.

Monsieur Crête, you have seven minutes.

[*Translation*]

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

I find it rather interesting to see Mr. Trahan and Mr. Weir seated side by side. Both the employer and union sides sending the same message regarding the manufacturing sector.

Mr. Trahan, you explained very well some of the shortcomings in the current budget, but with respect to the manufacturing industry in Quebec—and I assume the same could apply to Ontario—what are we going to come up against in one year if the federal government does not apply concrete measures now, as has been recommended in the unanimous report of the industry committee, and in the submission you made today? In terms of employment, markets, what are the manufacturers going to be facing?

Mr. Jean-Luc Trahan: What is very difficult right now for manufacturers is the fact that everything is happening all at once, and very quickly. When the dollar was at 80¢, manufacturers were able to make 12-month projections based on an 80¢ or 85¢ dollar. As soon as the dollar was at par with the U.S. currency, manufacturers were forced to make adjustments. And if that was not enough, energy costs are on the rise, and there is an economic downturn.

There are two categories of manufacturers in Quebec and in Canada. Some were able to foresee things to a certain extent and prepare themselves by investing in worker training and equipment. With respect to upgrading, statistics show that those companies did the right thing. There was an acceleration. I talked about the negative aspects, but a positive one is that a stronger dollar allows us to buy more equipment.

We often hear talk of a level playing field. The United States have adopted the *Buy American Act* , and manufacturers have to deal accordingly with that market. Right now, we are in strong agreement with unions over the importance of having well-skilled workers and quality training. In Quebec, with the Quebec government behind these efforts, these elements have been put into place to facilitate investment and training. It is a winning theory.

Mr. Paul Crête: Would it not have been better if the $1 billion trust fund had been bigger? The money could then have been transferred to Quebec, which has a manufacturing action plan. If the government had doubled the investments in Quebec, as an example, there would have been a much more significant and positive effect. Do you agree?

Mr. Jean-Luc Trahan: Absolutely. However, it must pointed out that the budget did contain corporate tax cuts. I think that is an important element.

Mr. Paul Crête: Yet, a number of your members are not making a profit right now and will not really benefit from those tax cuts. It is almost as though the government had put forward an action plan that is semi-functional.

Mr. Jean-Luc Trahan: That is exactly why we worked very closely with the Government of Quebec, which decided to allow the deferment of tax instalments and free up cash flow.

On the issue of the trust fund, we believe that it was a good idea because there is some flexibility built into it. The program also allows for a variety of things, such as access to broadband technology, something we all agree upon. But revamping the downtown core is not a necessary incentive for the manufacturing sector. We think there should have been more money to assist the manufacturing sector, since there was some leeway. We are not talking about charity, we are talking about investment.

Mr. Paul Crête: What will the situation be in one year or two, if additional measures are not put into place? Will we be bidding farewell to a large part of our manufacturing sector?

Mr. Jean-Luc Trahan: No, only things will be more difficult, and our development will be delayed. All the OECD countries have put an emphasis on their manufacturing sectors. If one believes what the newspapers say, one has the impression that the manufacturing sector is going to disappear. And that is one of the problems we are facing. That is the worst thing that could happen in Canada. The sector must remain extremely strong. Other countries, such as England or even France, have invested in their manufacturing sectors. We have to find a way. The Government of Quebec, to my mind, has suggested very interesting things. There must be greater involvement; otherwise, we are only going to face more problems. But manufacturers are here to stay.

● (1620)

Mr. Paul Crête: Mr. Weir, would the government have been better off setting aside its non- interventionist approach and adopting a more pragmatic approach to develop these sectors and give them the necessary tools to adapt?

Mr. Erin Weir: Yes, you are correct. Things are going to get worse if the government does not do anything. In my presentation, I stated that for the entire country, one out of every six jobs in the manufacturing industry has been lost since November 2002. In Ontario and in Quebec, the ratio is one out of five. The situation is very bad. I believe that Mr. Trahan is right: it is a good idea to have a tax credit for real investments made in the manufacturing sector, and tax cuts benefit industries that are already doing well, but are an inadequate measure for the others.

Mr. Paul Crête: I have one last comment, which is addressed to Mr. Whyte and Ms. Reynolds.

I represent a region where there are many seasonal workers. For 15 years, taxpayers have contributed to reducing the deficit in an absolutely extraordinary way. They have never received a return on their investment, in any way whatsoever. I want to make sure that employers are ready to say that this program has two components. You can try and squeeze the very last drop out of the lemon, reduce contributions and not pay out reasonable benefits; but this will jeopardize the program's equilibrium.

I would like to hear your comments on that. What is the solution? I feel that right now, we are not far from the funding limit. We are being told that there is no drop, and that the unemployment rate is very low. We have to be very careful, because historically, high unemployment rates have always been cyclical and have returned, and unfortunately this will happen again. Some people are going through some very hard times. There are families that are living on $25,000 per year. Try it: it is quite difficult.

[*English*]

Mr. Garth Whyte: This is why, beyond the discussion of the agencies, we say that we need to fix EI. When you have 15% of employers saying they have used the job creation partnerships and the rest don't even know about it, or 13% saying they had never heard of the self-employment program, per page 12, there's a problem. We need to fix it to deal with the changing workforce and to deal with seasonal workers. Let's look at it.

Right now, if you look at page 11 and where the money has been allocated, 44% has been going to benefits and the rest to other things, and it's the training programs that concern us. What concerns us about the training program is that the department measures take-up, not outcomes. In other words, it will measure the number of people who took the self-employment assistance program, but it won't track the number of people who became self-employed. So is the program working, or isn't it?

Then we transfer money to provinces. So P.E.I. then says they want to do what the federal government did. What works? What do they tell P.E.I.?

So we have a program that isn't changing. We're working on the immigration program, we're working on training. We were just at the annual meeting of the Association of Canadian Community Colleges in Prince George. It's happening now. We're working with them.

I say this because we have to look at changing our labour market programs, and EI needs to be changed to deal with exactly what you're talking about—and I think employers are open to that.

The Chair: Thank you very much.

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

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

Thank you, witnesses, for appearing here before us today.

Mr. Whyte, I'm just going over the small business report card that you circulated. I'm pretty happy with some of the results there, to be perfectly honest with you. I indicated before the meeting started that as a former operator of a small business in my riding, I participated in a lot of these studies for years. Certainly I remember an awful lot of surveys that I completed, which went towards making them. I appreciate the efforts the CFIB makes in that regard.

You correctly point out in your submission that with the way the EI program was operating, EI was merely a tax. That's what it was: a payroll tax. I'm surprised that property taxes were third among the forms of taxation that affect the growth of your business, because they're taxes that businesses pay whether they're profitable or not. Payroll taxes and property taxes have both increased in a fairly significant fashion.

I recall surveys at least a decade old, in which EI was the lead issue for CFIB. Is that correct? Is that your experience as well?

● (1625)

Mr. Garth Whyte: Yes, it's one of our major issues. With others, we put this EI surplus on the map. We talked about it when it was $15 billion and we presented to this committee, and when it was $16 billion, when it was $20 billion, when it was $30 billion, when it was $40 billion. We said you have to do something. Others got more engaged, and the labour movement got engaged, because it wasn't fair.

Now there's a reverse fairness. I have to say that to say that it's all gone and all of a sudden we're going to start with just $2 billion is wrong. That's where we're in violent agreement. I must say I didn't say it was a perfect system back then, but I agree that the government needs to backstop this more. The bill has to backstop it, I believe. If it goes below $2 billion, and all of a sudden our members have to pay additional premiums and their employees have to pay additional premiums after paying $54 billion, that's inappropriate.

Mr. Dean Del Mastro: I suppose, but I would argue that if you've acknowledged that EI has been nothing more than a payroll tax—and that's what you acknowledged—and certainly—

Mr. Garth Whyte: Certainly keeping up with the benefits—

Mr. Dean Del Mastro: I challenged this on the floor of the House of Commons when opposition members stood up and said, when we were running unprojected $13 billion and $14 billion surpluses, that this was flexibility. In my mind, that encouraged very poor spending habits on the part of the government and drove inflation. When you put this off into a separate account, first of all, the money isn't gone. I think this is the suggestion by labour, and it's the suggestion by business. I don't recognize the money as being gone. The money has gone towards paying down Canada's national mortgage. That's where the money has gone.

Now, people can argue whether that was ethical. I am sympathetic to that argument. I didn't like, as an employer, paying into a massive fund a tax that I paid whether I made money or not. You correctly point out that employers do pay a higher share of that. I think that's often forgotten about.

The money isn't gone. The money went towards paying down Canada's national mortgage. I think it's more the ethical side that you're taking it up on. The government should have been honest and said that this is nothing more than another tax we're charging. Is that accurate?

Mr. Garth Whyte: That's correct. But I'm throwing a new ethical issue on the table. It's ethically wrong to build it up to $54 billion, with people assuming it's an EI surplus, on which the government paid interest, and then changing it with a quick stroke of the pen to say that, okay, now that's gone, and now we're going to set up a very minor amount of $2 billion, and if we go into an economic downturn.... Ethically, I think the government needs to backstop it more. Employees and employers shouldn't be on the hook if it goes below that $2 billion surplus.

Mr. Dean Del Mastro: This is my next question. I notice on your report card there are really good grades with the exception of an F, and I wanted to talk to you about the F. I think it's really important. The F is on fuel taxes. Now, we've actually reduced taxes on fuel, as you know, by reducing the GST, although, as you correctly point out, there's still a tax on taxes on fuel.

How do you think the membership of the CFIB would respond to a carbon tax?

Mr. Garth Whyte: We're actually working with the Liberal Party now. We have meetings with them tomorrow. And we've worked for the B.C. government. We've said a few things.

We've sent a survey to all our members on whether we should have a revenue-neutral carbon tax. It's coming back in June. Corinne and I just came back from B.C. yesterday. As you know, we do 4,500 small business visits every week, and we talked to our salespeople and district managers in B.C. following the B.C. carbon tax. There's growing opposition to it.

When people talked about a carbon tax before, they talked about it at $1. I've put this question on the table: Did anybody ever envision a 30¢ carbon tax, because now it's $1.30 a litre?

We visited one member in Fredericton during the flood. People remember the vision of the flood. We were actually in a hotel that was shut down the next day. She has a nursery and lost five of her greenhouses, but that's not what she wanted to talk about. She wanted to talk about the fact that her fuel costs have gone from $40,000 to $140,000, and what people are going to do about it. It's a big issue.

● (1630)

Mr. Dean Del Mastro: My point on this—and I'd love to hear from the restaurant association as well—is small businesses do what they can to reduce their energy bills, and the price of energy encourages them to save energy. How will the restaurant association make up for the fact that they use natural gas and there are going to be massive taxes on natural gas?

Revenue neutral just means that the government's going to spend what it takes out; it doesn't mean it's revenue neutral on small business. It sounds like a big small-business tax to me. How does the restaurant association view this?

Ms. Joyce Reynolds: We don't have a specific position on a carbon tax yet—our board meeting is coming up soon—but I can tell you that the restaurant industry is under tremendous pressure with food costs rising, energy costs rising, and labour costs rising.

Mr. Dean Del Mastro: These things are already forcing efficiencies, aren't they?

Ms. Joyce Reynolds: We've always had very skinny profit margins, and they're decreasing more. They're affecting consumers' disposable income and their ability to eat out. So it's very worrisome for our industry.

Mr. Dean Del Mastro: Thank you.

The Chair: Thank you very much.

We'll now move to Monsieur Mulcair for seven minutes.

[*Translation*]

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

My first question is for Mr. Weir, from United Steelworkers.

Mr. Weir, among the amendments that the NDP will be tabling, our party will suggest that as of March 21, 2007, the $54.1 billion should be considered as a Consolidated Revenue Fund debt to be credited to the Employment Insurance Financing Board.

Do you agree with the proposal?

Mr. Erin Weir: Yes, absolutely. We think that is the right position.

Mr. Thomas Mulcair: I would like to put the same question to Mr. Whyte. I listened attentively to what you were saying earlier and I found it rather interesting that Mr. Del Mastro admitted that his government lacked ethics. You said the same thing. Employers and employees made monetary contributions for a very specific purpose. Yet, the government is appropriating it.

My question is straightforward: Do you agree or disagree with the government's action?

[*English*]

Mr. Garth Whyte: As we have said, we think it should be a bigger gesture. My concern is about where the $54 billion is going to come from. If we take the $54 billion back, that will drive us into a deficit and a debt, and no one would support that.

At the same time, I don't think employees and employers should have to backstop the program if it goes beyond the $2-billion surplus. I think that number was pulled out of the air, and we need to have something else in there to ensure that employers and employees do not cover rate increases for many years because of an economic downturn.

[*Translation*]

Mr. Thomas Mulcair: One cannot be for and against something simultaneously. You initially said that there was an ethical problem. Significant contributions totalling $54 billion were made by employers and employees with a very clear objective in mind, which was to provide an income to those who lose their jobs, and play an important role in our economy. The government took this money and earmarked it for something else entirely. I will put it another way.

Will you support our amendment or not?

[*English*]

Mr. Garth Whyte: I don't know about your amendment.

[*Translation*]

Mr. Thomas Mulcair: I will reread it. I read it to Mr. Weir earlier: That the accumulated surplus in the Employment Insurance Account, totalling $54.1 billion as of March 21, 2007, be considered as a Consolidated Revenue Fund debt to be credited to the Employment Insurance Financing Board.

Do you support this amendment, or not?

[*English*]

Mr. Garth Whyte: I'd have to go to our membership, but I do know they were upset by the surplus. I don't like the fact that the $54 billion is gone. At the same time, I'm concerned about the payments. If $54 billion was all of a sudden moved to a separate account, the government would be in debt by $54 billion, and that would be a problem. I don't know how your amendment would work. I'd have to talk to you more about that.

[*Translation*]

Mr. Thomas Mulcair: Thank you. Be that as it may, I share your point of view, Mr. Whyte. The fact that the government has acted in this manner demonstrates a total lack of ethics. In addition, we note that this lack of ethics is cropping up again. In fact, earlier, the Liberals talked about what they call a notional amount, almost as though this was science fiction. We are not talking about 54.1 billion notional dollars, but real dollars paid by real employers and real employees.

I would now like to address Mr. Weir.

At present, the balanced economy that has been constructed since the end of the Second World War, which relied heavily on a strong manufacturing sector, has been destabilized. Since the Conservatives came to power, 116,000 people have lost their jobs in Quebec in the manufacturing sector alone. Last week, I met with the Golden Brand company, which will be announcing 500 layoffs in the days to come. The company is turning a profit, but obviously, this is not sufficient for it to maintain ownership. This company manufactured suits for Moores. They are now relocating to China.

But setting aside ideological references, when the government supports the tar sands sector, which can produce as much as it likes without any thought being given to the impact of this on the environment and future generations, the government is making an economic choice. This government likes to boast about being non-interventionist, but it is indeed intervening. Clearly, they're picking their winner and their winner is the tar sands.

Do you agree?

● (1635)

Mr. Erin Weir: Yes, I agree. I think all government policies have a wide range of effects on many sectors. Cutting taxes only for major companies and corporations has the effect of assisting those economic sectors turning the highest profits. As you said, the main beneficiaries are the oil and gas industry, particularly in Alberta, and a few financial industries. This is not helping the manufacturing sector in any way whatsoever; it is losing money. Each policy represents a choice; there are always winners and losers, and the government's priorities are rather clear.

Mr. Thomas Mulcair: If you will allow me, Mr. Trahan, I'd like to ask you to share with us a few of your thoughts, on behalf of the Canadian Manufacturers and Exporters of Quebec, on a possible greenhouse gases control system that would include fixed caps, in other words a carbon exchange that would obviously be located in Montreal.

What do you think about this? It would be akin to a system that has worked well in Europe following a decision to replace regressive carbon taxes. This system has been able to produce very measurable and concrete results in Sudbury. Rather than taxing misconduct, this system would oblige companies to come up with solutions. In fact, a carbon tax has the disadvantage of allowing companies to pollute as much as they like so long as they pay their prescribed taxes. Do you have any thoughts on this subject?

Mr. Jean-Luc Trahan: What we are discussing is the situation of the manufacturing sector, both in Quebec and across Canada. We are fighting to carve out a space for ourselves on the world stage. We have to adapt and deal with any additional regulations. Seeing as how we are working to develop a global market, it is certain that we will have to draw inspiration from international best practices and learn from mistakes. The fact that 80% of our market is in the United States means that we are joined at the hip. However, we may be in the process of finding other allies in Europe. So we will therefore have to work with European standards. Perhaps I haven't replied clearly to your question.

Mr. Thomas Mulcair: You have raised some very good points.

Mr. Jean-Luc Trahan: Recently, I read a book entitled *How We Compete*. People are always in search of a single solution. But for the manufacturing sector, there are multiple solutions. We believe that this is the path to take.

Mr. Thomas Mulcair: Thank you.

[*English*]

The Chair: Thank you very much.

We'll now move to our second round.

Mr. Boshcoff, you have five minutes.

Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.): First, on the scientific research and development tax credit, over the past 18 months or so, much of the money for scientific research, microbiology, and some of these other things, instead of coming out of the national fund, has been diverted through federal regional economic programs. I wonder if anybody here has any particular knowledge about the source of those. Should it come out of the regional funding, or should there be a designated fund that is used for new innovative scientific research or microbiology?

Second, and perhaps Mr. Trahan or Mr. Weir may know, the forest industry has long been asking for a longer capital cost allowance based on the premise that if the businesses aren't making money they can't really access this. They're looking for an extended period of time. We hear the Forest Products Association of Canada and numerous other groups that have made presentations to the natural resources hearings say the same thing. I'd be interested in your comments.

Third, since February 2006, border crossings have been dropping dramatically. In terms of border infrastructure, one of the issues is a combination of marketing tourism. The City of Toronto now does more than the Canadian government on marketing internationally and in North America. Some of the other issues are problems at the border that American tourists incur.

The fourth question is on the fuel taxes. In the blue book of 2005-06 there was a promise to eliminate the double taxation on the excise tax and to not charge GST after 85¢ a litre. I'm wondering, Mr. Whyte, if you want to comment on that. We can add up two more broken promises, I would guess—just add that to the long list.

Thank you.

● (1640)

Mr. Garth Whyte: Let me go on all of them.

We would agree with a longer CCA.

We like the changes that were done on the scientific research and experimental development tax credit.

As you know, Chair, the advisory committee on paperwork reduction started under Ralph Goodale, and we've continued it under these ministers, now Minister Ablonczy. It's going along.

We can certainly talk a lot about border and border infrastructure issues. Corinne is co-chairing with the Canada Border Services Agency on ways to improve the border. I'm on the advisory committee to the president of the Canada Border Services Agency.

On the fuel tax issue, yes, we'd like to see those two initiatives. We are going to be approaching the Conservative Party on those initiatives—very much so—the tax on tax and also the 1.5¢ deficit reduction tax that has been in place several years after the deficit was gone. We think that should be gone as well.

Mr. Erin Weir: It's interesting that in your question you've mentioned marketing with respect to the border. In terms of forestry, the other thing you asked about, all budget 2008 does for that industry is introduce $10 million of funds to promote Canadian forestry abroad. I'd have to put that in the column of national challenges that this budget doesn't address.

Certainly one of the ways to address it is through targeted tax measures. We'd like to see an enhancement and improvement of the research and development tax credit. I've talked in previous sessions of this committee about the possibility of an investment tax credit for manufacturing, which would certainly include forestry through sawmills, pulp mills, and all the aspects of it that are part of manufacturing. Indeed, Mr. Trahan spoke about that proposal again today.

In terms of the accelerated capital cost allowance, I think that was an example of a measure that actually was tied to real investment in the Canadian economy. It's interesting to note that the budget extends it only at a reduced rate. When you add the measure extended in the 2008 budget with the original accelerated capital cost allowance from the 2007 budget, the total value of those measures is about one-twentieth of the value of the "no strings attached" corporate income tax reductions. A lot more needs to be done in terms of these targeted supports that are tangibly connected to actual investment in the Canadian economy.

An interesting comparison to note is that the 50% capital cost allowance for manufacturing, which is now being extended on a declining basis, can be viewed alongside the accelerated capital cost allowance for the Alberta oil sands, which will continue at a 100% rate until 2010. Again, going back to Mr. Mulcair's question, it illustrates where the government's priorities seem to lie.

● (1645)

The Chair: Thank you very much.

Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Mr. Trahan, while talking about the manufacturing crisis in Quebec, you stated that the companies which are succeeding are those which invested in research and development, upgraded their equipment, or invested in training. I don't know if you have any specific statistics on that, but those are the companies that are faring the best.

For a long time, the Bloc Québécois has been demanding guaranteed loans for companies. Had there been more loan guarantees over the last five or six years, more Quebec companies would probably be doing better today, and they would be in a better position to compete.

Do you think that's a fair statement?

Mr. Jean-Luc Trahan: That's not wrong. I think any measure that makes it possible for companies to be competitive will be helpful to the manufacturing industry. We have to get a new perspective on the fact that over the past few years, globalization has taken on a meaning that did not previously exist. People talked about globalization, but did not really know what it was. It was easier to sell to our neighbours to the south, but those U.S. markets are no longer guaranteed.

The businesses that are doing better are those that invest in ways of differentiating their products. That includes research and development, but marketing must be looked at as well. Companies have to market their products and meet customer needs. Businesses that are doing well are those that have understood that. They thus produce products that meet the client's specific needs. The problem we are facing is that the client in question might be located anywhere in the world, and that's when we find ourselves creating what we call global products. For example, the BlackBerry was invented in Ontario but certainly not invented just for Ontario, but for sale in all parts of the world. That is where our market is.

So loan guarantees are necessary, but they have to encourage manufacturers to invest in manpower training and equipment modernization. That is the winning formula.

Mr. Jean-Yves Laforest: You also mentioned the $1 billion trust. I'm not sure, but I believe you said it should have been more than $1 billion over three years.

That $1 billion was announced specifically to help the manufacturing and forestry sectors. Most of the manufacturing and forestry jobs that were lost were from Ontario and Quebec.

Mr. Godbout, a researcher at Sherbrooke University, appeared before the finance committee about a month ago. His analyses showed that the $1 billion was allocated on a provincial per capita basis. Since the number of jobs in the manufacturing sector was higher in Ontario and in Quebec, the distribution per lost job came to some $2,000 in Quebec and Ontario, but to some $20,000 per job lost in Alberta, where far fewer jobs were lost.

Did you know that?

Mr. Jean-Luc Trahan: When we were told about the plan, we recognized that the trust was a good vehicle to provide assistance, but we also recognized that the two most deeply affected provinces were Quebec and Ontario. If the strategy was designed to help the manufacturing industry, it should have taken those factors into account and the funding should have been distributed with more money going to areas that had the most problems, rather than being distributed equally across Canada.

Mr. Jean-Yves Laforest: When the government set up programs to help farmers after the BSE crisis, those programs targeted areas where the crisis had hit hardest. However, the same approach was not taken with the manufacturing industry.

Mr. Jean-Luc Trahan: We believe that there should have been more money. And as you say, the program should have targeted the provinces hit hardest by the crisis, Quebec and Ontario.

● (1650)

Mr. Jean-Yves Laforest: Thank you.

That's all I have, Mr. Chairman.

[*English*]

The Chair: Thank you very much.

We'll now move to Mr. Dykstra for five minutes.

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

I wanted to follow up, actually, on the tax-free savings account.

One of the comments Mr. Boshcoff made tempts me to go down this road a little bit. One of the comments he made was that it's in our blue book of 2005. He's actually incorrect, because the book was actually completed prior to the 2004 election. Most of us will recall that we weren't successful in forming a government in 2004, so our new platform, with respect to a reduction in gas tax, was formulated on the basis of a 2% reduction in the GST.

Garth, I can't argue with you in terms of the positions you take. You certainly have the prerogative, and based on your membership's perspective on this, I guess the challenge laid out to you by your members is to make sure you continue to come back to the government on these issues. But I certainly want to point out that the 2% reduction in the GST also impacted a dollar's worth of gas. So we did see, in fact, a bigger reduction than we committed to in 2004, a bigger reduction in the cost of gas, or at least in the tax that the federal government charges on gas.

I just wanted to make sure we got that on the record and that you have a chance to comment.

Mr. Garth Whyte: Thank you. That's a good point; and yes, we acknowledge that.

Some of you were at this committee when we were asked to come to an emergency committee in 2005 on the fuel crisis. It was going up to a dollar a litre. We were all asked to come in, because people were asking what we were going to do. We did some surveying and found that 20% of our members said that they were going to have a difficult time hanging on. Agriculture, trucking, forestry—by the way, we have 13,000 manufacturing members—were all having difficulty at a dollar a litre. Now, no one is talking about it.

And yes, two cents was taken off. But it is, on average, $1.30. In some places it's $1.39. In Quebec it's quite high. We'll have to weather this storm. There's no question. This is a lesson for all policies, whether we go back to EI, whether we go back into a tax, or whether we go into tax credits. Let's not exacerbate the problem; let's try to find ways to alleviate that problem.

So yes, I acknowledge it, but I will say that we have a major issue here. It reminds me of the time we tried to talk to the Conservative Party about the GST and how it was going to be a problem bringing in the GST during a recession. Well, I feel that same sense right now, the same circumstances, about additional taxes on gas right now.

Mr. Rick Dykstra: I find your final comments quite interesting, and I certainly appreciate your points, but it was a Liberal Party in 1992 and 1993 that actually promised to get rid of the GST. Now we have a Liberal Party that's talking about a carbon tax on top of whatever gas taxes we have today. So while I find Mr. Boshcoff's comments interesting, I find them perhaps in or out of character for the Liberal Party. But certainly to suggest that the Conservatives haven't done anything with respect to the gas tax would not be fair.

Mr. Garth Whyte: I didn't suggest that.

Mr. Rick Dykstra: You didn't, sir. I want to make that clear. You didn't, but Mr. Boshcoff did.

Mr. Ken Boshcoff: Mr. Chair, on a point of order.

Mr. Rick Dykstra: It's my time, actually, Mr. Boshcoff.

Mr. Ken Boshcoff: Actually, it would be, because Mr. Dykstra referred to a carbon tax, and there isn't....

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

You can go ahead, Mr. Dykstra.

I'm sorry, you're out of order, sir.

Mr. Dykstra.

Mr. Rick Dykstra: I appreciate your comments on the tax-free savings account. One of the things that is certainly noted is that in the first five years, it's estimated that over three-quarters of the benefits of the savings found within the credit itself will go to the individuals in the two lowest tax brackets in our country. I just wanted you to perhaps comment on that. Because there certainly have been those other comments made, not based on a foundation but based on perhaps some spin or political advantage, that perhaps only the rich are going to enjoy the benefits of this account. I think it's important to get it on the record who is actually going to be benefiting from this next program for the first five years.

● (1655)

Mrs. Barbara Amsden (Director, Capital Markets, Investment Industry Association of Canada): You're correct that it is expected, certainly at the beginning, that it will be those who are at the lowest end. They may just be starting out in jobs or may have lower-paying jobs. They wouldn't get the tax deductions from RRSPs against their income to allow them to get the true benefits, and therefore TFSAs may be better for them. That's been a long-standing issue that I believe all parties have recognized.

The second major beneficiaries would be seniors who have to change their RRSPs into RRIFs and then have them paid out. For those who may be able to save a little bit extra for economic downturns, when their portfolios and their RRSPs may not be doing so well, this allows them to save in the good times to hopefully get them through some of the bad times, when the markets are not doing as well.

So certainly at the beginning we think that some of the major beneficiaries will be the young and the old and those with lower levels of income.

The Chair: The time has gone. I know we wanted a quick answer there, but his time has gone, and in fairness I'm going to go to Mr. Silva.

You have five minutes.

Mr. Mario Silva (Davenport, Lib.): Thank you very much, Mr. Chair.

I want to thank the witness for coming forward and making an excellent presentation.

I forget which witness came before the committee and spoke on the tax-free saving account; it might have been Ian Russell. But I understand your statement is about the fact that maybe the government should treat it like an RSP. Right now, a lot of my constituents are having some confusion about what exactly this is all about. It's very minimal money—we're talking about $5,000—and we really don't know what the benefits to people are, and it's not set up at all like an RRSP.

There's a little bit of confusion, and I don't really see what the benefits are. Maybe you could explain to us what you think is putting value to this.

Mr. Ian Russell: I'll take a stab at it.

Ms. Amsden talked about how these things will benefit lower-income Canadians, in distinction from RRSPs, because of low incomes and the inability to use the deductions to save. But the other benefit these instruments have is the flexibility surrounding them, whereby you can save in your after-tax income, you can withdraw at any time, and you can replenish the funds over time as well. So there's a great deal of flexibility in the instrument that the RRSP doesn't have.

Yes, it's a small amount, rising incrementally, but somebody who, let's say, for the first few years, especially a younger person, doesn't take advantage of them will accumulate that annual contribution room. That benefit is coupled with the fact that it's likely that the allowable annual contribution will rise. Being able to put in that accumulated contribution means that these could be quite significant as a savings vehicle.

They are a little different from an RRSP, that's true, in that you invest in them in your after-tax income, but you don't pay tax on the way out and you generate the interest income, gains income, and dividend income tax-free in the account. So they are similar in that respect.

While there'll be a bit of confusion at the beginning, in the U.S. there are similar types of tax-assisted vehicles, and I think the public will adapt pretty quickly. As I mentioned in my remarks earlier, our industry is already seeing a lot of interest from Canadians in opening these accounts.

Do you want to add anything, Barb?

Mrs. Barbara Amsden: One thing is that the areas in which we think they should be like RSPs are very much on the operational side. Individual investors will expect them to be very similar to RSPs. For example, one of the points Ian made in his presentation was that upon the death of a TFSA holder, we'd like to see treatment similar to that given to the RSPs.

As an example, you can designate in your RSP that money would go directly to your spouse and not have to go through any kind of extended process whereby the intermediary would have to track and potentially report income to that individual.

This is an area that crosses borders, and so we will be trying to work with the provinces to clarify it as well. But from an operational perspective in delivering them and from an investor perspective in understanding them, this is why we would like them to be similar to RSPs.

Just to follow on one point Ian made, the other benefit we see from these is that these are ways by which an individual may be saving not just for retirement but could be saving up to either invest in their own small business or make the purchase of their first house. It may be for them more important to have the raising of this money in TFSAs instead of in their RSP, because it may be worse to take out money from their RSP. There would not be the same type of downside from taking it out from a TFSA.

● (1700)

The Chair: Mr. Whyte would like to follow up with an answer as well.

Mr. Garth Whyte: The last sentence stole my thunder. With our membership, we were pushing for some vehicle. A lot of our members and their employees do not have a pension. They have RSPs, or they sell their firm and there's a big succession issue. That's another thing we've mentioned to this committee.

So it's useful to build up this space over time to enable their sons or daughters to have some money to invest and buy the business over time, and also to help top up the RSPs or at least have that space. We found that it's a small amount, but it's a welcome amount.

I think you bring up a good point, in that people are still confused: how do I use it? I want to make sure it's simple to use. I think that's a big point too. We're trying to find some vehicle that was administratively simple and cheap. One of the issues with funds is that there's a high administrative fee, and we wanted to see whether there was something else that could be done.

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

Mr. Wallace.

Mr. Mike Wallace (Burlington, CPC): Thank you, Chair, and thank you, presenters, for being here today.

I have just a couple of quick questions, and I'll start with you, Ian, on the savings piece.

I just want to be completely clear. Your members aren't allowed, in a sense, to present RRSPs.... This is being treated the same as an RRSP at present. Is that not correct?

Mr. Ian Russell: Yes, it is pretty much similar to an RRSP.

Mr. Mike Wallace: You haven't been able to make the change on the RRSP side of things, but you'd like to see it changed here. Is that correct?

Mr. Ian Russell: The point here on the administrative side is that there are some requirements, oddly, that are a little more complicated than for RRSPs. For example, it's not clear that there will be an annual reporting process in part, which will—

Mr. Mike Wallace: As the RRSP has.

Mr. Ian Russell: As the RRSP has.

Mr. Mike Wallace: You would like to see that happen.

Mr. Ian Russell: Yes. What we're aiming at with those recommendations—and most of it is to synchronize it with the RRSP structures—is to reduce the administrative costs as much as possible.

Mr. Mike Wallace: Right, so technically it doesn't necessarily have to be legislation, as long as the regulations require that.

Mrs. Barbara Amsden: There are two distinct points. Part of your question was about the trust structure, which is the one area in which we don't like to follow the RRSP and where we hope at some point the RRSP might change. Just to go back in history, I believe when the RRSPs were first set up, most individuals had a bank account. They didn't necessarily have a securities account. Therefore the structure was very much aligned with the old four pillars. Banks could issue deposits, insurance companies could issue annuities, trust companies—of which there aren't many around any more—could issue trust structures, and securities dealers weren't offering anything.

Now there are securities accounts, and well over one in two adult Canadians have securities accounts. They should be able to offer them without the cost of going through a third-party trust company to get the—

Mr. Mike Wallace: To make it happen. Okay.

Just quickly, I was interested in the words “upon immediate death”—

Mrs. Barbara Amsden: Yes, that sounds bad, doesn't it?

Mr. Mike Wallace: Are you interpreting that to be as soon as the individual passes, that the money is owed that day, or are you saying it is frozen that day? I don't understand.

Mrs. Barbara Amsden: Except in the case of it being able to be passed over to the successor, holder, beneficiary—and they would continue as if it were their own—the financial institutions, the intermediaries, would have to start tracking it immediately as if it had been converted into a taxable account. That would make it quite difficult, because often it's not until months afterward that you actually find out the holder has passed away, and your systems are not set up to sort of retroactively start tracking value.

Mr. Mike Wallace: Okay, I appreciate that.

Mr. Weir, I have a couple of questions for you.

I'm actually the chair of the steel caucus at Parliament, and I meet often with the steel industry. How do you communicate with your members of United Steelworkers who are actually steel workers? As a chief economist for that organization, can you give me the lines of communication between you and the rank and file? How does that work?

● (1705)

Mr. Erin Weir: There would be two main lines of communication. The rank and file members would elect directors of the three United Steelworkers Union districts in Canada as well as the Canadian national director, to whom I report. That is one line of accountability. It's kind of analogous to the way in which a civil servant would be accountable to an elected minister in the Government of Canada.

The other line of communication would be the fact that I do a lot of collective bargaining support, so I meet very directly with our membership on a regular basis.

Mr. Mike Wallace: Do you survey your members on different issues?

Mr. Erin Weir: I don't personally conduct surveys of the members, no.

Mr. Mike Wallace: As an organization, I know the steel companies are in the process of, let me say, discussing the issue of the environment with members of the environment ministry on how to meet their potential targets and are finding it very difficult. Have you discussed this issue of the environment and how it will affect your industry if we go to the regulations that are presently in front of the steel industries?

Has your organization taken a position on carbon taxes yet?

Mr. Erin Weir: Our organization has a long-standing position of concern about the natural environment. We certainly supported the Kyoto accord from day one. We think it's very important to reduce greenhouse gas emissions, but of course we think that needs to be done in a way that isn't harmful to the livelihood of people who work in industries that currently emit greenhouse gases. I realize the time's limited, so I'll just say that it's certainly an important issue for us, and we're in the process of formulating our position on it.

Mr. Mike Wallace: Thank you very much.

The Chair: Thank you.

Now we'll move to Mr. McKay for questions.

Hon. John McKay: Thank you, Chair.

Mr. Russell, I understand your proposition that you want the TFSAs to look more like a bank account than a trust. If that's true, how will you be compensated? How will your people be compensated?

Mrs. Barbara Amsden: It would be compensated just the same way that the securities account you may have already, presumably saving for your retirement, would be currently, but there would be one less cost behind it, which would be the cost paid to a third party, a trust company. Again, it's all aimed at trying to keep down the cost.

Hon. John McKay: So you're looking for TFSAs in which there is activity in the account, where your people could make trades?

Mrs. Barbara Amsden: No, because.... Sorry, yes—

Mr. Ian Russell: Well, there could be commissions earned on the transactions in the account completely analogous with either RRSPs or normal securities accounts. The point we were making was that we'd like to see a structure that didn't require a trustee relationship, because it isn't necessary and it would, in effect, reduce one element of cost.

Hon. John McKay: If I just want to run a glorified bank account, why do I need you?

Mrs. Barbara Amsden: You don't. You can go to one of the banks or you can go to a credit union, and you can have an account with them. However, the interest rates nowadays compared to what they were in the 1980s are much lower, so it's a question of the dividend.

Hon. John McKay: But the people you will be appealing to are people who essentially are going to be buying and selling securities in some manner or another?

Mrs. Barbara Amsden: They could be buy and hold as well, though.

Mr. Ian Russell: Yes, but they would have a balanced portfolio, which—

Hon. John McKay: You could have a Warren Buffett, of course.

Mr. Ian Russell: But most middle-income Canadians would have that kind of a balanced account. So, yes, you're right—that would be the vast majority, I would think.

Hon. John McKay: So when you argue that this will be of benefit to the lower-income folks, those aren't really the people you would be servicing.

Mr. Ian Russell: Well, it would be some of them through mutual fund investments, for example.

Hon. John McKay: If I have $1,000 and I want to put it into an account, your interest....

Mrs. Barbara Amsden: You're right. That is most likely something that would be with the bank—

Mr. Ian Russell: You'd go to a bank maybe.

Hon. John McKay: Yes, I would think so.

Now, if I have $1,000 or $2,000 and I have choices, I'm going to go to RRSP, RESP, or a TFSA. Why would I walk away from a tax deduction and shelter—which is your RRSP concept—or why would I walk away from a tax shelter plus grant, which is the RESP, and go to a TFSA if I have only $1,000? It doesn't really make a lot of sense.

● (1710)

Mrs. Barbara Amsden: It is going to depend on the individual circumstances of a particular investor.

Actually, a point I forgot and that I was going to make in answer to the earlier question is that there is now—and I haven't tested this myself—a TFSA calculator on the Finance Canada website, and I believe that is aimed at helping you determine, with your particular fact situation, whether it is better for you to make a contribution to your RRSP or better to make a contribution to your TFSA. With an RESP, the registered education savings plan, because it can be matched as a grant, I would think that's one you would want to consider first. But some people will not be in a position to contribute to an RESP if they don't have children or if they're seniors. Seniors will no longer—

Hon. John McKay: Which is why I think, frankly, that the folks who are in the upper brackets of income are going to maximize the benefit. You're going to do your RRSP, then you're going to do your RESP, and then you're going to do your TFSA.

Mrs. Barbara Amsden: I'm thinking about seniors. My mother, were she still alive at this point, would have converted her RRSPs to RIFs. She never earned a high income, but she was a serious saver, so she would have had money to put into a TFSA. She would have been able to continue trying to earn income on that, which she then would have been able to withdraw without tax.

Mr. Garth Whyte: One of the challenges we have is we're concerned about our employees, and some, even though we match, do not contribute to their RSPs because they're living from paycheque to paycheque. They may get a windfall, but they may not want to put in the RSP because there's a penalty for taking it out. They want to have flexibility because they may need that money for a rainy day. The TFSA gives the flexibility to take it out without penalty, and that's important. You still have that space.

Hon. John McKay: You get no benefit going in either.

Mr. Garth Whyte: Yes, but some aren't looking for the tax deduction. They don't think that way. There are a lot of people who are like that. It just gets them moving.

The Chair: Thank you very much.

Now we'll go to Mr. Williams, our last questioner, and then we'll look at our motion.

Mr. John Williams (Edmonton—St. Albert, CPC): Thank you very much, Mr. Chair.

My first question is to Mr. Weir, who was telling us that one in six manufacturing jobs has disappeared, but unemployment is down at levels we are very proud of and hopefully will stay down for years to come. I'll put my questions to Mr. Weir and Mr. Whyte.

How much emphasis should the EI program put on training for the knowledge industry for the people whose careers have come to a dead end because manufacturing jobs are disappearing overseas? We see a growth in the information age and the knowledge-based workforce. What kind of emphasis should EI be putting on ensuring we have a mobile workforce for the future, rather than trying to preserve something that's disappearing fast?

Mr. Erin Weir: On the first part of your question, I'll note that unemployment has been trending upwards lately. It's now up over 1.1 million Canadians who are officially recognized as being unemployed in the labour force survey. It's also interesting to note that a lot of the employment growth has been self-employment, as opposed to positions paid by an employer. You've got to ask if Canadians are becoming self-employed voluntarily or because they can't find jobs—

Mr. John Williams: My question was whether we should be emphasizing ensuring people are protected from being unemployed by having skills that society demands, or whether we should stay with the status quo and, as these jobs may disappear overseas to lower-cost manufacturing areas, we just say there's nothing we can do and pay EI? How much emphasis should we put on training?

Mr. Erin Weir: I think a great deal of emphasis should be put on training. I think the employment insurance program can be an appropriate vehicle to do that. There would be a lot more resources to do that if we recognized there was an accumulated surplus of $54 billion in the employment insurance fund, rather than saying we've only got the $2 billion to work with, potentially going into a recession. I think a major problem with Bill C-50 is that by putting so little money into the account there may not be the resources available to conduct the types of training we both agree are very important.

Mr. John Williams: Mr. Whyte.

Mr. Garth Whyte: First, I have to say that it is a Canadian's choice to be self-employed. Hewlett-Packard did a study through Ipsos Reid and found Canadians' number one job prospect was to own their own business or be self-employed. That is a major shift that is happening, and I think it's worth people knowing.

How can we get the EI system to adapt to that? I agree with you; we should do whatever works. We've got to tailor it to what people need and also deal with systemic unemployment. We're all onside with this. How do we deal with the seasonal worker or people who are stuck in certain areas and move them into new areas? How can EI best be used for that?

Also, I didn't mention that on the last page of our presentation was reference to a very popular program, the new hires program, which gave kind of an EI holiday for employers to train students or people who were replacing those on parental leave. There are some things there that can be done as well.

We are doing a major training survey that will be sent out to 105,000 business owners. We're presenting that to the provinces and the federal government at the end of the year. It's a big issue.

● (1715)

Mr. John Williams: Thank you.

I think Mr. Trahan has a comment.

Mr. Jean-Luc Trahan: I was surprised by your question. Even though it was not asked for me to answer, I would like to specify that about 20% of the revenue of companies such as IBM and CGI comes from the manufacturing sector and 75% of all research and development, private research, comes from the manufacturing sector. If that sector disappears, as you may be saying it's going to disappear into the service industry, I would be quite nervous for the future of this country. If that happens, again, I don't know where our research will be done.

Statistics Canada just published something on Friday about *délocalisation*, saying that the danger is more in the service industry because jobs are moving out of this country, while in manufacturing the strategy is to move into value-added product, so that these jobs are paying better, etc.

I just wanted to mention this to make sure we're not creating our own problem. If we're telling our young people not to go into manufacturing, there is going to be a *pénurie de main d'oeuvre*, that's for sure.

Mr. John Williams: Thank you very much.

The Chair: Thank you very much.

I certainly appreciate the testimony of those who came forward. Thank you very much for coming in and contributing to our final panel for Bill C-50.

For the committee's information, we will be going to clause-by-clause tomorrow morning at 10 o'clock and will be completing it before midnight, as per our motion.

Thank you very much for coming in.

We'll take a recess while we say goodbye to our witnesses, and then we'll deal with our motion.

●

(Pause)

●

The Chair: We'll call the meeting back to order. If members would just get to their seats, we'll deal with this motion and be on our way very quickly.

With that, we'll yield the floor to Mr. Crête. I believe that you have a notice of motion. If you would be interested in moving that, we would accept it at this time.

[*Translation*]

Mr. Paul Crête: I move that the committee set aside one meeting to examine the Supplementary Estimates (A) for fiscal year 2008-2009 as soon as possible after the clause-by-clause consideration of Bill C-50, an Act to implement certain provisions of the budget tabled in Parliament on February 26, 2008 and to enact provisions to preserve the fiscal plan set out in that budget.

Mr. Chairman, we have received the 2008-2009 Supplementary Estimates, and in there, we find items to be voted on to fund the establishment of measures to implement a Canada-wide securities regulation entity that will help give Canada an advantage on global capital markets, as well as a fund for the advisory group on the Canadian international tax system, as well as a secretariat to examine Canada's tax system.

I would like us to have that meeting before we go past the deadline for consideration of these votes.

● (1720)

[*English*]

The Chair: This motion is in order; that's not a problem.

Just to let the committee know, I have talked to a mover of a past motion, who is Mr. Crête, as well as the Liberal Party—I haven't had a chance to get to the NDP—with regard to our asset-backed commercial paper motion, which would take precedence right after the budget. Our witnesses are having a difficult time trying to clear their schedules. If we put that back for a week or two, and the mover and all the parties seem to be in agreement with that, we would have no problem proceeding with this motion.

[*Translation*]

Mr. Paul Crête: Yes. If we pass the motion, we could set aside Wednesday's meeting for this. The following week, we could perhaps come back to our study of the tax system. I would like us to deal with this issue.

[*English*]

The Chair: We'll deal with this motion. I'm just letting the committee know that next week we'll go into our taxation study, and we'll see what happens the week after that. I would like to actually propose a steering committee meeting for Monday to deal with this as well as with pre-budget consultations that we have to sort of come to some terms for. We'll deal with that on Monday, as well.

Let's take this motion now. Do you want to speak to the motion, Mr. Del Mastro?

Mr. Dean Del Mastro: All I was going to suggest is that perhaps we could meet with officials on Wednesday for one hour. I don't think it would take much more than that. I would like to see the motion amended to suggest that we sit for one hour on Wednesday to hear officials on the issue.

[*Translation*]

Mr. Paul Crête: I just want us to discuss the issue at the beginning of Wednesday's meeting. It will take at least an hour, because it is the issue of the Canadian Securities Commission. There will certainly be witnesses from the department to provide explanations.

[*English*]

The Chair: My suggestion would be that if it passes, we deal with it in the first hour and suspend the second hour on Wednesday. So we'll deal with this issue on Wednesday.

[*Translation*]

Mr. Paul Crête: If it takes more than an hour, then we will stop when we are done. We can set aside two hours at most.

[*English*]

The Chair: It will be a maximum of one hour. Okay. Fair enough?

[*Translation*]

Mr. Paul Crête: We will set aside a maximum of two hours, but that will be the only topic under discussion.

[*English*]

The Chair: Go ahead, Mr. McKay.

Hon. John McKay: In principle, there's no reason why we wouldn't support this. I'm not clear what the time sensitivity is.

The Chair: Mr. Crête.

[*Translation*]

Mr. Paul Crête: That is because we have a certain obligation if we are to debate these items. There is no deadline on this type of item. I was told that when there are only three opposition days left... The clerk can explain that better than I can, but we do have an obligation associated with the issue of opposition days, and that has to be debated earlier if we want it to be debated at all.

[*English*]

The Chair: Let's get clarification from the clerk.

[*Translation*]

The Clerk of the Committee (Mr. Jean-François Pagé): I don't know what the deadline is, obviously, because the government controls that. However, I think there is a period of three days before the last supply day. We don't know the date, so we could find ourselves out of time.

Mr. Paul Crête: If we don't do this next week and suddenly we adjourn the following week, we will not be able to debate this at all.

[*English*]

Hon. John McKay: So it has to be dealt with three days prior to Parliament rising. That's the essence of it.

The Chair: The last supply day.

Hon. John McKay: The last supply day—which is...?

The Chair: We don't know.

Fair enough. That's the explanation of the motion and the timeline on it.

Hon. John McKay: What happens to our witnesses for the asset-backed commercial paper issue?

The Chair: They're fine. We would suspend that for next week anyway, and then we will have a steering committee and hopefully we'll get some direction on that.

Hon. John McKay: What happens on Wednesday?

The Chair: We haven't called any witnesses. We're blank for Wednesday. That's why this fits very well, so it's not a problem.

All right.

[*Translation*]

Mr. Paul Crête: If the motion is passed, I would have another question.

[*English*]

The Chair: No, no. We're going to call for the question on the motion now. I was just going to say, when you're winning, you shouldn't be talking.

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

The Chair: Mr. Crête.

[*Translation*]

Mr. Paul Crête: I would like to talk about the steering committee. Next week, Mr. McCallum, Mr. Mulcair and myself will be accompanying Mr. Menzies abroad.

[*English*]

The Chair: Mr. Menzies.

● (1725)

[*Translation*]

Mr. Paul Crête: So if we could have the session on Wednesday this week, after our...

[*English*]

The Chair: The steering committee on Wednesday?

[*Translation*]

Mr. Paul Crête: That could be after Wednesday's, Thursday's, or even Friday's meeting, but there are three people who will be absent on the following week.

[*English*]

The Chair: Three people won't be here next week.

[*Translation*]

Mr. Paul Crête: Next week, Mr. Menzies will be representing the Minister of Finance in Paris, and I know that Mr. McCallum, Mr. Mulcair and myself will be accompanying him.

[*English*]

The Chair: Let's try it for Thursday morning. Fair enough. We'll make it work one way or the other.

The meeting is adjourned.

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