



House of Commons
CANADA

Standing Committee on Finance

FINA • NUMBER 039 • 2nd SESSION • 40th PARLIAMENT

EVIDENCE

Tuesday, September 15, 2009

—
Chair

Mr. James Rajotte

Standing Committee on Finance

Tuesday, September 15, 2009

• (0900)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): Colleagues, I want to welcome all of you back to the finance committee. I hope you all had a good summer back in your constituencies.

Today we are starting, pursuant to Standing Order 83.1, our pre-budget consultations. This is the first pre-budget consultation of the finance committee in the fall. We have, colleagues, about 400 witnesses who will be appearing before the committee over the next couple of months, both here in Ottawa and across the country. We certainly look forward to these discussions.

We have six groups with us here today. Each will have a five-minute opening statement before the committee. Then we'll have questions from members.

I'll go down the list, and we'll have the groups speak in the order that I outline.

First we have Pembina Institute. Second we have Care of the Child Coalitions. Third we have the First Nations Tax Commission. Fourth we have the Canadian Gas Association. Fifth we have the Green Budget Coalition. Finally we have BMO Capital Markets; we have, I think appearing as an individual, Mr. Johnson.

Starting with the Pembina Institute, you have five minutes for an opening statement.

Mr. Timothy Weis (Director, Renewable Energy and Efficiency, Pembina Institute): Great. Thank you for having me here and for kicking off this process.

My name is Tim Weis. I'm the director of renewable energy and energy efficiency policy at the Pembina Institute. We're a national sustainable energy think tank. We work on issues from conventional energy to the development of sustainable energy all across the country.

I'm a professional engineer. I've been working in renewable energy for the past 10 years. I've really seen, in those 10 years, renewable energy go from a marginal technology, sort of on the fringes, to really a mainstream technology, not only around the world but in Canada. In fact, right now Canada already generates close to 1% of its electricity from wind power.

As I outlined in my submission, 2008, last year, was the first year that more money was invested in renewable power than coal or natural gas globally. Renewable power actually is the largest-growing sector of electricity on the planet. When I started getting

involved in renewable power about 10 years ago, about a hundred people were at the Canadian Wind Energy Association conference. This year, in Toronto, they are expecting somewhere between 2,000 to 3,000 people. The American Wind Energy Association had about 20,000 to 25,000 people attend their last conference. So this is an enormous industry. It's growing very rapidly and has a huge number of people involved in it.

It's not surprising that there are so many people involved in the United States. The United States has become the largest developer of wind power on the planet. Just last year it overtook Germany. This is important for Canada. This is a huge market that's happening right south of the border. They're our largest trading partner. Watching the investment that's going on in the United States, the way that Canada positions itself to take part in that growth will be very important.

To date, the federal government has been instrumental in growing the renewable energy industry in Canada through a production incentive called ecoENERGY for Renewable Power. This program was first implemented in 2002, and 90% of the wind power in Canada has been installed receiving this support.

In spite of its success, ecoENERGY for Renewable Power is expected to run out of money this year, within a few months, over a year from when it was originally expected to. This jeopardizes a huge amount of investment in Canada and many projects that are already on the books. Not only does it jeopardize projects that are already being developed; it also slows down future projects. It takes two, three, sometimes five years to plan one of these projects. If you don't have market stability or know whether the market is going to be available in the future, it really slows down future development and future decisions.

The list that I circulated this morning is a list of all the projects that are currently subscribed to or registered for ecoENERGY for Renewable Power. All the projects in yellow are the projects that are unlikely to be funded by this program. There are about 7,000 or 8,000 megawatts of projects already on the books right now that are in jeopardy of not being funded. It's important to take advantage of this opportunity.

I have a couple of other points that I want to quickly make.

It's going to be important to unlock the geothermal potential in Canada. Environment Canada mapped the wind resources across the country. That was really instrumental in helping to develop the wind energy resource. Geothermal is one of those technologies that are on the cusp of being developed. We don't really understand what the resource is in Canada. It would only be a few million dollars to get a detailed map of the geothermal potential for the country.

Those are the three things that we've put in our submission this year, but I'd like to stress that there are many things that can be done to support renewable power across the country. Particularly if you look at the amount of investments and the diversity of investments that are going on in the United States, it really is an important time and a strategic time for the government to act on renewable power.

Thank you.

• (0905)

The Chair: Thank you very much for your presentation, Mr. Weis.

We'll go now to Ms. Smith, please.

[*Translation*]

Ms. Beverley Smith (Member, Care of the Child Coalitions): Thank you.

You asked what programs government should set up and what tax measures should be in place.

[*English*]

Your instinct to pay down national debt likely involves cutting spending and getting more people to pay tax, yet those things don't always work together. If you want more people earning, you'll have to fund more programs. If you cut taxes, you can fund fewer programs since people have money to meet their own needs.

[*Translation*]

Urging a woman who's home with a young child or sick parent to get paid work presents a dilemma. Who will tend the baby or grandma? So government is asked to provide daycare for the young, sick, handicapped and elderly so this woman can earn.

[*English*]

It turns out that funding a substitute is costly. The bill for day care in Quebec stunned its planners. The bill for Sweden's day care got so high that the voters defeated the government. With the greying population, elder care will increase that bill.

[*Translation*]

We now see that women at home were already doing something essential. Funding only programs so women can leave the home is not even feasible for rural parents or handicapped kids. And it is not what all women want.

[*English*]

"When mama ain't happy, ain't nobody happy." Stress and depression have skyrocketed. Some women want a paid career, while others want to be the caregiver at home. Some want to blend. Some men want the choices. People differ.

Your dilemma becomes twofold: how to pay down the debt and how to recognize caregiving.

[*Translation*]

I have a suggestion. Instead of only funding mom-substitutes, fund care itself. Fund it based on who needs care. If funding flows with the one who needs care, women will decide care style.

[*English*]

Fund the frail elderly or handicapped directly so that they pick the caregiver; then they retain dignity and thrive in the culture they value. For young children, give a universal birth bonus and give universal maternity benefits, with funding to age 18. Expensive, you say? Yes, but not as expensive as universal day care, which would cost \$20 billion per year.

[*Translation*]

Direct funding would remove child poverty, reduce marital tension, empower women, and nurture free choice. No government can set up a program to match all needs.

[*English*]

Others nations have had the same insight. The United Kingdom and several U.S. states fund the elderly directly. Australia, Russia, and Singapore now have a universal birth bonus. The people of Japan just replaced their government because they wanted more funding for children.

[*Translation*]

With a greying population, our tax base is eroding. We need fresh blood. Immigration is not going to provide enough earners. We need babies. Setting up daycare did not increase the birth rate in Quebec. Only changing maternity benefits did that.

• (0910)

[*English*]

It turns out that people value not just earning but also spending time with each other. They can't forever earn. Some are too young, some too frail, and those who can't take care of themselves need care. A healthy society recognizes the nurturer as part of the economy.

[*Translation*]

Those who operate programs will say they deserve all the money, claiming expertise, saying they are an essential service so people can earn. But they are not the only experts. Childcare and eldercare are hardly the same as medical care or schooling. What care programs in schools offer is akin to what restaurants offer — one way to meet a need. You can eat at home, order in or dine out.

[English]

Care of a baby involves diaper changes and teaching to sit. It's a skill nearly all households at some point develop. It's not the same as medical care; you don't do brain surgery at home. Teaching a child about photosynthesis is a skill not all citizens have. Formal education and health treatment are universal rights; day care is not. For care of others, we need to fund people, not programs. When you take care of your own child, you regulate the care. When you trust grandma care or neighbour care, you inspect their values—like eating at a friend's and trusting the cooking.

[Translation]

When you trust a stranger to care for your aunt or child, that's different. Then we do not need government standards, inspections for restaurants. But government does not run restaurants and need not run daycares.

[English]

I'm a schoolteacher for K to 12. I see kids and their dreams and hopes. We have to unleash the same creativity on their parents.

[Translation]

Canadians already know what their child or elderly grandma needs. Let them set that up or purchase it. Small and large-scale daycares may thrive alongside neighbourhood day homes, and parents may work from home.

[English]

This is a revolution I'm asking for in the definition of work, productivity, and labour force activity. Do not fund programs, but fund people. At a children's hospital, there's a saying I like: to change the outcome, change the income.

The Chair: Thank you very much, Ms. Smith.

We'll go now to Mr. Jules' presentation, please.

Mr. Manny Jules (Chief Commissioner, First Nations Tax Commission):

Let me be a free man, free to travel, free to stop, free to work, free to trade where I choose, free to choose my own teachers, free to follow the religion of my fathers, free to talk, think and act for myself....

The Indian Act in Canada was passed in 1876. The quote I read for you was from Chief Joseph in 1879, 130 years ago.

In 1988 I helped lead the first Indian-led amendment to the Indian Act in its history. Since then there have been other amendments, but the essence of the 1876 legislation remains in place. For example, despite the apology last year, the provision of the act that allowed the minister to take our children from their parents and place them in a residential school still remains. It is a matter of some international shame for Canada that a piece of legislation from the 19th century still continues to apply to us in the 21st century, expressing many attitudes that belong to that century.

In its history, Canada has faced two critical questions. What is the place of Quebec? What is the place of first nations?

As chief commissioner of the First Nations Tax Commission, I am pleased to appear before the Standing Committee on Finance to suggest a solution to this first nations challenge for Canada. I am here to ask the finance committee to support the first nation property

ownership act, a project we have been advocating for the last four years to the finance committee.

This legislation would allow interested first nations to opt out, should they choose, from the reserve lands system of the Indian Act. It would transfer title of our lands from the federal government to our governments. It would see the lands of participating first nations removed from the wholly inadequate Indian Lands Registry and transferred to a Torrens land title system, the best registry system in the world. It would allow us, if we want, to issue a fee simple title so that our lands are as valuable as any others in Canada.

For the last year, the world and, to a lesser extent, Canada have been suffering through a credit crisis. It has been hard for citizens to convert their assets into capital. We have seen the damage that a credit crisis does to economies in the space of one year. Almost all governments are now running deficits, and the work of this committee has become more challenging.

If a credit crisis can do this to your economy in one year, think of what a 130-year credit crisis would feel like. That is precisely what we have faced since the 1876 Indian Act. In the words of Hernando de Soto, co-chair with Madeleine Albright of the UN Commission on Legal Empowerment of the Poor, you don't have to travel to Zambia or Peru to see dead capital; all you have to do is visit a reserve in Canada.

First nations people own assets, but not with the same instruments as other Canadians. They're frozen into an Indian Act of the 1870s, so they can't easily trade their valuable resources. Canada can no longer afford low first nation productivity. You're well aware that in the next 15 years the number of seniors will grow by over 60%, while the number of new workers will grow by only 20%. Moreover, one in ten new Canadian workers will be aboriginals. In other words, Canada's future prosperity will increasingly depend on our productivity.

The time for change is now. With the stroke of a pen, the first nations property ownership act will free up 130 years of suppressed entrepreneurial imagination and unleash a wave of first nation productivity. I know first-hand what improvements to property rights on our lands can do. In 1996 it cost \$8,000 an acre to purchase an acre of our land at Sun Rivers. Today, because Sun Rivers has secure 99-year property rights, quality infrastructure, and excellent local services, that same acre costs about \$540,000.

Secure property rights helped raise these property values by over 67,000% in 13 years. Unfortunately, it took us five years and cost over \$2 million to create a functioning market. The first nation property ownership act will allow other interested first nations to do this at a fraction of that time and cost.

● (0915)

The economic benefits of this legislation would be significant. We completed a study of 68 mainly rural first nations in British Columbia and found that this legislation would increase property values by almost \$4 billion over the next 15 years. We think we can do this for the rest of our communities.

I am asking all members of the finance committee to support this proposed legislation. Our current system of property rights has failed. We need to have access to a system that the rest of Canada takes for granted. Let me repeat: this proposal is for opt-in legislation, leaving each first nation free to choose as they see fit. We need the freedom to choose.

This legislation will give us a real alternative to the Indian Act. The Nisga'a have already chosen this path. Others will follow if the option is available. We need to have hope. This legislation will free our most important gift, the dreams and imagination of our youth.

For your information, I have provided you with a summary of the proposed first nation property ownership act.

In 1910, my people, the Shuswap, issued a statement to Prime Minister Wilfrid Laurier. In the statement we speak of how we find ourselves without any real home in our own country. We remind parliamentarians that we expect much of you as leaders of this great Canadian nation, and we feel confident that you will see that we receive fair and honourable treatment.

It has been a hundred years since we made our case to Canada, but I believe with your support of the first nation property ownership act, in the words of my ancestors, we will make each other good and great.

The Chair: Thank you, Mr. Jules.

Now we'll go to Mr. Cleland, please.

Mr. Michael Cleland (President and Chief Executive Officer, Canadian Gas Association): Thank you, Mr. Chairman.

I represent the Canadian Gas Association, which is the downstream end of the natural gas industry in Canada—in other words, the part of it that deals directly with customers. However, we also work very closely with our upstream partners along the natural gas value chain, the pipelines and the producers.

There are a couple of things I want to start with, just to underpin the discussion. Canada has an abundant supply of natural gas; North America has an abundant supply of natural gas, looking out many years into the future. And we have a delivery and distribution system that combined with that supply has the potential to underpin an increasingly efficient, environmentally responsible, and reliable energy system if we put the right sorts of investments in place.

Our proposal before you is for three specific ideas, and I'll come back to them in a minute. The way we've framed them is to inform,

enable, and integrate, and all of that in aid of creating a stronger, more sustainable energy system in Canada.

Our focus as the downstream end of the system is in what we call the other 50%. About half of the energy we use in the economy... about half of our greenhouse gas emissions come from large industrial sources, oil and gas production and upstream power generation. We're looking at the other side of it, the place where 80% of Canadians live in our communities and where about half of the energy is used and about half of the greenhouse gas emissions are emitted. The trick here is how do we improve the environmental performance of that other 50% while sustaining the quality of the communities that we value as highly as we do. Our emphasis—and I will underscore this several times—is efficiency. Through a direct focus on efficiency of the whole energy system, we can make gains that will be beneficial economically and environmentally that outstrip anything from any other strategy.

How does natural gas fit into this? There are several aspects that I would underscore. One I mentioned earlier: natural gas is in abundant supply looking out many, many years into the future, from a number of domestic as well as other sources, including, potentially, sources offshore and including some renewable sources as we start to tap those in perhaps a somewhat different price environment in the future.

Natural gas is part of the pathway for adopting low carbon alternative energies because it is an ideal partner to make those work.

Natural gas is the most efficient energy choice in a large number of applications. About 40% of the energy we use in the economy is heat—space heat, process heat, domestic heat for hot water. The most efficient way to get heat is through the direct combustion of gaseous fuels, and right now natural gas is the one we have available.

Gas has an important role in the power generation system, complementary to the sorts of things that one of your previous witnesses was talking about; there are a number of roles there.

Finally, natural gas has important roles in the transportation system, particularly in the heavy duty part of the transportation fleet, where there are economically available Canadian-based technologies that can improve air quality and improve greenhouse gas performance, again based on natural gas technology.

We were one of the founding partners in a group called QUEST, which is Quality Urban Energy Systems of Tomorrow. You'll be hearing from them later on, I believe. One of the things that QUEST has done is develop a set of six principles that are the foundation of the program. It starts with efficiency, and again I'll underscore that. It then talks about using energy where it should be used—in other words, high-quality energy like electricity being used in high-quality applications, not being wasted in low-quality applications like space heat. Speaking of heat, about half of the energy that comes into the economy is actually lost as waste. If we can manage more of that heat, we can keep it as a resource. Reducing waste extends then to using local renewable resources. Finally, it is using the grids strategically as a resource to optimize the energy system.

With that in mind, I will quickly go over the three proposals.

One, better inform Canadians about energy efficiency on a full-cycle basis. By that I mean looking at what it means to make an energy choice right up the system, all the way through transportation, transmission, and production, which is something the U.K. and the U.S. are moving towards and it is something that Canada needs to move towards, and we have several specific proposals.

• (0920)

Secondly, better enable alternative energy solutions. We're proposing the use of an investment tax credit in support of that, something that will move quickly and something that will create the kind of incentive that will allow us to bring in a variety of technologies quickly and efficiently.

Finally, promote an integrated energy systems approach, and again, my colleagues from QUEST will talk to you about that in a couple of days. Building on the Clean Energy Fund to promote those sorts of approaches is the big prize in terms of the kinds of changes to our communities that we're looking for in the future.

With that, Mr. Chairman, I'll wrap it up and turn it back to you. Thank you.

• (0925)

The Chair: Thank you, Mr. Cleland.

We'll go now to Mr. Van Iterson.

Mr. Andrew Van Iterson (Program Manager, Green Budget Coalition): Thank you, Mr. Chairman and honourable committee members.

I'm here today on behalf of the Green Budget Coalition, which is unique in bringing together 20 of Canada's most respected conservation and environmental organizations, representing over 600,000 Canadians, including groups you would know, such as Ducks Unlimited, Nature Canada, Équiterre, the David Suzuki Foundation, and the Pembina Institute.

We have been working cooperatively since 1999 to assist the federal government to develop and implement strategic budgetary and fiscal measures that are critical to long-term environmental sustainability, and our efforts were acknowledged in an annex to the 2005 federal budget.

I want to outline today three prime tax and spending measures, each of which is pivotal for ensuring prosperity and a sustainable

future for Canadians and each of which could be advanced substantially in the 2010 budget: first, protecting Canada's biodiversity and ecosystems nationwide in the face of dangerous climate change; second, investing in Canada's freshwater future, beginning with the Great Lakes-St. Lawrence basin; and third, creating clean energy jobs by renewing Canada's commitment to renewable power.

I also want to highlight the ongoing importance of implementing fair fiscal policies to ensure that market prices truly represent the environmental costs and benefits of economic activity.

Canada continues to lose elements of its terrestrial and marine ecosystems due to many types of human activities. Furthermore, Canada has not fully met its commitments under the UN Convention on Biological Diversity on which Canada and all signatories will be reporting in 2010. Preserving our quality of life in the face of dangerous climate change and meeting our international commitments requires an immediate commitment to protecting ecosystems and biodiversity. The Green Budget Coalition recommends funding and implementing a national ecosystems-based adaptation strategy to protect Canada's biodiversity nationwide in terrestrial and marine environments, including national parks, national wildlife areas, ocean management areas, and the greenhouse gas reservoirs of our natural forests and wetlands.

Secondly, fresh water is also central to the health of Canadians and our economy, and federal leadership is crucial in protecting Canada's freshwater resources. The coalition was very pleased that the federal government committed to a new water strategy in the 2007 Speech from the Throne. To deliver this strategy, Canada should begin with priority investments in the Great Lakes-St. Lawrence basin, as outlined in our brief around water quantity and quality. Such investments will ensure a clean, healthy source of drinking water for millions of Canadians and facilitate a healthy, growing economy and business climate for area residents.

As Mr. Weis detailed earlier, 2010 is also an important time for the Government of Canada to renew its support for renewable power to create thousands of clean energy jobs, to enable Canada to meet its target of 90% of Canada's electricity coming from non-emitting sources by 2020, and to create new economic development opportunities. Priorities should be put on renewing and expanding the important ecoENERGY for Renewable Power program and establishing green energy bonds, as well as developing a national geothermal data and classification system.

At the same time, it's critical to put in place other key frameworks that are necessary for the transformation of Canada's economy, to be globally leading and environmentally restorative, one where economic success and environmental health are mutually supportive rather than working against each other. To achieve this, we need to implement comprehensive fiscal changes to ensure that market prices tell the environmental truth by accurately and fairly representing the true value of non-renewable resources and the costs of pollution to the environment and to human health. Business leaders and environmental protection and energy efficiency should benefit from competitive advantages rather than paying additional costs, just as individuals making changes to their day-to-day lives should not have to pay more to make an environmental choice.

In conclusion, I urge you all to recommend to the finance minister and to your respective parties that budget 2010 invest in renewable energy, in ecosystems and biodiversity, and in water and watersheds, and that it support structural changes to make market prices tell the environmental truth. These measures will create long-term benefits for all Canadians.

We will be sending you a package of more detailed recommendations on all these issues in the coming week, and we look forward to meeting with each of you individually to discuss them further.

Thank you.

• (0930)

The Chair: Thank you for your presentation.

We'll finish with Mr. Johnson, please.

Mr. Donald Johnson (Senior Advisor, BMO Capital Markets): First of all, I'd like to thank the House finance committee for providing me with the opportunity to present our proposals for a tax-effective stimulus for Canada's not-for-profit sector.

The government's fiscal stimulus plan has provided crucial funding for Canada's economy during this global economic and financial crisis. While a few not-for-profit organizations have benefited directly from the fiscal stimulus plan, Canadian hospitals, universities, social service agencies, and arts and cultural organizations are facing fundraising challenges. The collapse of the stock market and the decline in the value of endowment funds and their disbursements have reduced funding for professors, doctors, researchers, students, artists, as well as individuals in need of assistance.

Given the estimated \$56 billion fiscal deficit for this year, it is unrealistic to expect the federal government to increase direct funding for health care, education, social services, and arts and culture, but we must find a way to provide a tax-effective stimulus for Canada's not-for-profit sector.

After conducting extensive research on alternatives for stimulating and increasing private sector funding for charities, we have concluded that two amendments to the Income Tax Act would result in significant increases in private sector donations on the basis that it is more tax-effective than direct government funding. These measures capitalize on the great success of the government's decision to eliminate the capital gains tax on gifts of listed securities, which began with the 1997 budget and was completed in the 2006 budget.

We strongly recommend that the government expand the capital gains tax exemption to include gifts of private company shares and gifts of taxable real estate. To address any concern about the potential for valuation abuse, we propose that the charity would not issue a tax receipt to the donor until the charity had received the cash proceeds from the sale of these gifts. If the purchaser of these assets from the charity was not at arm's length from the donor, an independent third party valuation would be required for the private company shares or the real estate.

Removal of this barrier to charitable giving would unlock significant amounts of private wealth for public good. The total value of all private companies in Canada is greater than the actual total amount of the value of public companies, currently estimated at \$1.4 trillion. Also, real estate represents a significant portion of the personal net worth of most Canadians.

If the donation of real estate to a charity is to be retained by the charity to fulfill its mission, an independent third party appraisal would be required to provide an appropriate value for the tax receipt.

Gifts of private company shares and gifts of real estate are already exempt from capital gains taxes in the United States. An implementation of these two measures would level the fundraising playing field for Canada's charities, which are competing with the United States for the best and the brightest talent.

Our proposals would enable the donor to sell the private company shares or the real estate and gift all or a portion of the cash proceeds to a charity within 30 days of the closing of the sale, under an existing provision in the Canada Income Tax Act. This made in Canada provision would be more effective and less costly for the recipient charity than the current U.S. system, which requires that the charity actually takes ownership of the asset. These amendments would provide the same tax treatment to donors of private company shares and real estate as currently applies to donors who give publicly listed shares to a charity. In principle, all three asset classes should have the same tax treatment when they are donated to a registered charity.

That raises the issue of what would be the cost to the government of these measures. The tax revenue cost depends on the amount of the increase in charitable gifts of private company shares and taxable real estate, plus the adjusted cost base of the donated property. Based upon the e-brief published today by the C.D. Howe Institute, gifts of taxable real estate are estimated to increase by \$100 million to \$200 million per annum. The forgone tax for the federal and provincial governments combined would be between \$60 million and \$115 million per annum.

For private company shares, the e-brief estimates new donations of \$200 million to \$500 million per annum, with the forgone tax estimated at between \$130 million and \$325 million. Two-thirds of this tax revenue cost is borne by the federal government and one-third by the provinces. It should be kept in mind that the cost of a charitable donation tax credit is roughly 45% of the gift, whether the gift be in the form of a capital asset or in the form of cash.

● (0935)

All four political parties supported the 2006 budget measure that eliminated the capital gains tax on gifts of listed securities. There is every reason to believe that all four parties would support these measures as well. Furthermore, six former prime ministers have communicated to me that they support each of these two proposals in principle.

While amendments to the Income Tax Act are normally implemented as part of the budget, the government does have the option of including these measures in the fall economic statement. If there is no election this fall, we urge the government to include these amendments in the fall economic statement; however, if there is an election this fall, we urge the next government to include these measures in its first budget, which presumably would be tabled in the spring of 2010.

Thank you. I would be happy to answer any questions.

The Chair: Thank you very much, Mr. Johnson.

We'll go to questions from members, starting with Mr. McKay. You have seven minutes.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Mr. Chair, and thank you, witnesses.

I want to start first with Mr. Weis and then Mr. Van Iterson.

With respect to the incentive for investing in wind power, after the last budget I got a rather irate telephone call from a friend of mine, who was incensed that the last budget had reduced the subsidy to such an extent that it no longer made smaller projects viable. Essentially it was reconfigured to one large player, and after that, everyone else was pretty well on their own.

I'm interested in your comments on the amount of the subsidy. You're both very concerned about the stabilization of that subsidy, so that projects going forward will know for sure what the subsidy might be so that they can determine their viability going forward.

Mr. Weis.

Mr. Timothy Weis: I'm not sure what particular program your friend was referring to that favoured larger projects over smaller projects. The ecoENERGY for Renewable Power program remained the same before and after the last budget. It simply wasn't renewed or expanded, and it is about to run out of money this coming year. I think that's why people were really concerned that it was in last year's budget, so that it didn't run out of money this fiscal year. But it does speak to the important point of stability, in terms of whether or not funding is going to be available going forward. That's a problem for large or small projects across the country. I think that's why we're urging that this program be renewed this year, or earlier—in an economic update would be even better—to create that market stability again.

The big question is, if you're going to be making investments in renewable power, it takes at least two, three, four, or five years from when you're thinking about developing that project to when the rubber actually hits the road. You need to have that long-term outlook. That has been the real concern. When the program wasn't expanded or renewed in the last budget, it really left the industry, large and small, in limbo going forward.

Hon. John McKay: Trying to compare apples to apples, what is the comparable U.S. subsidy and what is the comparable term of the program in the U.S.?

● (0940)

Mr. Timothy Weis: There have been so many investments made in the United States under the most recent stimulus package that I wouldn't want to discount, or not acknowledge, all of the efforts and all of the investments made in renewable power in the States. At the same time, there is one particular subsidy that's similar, and that's the production tax credit in the United States. PTC, as it's often referred to, is about twice the level of the incentive here. It's an incentive of about 2¢ per kilowatt hour. The Canadian incentive is 1¢ per kilowatt hour.

That program has been going on a year-to-year basis, which is one of the reasons why, in spite of the fact that the United States is the largest market for wind energy in the world, this was really the first year they actually developed any manufacturing. The manufacturing all happened in Europe previously because they had the long-term, stable policies.

The most recent stimulus package in the United States reinstated the production tax credit for a three-year term, so that would be comparable; what we're asking for is a five-year term in Canada. So the program would be significantly less money in Canada—about one-half, at 1¢ per kilowatt hour—but it would be over a five-year term. That would be a bit of an advantage in Canada to have it a little more long-term, certainly.

Hon. John McKay: So you prefer the stability. The subsidy is one thing, the stability is another.

Mr. Timothy Weis: Yes, but they're both really important.

Hon. John McKay: Yes.

Mr. Van Iterson, do you have anything to add to that?

Mr. Andrew Van Iterson: Mr. Weis is really the expert within the Green Budget Coalition, so I'll leave it at what he said.

Hon. John McKay: Okay.

My second question is to Mr. Cleland. It has to do with natural gas and its usefulness for fleets.

One of the proposals, again coming out of the United States, is that large trucking fleets be converted and that, since their route is pretty well a fixed route, stations be set up along the way. Is that a viable solution for Canada? Is that an intelligent use of natural gas?

Mr. Michael Cleland: Potentially, yes. I think you may hear more about that from my colleagues with the Canadian Natural Gas Vehicle Alliance later in your hearings.

The most obvious place for using natural gas is in what you call the return-to-base fleets. These are urban fleets—buses, waste haulage, all that kind of thing—where you can have your refuelling on-site at your garage and that sort of thing. You don't have problems of range.

There is potential for longer-haul, but that requires refuelling infrastructure. Therefore, you would have to put it on high-density, long-haul corridors. Windsor-Quebec City is an obvious one. In all likelihood, it involves using liquefied natural gas technology, but pretty much the same engines. Again, they're Canadian-built engines that use either compressed or liquefied natural gas.

You have to look into the economics of that. I can't speak to it in detail, but it has very real prospects.

Hon. John McKay: Yes. The person who I heard make—

The Chair: You have 45 seconds.

Hon. John McKay: Okay, then I'll go to Mr. Johnson.

First of all, Mr. Johnson, I want to congratulate you for your tireless enthusiasm in pursuing these projects.

With respect to your numbers on page 4, can you give some clarification to the committee with respect to the provincial component of the tax forgiveness? It seems to me that you're only dealing with the federal government's contribution to your proposal.

The Chair: Just very briefly, Mr. Johnson.

Mr. Donald Johnson: Basically, the federal tax revenue cost outlined here represents only the cost to the federal government. In addition to that, you'd have to increase that amount by about 50%. Roughly one-third is the provincial government and two-thirds is the federal government. Since this was a federal government finance committee meeting, I outlined the cost only to the federal government. You'd have to add another 50% to that cost to reflect the cost to the provinces.

The Chair: Thank you, Mr. McKay.

Monsieur Laforest, s'il vous plaît.

[Translation]

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

Good day to all of our witnesses.

I would like to begin by putting a question to Mr. Weis. In the spring, the Pembina Institute made several recommendations and requests concerning the production of clean energy. In order to support the production of clean energy, the Bloc Québécois last spring proposed the continuation of the Wind Power Production Incentive Program, through the injection of \$500 million by the government over the next two years.

Is this comparable to the type of proposals made by the Pembina Institute concerning the production of clean energy?

• (0945)

[English]

Mr. Timothy Weis: I'm not sure I understand the question properly. You're referring to how this program relates to...?

[Translation]

Mr. Jean-Yves Laforest: There is a program known as the WPPI, the Wind Power Production Incentive Program. This spring, the Bloc Québécois suggested that the government continue this program and allocate \$500 million to it over two years.

Is this program comparable to your proposals aimed at improving, among other things, the production of clean energy in Canada?

[English]

Mr. Timothy Weis: I'm not sure that I'm familiar with this particular program. I'm going to have to ask you to repeat the question one more time. I apologize—

[Translation]

Mr. Jean-Yves Laforest: I am surprised.

I will move on to other questions, then. I could send you documents about this program, which is in the same vein as your recommendations.

My next question will be addressed to Ms. Smith.

You mentioned the daycare program, among others. You said that the increased birth rate in Quebec was due to the adoption of tax measures rather than to the daycare program. It seems to me that the increase in the birth rate in Quebec could be attributed to a mix of these two factors over a number of years.

Ms. Beverley Smith: You may be right, but both measures are necessary. Funds must also be given directly to parents. You had an excellent family allowance program which you eliminated. We need universal measures, to direct funds to people, both those who choose to stay at home and to daycares. Daycares on their own are not sufficient. We have to separate maternity benefits from employment insurance. It doesn't work well otherwise.

Mr. Jean-Yves Laforest: We are seeing a second baby boom in Quebec. It is quite large in scope. And so, I think that the measures that were adopted...

Ms. Beverley Smith: You have a greater need for this in Quebec, because Quebec has the lowest birth rate in the western world.

Mr. Jean-Yves Laforest: My next question is for Mr. Jules.

You stated that for the past four years, you have made virtually the same request to the Standing Committee on Finance, that changes be made to the Indian Act, which goes back to 1876, or that a new act be passed. You also said that your proposals were always well received by the finance committee.

How is it then, in your opinion, that nothing has changed to date? Have there been any changes?

[English]

Mr. Manny Jules: What I've been doing for the last four years, really, is developing the concept, making sure that there's an economic rationale and that the legal arguments to support and underpin the legislation are there. All of that work is now done and is before the Department of Indian Affairs and its officials. Because it is my initiative to propose this legislation, I've had to make sure that all of the necessary work is done. Ultimately what I would like from the standing committee is support to expedite the proposed legislation, so I welcome your interest and your support.

• (0950)

[Translation]

Mr. Jean-Yves Laforest: Concerning your demands, I think that it is entirely normal that the first nations be the real owners of the territory they live on, as well as the strategic places or lands they can use for commercial purposes. This is an entirely normal way of furthering their integration into society.

How do you explain that you have been asking for several years for what seems on the face of it a perfectly normal thing? How is it that things have still not progressed?

[English]

Mr. Manny Jules: Basically the way I approach an issue is that the work has to be methodically done. The concepts have to be thoroughly thought through and all of the rationale clearly put forward. As I mentioned, the legal opinion that we had drafted is now before the Department of Justice. They're reviewing that, and it really ultimately entails the machinery of government. Once that review is completed, I would look forward to making sure we can expedite this as quickly as possible.

I truly echo your statements that this is a reasonable approach. As a country, we cannot afford to have first nations live in the 19th century when all of the other institutions have been allowed to flourish in this country. That's why Canada has been able to weather the economic storm a lot better than most other countries have. When you have institutions that are frozen in the 1800s, it's incredibly important that we begin to move, particularly on property rights, which are a fundamental bedrock to building an economy and therefore a global economy with your support.

The Chair: *Merci.*

We'll go to Mr. Menzies, please.

Mr. Ted Menzies (Macleod, CPC): Thank you, Chair, and I thank all the individuals who are presenting here today.

I'll be sharing my time with Mr. Wallace.

We all want to delve deeper into this, but we also must first of all apologize. We have about 400 people who want to appear before this committee and we have limited time, so please don't be insulted if I don't ask everyone a question. It's very hard to cover it, but we will read your briefs, and all of your suggestions will be taken into account. So thank you again.

Mr. Weis, it's good to see you again.

I want to follow up quickly on Mr. McKay's comment about lack of investment and the difference between large and small operations as far as wind energy goes. I have a brand new wind operation starting up in my riding. These are new players. They're small, they're not large, but the first phase of two phases will be the largest wind farm in Canada, so thank goodness the riding of Macleod is taking back the title of the largest wind farm in Canada.

You're talking about the subsidies running down. These people are investing several billion dollars. What do they see that we're not hearing about here today?

Mr. Timothy Weis: The subsidy is still in place. It will be running out of money sometime this year, so projects that are being built and developed right now would be able to access that fund. Projects beyond November and December and into the new year that don't have their contribution agreements already signed or that don't have an agreement already in place are the projects that will be in jeopardy.

Mr. Ted Menzies: That's my understanding of phase two, that it's not going to be for a year or two. Is it self-sustaining, then?

Mr. Timothy Weis: That's a big question.

The renewable developers we work with and with whom we've spoken are all very concerned about what sort of support there will be going forward. Most of the projects in Canada have been developed under the assumption that this program was going to be in place, because it has been fairly stable for the last five or six years. Especially given the investment climate in the United States, I'm hearing developers and wind energy prospectors being told that it's time to start thinking about investing south of the border. I know of groups that are already taking down met towers or meteorological instruments and moving them to the United States just because it's so much more certain down there. So it does jeopardize future developments going forward, unless we can stabilize the policy framework going forward.

• (0955)

Mr. Ted Menzies: I'm going to have to go back to these people and ask them if their business plan is sound and based on what they're going to be paid for their power. But thank you for that.

I do agree with the comment you made on the lack of manufacturing. We have one of the largest wind energy industries, but we don't manufacture anything here. My question is—and it has been for a couple of years—how do we entice the manufacturing of the equipment that we need into this country? We're a large user of it.

Mr. Timothy Weis: We are a large user. The one thing Canada often forgets is that it has the sixth largest electricity system on the planet, so we are a very major player in electricity globally.

Obviously we have the manufacturing capabilities in Ontario in particular and in Quebec. Quebec has already seen some manufacturing develop, and what Quebec has done to encourage that manufacturing is create a large enough market that's stable. Any time we see manufacturing develop in Europe in particular, it's because there have been long-term stable policies, because then you can make those kinds of investment decisions. If you're going to build a factory, you need to know there's going to be a market.

This speaks to the other half of the ask, which is around the stability of the issue and not so much the quantity of it. It's the stability of the policy. If you're going to make manufacturing decisions, you need to know there's going to be a market in the long term. I think that really is key if we want to develop the manufacturing component in Canada.

Mr. Ted Menzies: Thank you.

Mr. Jules, very quickly, on the comment you made about opening up the Indian Act, which has been here since 1867, I raised that in a forum in my riding and basically got run out of town, so I wish you luck with your proposal. I have five first nations in my riding and not all of them would be supportive of your proposal, but I think one or two of them would, so I encourage you to continue. I like what I hear in the proposal. I'm sure it needs some fleshing out and needs to gain some support. Thank you for that.

I'm going to turn it over to Mr. Wallace.

The Chair: Mr. Wallace, you have 45 seconds.

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

Thank you all for coming here today.

It'll be very quick. I have a question for our friends from the Green Budget Coalition.

On the quality of water, I absolutely agree, and we've invested in it this summer with \$50 million from us, \$50 million from the region, and \$50 million from the province on an upgrade to the Skyway Wastewater Treatment Plant to go to tertiary cleaning of the water before it goes back into the lake. We've also committed \$30 million to the cleaning up of Randle Reef, which is one of the hot spots on the Great Lakes. We're waiting for the municipality to come through with their one-third. We're moving forward.

Here's my question. You've talked about a recommended investment of \$1.8 billion and then an additional reallocation of \$5.2 billion previously committed in the infrastructure funding. Who are you taking the money from to have it reallocated? You say it's allocated already. Who loses out?

Mr. Andrew Van Iterson: My understanding is that there are still billions of dollars in infrastructure funding that have not been allocated to specific projects, so we leave it to the judgment of the government as to—

Mr. Mike Wallace: But you're just guesstimating that. You don't know that for a fact, then—

Mr. Andrew Van Iterson: It's my understanding from the conversations I've had with Finance that not all of the infrastructure money has been allocated.

Mr. Mike Wallace: Okay.

To the Pembina Institute—and this will be really quick—I think you brought up geothermal in the presentation and talked about \$5 million. I'm not sure whose presentation it was. But in the U.S. it's costing \$30 million U.S. With the land mass not being that much different in terms of size, why is it so much cheaper for Canada to do it?

The Chair: Very briefly, Mr. Weis.

Mr. Timothy Weis: Yes, we probably could use a larger sum. We were looking for what would be potentially achievable in the current budget. One of the issues is that the Americans do have a more established industry and, right now, a larger known resource, so they're looking at refining a fairly detailed map that they already have. This would be the first foray into it in Canada, so it would be the initial cut.

• (1000)

The Chair: Thank you.

We'll go to Mr. Mulcair, please.

[*Translation*]

Mr. Thomas Mulcair (Outremont, NDP): I want to welcome you, and I hope that our committee's work will be fruitful under your continued chairmanship.

I want to begin by saying that Mr. Johnson, whom I have already had the pleasure of meeting and speaking with on the topic he has raised today, is entirely right. My colleague Judy Wasylycia-Leis, the member for Winnipeg North, and myself have had the opportunity of telling him that we support his proposal and find it most interesting. As usual, the devil is in the details. There have to be safeguards in order to ensure that no one can get around or abuse the system, but the idea is positively brilliant, at a time when universities and the health care sector in particular need more assistance. It would be good if we could get things moving.

Mr. Weis, I welcome you here and I congratulate you. I was for a number of years the Minister of the Environment in Quebec and I had the opportunity of meeting a large number of groups. Their interest never varies, but the contribution they make to the public debate varies enormously from one group to another. In Canada, the Pembina Institute is one of the most consistent and most trustworthy when it comes to information and analyses on the environment. This is to your credit because it helps everyone. One can feel that this organization is motivated by a real interest in providing the most reliable information it can. I thank you for your presentation and I will address my comments to you, linking them with two other interventions.

Mr. Cleland spoke earlier about natural gas. He said that he was downstream, contrary to those who are upstream, those who produce natural gas. He suggested a certain number of tax measures in order to make the best possible use of our natural gas, which we have in abundance, as he himself stated.

What are the best strategies to ensure that our natural gas, which is one of the cleaner fossil fuels, is used in the best possible way? You know as I do that some people had floated the strange idea of building a natural gas liquefaction plant opposite Quebec, in order to import natural gas from Russia. I am referring to the Rabaska project. We have enough natural gas here, but we are literally burning it up to produce oil from tar sands.

What are the tax measures we could use to put a stop to the waste of our natural gas and use other sources, preferably as clean, in order to produce oil from the tar sands?

[English]

Mr. Timothy Weis: This might be a question that we can share.

Clearly, natural gas does have an important role as a transition fuel. That's one of the important things that natural gas can be doing. It can be used to displace much dirtier sources of energy, whether it's the development of oil sands or particularly the development of coal power and reducing the amount of coal that we depend on in Canada. To that end, natural gas works very well in the electricity system to help balance technologies such as wind power, for example.

There are provinces, particularly Quebec, where there are large hydro systems that also balance very well with wind power. So it's not something that you want to be using carte blanche everywhere across the country, but particularly in areas that are looking to phase out coal, for example, it is really a strategic opportunity for using natural gas.

[Translation]

Mr. Thomas Mulcair: Mr. Cleland, what simple tax instrument could be used so that we could stop burning natural gas to exploit oil sands, and use it to better advantage?

[English]

Mr. Michael Cleland: I would start with where you use the most of it. The biggest single place where we use natural gas is in heating in residential and commercial applications. A lot of the equipment we're using today is relatively low efficiency compared to what's available in the marketplace, which is over 95% efficient; a lot of equipment is anywhere from 60% to 80%.

Measures—and they're going to be different depending on whether it's commercial or residential, because it's a different tax system—that create incentives to move that equipment to a higher efficiency level.... Some of the things that are in our proposals here go to things like combined heat and power systems, and hybrid systems, where you're marrying natural gas with renewal sources. There I'm proposing an investment tax credit.

●(1005)

[Translation]

Mr. Thomas Mulcair: Mr. Jules, when wind energy was mapped throughout Canada, it was discovered that the most constant and dependable wind energy resources were often in areas where the highest concentrations of first nations people were to be found.

Have you attempted to see whether it would be possible to participate in projects such as the one proposed by the Pembina Institute in order to create clean and renewable energy, and by the

same token create employment and wealth in first nations communities? Have you examined that possibility with them or with other groups?

[English]

Mr. Manny Jules: Not specifically with Pembina, but I've been working with other first nations groups that have been pursuing wind energy right across the country—in Quebec on the north shore, in British Columbia, and down east.

[Translation]

Mr. Thomas Mulcair: You are right to mention Quebec, because when Quebec decided to build a 4,000-megawatt wind energy facility, the largest wind farm in North America, it insisted on giving priority to one of the first nations projects, in the Gaspé region.

Mr. Van Iterson, in December 2005, an agreement was signed in Milwaukee, in the United States, in order to protect the Great Lakes and the drainage basin of the St. Lawrence. I signed that agreement on behalf of Quebec. A dozen Great Lakes states, as well as Ontario and Quebec — the two provinces that lie along the drainage basin of the Great Lakes and the St. Lawrence — signed this agreement.

What is missing in that agreement, with regard to your proposal of making better use of and protecting the fresh water resource of that drainage basin?

[English]

The Chair: Very briefly, Mr. Van Iterson.

Mr. Andrew Van Iterson: I must admit I am not an expert on that agreement. The Green Budget Coalition is unique in bringing together all our groups, but we also agree only to agree on budget recommendations. We don't have distinct recommendations on international agreements like that.

The Chair: *Merci.*

We'll go to Mr. McCallum. You have five minutes, please.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you, Mr. Chair, and welcome to all the witnesses.

I'd like to begin with a question for Mr. Jules.

I think your proposal is very intriguing. As an economist, I can see that it could be potentially very powerful, but I also get the impression that it is fairly extreme. I don't mean that it is necessarily bad. "Radical" would be a better word, because if I understand correctly, if the reserve could sell as much land as it wanted to non-reserve people, then the reserve could effectively sell itself out of existence. My question is whether that is correct, but the second question related to that is, can you describe the attitude of the aboriginal community, the AFN and others, to this proposal?

Mr. Manny Jules: If the suggestion is that an entire reserve could be sold off, I think that would be highly unlikely. When you consider the size of Canada, Canada hasn't all been developed and neither have any of the provinces.

So what we need in terms of first nation governments is the ability to empower the individual. There is no greater power within the fiscal framework to empower the individual than to enable him to own his own home, to build equity, and to have his choice of buying and selling, because without equity.... In one particular case, it is going to take 73 years for this particular first nation to be able to catch up on its housing arrears. It is completely unrealistic for this country to even consider building every home that will be needed in first nation communities.

On the second point, I have been having lots of discussions right across the country with a lot of different interested first nations groups, particularly in British Columbia obviously, but also with a lot of communities that are involved in what is called treaty land entitlement. When you have a million acres that will be transferred from the provincial government to first nation governments and immediately turned into Indian reserves, losing 90% of its value, there are some questions raised as to why that would be done.

As far as support goes, one of the things I wanted to make sure of—and this goes back to the question of Jean-Yves—is to make sure the work is methodically done and thought out, and with a legal foundation. That is the stage I'm at right now, and I will obviously be going out and intensively consulting with first nation groups, including the Assembly of First Nations.

●(1010)

Hon. John McCallum: Thank you very much. That's quite an exciting project, I would say, and I wish you all the best in your deliberations.

Mr. Manny Jules: Thank you.

Hon. John McCallum: Turning now to Mr. Weis, I didn't notice anything in your document about carbon capture and sequestration. You made a number of proposals about what funding the government could commit, but you didn't mention that—unless I missed it.

Does this mean that it is, in your view, a low priority as compared with some of the other initiatives that you did mention?

Mr. Timothy Weis: Well, as I said, there are so many things that need to be done, and urgently; we had to prioritize.

Really, the last budget did commit significant funds to carbon capture and storage, with \$1 billion committed, more or less, through the Clean Energy Fund. It's not specifically all for carbon capture and storage, but a significant amount of that will likely go to carbon capture and storage. We have seen significant investments in Alberta and Saskatchewan around carbon capture and storage.

So really, in terms of the renewable power program right now, it's because it's running out of money and because of the uncertainty going forward that it's the number one priority for this particular budget.

Hon. John McCallum: To either Mr. Cleland or Mr. Van Iterson, do you have any comment on that subject of carbon sequestration?

The Chair: There are about 30 seconds left.

Mr. Andrew Van Iterson: You hit the nail on the head: it's a low priority for us in this budget. There are areas where you can get greater bang for your buck with your money this year.

Mr. Michael Cleland: I would just add that carbon capture and sequestration matters. It has been supported and it needs continuing support. What hasn't been getting the attention it needs is, as I say, the community side of the energy equation. We think there are things that can be done there at relatively low cost with the right policy package, and that's where we need to put our focus.

The Chair: Thank you.

Monsieur Roy, cinq minutes.

[Translation]

Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ): Thank you, Mr. Chairman.

My comment is addressed to you, Mr. Van Iterson, and concerns your first recommendation. I introduced a motion in the House of Commons in 2006, if memory serves, to create a climate change adaptation fund, and I find your first recommendation restrictive.

I will explain what I mean. Climate change implies large scale adaptation of the economy, especially where agriculture is concerned, as well as fisheries, two sectors that are already very affected by climate change and will continue to be.

There's another element, involving all of the transportation infrastructure, in particular roads and bridges. In my region in particular, we are already seeing the effects of climate change. This means that from now on, we are going to have to take climate change into account when we build roads and bridges, and focus on not building them in potentially flood-prone sectors.

I will give you an example. For about 10 years, because of increased precipitation, the road that links Quebec to Sept-Îles, Port-Cartier, etc., has been made impassable every year. In fact, every summer, a part of the road is destroyed because there is more abundant rainfall, and for two or three days— and sometimes even longer— people are cut off from the rest of Quebec. And yet Sept-Îles is quite a large centre.

We will also have to focus on adapting all of the range of services offered to the population...

I find your recommendation quite restrictive as compared to what I had proposed. Basically, we want all levels of government to carry out sufficient research and create an adaptation fund for all of the infrastructures and economic sectors that will be particularly affected. Considering effects on ecosystems is good, this is not a bad thing, but I find this too restrictive.

●(1015)

[English]

Mr. Andrew Van Iterson: First of all, Mr. Roy, thank you so much for acknowledging that we do need a transformation of our economy in our country. You're absolutely right. The sad reality is that we have not yet had a government willing to make the major changes that we need to make immediately.

These are important steps forward. The research that we've done has laid the groundwork for these measures. They would be very valuable steps, and the sooner we make them, the better. But I fully agree with you that we need to do further research and make even more sweeping, comprehensive measures, so thank you for that.

[Translation]

Mr. Jean-Yves Roy: You say that research was done. I have not seen anything, personally. I think that this research must have been done mostly by environmental groups, rather than by government. I don't believe I have seen any investments on the part of the federal government in this, in adaptations for agriculture, fisheries and other economic sectors already affected by climate change.

[English]

Mr. Andrew Van Iterson: This research I'm referring to that has already been done is in terms of the importance of our national parks, national wildlife areas, and marine protected areas and which areas are of particular value.

We actually had some discussion within the coalition about whether we have enough research to say what we need to do or whether we should be doing more research. There was a clear conclusion that we do know enough and that we need to be acting now. Yet at the same time, as you've said, we need to do further research so that our actions in the future are more effective.

This is research that has been done by government in particular, but also by non-governmental organizations and other outside groups.

[Translation]

Mr. Jean-Yves Roy: For instance, I know that among all of the programs involving infrastructure, the Department of Transport does have one involving the adaptation of infrastructure to climate change. That is somewhat surprising in light of the fact that the current government did not even recognize the reality of climate change. It was signed by the minister who was responsible for those files at the time. I will not name him. He was a Conservative minister. I was quite surprised to read in transport department documents that that department was getting ready to launch a program involving adaptation of infrastructure to climate-induced changes.

I wanted to put a question to Mr. Jules.

In your document, you state that over a 99-year period, one of the first nations was given the right to manage property rights. I want to know whether that right is renewable or whether it is temporary, cancellable.

[English]

Mr. Manny Jules: In this particular case, it's in my own home community of Kamloops. There was a 15-year build-out with a 99-year lease. That's the subject property I was referring to.

The Chair: *Merci.*

We'll go to Mr. Dechert, please.

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

As this is our first meeting of the fall session, I'd like to echo Mr. Mulcair's comments and say that I'm looking forward very much to working very closely and cooperatively with all of my colleagues here on the finance committee, and for many months to come—

Some hon. members: Oh, oh!

Mr. Bob Dechert: —to continue to support our nation's economic recovery.

Mr. Johnson, I have a couple of questions for you. I'd like to thank you very much for your presentation and your proposals. I think there's great merit there that deserves very serious consideration. I also know that you're a highly recognized and very well respected investment industry professional.

I was reading recently about the fairly strong recovery in public security markets. We're not quite back to where we were at the peak last year, but things are trending in the right direction. Could you comment for us on how that will impact the charitable sector in Canada and, in particular, the 2006 budget measure that you mentioned with respect to the donation of public securities to charities?

As well, could you comment on how our government support for the small business sector in Canada with the new and advantageous low small business tax rates might also make the donation of private company shares more advantageous to the not-for-profit sector?

• (1020)

Mr. Donald Johnson: Thank you.

I think the rebound in the stock market is certainly a plus factor from the charitable donation perspective, but the drop in the stock market has had two major impacts. One is that the number and size of donations of stock have dropped substantially. They should recover to some degree with the rebound in the stock market, but the bigger impact has been the drop in the value of endowment funds. I would say on average they're probably down about 30%, or probably 20% now. The disbursements from those endowment funds are based upon the market value of the assets in the endowment fund, so disbursements have dropped on average 20% to 30%. Some universities have stopped disbursements totally for this year.

So while the rebound in the market will certainly help, there are still some major fund-raising challenges. A lot of people have had to defer their pledges for fulfilling their donations because of the decline in the market. I just think that given the fact that there is a precedent in the United States for exempting gifts of private company shares and gifts of real estate, there's every reason to believe we should be on a competitive playing field with the United States, because these gifts of capital assets are typically the ones that provide major donations to endowment funds and community foundations and so on, as well as universities and hospitals.

With respect to the private companies, I think that also is a major untapped source of potential donations when people start their own businesses. If the owner of the businesses is getting on in years and his children don't want to take over the business, typically they'd sell the business at that point in time. I think if they were exempt from capital gains tax, many of those owners would give serious consideration to donating a portion of their shares to a charity at the time they're selling the business and I think that would stimulate some major incremental gifts.

This is a long-term solution that's going to help our not-for-profit sector secure greater funds, so I think it's very good public policy. I think it's also very good politics. I was delighted to hear Mr. Mulcair confirm his support. Given the fact that we have a minority government, I think it would be great if all parties could communicate their support for this measure, and then it will happen.

The Chair: You've got about 45 seconds left.

Mr. Bob Dechert: I have one further question.

We've seen some good news in recent days about the recovery in the average net worth of the average family, and partially that's due to the recovery of residential real estate prices. Certainly in my city of Mississauga, residential real estate prices are recovering and increasing in recent months. How would that impact the charitable sector if we were to proceed with your proposal to allow the donation of real estate to the charitable sector?

Mr. Donald Johnson: Actually, in Canada, because the sale of principal residences is exempt from capital gains taxes, this measure would not be relevant to principal residences. It would be for a vacation property; it would be for any commercial property.

Mr. Bob Dechert: So vacation properties and commercial properties?

Mr. Donald Johnson: Yes, right. It could be rental residential, commercial, or industrial property. It's basically taxable real estate that's relevant too.

Mr. Bob Dechert: I have one quick question for the Green Budget Coalition, if I could.

The Chair: You're out of time, Mr. Dechert.

We'll go to Ms. Hall Findlay, please.

Ms. Martha Hall Findlay (Willowdale, Lib.): Thank you very much, and thank you very much, everyone, for being here.

My questions are specifically to Mr. Jules.

I will echo the sentiment that this is very intriguing, and I know you've been pursuing this for some time. I do have a couple of specific questions on how this would work, though.

I'm looking at your table here, and the suggestion is that the title to land would be transferred to the first nation in question; the first nation would then be in the position to grant fee simple ownership to individuals, not clearly necessarily to members of the first nation. As you've provided, it could go to anyone. How would that be determined? How would you determine who you would actually grant title to? Would there be priority to members of the first nation? How would you establish...? I'm curious about this. You would get something, and then would you just leave it open to the market to determine valuation? Would there be preference?

If you could elaborate a little bit on that, I'd appreciate it.

• (1025)

Mr. Manny Jules: First and foremost, this would have to take place with a vote of the entire community in favour of opting out of the Indian Act. Right now the title is vested in Her Majesty, and therefore the federal government owns Indian reserves. So the land would actually be transferred to the first nation.

My vision is that there would be a subsequent vote allowing individual certificate of possession holders. Right now individuals who own land on reserves would be entitled to have indefeasible title. There would also be subsequent votes or, at the same time, votes as to who would be allowed to own property.

But the market ultimately would bring this to bear. In order for a property to be mortgaged anywhere else in the country, you have to be able to go to the bank and you have to be able to put forward a market case to have value in that land. So if you have a restricted market, as it is right now on Indian reserves, you realize less than one-tenth of its value.

Ms. Martha Hall Findlay: In that sense, if you had a vote after the transfer, would that vote then include the provisions and terms, for example, of priorities as to who might be able to acquire fee simple?

I'm just a little bit uncertain as to what happens then, what the first nation does with the money it would receive from its own members or other non-members of the first nation, if in fact there is a possibility of the whole nature of the reserve somewhat disappearing, as my colleague said. I appreciate your statement that it wouldn't likely disappear, but it does change the nature of the whole....

Mr. Manny Jules: Let me give you the example of Nisga'a. Nisga'a is the only first nation in the country that has this ability right now. They're going forward with a vote to privatize individual holdings at the end of October, on October 30. It comprises less than one two-thousandths of the entire land holdings that the Nisga'a have.

In the majority of cases, you're going to find that this will not be a significant portion of the reserve. There will be lands set aside for different uses, whether they be, in my particular case in Kamloops, rangeland uses, forestry uses, or the like. The individual community would choose which subdivisions would be made available for privatization.

My view is that if this doesn't happen, first nations will never, ever be able to catch up to the housing needs that are present in the communities right now. This would give a real governmental role for the first nations to be able to govern their own lands without interference from anyone else.

Ms. Martha Hall Findlay: Thank you.

Just to follow that through, then, in order for the market to work and in order for people to get mortgages from the banks, if there is a default, the normal circumstance is that the bank would then take title and be in a position to sell it to whomever. If the market were truly able to work, it would be open to the bank to then turn and sell it to whomever.

Mr. Manny Jules: Exactly, yes, that's right.

Ms. Martha Hall Findlay: Okay.

Mr. Manny Jules: You know, one of the things that Canadians hold dear to their hearts is individual private property. There's no way we want to jeopardize that.

As a matter of fact, we are establishing, through an agreement I have with Thompson Rivers University, various training programs through the institute called the Tulo Centre of Indigenous Economics. They will help facilitate that. There obviously is going to be risk, but at the same time, we're going to be tempering that through proper education.

Also, just to drive this home, I mentioned and quoted Hernando de Soto. My tax commission has a memorandum of understanding with the Institute for Liberty and Democracy, which is based in Peru. We're working together on the same objectives in Peru, working with the indigenous populations to promote private property regimes in the country of Peru, and he is advocating the same here for first nations.

• (1030)

The Chair: Thank you.

Thank you, Ms. Hall Findlay.

Thank you to all the witnesses for your presentations and your responses to our questions here today. We'd obviously like to continue the discussion, but we do have another panel right away. We want to thank you for your appearance here today.

We will ask the second panel to come forward as quickly as possible.

We'll suspend for a minute or so.

• _____ (Pause) _____
•

The Chair: I call to order the second part of our 39th meeting. We have another six witnesses and are continuing our discussions in these pre-budget meetings.

In order of appearance, we have, first of all, the Canadian Airports Council. Second is Orchestras Canada. Third is the Canadian Labour Congress. Fourth is Polytechnics Canada. Fifth is the Canadian Chamber of Commerce. Last, we have the Multiple Sclerosis Society of Canada.

In that order, I'll ask each of you to present for a maximum of five minutes in order to allow some time for questions from members.

Mr. Facette, please, when you're ready.

• (1035)

[Translation]

Mr. Jim Facette (President and Chief Executive Officer, Canadian Airports Council): Good morning, Mr. Chair.

Good morning, everyone. Thank you for giving me the opportunity to present our point of view on your debate and perhaps provide input for your recommendations to the Minister of Finance.

[English]

Mr. Chairman and committee members, you should have available to you our full submission to this committee. It addresses three areas that we believe go to this government's jobs and competitiveness agenda. The elimination of airport rent, the creation of true foreign trade zones, and the need to reduce the regulatory burden will all create more jobs and make our airports in Canada more competitive with those of our neighbours in the United States and elsewhere in the world.

In the next few minutes, for the purposes of keeping this brief, I will touch on airport rent and foreign trade zones.

First, on airport rent, for all the benefits and positive elements of Canada's unique airport management model, the payment of rent to the federal government by airport authorities remains the single largest impediment to our members' growth. This is why the Canadian Airports Council recommendation to this committee is that your report to the Minister of Finance include a recommendation that airport rent be eliminated.

Airports in the U.S. not only do not pay rent, but they also do not pay municipal property taxes, and they benefit from federal and municipal funds to cover their infrastructure needs. Our members compete with airports in the U.S., and indeed with airports around the world, in securing service from air carriers from all over the world. Airlines today have many options open to them when it comes to deciding which markets warrant their attention. If an airport in Canada is more expensive to service than a similarly sized market elsewhere, the Canadian airport is at a competitive disadvantage.

Meanwhile, for many of our members' airports near the border with the U.S., the competitive nature of air service is even more obvious. A prime example is the 1.7 million Canadian travellers each year who travel through Buffalo Niagara International Airport. That is one-third of Buffalo's five million passengers. As a result of so many Canadians, the airport is in fact expanding its infrastructure.

This is happening because U.S. airports enjoy a cost advantage. According to the World Economic Forum, Canada ranks seventh in the world in terms of tourism and competitiveness, but due to factors such as rent, taxation levels, and the excise tax on aviation fuel, Canada is ranked 110th out of 124 countries in terms of price competitiveness.

If airport rent is eliminated, then, what will happen? A recent study conducted by the Canadian Airports Council estimates that the elimination of rent would result in 590,000 new air travellers a year, who will pump an additional \$304 million in spending into the economy. Total new employment generated would be about 5,330 person-years and total economic output would be \$710 million a year. When combined with the tremendous economic spinoffs from the elimination of rent, as outlined earlier, we contend that this move would be a valuable direct investment in Canada's aviation and tourism sectors.

Mr. Chairman, my second and final point this morning is on foreign trade zones.

As the federal government continues its efforts to improve Canadian industrial competitiveness through trade liberalization, which we fully support, we also seek your support for a program that has enjoyed success abroad but has yet to be developed in Canada, and that is true foreign trade zones. The Canadian Airports Council, the Canadian Chamber of Commerce, and the Canadian Manufacturers and Exporters are united in our support for this initiative.

A key component in the prosperity of global trading hubs is their proximity to foreign trade zones. Most, if not all, have foreign trade zones nearby. By lowering barriers to trade, these zones are designed to help countries improve their relative competitiveness as hubs of trade and transportation. Accordingly, the concept has grown quickly and has enjoyed economic success throughout the world.

Free/foreign trade zones are facilities where goods from outside a country can be stored or processed duty- and tax-free prior to (a) shipment to another country or (b) import via normal custom process into the domestic economy. Foreign trade zones have proven to be powerful economic generators providing a number of advantages to their users, firms involved in international trade.

The CAC requests that this committee recommend to the Minister of Finance that this government take whatever measures are necessary for the creation of true foreign trade zones in Canada.

Mr. Chair and committee members, I will end my oral presentation here. Thank you very much for the opportunity this morning.

• (1040)

The Chair: Thank you for your presentation.

Second, we'll go to Ms. Carleton, please.

Ms. Katherine Carleton (Executive Director, Orchestras Canada): My name is Katherine Carleton. I'm executive director of Orchestras Canada/Orchestres Canada. We are a national membership organization with a membership of approximately 200 orchestras, ranging from grassroots, amateur, and youth orchestras to our largest professional ensembles. We have member orchestras in communities large and small in every Canadian province.

We are all well aware of the challenges the Government of Canada faces, both in managing current commitments and in making strategic investments in Canada's future. We are honoured and pleased to take part in this pre-budget consultation process.

I know your time is limited. I also know you've studied the brief that we submitted, and you have many more witnesses to hear from. Accordingly, I will endeavour to make my points quickly.

I want to start with a word of thanks. Canadian orchestras sincerely appreciate the significant and consistent investments made in arts and culture by the Government of Canada and the recognition that we are part of an important \$46 billion cultural sector responsible for 3.8% of Canada's total real gross domestic product in 2007. Specifically, we are grateful for a one-time \$50 million increase to the Canada Council for the Arts announced in May 2006, a permanent \$30 million increase to the Canada Council announced in July 2007, and a recent five-year renewal of several critical Canadian Heritage funding programs listed in our brief. We are

grateful for these investments. They are important and they have helped many significant things happen.

While the proportion of federal investment in Canadian professional orchestras made up less than 10% of their total revenues in 2007-08, it is really an important investment. It's a foundation that helps orchestras generate earned and contributed income, helps them recruit volunteers, helps them plan effectively, and helps them ensure that their offerings are accessible to Canadians. With your help, audiences are growing. We have seen a 20% increase in audiences for Canadian orchestras in the past four years alone. We are grateful for these fundamental investments in our sector. We have worked hard to maximize their impact, and we believe that the health and vitality of the sector, despite the challenges presented by the economy, speaks to the effectiveness of this investment. In short, thank you.

That being said, we know there are still unmet needs in Canadian communities and undeveloped potential in Canadian orchestras. In our brief, submitted back in August, we made three recommendations to the standing committee, and I will quickly summarize them here.

First of all, we recommend that the Government of Canada increase the annual base budget of the Canada Council for the Arts to \$300 million by fiscal year 2012-13. This would represent a permanent increase of \$40 million per annum in each of the next three years to the council's current allocation, consistent with the council's already articulated strategic and operational plans. I brought along copies for each of you to study at your leisure. The increased investment will help Canadian artists and arts organizations strengthen their artistic practice, innovate in their use of technology, respond to demographic and cultural shifts in Canadian society, and develop and reach new audiences. The Canada Council for the Arts is an accountable, respected, and transparent organization. I will also note that they received a clean bill of health from the Auditor General in a special examination in the summer of 2008.

Second, we recommend that the Government of Canada consider increasing the charitable tax credit from 29% to 39% on gifts between \$200 and \$10,000 to help stimulate the flow of charitable gifts from middle-income Canadians. In recent years, our members have been extremely successful in increasing revenues derived from private sector sources, but there's a troubling trend that we believe must be reversed. Statistics Canada and the Canada Revenue Agency reported that only 24% of all Canadian tax filers claimed charitable donations in 2007, compared to 30% in 1990—this despite the fact that the federal government and, for the most part, provincial governments have been lowering taxes over this period, which should result in taxpayers having more to give. As well, in the 2007 Canada Survey of Giving, Volunteering and Participating, more than half of all donors indicated that they would increase their charitable giving if there were better tax credit incentives to do so. We believe this is something that would help not just orchestras but all registered Canadian charities.

Finally, we recommend that the government invest in a \$25 million market access and development fund that will help connect Canadians to arts and culture and help export-ready Canadian cultural products reach the global marketplace. We believe this is an opportunity for Canada to show off its best to Canadians and to the world, and accordingly, we believe that a dedicated funding program will help to do this.

• (1045)

We have been encouraged by the nature of our relationship with the Government of Canada. We feel we speak from experience. Consistent, thoughtful programs of support have contributed to the community value, capacity, and stability of Canadian orchestras.

Thank you very much.

The Chair: Thank you for your presentation.

We'll go to the Canadian Labour Congress. Mr. Yussuff, please.

Mr. Hassan Yussuff (Secretary-Treasurer, Canadian Labour Congress): First of all, on behalf of the Canadian Labour Congress and its 3.2 million members, we thank the committee again for affording us the opportunity to make our presentation today.

The CLC calls on the federal government to address three key issues in the next budget: pensions, employment insurance, and of course jobs.

Our priorities are to overhaul our national pension system through a package of measures, including a doubling of the Canada Pension Plan and the introduction of a national system of pension insurance. As a first step, the budget should increase the guaranteed income supplement to a level sufficient to eliminate poverty among the elderly in Canada. The federal government should convene a summit on pensions, including provincial and territorial governments, employers, labour, and others, to develop a concrete national action plan on pension reform.

Second, improve income security for unemployed workers and help hard-hit communities by introducing a uniform national entrance requirement of 360 hours for employment insurance; raise benefits from 55% to 60% of previous earnings; and extend benefits for at least 50 weeks in all regions.

Third, launch a major, multi-year public investment program to save and create jobs; introduce support for public infrastructure development; and expand public services, energy conservation and renewable energy projects, and support for industrial restructuring.

Since the current global and Canadian recession began last October, almost 500,000 full-time jobs have been lost as a result of the manufacturing and forestry sector crisis. Canada faces an acute social and poverty crisis as hundreds of thousands of workers who are unemployed through no fault of their own begin to exhaust their EI benefits. The crisis has also had a devastating impact on retirement savings and pensions of millions of Canadians.

On the issue of pensions, the crisis has exposed major faults in the heart of our pension system. Our public pensions—old age security, OAS, the guaranteed income supplement, GIS, plus the Canada Pension Plan, CPP—provide a secure income in retirement, but the

maximum value of pensions falls well short of replacing the 50% to 70% of pre-retirement income needed to maintain living standards.

Meanwhile, the private part of our pension system is in deep trouble. Only about one in five workers in the private sector now belongs to an employer pension plan. RRSPs were sold as the solution to our pension woes, but the average older worker approaching retirement today has saved enough to buy a monthly pension of only about \$250 per month. A disturbing number of vulnerable seniors, especially single women, still live in poverty.

The labour movement believes that Canadians should not fend for themselves in retirement. We call for a national summit of governments, employers, labour, and others to discuss and bring forward a concrete plan to rebuild and reform our pension system. Our priorities for change are a major shift from private to public pensions and greater security for members of existing employer pension plans. The changes we propose will benefit all workers and provide greater security while making our overall pension system better fit the needs of a changing economy.

We call for the doubling of benefits under the Canada Pension Plan from 25% to 50%. We call for an immediate increase in the guaranteed income supplement to eliminate poverty among the elderly. The guarantee should provide for pension benefits to a proposed maximum of \$2,500 per month through a system funded by contributions from pension plan sponsors.

On the question of employment insurance, EI is a critically important program for Canadian workers, especially at a time of nearly double-digit unemployment. Laid-off workers need adequate benefits to support themselves and their families. Improving EI is an efficient form of economic stimulus that can help maintain hard-hit communities and economies. Our EI program leaves far too many Canadians, especially women and lower-wage insecure workers, out in the cold.

We call for a uniform entrance requirement of 360 hours of work across the country so that more workers are qualified if they are laid off.

• (1050)

The Chair: Mr. Yussuff, you have about 30 seconds left.

Mr. Hassan Yussuff: I understand.

We also call for longer benefits of at least 50 weeks in all regions so that fewer unemployed workers exhaust a claim.

Very quickly on the question of jobs, to deal with the still worsening jobs crisis, the CLC calls for the federal government to launch, in partnership with the provinces and cities, a major multi-year public investment program that would create jobs now, promote our environmental goals, and build a new green infrastructure for the future. A comprehensive plan would cover roads, sewers, and basic municipal infrastructure; health and educational facilities; mass transit; passenger rail; affordable housing; energy conservation through building retrofits; and renewable energy.

Let me conclude on the last point. Canada has a very low level of public debt. Borrowing costs for the federal government are and will remain very low, and many public investments yield high rates of return in terms of public benefits and growth in private sector productivity. Households are saving rather than spending, private sector investment is very depressed, and a strong global recovery is a distant prospect. Now is the time for the federal government to lead the way into an economic recovery.

Thank you so much.

The Chair: Thank you.

We'll go next to Mr. Davies, please.

Mr. John Davies (Chair of the Board of Directors, Polytechnics Canada): Mr. Chair and members of the committee, thank you very much for this opportunity to address you this morning.

I'm chair of Polytechnics Canada. Joining me this morning is our CEO, Nobina Robinson. In my other day job, I'm president of Humber Institute of Technology in Toronto. Those of you flying in and out of Pearson on final approach to the north runway will see me down on the north side of the plane about 50 feet above you. We're just right there by Pearson airport.

Polytechnics Canada is a growing national association of some of the largest colleges and institutes of technology in the country. We are degree-granting, research-intensive, and industry-responsive post-secondary institutions. We are united in our conviction that a polytechnic education is essential for Canada's transition economy.

Our nine members have grown well beyond the traditional concept of a community college. Polytechnic institutions provide a broad range of applied professional, technical, and vocational programs. Our programs are employer driven and lead to high-quality jobs. We are committed to providing efficient and effective pathways to higher levels of credentials for our learners in order to bolster their contribution to the knowledge economy.

We conduct research that addresses commercial needs and solves problems for employers.

Polytechnics foster industrial innovation. We are helping a range of smaller and medium-sized companies, SMEs, discover and implement new ways of doing business. We help them adapt to new technologies and we help them apply new technologies to improve their market outcomes and productivity. In doing so, we foster entrepreneurship in this country.

There is at present, unfortunately, little or no federal support for what we do in this regard. We receive little or no help for field-testing, design, and development of new manufacturing processes. Without backing for these vital activities, new discoveries through

basic research cannot easily reach the global market. It's the late stage of the commercialization process that needs federal attention and, we believe, needs it now.

Industry demand for our commercialization services is increasing. Let me give you a few examples of what Polytechnics Canada members are doing to support innovation.

Algonquin College here in Ottawa is collaborating with HousAll Systems Corporation to build low-cost, safe, and healthy temporary housing solutions for victims of disasters at home and abroad. In Calgary, the Southern Alberta Institute of Technology, SAIT Polytechnic, is working with Volker-Stevin Contracting to test a portable desalination system to decontaminate settling ponds. In the Waterloo-Kitchener area, Conestoga's telecommunications research projects involve major wireless carriers in addressing everything from networks to the manufacture of electronics.

Canadians who use the Firefox web browser, which includes me, will be interested to know that many Firefox upgrades are designed in collaboration with degree students and faculty from Seneca College in Toronto's Centre for Development of Open Technology.

A researcher at BCIT has patented a device called a heavy tool support arm. It helps construction workers who need to hold heavy power tools like jackhammers in an overhead position for extended periods of time. A concrete restoration firm has now sealed a deal to sell this device.

At Humber, students from our industrial design degree program are working with SMEs to solve global problems with innovative designs. Among them are personal mobility devices for the visually impaired, unmanned aerial vehicles to assist in police operations, and temporary human waste management systems for refugee camps.

These examples of polytechnics' success—and time doesn't permit me to mention so many more—are all about improving commercialization outcomes. Any increased investment in polytechnic institutions will allow us to leverage more private sector money to create more success stories and more jobs.

Last year Ottawa provided the university sector with over \$2.7 billion—and I emphasize billion—for discovery-based research. By contrast, our nine members received only \$1.8 million in federal funding for applied research. In other words, for every dollar for university research, federal support for applied research in our institutions amounted to one-tenth of a cent.

Industry innovation requires more federal spending, we believe, on applied research. It's time to rethink the putting of so many of our eggs into the pure research basket.

•(1055)

Our recommendation for a commercialization voucher for SMEs will help these firms with product research, product testing, and quickly moving products to market. Our students will benefit from the increased demand for their research services. Technology diffusion centres that we have proposed will act as incubators in our polytechnics to provide research experience to our students, in addition to technical support, technological development, and training for the SMEs we serve.

This idea is based on the successes we've seen at Sheridan College in Ontario, at BCIT, and, notably, in Quebec at the CEGEP level, where such a network of technology diffusion centres is well established.

Finally, our request for new federal spending on improved labour market data is critically important to help our institutions achieve better outcomes, whether in applied research or job creation.

The Chair: Thank you, Mr. Davies.

Mr. John Davies: In closing, Mr. Chairman, I want to emphasize that Polytechnics Canada is not calling for increased support because of some sense of entitlement. Rather, we are seeking to advance economic development and job creation throughout Canada.

Thank you. I look forward to your questions.

The Chair: Thank you.

We'll go to Ms. George now, for the Chamber of Commerce, please.

Ms. Shirley-Ann George (Senior Vice-President, Policy, Canadian Chamber of Commerce): Thank you, Mr. Chair.

With me today is our chief economist, Tina Kremmidas.

It gives us great pleasure to come before the House of Commons Standing Committee on Finance once again to present the views of the Canadian Chamber of Commerce as you proceed in your pre-budget consultations.

As you know, the Canadian Chamber of Commerce is the largest, most influential advocate for business in Canada. Our network is firmly rooted in main street in virtually every community in the country, representing 175,000 businesses of all sizes, in all sectors, and in all regions.

On behalf of our members, we are pleased to have provided you with a copy of our submission on July 15.

As we come out of this recession, how Canada positions itself through this next budget is crucial. Your report has never been more important.

We're going to keep our comments very short so that there is time for dialogue.

I'd like to turn to my colleague Tina Kremmidas to make a few opening remarks before the discussions begin.

Ms. Tina Kremmidas (Chief Economist, Canadian Chamber of Commerce): Thank you, Mr. Chair.

Good morning, members of the committee.

Canada's economy appears to be moving away from one of the most difficult and challenging setbacks in our lifetime. While the recession may technically be over, the road to recovery is expected to be gradual and long, with economic uncertainty and market volatility remaining high, especially in the short to medium term.

In light of this, it is imperative that the government continue with its ongoing efforts to implement the announced stimulus measures promptly and effectively. Concerted effort is needed by all levels of government to ensure that committed funds get out the door. Restoring and maintaining confidence, growth, and jobs should remain the government's top priority.

Second, we must chart a path back to fiscal discipline. Big government deficits are back federally and provincially. Rising debt and interest burdens will reduce our ability to act in areas that are crucial to long-term competitiveness—in particular, tackling high marginal personal income tax rates, meeting the challenges posed by an aging population, and investing in education and skills training. I'm sure you would agree that we cannot run deficits indefinitely without eroding our competitive standing, our productivity, and our future prosperity.

The one point we would like to stress today is that in order to build confidence in the future, the government must present Canadians with a viable plan on how it will balance its books and avoid structural deficits. Repairing federal finances will not be achieved overnight. It will require significant program restraint and a fresh look at programs, such as the employment insurance program, to ensure that they are designed to maximize long-term growth and minimize labour market distortions.

We must commit to dedicating surpluses, once balanced budgets are achieved, to repay deficits accumulated since fiscal 2008-09 so that the federal debt does not rise further.

Finally, we must avoid raising taxes, a move that would weaken our global competitiveness.

Besides doing whatever we can to mitigate the severity of the downturn and to speed recovery, the government must ensure that Canada's economy remains internationally competitive over the long term. It must focus on building a skilled and competitive workforce, eliminating internal barriers to trade and mobility; creating new market opportunities for Canadian companies; implementing the competition policy review panel's recommendations with respect to the Investment Canada Act; establishing a Canadian strategy that reconciles our need for secure and affordable energy with our desire for a clean and healthy environment; eliminating overlapping regulations; ensuring the coordinated and timely maintenance and development of our border resources to meet the commercial and security needs of the Canada-U.S. relationship and to make Canada a competitive gateway for North America; developing and implementing an objective-based national transportation strategy that embodies a North American vision; and championing a strong intellectual property rights regime. It is imperative that the government not lose sight of these long-term issues.

Preserving the public's trust in the sustainability of public finances is essential. This is why it's imperative that you ensure that we take the needed measures to avoid structural deficits. It is also essential that we implement smart policies that promote work, savings, and investment; encourage entrepreneurship; stimulate technological progress; boost productivity and economic growth; and enhance our long-term competitiveness. While we keep an eye on reviving the economy, we must focus on the long term and implement policies with an eye on the future.

We wish the House of Commons finance committee every success as it conducts pre-budget consultations.

Thank you for your attention. We would be pleased to answer any questions you may have.

● (1100)

The Chair: Thank you very much for your presentations.

We'll go now to Ms. Groetzinger.

Am I pronouncing your name correctly?

Mrs. Deanna Groetzinger (Vice-President, Government Relations and Policy, Multiple Sclerosis Society of Canada): Perfect. Thank you very much, and thank you for inviting the Multiple Sclerosis Society to present today. We are pleased to provide input on behalf of Canadians affected by multiple sclerosis.

First a little about MS. It is an often progressive and disabling disease of the brain and spinal cord. MS has a profound impact on the ability of people to earn a living. Most people with MS are diagnosed between the ages of 15 and 40, just when they are finishing school, starting careers, and beginning families. Over time, up to 80% of people with MS can no longer work. Sometimes this is because the disability becomes so severe, but at other times it's because of a lack of understanding and accommodation by employers.

We are asking the federal government to tackle this issue in two ways. First, the MS Society asks for significant and sustained investments in health research that will lead in the future to better treatments and ultimately a cure for MS and other chronic conditions. Second, the MS Society asks for immediate changes to the Income Tax Act and employment insurance as part of the development of an overall income security strategy for people affected by MS and other disabilities and chronic diseases. These changes will help people affected by MS today.

The MS Society believes strongly that the road to a healthy future depends upon Canada living up to its potential as a leader in health research innovation. *Mobilizing Science and Technology to Canada's Advantage*, the science and technology strategy announced in 2007, acknowledges that world-class research excellence is Canada's standard and that talented, skilled, creative people are the most critical element of a successful national economy over the long term.

The MS Society is committed to this goal as well. We fund a \$10 million research program annually, which supports the very best research projects from coast to coast and fellowships and scholarships for young scientists to attract them to the challenging world of MS research. Canadian MS researchers are acknowledged internationally for advancing knowledge about MS in children, the

impact of genetics, the use of bone marrow transplantation as a potential therapy, and exploring vitamin D as a possible disease prevention strategy.

In our view, the Government of Canada needs to direct much more attention and investment to reaching the goal of world-class research excellence. In particular, there is a pressing need to focus on bolstering discovery health research. This is the kind of research that leads to the creation of fundamental knowledge that makes possible commercialization as well as improvements to the health of Canadians down the road.

In our brief we urge the government to commit Canada to be a world leader by providing significant new funding. We suggest an additional \$350 million be immediately invested in health research, with at least 70% directed to the Canadian Institutes of Health Research. It is vital that this funding not be a one-off investment but that it be sustained in following years. In our brief we suggest ways that this type of investment could be measured for success in the future.

It is equally important to help people affected by MS today, so we're asking for a twofold approach. First, we're asking for a commitment to the development of an overall income strategy for people affected by MS and other chronic diseases and disabilities. This strategy should pay particular attention to the needs of people with episodic disabilities. Those are the kinds of disabilities and diseases that come and go, with unpredictable worsening and recovery. People with episodic disabilities don't fit easily into existing programs or plans and are often left without any kind of support.

As part of this commitment, we ask for some immediate changes to the Income Tax Act and employment insurance. One, we suggest that this could include allowing spouses to claim the caregiver amount. Right now they are not allowed to claim this tax credit. We believe employment insurance sickness benefits should be made more flexible to allow people with MS to work part-time and to receive partial benefits. Finally, we suggest the disability tax credit be made a refundable benefit.

The adoption of these modest but important changes would be a good first step forward toward the development of an overall income security strategy for people with disabilities. These changes would support people affected by MS in their efforts to continue to contribute to the Canadian economy and to remain part of their communities. All of our recommendations that we've mentioned today are in areas that are under federal jurisdiction and, we believe, fit well with current policy directions.

● (1105)

The MS Society of Canada is working very hard to end MS once and for all through increased funding of MS research, but until that day comes, quality of life is equally important to people affected by this disease. We believe our recommendations will make a meaningful difference to their quality of life.

Thank you. I look forward to hearing your questions.

The Chair: Thank you very much for your presentation.

We'll start with Mr. McKay for seven minutes.

Hon. John McKay: Thank you, Mr. Chair.

Thank you, witnesses.

My first question is to Mr. Yussuff. Your second proposal, which is to improve income security, has pretty well been ridiculed from coast to coast by the government. I've seen parliamentary secretaries on national television describing it as a nine-week work year and not really seriously engaging in any kind of rationalization of the system. There are still 58 separate categories of qualifications. If you're a waiter working upstairs, for instance, in the Parliamentary Restaurant, if you live in Quebec it's one standard of qualification, and if you happen to live in Ottawa it's another standard of qualification. It's a system that cries out for very significant reform.

My first question to you, Mr. Yussuff, is this: given the government's attitude towards this fundamental change in unemployment, how do you expect this Parliament will respond to this request on your part?

Mr. Hassan Yussuff: Again, obviously, I'll leave it to the opposition to continue to insist that the government needs to make some fundamental changes to the program, because far too many workers, through no fault of their own, are being denied benefits despite the fact that they've paid premiums for many, many years.

I'd also like to remind the committee members here that the program had a surplus of almost \$54 billion, which the government, through the most recent budget, has now legally taken out of the system, as there were more premiums paid into the system than were taken out of the system. So we're simply saying that at the end of the day there's no question that there needs to be improvement. To a large extent, our position is that on the resources that should have been there, and that the government has taken out, that is wrong.

More importantly, without doing this, we're not going to solve the crisis in giving workers access to the EI system despite the fact that they continue to pay into it. It's my hope that the opposition would continue to challenge the government, in that they have not really reformed the system despite the announcement yesterday. It will help some workers, without a doubt, but far too many of the members we're trying to address are not going to be taken care of, based on what the government announced yesterday. You have to fundamentally reform the system to allow workers to get better access to EI.

● (1110)

Hon. John McKay: What is your costing request? Is it closer to the Parliamentary Budget Officer's or is it closer to the government's?

Mr. Hassan Yussuff: I'll get my colleague Andrew Jackson to respond.

The Chair: Mr. Jackson.

Mr. Andrew Jackson (Chief Economist and National Director, Social and Economic Policy, Canadian Labour Congress): I thought the TD Bank gave a very accurate sort of costing. It's probably in the range of a billion dollars to drop the entrance requirement to 360 hours, probably because of the fact that a lot of people who would get in with a lower number of hours wouldn't qualify for very high benefits or for very long under the existing system. So it's not a huge cost item.

Hon. John McKay: Thank you.

Turning now to the Chamber of Commerce, I have sat on this committee for six or seven years now, and each and every year the chamber comes before the committee and says that the government should reduce taxes and deal with the debt. There's a standard sort of litany, and each and every year, the chamber's members come in with worse productivity numbers than they came in with the year before, to the extent now that it's actually advantageous on a productivity standpoint for foreign companies to own Canadian companies.

So I'd be interested in knowing what the chamber is doing specifically to improve the productivity of Canadian companies and make them more competitive, given that all governments, both Conservative and Liberal, have pretty well done everything that the chamber has asked over the last number of years and still the productivity of these companies is very dismal. I'd be interested in that. You're here to represent the interests of the business community of Canada, and the business community of Canada has not been serving the people of Canada very well on that specific area, the area of productivity.

I'd be interested in your response to that.

Ms. Tina Kremmidas: The question of productivity has always been an interesting question and has always been asked. Unfortunately, economic analysis or any kind of analysis has not provided an accurate assessment as to what is causing Canada's productivity woes.

A lot of theories have been put forward, whether they be that Canadian companies may not be investing enough in machinery and equipment, for example, or that maybe we're not doing enough research and development in Canada compared to other countries. There are theories with respect to personal income taxes being so high, particularly at the low income levels, such that individuals simply have very little incentive to work because a lot of what they end up making gets clawed back incrementally. So the incentives to work are not there.

The reasons are numerous. There are so many possibilities as to why productivity in Canada has been lagging. We cannot put our finger on it.

Hon. John McKay: The response you've just made is very curious, very curious indeed, because the area of responsibility that you as a chamber have is to encourage your members and in fact to insist that your members be the most competitive that they can possibly be in the marketplace. Yet there seems to be sort of a diffusion of blame: well, it's the workers' fault, or it's the thresholds of income tax, etc.

Why is it that Canadian companies don't invest in R and D and don't invest in enhancement of productivity and yet their foreign competitors in exactly the same situation, competing side by side with them in this country, do?

• (1115)

The Chair: There are about 45 seconds left for a response.

Ms. Tina Kremmidas: Part of it has to do with being a so-called branch plant economy. A lot of the R and D is not necessarily being done in Canada; it may be done at the head office. Part of it has to do with our industrial makeup. We are a service-based economy, to a large extent; about 70% of our GDP is service oriented. A lot of research is not being done in that particular segment of the economy.

Hon. John McKay: Not very comforting answers.

Thank you.

The Chair: Thank you, Mr. McKay.

We'll go to Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest: Thank you, Mr. Chairman.

Good day to all of the witnesses. My first question will be addressed to the representative of the Canadian Chamber of Commerce.

Ms. Kremmidas, in your presentation, you say that it is important that the Canadian government balance the budget as quickly as possible. You also say that it would be preferable to avoid raising taxes. However, I heard nothing about the matter of transfers to provinces.

You know that there are several places where there are links and connections within the financial structure. Just as your members have to pay... are represented both in Canada and the different provinces, can you tell me whether the federal government should avoid reducing transfers to provinces? In any case, if the federal government downloads costs to the provinces as it has done in the past, someone will have to pay somewhere.

[*English*]

Ms. Shirley-Ann George: You raise a very important point about how we are going to pay for all of this. As we come out of the recession, there will be a large number of requests. Everybody who comes to you is going to be asking for additional contributions. We've basically emptied the piggy bank throughout this recession with the stimulus spending and other measures, so how do we pay for it?

We believe the government has made a commitment to the provinces to maintain their level of transfers, and it's going to be a challenge for them to meet that, but we would expect that the first place the government is going to have to look is in their program

spending, not in their transfer to the provinces. There are going to have to be some difficult decisions made, just as there were ten-plus years ago.

[*Translation*]

Mr. Jean-Yves Laforest: That answers my question well. Thank you.

Mr. Facette, with regard to your proposal concerning the total elimination of the rent paid by airports to the Government of Canada, according to your estimates, is it certain that the users and airline companies would be the ones to benefit from such measures?

Mr. Jim Facette: Mr. Laforest, that is a good question and one that is often put to us. The simple answer is yes. Several of our members told government representatives that the elimination of rent would reduce the airline companies' costs, which would allow them to reduce the cost of tickets for passengers. Another possibility would be to reduce the direct costs that are billed to passengers. So there are two possibilities.

Mr. Jean-Yves Laforest: Thank you.

I would like to put a question to Ms. Carleton.

We know that there are small orchestras in small cities. They aren't necessarily symphony orchestras. Musical instruments are very expensive. Do you have access to federal government subsidies for the purchase of musical instruments?

• (1120)

[*English*]

Ms. Katherine Carleton: Thank you very much for your question. I apologize for the fact that my response will be in English.

[*Translation*]

That is very unfortunate.

[*English*]

On the matter of financing for small and medium-sized orchestras, by and large, when we analyze the data that comes to us from those small and medium-sized groups, we see that the focus on fundraising for those groups is very much a higher proportion of budget. They are raising money in the community doing pretty much anything they can.

A number of them that are not eligible for direct federal support currently are eligible for provincial and municipal grants. Many, particularly for the issue of purchase of musical instruments, have accessed lottery funds in their respective provinces to help pay for those kinds of acquisitions.

Principally, that has not been a federal role. It seems to be something where the provinces have played a very active role.

[*Translation*]

The Chair: You have one minute left, Mr. Laforest.

Mr. Jean-Yves Laforest: I would like to put a question to Ms. Groetzinger. I apologize for my pronunciation.

In your proposal to support persons living with multiple sclerosis, you suggest that the federal government put in place measures to allow these people to obtain income and that it make some modest changes to the Income Tax Act and the act governing employment insurance. I think that people living with multiple sclerosis as well as many other people suffering from other physical or even mental disabilities could benefit from these measures. And so I would like to know, in this regard, whether you are in contact with other associations.

[English]

Mrs. Deanna Groetzing: Thank you very much for the question.

Yes, we work very closely together, in coalitions, with a number of other organizations that are equally concerned about these, especially in terms of the episodic disabilities part of the issue. That is probably the most problematic, given the current programs. We work with other organizations, representing people with HIV/AIDS, lupus, arthritis, mental health.

So it's a broad concern, not just that of the Multiple Sclerosis Society.

[Translation]

Mr. Jean-Yves Laforest: Thank you.

[English]

The Chair: We'll go to Mr. Wallace, please.

Mr. Mike Wallace: Thank you, Mr. Chair.

I want to thank our guests for coming. I won't be able to get to you all, but I do appreciate all the presentations.

I want to start with Orchestras Canada.

First of all, I want to thank you, as someone who's actually very supportive of the arts. We're building a new performing arts centre in Burlington, which has federal support of \$4 million. I'm a member of Theatre Aquarius. I go to the Hamilton orchestra often. I went to TIFF this past week; I didn't like the movie.

You do point out that we have provided as a government, since 2006, funding of \$50 million over two years, and then \$30 million made permanently in 2007, which I appreciate. That's about a 17% or 18% increase. If I read your submission correctly, you're asking for an additional \$40 million over the next three years, which is 22% a year, or 60% over the next three years. Don't you find that a little steep compared to the economic situation that we have today? Others will be asking, obviously, not just your organization. How would I justify a 22% increase?

If you could help me with that, I'd appreciate it.

Ms. Katherine Carleton: One of the reasons I brought along a copy of the Canada Council's plan was that on page 15 they talk about what still remains to get done—very appreciative of the significant commitment that has been made to date, yet there remain gaps in what the council can do through the artists and arts organizations of the country.

I may be betraying myself and my people at this point, but I think if I were to say that I believe there is.... If there's a favourable

understanding of the direction that council could go in with additional funding, the numbers are subject to discussion. However, they have laid out a pretty concrete plan for what remains to get done, and that's something that very much has the support of our members and other arts organizations across the country.

• (1125)

Mr. Mike Wallace: I appreciate that answer.

My next question is for the chamber.

I thank you for coming. I haven't been on this committee as long as John has, but I have been here a number of years. I thank you for coming again this year.

I'm looking at your recommendation two. You know, obviously the finance minister is looking at an exit strategy from the deficit situation that we've had to take on, as other countries around the world have done. You're recommending a 2% or 3% growth rate in program spending. How does the chamber feel about our program that we have put in place in terms of reviewing individual programs and seeing if they're meeting their criteria, meeting their goals, and are financially sustainable? Does the chamber have a position on that?

Ms. Shirley-Ann George: Yes. We have been long-time supporters of the need to review programs. Even the best programs are made better through a review. With the tough choices that need to be made, the only way you can do that is through some sort of systemic review.

So yes, we have been supportive.

Mr. Mike Wallace: Thank you.

To the MS Society, I appreciate your being here. I'm very much supportive. I have my MS sticker on the back of my car.

You made some good points in your submission. I know that charities are tight on staff, but have you priced out what all these things, some of your recommendations, may or may not cost the government in terms of the financial impact? Do you have that information, as the MS Society, or is there somewhere I could go to find that?

Mrs. Deanna Groetzing: We certainly have looked at some of our recommendations in terms of...

I assume you're talking about the ones around the Income Tax Act and EI.

Mr. Mike Wallace: Right.

Mrs. Deanna Groetzing: With the EI proposal, which I think is very appropriate for the discussion today, we talk about more flexible sickness benefits that would allow people to actually work part time when they're able to, but still receive partial benefits. The way we would calculate that is that there probably would not be a significant cost to that as well. People would be allowed to work, so they would receive partial benefits. They would receive less than they ordinarily would on sickness benefits.

So depending upon how the program was structured, it actually could be, in terms of impact, fairly neutral. There would be a cost of some small amount—I don't have that figure right in front of me—in terms of allowing spouses to claim the caregiver amount as well as allowing people to make the disability tax credit a refundable benefit.

But in terms of the output of having people with a minimum amount of income actually receive that income, and having that put back into the economy, I think it would actually be a stimulus, a support to that.

Mr. Mike Wallace: Okay.

For the Labour Congress, if I have a minute—

The Chair: You have just a little over a minute.

Mr. Mike Wallace: —I have a couple of quick questions.

On the GIS minimums increasing, it costs people differently, at different levels of income, to live across the country. Do you assume that it would be the same level everywhere, or would you advocate for seniors living in one part, let's say downtown Toronto, as compared with rural Canada, which may mean slightly different income requirements? Do you see it at one level or at a variety of levels based on where they live?

Mr. Hassan Yussuff: No, we're advocating for one level. Again, Canadians do move from where they live. I think we should just have a floor that everybody is guaranteed.

Mr. Mike Wallace: My second question is about the 350 hours or 360 hours, whatever the number is. Has the organization been asking for that for a number of years, or is this the first year that you've asked for that reduction?

Mr. Hassan Yussuff: I think we've been to this committee long before you were here, and there may be others here longer—

Mr. Mike Wallace: So you asked the Liberals for this, and they never responded when they were in government.

Mr. Hassan Yussuff: Exactly.

Mr. Mike Wallace: Thank you very much.

Mr. Hassan Yussuff: I think the committee as a whole has recommended in the past that we should move to this, and it has never been implemented.

Mr. Mike Wallace: Thank you very much for that answer, sir.

[*Translation*]

The Chair: Mr. Mulcair, please.

• (1130)

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

Ms. Kremmidas, you are the chief economist of the Canadian Chamber of Commerce. In that capacity, you are used to choosing your words carefully, so I will ask you to explain the difference between the terms you used in your presentation and the ones contained in your text. I will read them to you in French and in English to avoid confusion.

In your presentation in English, you said that it is important “to avoid structural deficits”. This could be translated as follows: “d'éviter des déficits structurels”. In your document, you say: “we

have to avoid permanent structural deficits”, an expression that could be translated by “l'obligation d'éviter des déficits structurels permanents”.

Isn't the expression “permanent structural deficits” redundant? What is the distinction between the two?

[*English*]

Ms. Tina Kremmidas: I think you're absolutely right. Technically there is no distinction. We need to avoid structural deficits, and a structural deficit is a deficit that we incur. We simply cannot grow out of it. The growth in the economy will not provide enough revenues for us to grow out of it. Permanent means permanent. You're absolutely right. That is redundant.

[*Translation*]

Mr. Thomas Mulcair: Thank you.

May I conclude that according to your analysis, we are presently experiencing structural deficits?

[*English*]

Ms. Tina Kremmidas: There has been a lot of analysis around that particular issue. We can avoid a structural deficit provided that spending growth is brought under substantial constraint, roughly 2% to 3% a year; we can avoid a structural deficit if there is no major spike in interest rates; and we can avoid a structural deficit if there isn't another significant dip in economic growth.

Mr. Thomas Mulcair: Are you concerned that inflation is going to be part of the answer from the government side?

Ms. Tina Kremmidas: The inflation question is certainly an issue in the U.S. with the huge budgetary deficits they're facing; they are hoping inflation will be high enough to help them out of their situation.

Mr. Thomas Mulcair: It's the only way to reimburse that. You can't reimburse \$6 trillion without inflating the economy.

Ms. Tina Kremmidas: Exactly. We don't think there are going to be major inflationary issues in Canada.

Mr. Thomas Mulcair: When was the last time you saw something happen in the States that didn't happen here?

Ms. Tina Kremmidas: I'm sorry. I said the U.S. is hoping that inflation will be out of control so they can get out of their deficit headache. We don't foresee that inflation is going to be a major problem going forward, for a number of reasons.

[*Translation*]

Mr. Thomas Mulcair: Mr. Yussuf, Mr. Jackson, good morning, and welcome.

[*English*]

I'm going to speak in English because I know it will go faster for both of you.

The Liberals and Conservatives took \$57 billion out of the employment insurance fund and gave it to Canada's richest corporations. When they took the \$57 billion out of EI, a lot of people said, "Well, who cares if they put it into general revenue? It's still government money." In fact, every single company and every single employee is obliged to pay into EI, whether that company is making money or losing money or breaking even. All of that money that was purpose-built for the specific events we're going through now, an exceptional case where we have 1.7 million unemployed in Canada, was given in the form of a \$60 billion tax decrease by the Conservatives, backed by the Liberals. In fact, the Liberals said they would have cut corporate taxes even more.

So we have this massive transfer. A company like EnCana benefited to the tune of hundreds of millions of dollars by those tax reductions, whereas a company in the forestry or manufacturing sector that had not made a profit and had therefore not paid taxes got nothing of those tax returns.

Isn't that the base cause of the problem we're in right now in the EI fund as the Conservatives, despite their promises not to tax more, are about to whack companies and employees with a \$19 billion new tax to refund the EI program that they stole and gave to Canada's richest corporations?

Mr. Hassan Yussuff: First, I think the money that was paid in by workers and employers should remain there for the purpose of providing benefits. The fact that it has been treated as general revenue for quite some time is simply unacceptable. It is not general revenue; it is a premium that has been generated to provide benefits for workers. Yes, if you look at the math between the tax cuts and the amount of money that was spent, you can argue it came from the unemployed workers of this country to a large extent.

In terms of our solution, of course, the government should reimburse the fund for the money they take out as a first step.

We also want to be very clear with this committee, and I think it's critical that we do that. We don't see EI premiums as a tax. Some may want to characterize it as that, but we don't see that. For many of our members who pay their EI premiums, it is with the expectation that they will get benefits at the end of the day. I think it is important. This is a program that is paid into jointly by employers and workers with an expectation that they will receive benefits should they lose their jobs. The unfortunate part with the 1.7 million plus the hundreds of thousands who are not qualified for benefits is that they are not receiving anything. I think that's a disservice to the program itself. More importantly, if you continue to argue that EI premiums that are paid are used for general revenue, I think you're doing a disservice to the people who actually take an interest and are defenders of the program.

• (1135)

Mr. Thomas Mulcair: But based on past behaviour—

The Chair: You have one minute, Mr. Mulcair.

Mr. Thomas Mulcair: One minute?

Based on past behaviour... I mean, you're quite right, it's a social program and it's supposed to be there for a purpose. It's dedicated. So when that \$57 billion was taken out and paid over, they were equivalent: the amount given in tax reductions to the most profitable

corporations corresponds to the amount stolen from EI by the Conservatives, backed by the Liberals. But by putting it into general revenue, we indeed are making it a tax for all intents and purposes, but a tax even on companies that have lost money or have broken even, which otherwise wouldn't have had to pay the taxes and did not benefit from the tax reductions because they hadn't been paying taxes. In particular, if you were in manufacturing or forestry, you were subsidizing the oil sector and the banks.

Interestingly enough, when you go through the lists of corporations that contributed to the Conservative Party—when corporate donations were still allowed—number one on the list is EnCana. Number two on the list is the Bank of Nova Scotia. Who profited most from the tax reductions that the Liberals and the Conservatives concocted by stealing the EI fund? EnCana and the Bank of Nova Scotia.

The Chair: That will have to be a comment, because you're out of time, Mr. Mulcair.

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

The Chair: Thank you, Mr. Mulcair.

We'll go to Mr. Pacetti, please.

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

Thank you, witnesses, for appearing.

I have to continue the discussion we are having now on unemployment because I think it's an important topic, and I understand that Mr. Mulcair is finally coming around in understanding what unemployment insurance is there for. I think that is the logic we are trying to use in the Liberal Party's position. I think it's clear that in the past when the Liberals were in government they put a reserve there for a rainy day. Today is that rainy day.

In fact, Mr. Yussuff, as you said, there are a lot of people who cannot collect unemployment insurance. The reason unemployment insurance is there, the reason people pay into it, is so that they can collect when it's a rainy day. Today is a rainy day. We have never had as many unemployed people as we have today.

So I don't see what the problem is in spending an extra \$1 billion to make sure that people will be covered through their insurance premiums. The problem we're having is that they are insurance premiums. Why is everybody across this country paying the same premium yet are not entitled to collect the benefits to which they are entitled?

Now, yes, Mr. Mulcair can mash the numbers as he wishes, but the money that was used in previous years by the Liberal government was also used for items like research, which the people around the table are asking for. It has been used for infrastructure. It was used for health. It was used for education. So let's not quibble over where the numbers go, because I think the Liberal government has always been a good fiscal manager.

The question now is, what do we do in the next two to three months? Are we going to help the people who most need the help by giving them what is due to them, by giving them unemployment insurance because they paid into the program?

Mr. Hassan Yussuff: Our response has been consistent. We believe that the 360 hours we have calculated would, first, provide uniformity across the country. I agree with the point. I think a Canadian is a Canadian. There aren't any differences, regardless of what region of the country you live in. I think that in the context of people losing their jobs through no fault of their own, one of the basic understandings of the EI premiums they were paying is the expectation that they would get benefits. A large number of people, hundreds of thousands, have been disqualified because, of course, of the mishmash of rules we have across the country.

We again urge the opposition and the government collectively to have the government adopt some common standards across the country to help workers who are currently unemployed.

Mr. Massimo Pacetti: The time has come. The reserves are no longer being used for reserves; they are now actually being used for concrete action. The time has come. We can no longer make these adjustments piecemeal. We have to make adjustments to the system, and now is the time. Is that correct?

• (1140)

Mr. Hassan Yussuff: Without a doubt, now is the time.

Mr. Massimo Pacetti: Thank you.

Just quickly, Ms. George, in terms of the amount of spending that is going on with the government, they're spending money like drunken sailors. In their last report, they said they had spent 80% of the money that was already provided for in the stimulus package. What we've seen in the various reports is that they haven't actually spent that money. The money is only going to roll out in the future.

What would be your logic in reining in the spending when we don't even know how much they have spent? You're asking the government to stop spending when we don't even know if they've spent the money or what it has been used on. There has been no accountability in terms of the return we have gotten on that money.

Ms. Shirley-Ann George: Thank you for that question.

We're working on the assumption that the money that has been committed to be spent in the stimulus will be rolled out across the country as committed. We know that it does take some time to put in place programs and—

Mr. Massimo Pacetti: So you're assuming all that money is going to work and there will be a return.

Ms. Shirley-Ann George: We're making the assumption that all of that money will be put into the—

Mr. Massimo Pacetti: Which I'm not convinced of, but anyway....

Jim, just quickly, you're saying airports should not pay any tax because they're not competitive. I'm from Montreal and I don't see myself walking to Boston to take a flight to Toronto. Can you help me out on that?

Mr. Jim Facette: Yes, absolutely, I can. I'd be happy to help you out on that.

You may be from Montreal and you're not going to walk to Boston, but you may head south to Plattsburgh. If you look at the Plattsburgh website, Mr. Chair and other committee members, you'll see that Plattsburgh actually promotes itself as Montreal's U.S.-based

airport. It's on the logo. Check the website out yourself. Secondly, the website is perfectly bilingual. Plattsburgh is going after Canadian travellers in the Montreal area; it's very, very real.

So if you think that Canadians are not going to other airports to get cheaper flights to Vegas or California or Florida, have a look around. You'll see that even in the Ottawa area they're going to Syracuse. If you look around and talk to family members, it happens every day.

In Montreal, if you read the strategic plan on the Montreal Airport Authority website, you'll see that rent is number one going forward.

Mr. Massimo Pacetti: So the airline is not paying tax at the Plattsburgh airport, is what you're saying?

Mr. Jim Facette: The business environment in the United States, in developing the airport, is very, very different. The Plattsburgh airport used to be a military airport and they upgraded to a civilian airport, or aerodrome, as we say in the business, solely on the backs of the U.S. taxpayers.

We don't have that advantage. It's a very different environment. The fee structure, the cost structure, at a U.S. airport is very different.

Mr. Massimo Pacetti: Thank you.

Mr. Jim Facette: You're welcome.

The Chair: Thank you.

Monsieur Roy.

[*Translation*]

Mr. Jean-Yves Roy: Thank you, Mr. Chairman.

My first question is for Ms. Groetzing. Afterwards I would like to go back to Mr. Davies because I found his presentation very interesting.

For several years, I was the president of the local branch of an organization devoted to multiple sclerosis. You referred to a tax credit for disabled persons. The definition used by Revenue Canada is extremely narrow. A person with multiple sclerosis has to be in a wheelchair in order to be recognized as a disabled person.

How many people with multiple sclerosis can benefit from the disabled persons' tax credit? You are asking for a refundable tax credit, but very few people with multiple sclerosis can benefit from it. Revenue Canada does not recognize you as disabled unless you are in a wheelchair.

[*English*]

Mrs. Deanna Groetzing: You make a very good point in terms of the criteria for qualifying for either Canada Pension Plan disability benefits, the disability tax credit, or other programs. I'm happy to say that because of the work of organizations such as mine and many others, there has been an understanding of expanding the definition of what it means to be disabled for the disability tax credit.

One of the obstacles people face is that when they reach a level of disability, they have to go through two assessments for the disability tax credit and the Canada Pension disability benefit. In our view, those should be harmonized. That would be a very sensible way to approach allowing people to claim disability benefits, if they qualify, and the disability tax credit.

We're talking a lot about employment insurance around this table today. People who have an episodic disability, who have periods of illness at times but then they get better, are the people who really have a problem trying to stay in the workforce. But they support themselves in the periods when they are ill and when they're disabled. So going forward, this is the kind of thing where we're looking for much more flexibility in terms of existing programs and to actually look at how the programs can work together.

I think there's an opportunity perhaps to do a bit of work in this upcoming budget in looking at some specific areas. We would also like to see the federal government take a leadership role in looking at all the disability programs and sit down and say okay, what needs to be done—not just to make a few small changes but actually look at all the programs that people with disabilities need.

• (1145)

[Translation]

Mr. Jean-Yves Roy: Thank you.

Mr. Davies, I liked your presentation very much. You made a distinction between applied research and basic research as well as between innovation and invention. Earlier we talked about business competitiveness. In Canada, the majority of these businesses are small and medium ones. As you said, these businesses do not have the means to do research and development.

I would like to put a very simple question to you. Do you consider that in Canada we have a sufficient number of research centres to meet our businesses' needs?

I will give you a very concrete example. In my region, a timber producer who had decided to market an electrically processed ecological log had to have his research done in Finland, because it was impossible to have it done here.

Can you tell me that there are enough applied research centres here and that the government invests as much as is needed in this area? Is that not the root cause of our competitiveness problem?

[English]

The Chair: You have about one minute, Mr. Davies.

Mr. John Davies: Thank you very much for the question.

I think we would certainly agree that there is a great potential in the polytechnic institutions like the one I represent. We are big institutions with tremendously talented students and tremendously talented faculties and we are very close to our industry partners. Every single program that we actually run has an advisory committee.

We're really close to SMEs. We know the challenges that SMEs have in terms of research, development, and the infrastructure you need. We can be responsive to SMEs in a way that other post-secondary institutions cannot. So we're making the case, I think quite

modestly here, that we actually can help in the productivity issue that was mentioned earlier, because if, for example, we provide vouchers to SMEs for commercialization, we operate at that late stage and help SMEs at that late stage of commercialization, which is the example you're raising. I could give you several that we are engaged with.

We think we can make a difference in that we are very unique institutions, we're willing to do this work, and we are growing in our research capacity. What we're suggesting here, compared to the numbers we've heard from other people, is actually quite modest, but it would in fact make a start and move us along a track that we think is very good for Canada and very good for SMEs in particular.

The Chair: *Merci.*

We'll go to Mr. Menzies, please.

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

Thank you, once again, to all of our presenters. As we had said before, we would like to have much more time to flesh out your proposals, but we are all very tight on time here.

We've had a lot of discussions here today about employment insurance. There have been some very inaccurate comments made. We need to remember—and I think Mr. Yussuff did make the point—that this is insurance, employment insurance, and every insurance program is funded through premiums and shared between employers and employees. That's a critical point.

This \$54 billion notional surplus is in the past. We need to deal with the present. That money is no longer there, so we need to deal with the present. That's why, in budget 2008, we froze premium increases. We froze the premiums where they were. This was before there was any recession even on the horizon. We realized we had to do that to protect employees, employers, and the potential unemployed. We can't claim that at that point in 2008, in the budget, we saw this recession coming to the degree that it has hit us. That's why we established an arm's-length board: so that notional surplus could never again be borrowed by politicians. It will remain an arm's-length board and that's where it needs to be, but this has to be actuarially sound, so after a two-year period the premiums will increase. But this board has been given a mandate to limit the increases. I just wanted that on the record.

I do want to ask a question. We've talked—and Mr. McKay raised the subject—about productivity, but the other point is competitiveness. We have made an effort to reduce taxes in this country, to lower the overall marginal effective tax rate to stimulate business, to make us competitive, and to hopefully improve productivity. That's a difficult one to put a handle on and to analyze. Will the fact that we've set the goal to get to the lowest marginal effective tax rate in the G7 by 2015 help the chamber?

I will refer my question to you, Ms. George. Will that help with productivity?

• (1150)

Ms. Shirley-Ann George: That's a very important step. It's recognition of the cold hard reality that we now live and work in a global marketplace and that the ability for jobs and capital to move freely exists.

Canada has a higher standard of living, and that makes our costs higher. We have to be very smart and very crisp about how we form our businesses and our government in order to compete in this marketplace. The lowering of the taxes is a critical step.

On the point about productivity, it is something we all, including you, have all struggled with. I'm sure you've looked at the issue for a while. We had a lower dollar, which encouraged us to hire more people as opposed to investing in more machinery and equipment. Those days are over, which is forcing a systemic change inside of Canadian businesses as we search for new ways in order to compete. It is a tough environment out there.

The Chair: You have about a minute and a half, Mr. Dechert.

Mr. Bob Dechert: I have a question for Mr. Facette.

I was very pleased to hear your presentation. I represent the city of Mississauga, which of course includes Pearson airport. I know what a great contributor to the local economy that is.

I'm very interested in your suggestion about free trade zones. You asked us in your presentation to take whatever measures are necessary to create foreign trade zones in Canada. I wonder if you could outline for us what some of those measures are. Also, could you comment on how such a policy would benefit our still fragile but emerging and recovering manufacturing sector?

Mr. Jim Facette: I believe I have less than a minute to do that.

The Chair: Yes. You have 45 seconds.

Mr. Jim Facette: Mr. Chair, I'm not sure I can do that in less than a minute, but what we mean is that we don't have a legislative framework right now in Canada that would permit the creation of geographic foreign trade zones in Canada. We have what some would say is a suite of programs that allow manufacturers and exporters to do certain very limited tariff-free activities. There are some restrictions under NAFTA in what can and cannot be done.

We're looking for more than that. We're looking to go beyond that. We're looking for a legislative environment that would actually allow things to be brought into Canada that would never, under tax law, be considered to have been in Canada. Manufacturers could add some value to it and then ship it off somewhere else.

The chair of the Canadian Manufacturers and Exporters Association, Dr. Fung, has a great way of showing how global the economy really is: you take one part in one part of the world, put it on a cargo airplane, land it in Canada, and do something to it, and it goes somewhere else. The final product is a multiple-steps process. We're looking for a legislative environment that allows Canada to actually have these geographic regions.

The Chair: Thank you.

We'll go to Ms. Hall Findlay, please.

Ms. Martha Hall Findlay: Thank you, Mr. Chair.

I have to start by taking a little bit of an exception to something somebody else said. Despite the tremendous respect and affection I have for my Conservative colleague, I do want to remind him that not too long ago, and in fact very recently, at least a dozen Conservatives in the House of Commons got up and repeatedly said

that an increase in EI premiums would be a job-killing tax. That was relatively recently.

An hon. member: [*Inaudible—Editor*]

Ms. Martha Hall Findlay: I would also like to then move to a compliment to Mr. Davies and Ms. Robinson for being here and for the good work that you and the polytechnics do. Seneca College is in my riding of Willowdale, and we're very proud of the work that Seneca does and of all that you do. I want to thank you for your presentation and detailed recommendations.

My questions are to the two representatives from the Chamber of Commerce. One earlier comment was that the government had "emptied the piggy bank through stimulus spending". I will remind you that in fact, before we even knew a recession was about to hit, the piggy bank had been run dry with the two largest-spending budgets in Canadian history.

I would ask for your thoughts on three things. One is the reduction in the GST as it contributed to what we are now seeing in fact as a structural deficit. Second is on the challenge of the increase in employment insurance premiums, which is for all intents and purposes a tax increase and is being recommended now by the Conservative government, and what that will do to your members. Third, if you have time, if we as a government are to deal with the deficit and encourage a return to surplus, which I as a Liberal feel strongly about—and I am very proud of the record that we have from the 1990s and 2000s—without raising taxes and without cutting transfers to the provinces, do you have any recommendations on what specific programs to cut?

● (1155)

Ms. Tina Kremmidas: Your question with respect to the GST is a good question.

From an economic policy perspective, all taxes are not created equal. It's extremely important to think about the incentives and the impact that each type of tax has on the economy before deciding what is the optimal tax rate to cut. In our view, cutting the GST was not necessarily the right tax to cut. That's simply because it's a consumption tax, and consumption taxes do not result in negative impacts to productivity, for example, or incentives to work, and things like that.

It relates to the structural deficit issue, which was your question. We think a structural deficit can be avoided if we do the right things. Did it result in deficits being larger than otherwise? Of course it did. A 1% cut in the GST is about \$5.5 billion. It certainly had a big impact on government revenues.

With respect to EI, the Canadian Chamber of Commerce has put out a paper on reforming Canada's employment insurance system. I would be very happy to forward it to the committee.

We believe the overriding goal when it comes to employment insurance reform is to ensure that the costs do not escalate to a point where it becomes very costly and unattractive for employers to hire new workers, and ensure at the same time that the benefits are not enhanced to such an extent that there's very little incentive on the part of employees to go out and look for work.

Ms. Martha Hall Findlay: Can you comment specifically on the government's proposed increase in the EI premiums, which is, as I said, for all intents and purposes an increase in tax?

The Chair: You have about 45 seconds, please.

Ms. Tina Kremmidas: The EI premiums will have to go up simply because there has been a freeze for two years and simply because of the recession. The maximum they can go up is 15¢, and we anticipate that likely they will increase by that amount.

Ms. Shirley-Ann George: We don't like it, but given the fact that it's now a fund and it has to be self-financing, unfortunately it appears to be inevitable.

The Chair: You have 10 seconds, if you have a very quick last one.

Ms. Martha Hall Findlay: I would just note, then, on this whole question of a fund, that it seems to me that the government's deficit projections include, in fact, moving EI premiums into general revenue, thus helping their deficit numbers.

I just leave that on the table.

The Chair: As the chair, I want to ask one question of both the Labour Congress and the Chamber of Commerce.

In the past committee life of the industry committee, all parties endorsed a proposal for accelerated capital cost allowance for the manufacturing sector to move to a two-year writeoff system for capital depreciation. It was put partially in budget 2007, and then budgets 2008 and 2009. At that time, both business groups and labour groups endorsed the proposal. I just want to know whether your organizations do endorse continuing that measure.

• (1200)

Ms. Shirley-Ann George: Yes, absolutely.

The Chair: Mr. Yussuff.

Mr. Hassan Yussuff: Yes, without a doubt. I think it would be of tremendous assistance to those companies that want to modernize their facilities and put new equipment in, so yes.

The Chair: Thank you for that.

I want to thank you for your presentations and for your responses to our questions.

We look forward to the rest of the hearings.

Members, we will see you back at 3:30.

The meeting is adjourned.

MAIL  POSTE

Canada Post Corporation / Société canadienne des postes

Postage paid

Port payé

Lettermail

Poste-lettre

**1782711
Ottawa**

If undelivered, return COVER ONLY to:

Publishing and Depository Services
Public Works and Government Services Canada
Ottawa, Ontario K1A 0S5

En cas de non-livraison,

retourner cette COUVERTURE SEULEMENT à :
Les Éditions et Services de dépôt
Travaux publics et Services gouvernementaux Canada
Ottawa (Ontario) K1A 0S5

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Additional copies may be obtained from: Publishing and
Depository Services
Public Works and Government Services Canada
Ottawa, Ontario K1A 0S5
Telephone: 613-941-5995 or 1-800-635-7943
Fax: 613-954-5779 or 1-800-565-7757
publications@tpsgc-pwgsc.gc.ca
http://publications.gc.ca

Also available on the Parliament of Canada Web Site at the
following address: <http://www.parl.gc.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

On peut obtenir des copies supplémentaires en écrivant à : Les
Éditions et Services de dépôt
Travaux publics et Services gouvernementaux Canada
Ottawa (Ontario) K1A 0S5
Téléphone : 613-941-5995 ou 1-800-635-7943
Télécopieur : 613-954-5779 ou 1-800-565-7757
publications@tpsgc-pwgsc.gc.ca
http://publications.gc.ca

Aussi disponible sur le site Web du Parlement du Canada à
l'adresse suivante : <http://www.parl.gc.ca>