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Mr. James Rajotte

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• (0900)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call to order the 36th meeting of the Standing Committee on Finance.

Our orders today, pursuant to Standing Order 108(2), are a study of expenditure plans for the fiscal year 2009-10.

We're honoured here today to have the Honourable Jim Flaherty, the Minister of Finance. Welcome, Minister, to the committee. We're glad to have you back. We understand you have a PowerPoint presentation for about a 10-minute opening statement and then we'll go to questions from members.

Colleagues, we'll go for 45 minutes, because we have four motions, and I would like to get at least two of the motions through today.

Minister, please begin your remarks.

Hon. Jim Flaherty (Minister of Finance): Thank you, Chair and members. I'll try to get through the presentation on time.

I do appreciate the opportunity to meet with you and the members of the finance committee today. I would like to make a few remarks about the progress the government has made since introducing Canada's economic action plan. Our action plan is helping to protect Canadians hit hardest by the global recession.

I must say I just returned from the meeting of the G8 finance ministers in Italy a few days ago, and it is accurate to say that we in Canada are viewed with some envy by our colleagues in the G8 because of the relative smallness of our deficit and the soundness of our fiscal situation, not only federally but provincially, and the soundness of our financial institutions.

Last week we had the second report to Canadians. The government showed how measures in the economic action plan are stimulating the economy and giving it a much-needed boost. The plan is also improving access to financing.

[Translation]

It is making important investments in infrastructure, housing and other support for our communities.

[English]

These measures are investments in our future and they will help Canada emerge from the global recession stronger than ever.

Our economic stimulus in Canada's economic action plan is \$62 billion. For this year and next, this stimulus is proportionally the largest of any country in the G7. Our financial system is among the strongest in the world.

[Translation]

Our housing markets are stable. Our household balance sheets are strong.

[English]

Our public pensions are safe. The fiscal situations of our governments in Canada, including the provincial governments, are sustainable, and it is internationally recognized that we have our fiscal house in order.

[Translation]

Over the weekend, I met with my G8 colleagues in Italy. I heard from them once again that our country is the envy of the group when it comes to our fiscal and economic situation.

[English]

The International Monetary Fund expects Canada to have the smallest economic contraction in the G7 this year and the fastest growing economy in the G7 next year.

So Canada entered the recession from a position of strength.

[Translation]

Canada's economic action plan builds on these strengths, as we deal with the challenges we face as a trading nation in the face of a global recession.

[English]

An essential component of the economic action plan is tax relief, and I want to focus on that this morning. Our government believes in reducing taxes. It remains the cornerstone of our economic strategy. Since even before the global recession, this government has been reducing taxes for businesses and families across Canada. The economic action plan builds on this sound record of tax relief. This further tax relief is helping to stimulate the economy and create and maintain jobs.

Tax relief supports businesses and jobs in the short term by providing upfront stimulus.

● (0905)

[Translation]

This helps individuals and businesses get through a period of economic contraction. At the same time, tax relief creates a long-term advantage for sustained economic and employment growth.

[English]

I'm very pleased to discover that according to the Fraser Institute, tax freedom day occurred three days earlier this year than it did in 2008. When combined with the measures announced in Canada's economic action plan, since 2006 taxes on individuals, families, and businesses will have been reduced by an estimated \$220 billion over 2008-09 and the following five fiscal years. This tax relief takes a number of forms.

As this chart from last week's action plan update shows, we are providing a boost to the economy in helping thousands of Canadians improve their homes and purchase their first home. Through the temporary home renovation tax credit, we've provided up to \$1,350 for families who do eligible renovations on their homes this year. We're also providing up to \$750 in tax relief to assist first-time home buyers with the purchase of a home.

[Translation]

Canada's economic action plan also gives individual Canadians more flexibility to improve their quality of life, even when times are tough.

[English]

The plan benefits all taxpayers, especially lower- and middle-income Canadians. We increased the basic personal amount and increased the upper limit of the two lowest personal income tax brackets above their 2008 levels.

These charts offer examples of what the tax relief can mean. For example, a single parent of two children earning \$35,000 a year has seen more than \$1,600 in tax relief since our government took office. Similarly, a single-income family with two children will also be more than \$1,600 better off. And in this case, a two-parent household with two children, with one parent earning \$85,000 and the other earning \$45,000, has seen their personal income taxes cut by 10%, leading to \$1,938 in additional tax relief.

The new income tax relief included in Canada's economic action plan has been in effect for Canadians on their pay stubs since April 2009. As this chart indicates, Canadians at all levels are benefiting from this tax relief, with proportionately greater savings for those with lower incomes.

[Translation]

We have also made a key improvement for low-income Canadians who receive social assistance.

[English]

For too many in this situation, landing a job can cost them dearly in both higher taxes and reduced income support. As you know, we previously introduced the working income tax benefit in the budget this year. We doubled the total tax relief provided by WITB, starting in 2009, to further help low- and middle-income families who made

enhancements to the national child benefit and the Canada child tax benefit supplement.

In addition, to help families with children under the age of 18, a tax credit in the amount of \$2,089 in 2009 can be claimed by families through the government's child tax credit.

To help seniors deal with financial burdens, the government is leaving more money in their pockets, providing over \$300 million on top of the \$1.6 billion in targeted tax relief that the government is already providing to pensioners and seniors for the 2009 tax year.

[Translation]

Since coming to office, the government increased the age credit amount by \$1,000 in both 2006 and 2009.

[English]

We have also introduced pension income splitting and doubled the pension income credit, allowing seniors to save more on their tax bill.

Of course, we reduced the GST. We introduced the tax-free savings account.

[Translation]

Our government has also brought forward significant tax relief for businesses small and large.

[English]

We have taken steps to make our entire tax system more competitive internationally. Doing so is important in terms of the cooperation of the provinces and territories on this tax relief effort on the corporate side. As a result of the corporate income tax reductions introduced since 2006, Canada will have the lowest statutory tax rate in the G7 by 2012. I'm pleased to say we'll reach the goal of the lowest overall tax rate on new business investment in the G7 by next year.

In total, the government has introduced more than \$60 billion in tax relief for Canadian businesses over 2008, 2009, and the following five years.

This year in the economic action plan, we introduced a two-year temporary measure that allows businesses to expense their investment in computers in the year they are acquired.

● (0910)

[Translation]

This will encourage the adoption of newer technology at a faster pace.

[English]

We also extended the 50% straight-line accelerated capital cost allowance rate for investment in manufacturing or processing machinery and equipment in 2010 and 2011.

This tax relief gives much-needed support for the hard-hit manufacturing and processing sector. For small businesses, we increased the amount of small business income eligible for the reduced federal tax rate of 11% from \$400,00 to \$500,000, helping small business reinvest, grow, and create jobs.

[Translation]

And to promote mineral exploration across the country, the temporary mineral exploration tax credit was extended another year.
[English]

As the economy recovers, the tax relief we have provided will help Canada emerge from the global recession stronger than ever.

In conclusion, the policy decisions we have made as a government reflect and respond to the current situation, while never losing sight of where we want to be further down the road. We must do what it takes now to protect Canadians during the current global storm. We must always consider what is in the best interests of Canadians and the Canadian economy for the long term. Eighty per cent of Canada's economic action plan funding has been committed and is being implemented across the country. It is providing stimulus to our nation's economy that is timely, targeted, temporary, and cost-effective.

[Translation]

The government has provided the smart and sensible policy decision-making that Canada needs now. Through Canada's economic action plan, we are delivering for Canadians.

[English]

The tax relief and other stimulus in the economy are unprecedented. They are historic in scale, and Canadians deserve nothing less.

Merci, monsieur le président.

The Chair: Thank you, Minister Flaherty, for your presentation.

We'll now go to questions from members.

Mr. McCallum, you have seven minutes, please.

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

And thank you for joining us this morning, Minister.

I'd like to divide my time—assuming I have enough—between two of the four issues that our leader raised. One is getting money out the door, and the other is getting rid of the deficit at some point.

On the first issue of money out the door, the Prime Minister said yesterday that if the estimates weren't passed and we went into an election, he wouldn't get the stimulus money out the door. This is totally wrong, unless he chooses not to get the money out the door, because Canadian Press reported today, after speaking to Treasury Board officials, that well over 90% of the stimulus money could flow with or without an election campaign.

On the question of money out the door, I've referred a couple of times to the contrast between our approach and the approach south of the border. I have, for example, in my hand from the U.S. website an allocation of \$30 billion to health. Of that, \$20 billion has been spent

to date. This is updated every week. For agriculture, \$2.7 billion has been committed, and \$1.7 billion spent. There's a chart showing the commitment and the amount spent from week to week.

I don't understand why Americans deserve such transparency and such good information when Canadians get nothing whatsoever about money actually spent, actually out the door. We get money on commitments, on promises, on other such words, but we do not know in dollars and cents how much money has actually been spent, let alone how many jobs have been created or saved.

Why do Americans deserve this transparent, clear information that Canadians do not seem to be entitled to? Would you, Minister, be able to provide us in coming days with at least some information on the money that has actually been spent, as opposed to commitments or announcements?

● (0915)

Hon. Jim Flaherty: The website is www.actionplan.gc.ca. Canadians can look at it any time they want and see the list of more than 3,000 projects on which commitments have been made. A large number of them—about 40% or so—are done through the provinces and the municipalities, and the mayors understand. I met with the mayor of Brampton yesterday, for example, and she fully understands the way it works. They have to get their projects under way and send in their bills, and their bills get paid. The federal government has always funded infrastructure that way in modern times. These projects have to be tendered; everyone knows that. A process has to be followed by the municipalities, and that's exactly what we're doing.

If you want to use the United States as an example, you can look at page 62 of the economic action plan—

Hon. John McCallum: I'm running out of time. I thank you for your answer.

But the Americans also have a federal system. They have to deal with states and municipalities. You said yourself that the money has to flow within 120 days if the stimulus is to be effective. I think it has been approximately 140 days and we still don't know about dollars actually flowing and jobs actually being created. So one of the requests from our leader is to get more transparency and information on that point.

Let me now move on to my second point.

Hon. Jim Flaherty: I'll answer your question, if I may. You asked about the American situation.

A lot of those transfers, as you know, are from the federal government to the states for Medicaid and to keep the states from going bankrupt, because most of the states can't run deficits. That's what's happening in the United States. We don't have that problem in Canada.

Hon. John McCallum: Minister, they have in the United States, by department, how much is allocated, how much is spent on the health department, education, veterans, agriculture, and I could go on. Our system is highly inadequate compared with theirs in terms of information provided to Canadians. And please don't talk about their deficit being bigger. I know it is. The Prime Minister went off on that tangent yesterday. The issue is transparency.

But I'd like to use the rest of my dwindling time to talk about deficits, which is another issue that our leader has raised.

Initially in your report you would not commit to any year in which the deficit would be eliminated. Then, on television on one of the networks, you did commit; and then on the other one, at approximately the same time, you didn't; and yesterday you did commit to 2013-14.

My point is that in the budget the surplus for 2013-14 was \$0.7 billion. That was your projection, and as you know, in the world of finance that's like a rounding error. That's a tiny little surplus. So here you have a surplus in the budget of \$0.7 billion, and you suddenly go from a deficit of \$34 billion to a deficit of \$50 billion. Think of all the extra interest you pay on that debt, and then that deficit is going to continue. There'll be some upward effects on deficits in ensuring years as a consequence of that, so your little surplus of \$0.7 billion will be more than wiped out by the interest payments alone on the additional debt that you are incurring.

I understand why you wouldn't give a date in the report, because you can't do it unless you have additional measures. But I don't understand how you think you can add \$50 billion per year and then more in future years on to the debt and still say you're going to be in balance, when you're starting out with a tiny little surplus. And when TD Bank says the deficit in the same year will be \$19 billion—TD Bank has a certain amount of credibility—I think you owe it to Canadians to explain how, given the change in circumstances, given there's a \$50 billion deficit, you still propose to be in balance in 2013-14.

The Chair: Minister, you have about thirty seconds.

Hon. Jim Flaherty: I have thirty seconds? All right.

I encourage Canadians to look at page 217 of the budget, the economic action plan, which sets out the plans to run to surplus by 2013-14. I encourage committee members and Canadians to look at page 61 of the report from last week, which breaks down this year's deficit.

As you know, Mr. McCallum, the majority of the deficit this year is one-time spending in the auto sector and increased EI payments to help Canadians in the midst of a global recession. I know you like the Toronto-Dominion Bank, but what about your former employer, the RBC, which is at 2.5% real GDP growth for 2010 as of yesterday? Scotiabank's at the same number, but guess who's not there—TD Bank. They're at 1.3%, which is where Mr. Page is also, as I understand his comments.

We have a plan. We're on target. The economy is actually looking better, so let's be positive about our country. The rest of the world is positive about our country.

●(0920)

The Chair: Thank you.

Monsieur Laforest, s'il vous plaît.

[Translation]

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

Good morning and welcome, Minister. In your statement, you say that, since April 2009, Canadians have reaped the benefits of income tax cuts set out in the economic action plan. Workers benefiting from your economic action plan are not the problem. You are well aware that the problem is the increase in the number of unemployed persons, a number that has tripled at the very least since your forecast last fall.

You boast about having extended the EI benefit period by five weeks. The problem is that a large number of the unemployed are unable to qualify for EI. One of the ways to improve the program is to abolish the two-week waiting period, a suggestion that has often been put to you during question period. I would like you to draw a parallel with your first statement, when you said that members of the G8 told you that they envied Canada for its very healthy fiscal and economic situation.

If the economic situation in Canada is so healthy, why has the unemployment rate jumped so significantly? Would it not be an opportunity to improve the EI program in order to ensure that those who lose their job can also find the economic action plan to be beneficial?

Hon. Jim Flaherty: It's an extremely difficult issue. We need to have a positive environment for jobs.

[English]

We have taken a major step on employment insurance by extending the period to five weeks. As you know, Mr. Laforest, we have very big challenges in the forestry sector and the automotive sector, just to take two large sectors of the economy. The key thing here is to acknowledge that these sectors are going to be smaller. They will survive, but they will be smaller.

How do we help people who work in those sectors? They need to be retrained. It's much more important that we put the money into training and a longer period of entitlement to employment insurance so people can be retrained. We're putting more money, through the knowledge infrastructure program in the budget, into our community colleges and universities to help people retrain. This is looking a little down the road, so we are actually helping people get into the position where they can support their families.

On job creation, if I use the formula used by the Federation of Canadian Municipalities, about 132,000 jobs will be created over time by the stimulus. We have 120,000 people, as of May alone, participating in the work share process. Many of those folks would not be able to maintain their jobs, and their employers wouldn't be able to maintain their jobs, were it not for the work share program. These are significant initiatives.

[Translation]

Mr. Jean-Yves Laforest: I do not share your opinion on that matter, Mr. Minister. When you talk about the forestry sector, you say that a decrease in the number of jobs in that sector is inevitable, and that it will see negative growth. Negative growth in that sector is certain if you continue to refuse to support it.

The forestry sector has a future. The raw materials, the natural resources are available, and they need only be developed—perhaps not in the same way they have been traditionally. The lumber industry has a future. Growth in this sector needs to be encouraged by helping to ensure the diversification of products that can be marketed. A number of researchers could show you that this sector has a future, as long as the government provides it with adequate support.

Mr. Minister, people in the regions of Quebec have long criticized you for doing absolutely nothing in comparison to what was done for the auto industry in Ontario. People are aware of this and have been for some time.

I'd like to ask you a question about balanced budgets. I imagine that, in order to have a balanced budget, you will no doubt need to cut the amounts allocated to different programs. Do you have an idea of the various programs that might be affected by this attempt to return to balanced budgets?

• (0925)

[English]

The Chair: There's about a minute left, Minister.

Hon. Jim Flaherty: I'm not sure exactly what you're getting at on the fiscal balance question. If you're concerned about Quebec, the transfers to Quebec this year are more than \$8 billion. The health transfer is growing at 6% per year, and the Canada social transfer is growing at 3% per year. The transfers to the provinces have never been higher than they are this year. That's the reality. Canadians need to know that.

We are not attempting to budget on the basis of cutting back transfer payments to the provinces. That's what the Liberals did in 1995 and the years after that. I know, because I was a provincial minister in those days. We had tremendous challenges with schools, hospitals, and social services because the Government of Canada at the time decided to balance its budget on the backs of the provinces and the people in the provinces. We're not going to do that federally. It means we'll run a deficit for several years, but it's the right thing to do.

[Translation]

Mr. Jean-Yves Laforest: I have a question concerning the battle to avoid a deficit. Have you already determined which specific programs might be cut in order to achieve a balanced budget? That should be part of a plan.

[English]

The Chair: Minister, please be very brief.

Hon. Jim Flaherty: No.

The Chair: That's very brief. Thank you.

We'll go to Monsieur Mulcair.

[Translation]

You have seven minutes.

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

Brother Flaherty, good morning. I want to congratulate you for your recent interventions as a state socialist.

I want to concentrate on—

[English]

Mr. Ted Menzies (Macleod, CPC): I have a point of order, Mr. Chair. This is a minister of the crown; let's show a little bit of respect.

[Translation]

Mr. Thomas Mulcair: Thank you, Mr. Chair. I'm going to continue.

Mr. Chair, in his presentation this morning, the minister provided various figures. He said the following:

When combined with the measures announced in Canada's economic action plan, since 2006, taxes on individuals, families and businesses will have been reduced by an estimated \$220 billion over 2008-2009 in the following five fiscal years.

A little further on, he ends on a poetic note—because he even changed his text—in saying that Canadian families deserved no less, and that it was reducing their tax burden.

I would like him to clarify the way that \$220 billion was broken down. More specifically, what was the reduction for families and what was the reduction for businesses?

[English]

Hon. Jim Flaherty: As I said earlier, about \$60 billion relates to corporations. I know you want that to sound like big business, but it's largely for smaller businesses. Small and medium-sized businesses in the country are the engines of job creation.

I'm very happy that most of the provinces are going in the same direction. We will have a combined corporate tax rate in 2013 of about 26.2%, as I recall, which will be a tremendous selling point for our country.

• (0930)

[Translation]

Mr. Thomas Mulcair: Does the minister agree with us in saying that a blanket tax cut, in no matter what sector of activity, means that sectors such as the forestry sector, which really needed it, didn't get anything? In fact, a company that didn't show a profit was unable to get a tax reduction since they hadn't paid any taxes. So, his presentation makes a kind of false assumption, in telling us that it's helping businesses.

Does this not prove that part of the difficulties, of which we were well aware before the current recession, lie in the fact that, ideologically, he is refusing to provide government intervention in some sectors of the economy? In fact, the Conservatives are categorically saying no, except when it comes to the auto sector, which is concentrated in the home province of the Minister of Finance.

[English]

Hon. Jim Flaherty: Well, as you know, in the economic action plan we took specific action with respect to the forestry sectors. The community adjustment fund is \$1 billion. That's largely directed to single-industry towns, many pulp and paper towns across the country, including in Quebec. We're fully aware of the challenges in the forestry sector, as we are in the automotive sector. It's not accurate to say that there have not been substantial measures taken with respect to the forestry sector.

[Translation]

Mr. Thomas Mulcair: We can nevertheless agree on the fact that 10 times more was invested in the auto industry, and that's all fine and well for those working in that industry, but that is not the issue. We need to know why he is not providing proportional assistance to the forestry sector. The answer is, as you have said yourself so often in English:

[English]

governments don't pick winners.

[Translation]

This means that governments are not able to judge economic sectors.

Does the minister agree with us in saying that since the Second World War, Canada which is the second largest country in the world, has been successful in developing a balanced economy, with a primary resource sector, particularly in the area of forests and mines? We have managed to create jobs in these vast regions, develop and benefit from the land. However all this has been endangered by the Conservative ideology.

In fact, well before the current crisis began, we had already lost hundreds of thousands of jobs because of this doctrinaire stubbornness. These people are refusing to see that, in order to ensure a balance within this vast country, instead of giving money to the big oil companies out west or the banks, which really didn't need it, they should have provided strategic intervention, on a sectoral basis, to support those sectors of the economy instead of witnessing what is happening now happen. The unemployment rate is the worst it is been in a generation.

[English]

Hon. Jim Flaherty: Well, let's deal with the real world rather than ideology. The forestry sector is in transformation, it's changing. The people in the forestry sector made that clear to me when I prepared the budget, not just this year but in previous years. We have to deal with the transformation. You can stick your head in the sand and pretend that all businesses stay the same for generations and generations, but that's not the way economies work. There's more competition in the world now with respect to forestry.

What do the forestry people ask us to do? They ask us to help them with capital cost allowances and so on, so they can modernize, get the right equipment so they can compete in the world, so their industry can transform and survive. That's what they're doing.

[Translation]

Mr. Thomas Mulcair: Once again, we see the right-wing ideology of this minister. He's telling us that we're hiding our heads in the sand and he's convincing himself of that. He is also convincing himself that there is equal competition in the world in which we live. Let's look at the facts. Black liquor, a by-product of the pulping process, used as fuel, has been around for a century. However, the Americans are adding 0.5% diesel to it, and miraculously, this by-product of an industrial process that has been around for a century has become a biofuel, which allows them to get subsidies totalling several billion dollars.

You talked about doing something to help Canada deal with this situation, but you still haven't done anything. The Americans are cheating in ways that are strictly not allowed, but you are hiding your head in the sand; you are sticking your head in the sand and not doing anything to allow us to be competitive.

You are in London now, and you're telling us that there's nothing in the softwood lumber agreement that would prevent Canada from granting loan guarantees at a competitive rate, at market rates. That's your position legally, before the tribunal in London, but each time you stand up in the House, it's to say that you are not entitled to it. There is an egregious contradiction in those two positions.

The Chair: Thank you.

• (0935)

[English]

Minister, you have about 30 seconds for a brief response, please.

Hon. Jim Flaherty: Just factually, Mr. Mulcair, if you go back and look at our budgets, you'll see we have made a very substantial investment of taxpayers' money in biofuels. That's just the fact.

With respect to protectionism, which I think is what you're talking about, we have been prominent on the world stage fighting protectionism. President Obama has agreed with our view, and we have to be vigilant to protect our country from protectionist tendencies, which would lead to a downward spiral.

The Chair: Thank you.

We'll go to Mr. Menzies, please.

Mr. Ted Menzies: Thank you, Chair.

Thank you, Minister, for appearing before this committee today.

I've found the last few months to be very troubling. I'm sure you share this concern. Bringing the economy back, helping Canadians to help themselves, is all about consumer confidence. I get very troubled when all we seem to hear is talking down the economy, talking up job losses, and that's not helpful. Yet we see such a contrast every time there's an international meeting.

I know you've been spending quite a bit of time outside the country, and I would guess it's partly as an adviser, because everything we hear—whether it's the IMF or the G20 or the G7 or the G8, which you just returned from—is that they speak glowingly about Canada's position, both the position going into this and the position we'll take coming out of this worldwide recession. As you repeated before, we'll have the lowest marginal effective tax rate by 2012. Even I heard, when I was at the European Bank for Reconstruction and Development, that everyone was looking to Canada enviously, as you have said before in your discussions with Geithner and Lagarde and Darling.

Can you share with us some of what you're hearing from the outside, possibly to share with Canadians? Are these countries seeking advice from you as to how we've handled it, or are they simply wondering what we have done differently in this country? Would you share some of your experiences from outside the country, please?

Hon. Jim Flaherty: On the debt issue—and we put a chart specifically in the second report, at page 62, showing the relative deficit and net debt positions of the G7 countries—Canada is ahead of all the G7 countries. There are staggering levels of deficit in the United States, to which Mr. McCallum fondly referred earlier. We're looking at a deficit in the United States this year of almost 14% of GDP. The Canadian deficit, even with our one-time spending in the auto sector and increased employment insurance, will be about 3.3% of GDP. This is a staggering difference. Germany is higher, Italy is higher, as are France, the United Kingdom, and Japan, and then the United States. The fact that we paid down about \$40 billion worth of debt in the first three years of our mandate—mandates, I guess, with an election in there—is very significant because it gives us the fiscal room to move.

The World Bank president, Rob Zoellick, was here last week, and he said Canada is in an enviable position by global standards: "I think a lot of people would like to change places with Canada." I was there when he said that. He said that at the *Conférence de Montréal* in front of a couple of thousand people from all over the world. This is the kind of credit our country is getting internationally because of the management we are exercising. People are surprised we're actually able to keep the deficit reined in as much as we've been able to, because they have not been able to do it in other jurisdictions.

Mr. Ted Menzies: Thank you.

I'll let my colleague Bob Dechert share my time.

The Chair: You have three minutes, Mr. Dechert.

Mr. Bob Dechert (Mississauga—Erindale, CPC): Thank you, Chair.

Good morning, Minister.

Minister, when I speak to the residents in my city of Mississauga, one of the most popular measures they tell me about from the economic action plan is the home renovation tax credit. I'd like to share with you some quotes about how this measure is helping to inject immediate stimulus into our economy and also helping people to realize the goal of home ownership and embark on renovation projects that they may have been putting off because of economic worries.

Robert Dutton, the president and CEO of Rona, commented:

We are happy to see measures such as the Home Renovation Tax Credit being implemented as we believe they will help stimulate the Canadian economy. This initiative directly benefits consumers and the industry while helping to save Canadian jobs.

Also, the president of the Calgary Real Estate Board recently praised these incentives, saying:

The people that we're seeing out there buying right now are a lot of first-time buyers. There's been enough incentives to help them out (such as the federal homebuyers' plan and the first-time buyer tax credit).

That was said on May 2 of this year.

Can you elaborate on the features of the home renovation tax credit and the first-time home buyers' tax credit and discuss their benefits to the economy?

• (0940)

Hon. Jim Flaherty: Thank you for the question.

The home renovation tax credit is part of the infrastructure stimulus. It is individual family infrastructure that people can control themselves. I know that it's popular, because there have been more than 700,000 calls or e-mails to the Canada Revenue Agency line dedicated to the home renovation tax credit. It is time limited, so people need to act before next year if they want to take advantage of it. The maximum benefit is \$1,350. As I said, it's for work performed or goods acquired after January 27 this year and before February 1 next year.

We also are providing up to \$750 in tax relief to assist first-time home buyers with the costs associated with the purchase of a home. And we've bumped what one can take out of one's RRSP from \$20,000 to \$25,000.

This is actually encouraging. Yesterday I saw the report from the Canadian Real Estate Association that said that seasonally adjusted home sales rose 8% in May compared to April. This is another sign. We have some signs of stabilization and the beginning of positive growth in the economy.

Mr. Bob Dechert: Minister, I can tell you that the Mississauga Real Estate Board has told me similar stories about how sales are going in Mississauga. Housing prices are stable, which I think is good news for our economy.

Mr. Chair, if there is some time left, I'd like to defer to Mr. Kramp.

The Chair: I'm sorry. There are about ten seconds left. I'm sorry about the shortened time.

We'll go now to Mr. McKay. Mr. McKay, you'll have about three to four minutes.

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

Thank you, Minister.

You went from \$34 billion to \$50 billion in the space of three months. That's a 50% error. This is beyond a rounding error. Even if you take the dispute between the Toronto-Dominion Bank and the Royal Bank on what the growth going forward is going to be, the difference is in the order of about \$3 billion. How can people reasonably have faith in a minister who, in less than 90 days, revises his budget deficit forecast by an enormous percentage?

Hon. Jim Flaherty: Thank you.

If you look at page 61 of the second report to Canadians, you'll see the breakdown of the projected 2009-10 deficit. You'll see that the majority of the spending is one-time spending on additional employment insurance benefits for Canadians because of the depth of the recession, certainly in the first half of this year, and on the substantial investments in the automotive industry. Again, this is one-time spending.

So if you're concerned, as I gather you are, about ongoing deficits, Canadians need not be concerned, because these are one-time expenditures that were incurred this year.

Hon. John McKay: All the spending you reference on page 61 was reasonably anticipated in January. And here we are in June, and it comes as, how shall we say it, a bit of a surprise that we're spending \$2.8 billion more in EI benefits and that revenues have been reduced by \$4.7 billion. I don't understand how you could be 50% out between January and June when all those things, including the one-time payments for the auto sector, were reasonably anticipated by you and your officials when you were making up your budget at the end of January.

• (0945)

Hon. Jim Flaherty: The size of the contributions to the auto sector were much larger than anyone anticipated back then, including the Americans, I might add, and including the Government of Ontario. But this is what was necessary to save those companies in that industry, which benefits certainly our parts industry in Canada. If you're against that, please let me know, Mr. McKay. If you're against funding the General Motors investment or you're against funding the Chrysler investment, please let me know. As set out on page 61, that's \$8.2 billion.

The increased EI benefits of more than \$2 billion are set out on page 61. They are up because the recession in the first half of this year was deeper and broader than was anticipated by the private sector economists and by us.

But this is the right thing to do. These are automatic stabilizers that help people who lose their jobs. In fact, your party has been saying to spend even more than that. So the hypocrisy is breathtaking.

Hon. John McKay: Mr. Minister, I don't like to—

The Chair: Order, order.

Hon. John McKay: Mr. Minister, the issue is not whether increased EI expenses are good or bad. The issue is not whether paying out auto is good or bad. The issue is the enormity of your error. Your error is breathtaking, absolutely breathtaking: a 50% error in 90 days. Therefore, it completely erodes your credibility going forward. That's the issue.

The Chair: Okay. Thank you.

Minister, a brief response, please.

Hon. Jim Flaherty: Thank you for your best wishes again, Mr. McKay, and your thoughtfulness.

I think Canadians want to see that the right thing is being done to alleviate the impact of the recession and to help our economy grow. That's exactly what the Royal Bank of Canada talked about yesterday, the investments by government helping them come to this positive view of the Canadian economy going forward. That's the right thing to do.

The Chair: Thank you.

Minister and colleagues, I apologize for the shortened time, but we do have four motions that have been tabled for discussion by the committee, and we only have until 10 a.m., at which time we start our joint committee.

At this time, Minister, thank you very much for coming in. We certainly welcome you back at any time.

Colleagues, we will now move to the four motions we have on the agenda for today. We'll start very quickly with Mr. Pacetti's motion.

Mr. Pacetti, please.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you, Mr. Chairman.

This is a result of our last debate concerning a motion to request that the Nortel employees appear before the committee. If you recall, I suggested that perhaps we could give equal opportunity to the executives to appear before the committee and to provide them with a chance to either reply or present their part of the story as to what is going on in Nortel exactly, in terms of payment, repayments, pension plans, severance payments, or any types of payments being made to present and former employees who would have taken severance pay or who are now on a pension.

I understand that time is limited, and perhaps I am making more of an informal request, Mr. Chair. It's not necessary for me to request that the CEO appear, but I thought that the CEO should be named, because I got my information from reading the *Globe and Mail* that he was the one who refused to appear. My request was in a total air of transparency to have the CEO appear so that he can give his version. The fact that neither he nor anybody else on the executive wanted to appear makes me wonder what they have to hide. So I am open to any amendments.

The problem that bothers me is the subsequent motion that we have before us, which is to have Mr. Manley appear. If the committee chooses to have Mr. Manley appear, I'm not so sure we need to have both the CEO and the board. I'm just requesting that somebody from management or the executives appear and present their side of the story. I'm not after a witch hunt, but I think the motion we're going to have before us regarding Mr. Mulcair is more like a witch hunt, because he's requesting one specific member of the board of directors, whereas I don't really mind who it is.

If I can leave that open to the committee, perhaps we can find some type of compromise.

The other problem we have is that I'm not sure we're going to be able to get a representative from the Nortel executives or the board of directors here by Thursday.

● (0950)

The Chair: Thank you.

I have Mr. Menzies, Mr. Mulcair, and Mr. McKay.

Mr. Menzies, please.

Mr. Ted Menzies: Thank you, Mr. Chair.

I share some of Massimo's concern here. First of all, reading in the *Globe and Mail* that we're calling the executives to committee.... That was never the intent of the motion. I find that most troubling. We've spoken to a number of employees—my office has and I have personally—and we had agreed at this committee to listen to the employees/retirees. They're our constituents. That was my understanding, and I believe it was all our understanding on this side. They were who we were going to listen to. I was about as shocked as you were to find out that we had actually jumped ahead, not invited the employees, and invited the executives. Most of the people we've talked to—

Mr. Massimo Pacetti: On a point of order—

Mr. Ted Menzies: Can I finish?

Mr. Massimo Pacetti: —because we do have a limited time. Just on a point of order, we did agree we were going to have somebody from the corporation appear.

The Chair: Mr. Menzies.

Mr. Ted Menzies: Executives were mentioned after we had agreed we were going to listen to employees.

We've talked to many of these employees, and they do not want to be any part of a witch hunt. They want to be heard. They don't want to see the executives brought here.

Number one, it's inappropriate. The pensions at Nortel—and we need to be very clear on this—are provincial jurisdiction. They are subject to Ontario's Pension Benefits Act, which has nothing to do with this committee and nothing to do with the federal government. The only areas of federal jurisdiction are the Bankruptcy and Insolvency Act and the CCAA, and they in fact, Mr. Chairman, are in the sole purview of the Minister of Industry.

So if anyone is going to hear them, if anyone is going to ask those people to appear, it should be the industry committee and not us. The only federal involvement in the Nortel issue should be done via that committee and through that minister. So there's no formal role for the finance committee or the finance minister.

The other point is that it's in legal process right now, so we shouldn't be interfering in it. That's my assumption of why, when the executives were invited, they said thanks, but no thanks; it's in a court proceeding. We need to respect that.

I know that some of the employees may be disappointed that we're saying this, but I repeat, it's the employees we want to hear. The employees I've spoken to don't want to see this committee delve into

a witch hunt. They're concerned about their pensions—and only their pensions, in most part. There's a long-standing process in place for this, and I would encourage us to follow that.

We need not, and should not, politicize this. These people are concerned about their futures, their pensions, and their jobs. So the government cannot support bringing the executive to this committee. It's no part of ours. We welcome hearing from the employees and the retirees, and not the executive.

So we will not be supporting either of these motions.

The Chair: Thank you.

Mr. Mulcair.

[*Translation*]

Mr. Thomas Mulcair: Thank you, Mr. Chair. I'm going to try to do what I can, this morning, to make your life easier. I withdraw my notice of motion. I'm supporting Mr. Pacetti's motion, while repeating that Mr. Pacetti was clear, in fact extremely so. The facts were reported in the newspapers.

I'm a lawyer, and I can tell you that Mr. Menzies' argument doesn't hold water. It is not true that having one or another of Nortel Networks' executives or directors before the committee would be a problem. They have complete immunity and they benefit from all the protection and guarantees imaginable. They are better protected than anyone else, no matter what the situation. In order to understand the context, an explanation by a company representative is essential.

I thought that Mr. Manley was a good choice, for the very simple reason that, in addition to being a senior manager at Nortel Networks, he knows how Parliament works. So, if it will help, I will withdraw my notice of motion, as long as, if ever the other witness couldn't appear for some unavoidable reason, our second choice could be the witness that I had proposed.

I am supporting Mr. Pacetti's motion and I withdraw mine.

● (0955)

[*English*]

The Chair: Thank you. You can just choose not to move your motion today, then.

Mr. McKay.

Hon. John McKay: The issue here is parliamentary supremacy. As I understood it, Mr. Zafirovski indicated he was unavailable to come to the committee; that is, he was unwilling to come to the committee. Parliament is supreme over all matters, including legal matters. Whether or not it is in front of the courts is irrelevant. Parliament can, on demand, require any person to come before its committees.

That's what Mr. Pacetti's motion is all about, so I will be supporting it for two reasons. One, I think Mr. Zafirovski has some serious explaining to do with respect to discrepancies between how the senior executives seem to be treating themselves and the employees seem to be treated; and second of all, with respect to our own supremacy, Parliament is supreme in all matters if it wishes to exercise its jurisdiction, and I would suggest it is an appropriate occasion.

The Chair: Mr. Kramp.

Mr. Daryl Kramp (Prince Edward—Hastings, CPC): Thank you.

I speak with a bit of serious concern on this matter in that I have a few thousand retirees in my riding, from whom I hear on a consistent basis. We can go into a long investigation of why Nortel is in the state it's in. We can bring in all the executives, past and present, and we can delve into all the implications of their actions. But the problem we have right now is our pensioners and the people who are out of work. That is my priority right now.

These are the people I want to hear and take my direction from. They are the people I want to see. After their testimony, then I'd like to be able to set sail on whatever tack we need. But they are the priority, and these are the people I would be supporting. I don't want to go in other directions until we've heard from these people.

The Chair: Mr. Wallace.

Mr. Mike Wallace (Burlington, CPC): I wonder if the clerk can help us out with this.

We have invited individuals before from Nortel, from the management side. They clearly indicated in their response to us that Nortel, on the advice of counsel, declined the invitation to appear because of the court rulings in evidence. What does our moving a motion to summon them do? They could come and say they can't comment because it's in front of the courts. What is the use of having them? What is the law on this?

The Clerk of the Committee (Mr. Jean-François Pagé): I will review the exact procedure.

Any committee member may move that someone be summoned to appear before the committee on a certain date. If the person does not comply, the committee may discuss and adopt a report to the House

informing the House of that conduct. The first step is to adopt the motion and invite them. Then we'll see what their response will be.

Mr. Mike Wallace: We are trying to get that person here for Thursday. Is that correct? This is a waste of time.

Thank you.

● (1000)

The Chair: Thank you.

Jean-Yves.

[*Translation*]

Mr. Jean-Yves Laforest: Mr. Chair, I don't want to repeat the reasons mentioned by colleagues who speak in favour of the motion, but I fully agree with them and I appreciate the fact that Mr. Mulcair withdrew his motion, which allows us to concentrate on just one. The reasons presented were fully justifiable and justified. So, we agree to support this motion.

[*English*]

The Chair: We'll go to the vote, then. I call the question on Mr. Pacetti's motion.

(Motion agreed to)

The Chair: Mr. Mulcair is not moving his motion. We will do Mr. McCallum's and Mr. Wallace's motions on Thursday.

Mr. Massimo Pacetti: Mr. Wallace, have you spoken to the people? Can we pass it without debate?

The Chair: Let's do this on Thursday.

We will adjourn the meeting, and we will call the joint meeting to order in about two minutes.

The meeting is adjourned.

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