House of Commons
CANADA

Standing Committee on Finance

FINA • NUMBER 044 • 2nd SESSION • 40th PARLIAMENT

EVIDENCE

Tuesday, September 29, 2009

Chair

Mr. James Rajotte

Standing Committee on Finance

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● (0930)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order. This is the 44th meeting of the Standing Committee on Finance and the second in our pre-budget tour of nine Canadian cities. We did Vancouver yesterday, on the first day, and we're in Yellowknife tomorrow. We want to thank all of you for being with us today.

In this session we have three panels of an hour and a half each. It's very busy, with seven witnesses per panel, so there's a lot to hear and a lot of submissions. We do have members from all over the country here with us today.

We're going to ask each organization to present for up to five minutes maximum and then we will have questions from all members. I think you'll find the exchange with members very worthwhile for all of you.

I'll list the organizations in order of presentation: first, the Alberta Pulse Growers Commission; second, Quadrise Canada Corporation; third, the Alberta Chambers of Commerce; fourth, Almita Manufacturing Ltd.; fifth, Treaty 8 First Nations of Alberta; sixth, Kids First Parents Association of Canada; and finally, the Prospectors and Developers Association of Canada.

Welcome to all of you.

We'll start with the Alberta Pulse Growers Commission.

Ms. Sheri Strydhorst (Executive Director, Alberta Pulse Growers Commission): Mr. Chairperson, honourable members, and guests, my name is Sheri Strydhorst and I have a farm in northwest Alberta. I'm the executive director of the Alberta Pulse Growers Commission. With me today is Tom Jackson, a farmer who is an adviser to the Alberta Pulse Growers, from east-central Alberta.

The Alberta Pulse Growers represent 4,500 pea, bean, lentil, chickpea, and fava bean growers in the province. While we are here today on behalf of the pulse growers, I've been asked by the other Alberta crop groups to let you know that we are presenting important policy messages relevant to all members of the Alberta crop sector. Today we are going to be touching upon three initiatives that will secure a competitive advantage for our farmers by stimulating innovation with effective policy.

Our first request is increased investment in Agriculture Canada's research branch. For five of Canada's six largest crops, 98% of the research is publicly funded. Over the last 15 years, federal contributions to Agriculture Canada's research branch have been stagnant, with no increases for inflation. In 2009 dollars, this means that funding has dropped from $458 million to $280 million, a cut of nearly 50%.

The number of front-line scientists has dropped by more than 10% in just the last couple of years. The majority of Agriculture Canada's scientists are ready for retirement in less than 10 years. Agriculture Canada is suffering a corporate memory loss. For example, at Alberta's Lethbridge research centre, the plant pathologist there retired in 2006, but since then, a technician, not a trained scientist, has been the only expertise available for the development of disease research.

To address this growing problem, we are asking for a doubling of A-base funding to Agriculture Canada. This would cost $280 million phased in over 10 years, or $28 million a year. These resources would allow for the development of new crop varieties with drought resistance for the southern prairies, cold tolerance for the northern prairies, disease and insect resistance to reduce the use of pesticides, and healthier foods.

There's tremendous potential to make our food healthier for consumers. For example, peas and beans can help reduce diabetes, obesity, and cardiovascular disease, but additional breeding to increase the resistant starch and antioxidants could result in even more health benefits for Canadians.

Recent studies have shown a 12-time return for investments in breeding research for Canadian farmers, and we're not asking the government to do this alone. Investments in Canadian pulse breeding and agronomic research by Alberta and Saskatchewan producers exceeded $3 million last year.

Our second request is a proposal for a reduced production insurance premium for producers who use green agricultural practices. We're at a time in history when there's increasing national and international public demand for food that is grown using environmentally responsible practices. However, from a producer standpoint, environmental compliance is seen as a cost. We need to create a system whereby producers can profit from environmentally aware markets. In order to brand Canadian producers as environmentally responsible, we need to implement incentives for producers to access new technologies.

We're proposing a reduction in production insurance premiums by 20% for producers who use green agricultural practices that also tend to reduce production risks, such as, for example, reduced tillage, diverse rotations that include pulse crops, reduced fuel use, and more efficient irrigation practices.

Our final request is to provide Canadian producers with easier access to credit. The advance payments program is a financial loan guarantee program that gives producers access to credit via cash advances. This means producers have improved cashflow and better opportunities for marketing their agricultural products.

Under the current program, producers can qualify for a maximum of $400,000, with the first $100,000 being interest free. However, these current limits are becoming a constraint to more and more farmers. There have been significant increases in input costs. The prices of feed, fertilizer, and fuel have risen substantially. In adjusting for inflationary costs, we are asking for an increase in the interest-free limit to $150,000 and in the overall limit to $500,000.

In summary, our request is: increased investment in Agriculture Canada's research branch; reduced production insurance premiums for producers who use green agricultural practices; and providing Canadian producers with easier access to credit.

Thank you for this opportunity. We look forward to your questions.

The Chair: Thank you very much for your presentation.

We'll now go to Mr. Murray or Mr. Lennox.

● (0935)

Dr. James Murray (Senior Advisor, Government Relations, Quadrise Canada Corporation): Good morning, ladies and gentlemen, Mr. Chairman, honoured guests, and members of the committee. We are pleased to have the opportunity to make a short presentation of some of our ideas.

My role is of senior advisor on government relations to Quadrise Canada, which is a private Calgary oil company. With me is the vice-president of technology, Ross Lennox. He will start the presentation, Mr. Chairman.

Mr. Ross Lennox (Chief Technology Officer, Quadrise Canada Corporation): Quadrise Canada is a private Canadian corporation based in Calgary. We have 35 employees. We have one of the few R and D labs in Calgary. We have a number of new science graduates who work with us. We have annual revenues of $2.6 million; 2009 is a poorer year. We've raised $42 million in equity over the last three years. We've spent $11 million in R and D spending. Of this, we've received government support for $3.2 million.

What we're attempting to do is provide a wide range of alternative fuels and environmental solutions to oil sands and power generation markets in North America. Our efforts have been very successful in some areas. We've really suffered from lack of clarity on the regulatory front within Canada. We see that continued expenditure in the R and D area is essential to convert a lot of IP that exists and has no venture capital funds to support it in this country any more.

I think our first recommendation is to better utilize the NRC-IRAP network—this is a network that we've been working with for the last five years—and to really develop the NSERC centres of excellence. Across Canada there are 240 IRAP ITAs, and these cover the whole country and all industries. There are more than 1,800 firms that have been funded by IRAP, and more than 500 firms with the youth program in 2008-09. On average, IRAP provides advisory service to well over 7,000 firms each year. A key part of this is that they're dealing with the small and medium enterprises. These are companies with under 50 employees. To our mind, that's really the kick-off point for a lot of our new successful companies in the future, and they provide long-term employment and opportunity for our new graduates and new Canadian businesses.

IRAP has a lot of history with many clients, and it's really the gateway or the clearinghouse for many government departments. That's the first that a lot of government departments see of any of these new technologies. What we think is really important is that this would bring entrepreneurs and the crown R and D into the NSERC centres of excellence.

Dr. James Murray: I'd just like to speak about some aspects of the commercialization of research. I've spent 30-some years of my life in academia and then switched in my declining years to the private sector. It's an interesting time these days, obviously.

What we have in Canada is really quite a well-funded research program across the universities, in government, industry, and the private sector. Where we are really very weak and we have been missing the opportunity is in commercializing home run kinds of technologies that come up. I'll give you one quick example. In the mid 1980s, Doctor Harold Copp at UBC discovered a compound called calcitonin for treatment of osteoporosis in post-menopausal women. Doctor Copp wasn't motivated to commercialize that compound, yet it's by far, even today, one of the most effective compounds for treatment of osteoporosis, and it's been sold with sales of billions of dollars per year for many years. Think what would have happened if we had commercialized that. There are very similar discoveries across the country, and the challenge is how we can identify these home runs at an early stage and utilize them for the development of additional Canadian industry.

We have a suggestion on how we might do that, and I'll turn this over to my colleague to discuss this.

● (0940)

The Chair: We're running past our time. We'll have to leave that for the question and answer period.

Thank you very much.

We'll move on to the Alberta Chambers of Commerce and Mr. Kobly.

Mr. Ken Kobly (President and Chief Executive Officer, Alberta Chambers of Commerce): Good morning, Mr. Chair. Thank you for the invitation to speak this morning.

For those of you who are visiting Alberta, welcome to Alberta. To those who are coming home and are from Alberta, welcome home.

By way of introduction, my name is Ken Kobly, and I'm the president and CEO of the Alberta Chambers of Commerce. With me is Don Oszlie, our current chair.

The Alberta Chambers of Commerce is a federation of 124 community chambers in Alberta that represent in excess of 22,000 businesses in the province. That makes us the largest business organization in Alberta. Fully 80% of those members are outside the metro Edmonton and metro Calgary areas, so we have a very diverse membership group. Our policy process is grassroots driven. Our policies are proposed by community chambers and then adopted at our annual general meeting, so they tend to reflect the desires and concerns of our member communities, as well as their members.

We currently have in excess of 60 policies in our policy book, ranging from the obligatory tax policies to very diverse policies on child care and border issues. We also have a policy on reintroducing an accelerated capital cost allowance for the oil sands. It was a little bit tough to pick which policies to present today.

We are aware that a viable and prosperous country depends not just on income taxes and corporate taxes—so again, the reason for our diverse policy base. Our policies are available on the website, should you choose to go and take a peek at them. They're fully public, as are the responses we've received to date from governments.

Our submission is generally about indexing of thresholds. Thresholds have been introduced, and the track record has been that they haven't been amended for quite a number of years to reflect changes in reality, prices, and the economy.

We have four examples that we've chosen to highlight in our submission. One is the GST rebate for new housing purchases, which was introduced in 1991 and hasn't changed since then. When it was introduced, houses below $350,000 were eligible for a GST rebate. The policy was that new homes priced between $350,000 and $450,000 were deemed to be luxury homes, so the rebate would start to reduce and be totally phased out at $450,000.

In a number of parts of our communities in Alberta a new house costing $450,000 would not be considered a luxury home. In particular, in northern communities such as Fort McMurray, that range is even further aggravated. I'll give you an example. Currently in Fort McMurray, $440,000 would not get you a new, single family house. It would get you either a condo or a 40-year-old manufactured home. This is an example of a threshold that was introduced and not amended. The policy that initially brought it forward is completely out of whack with economic realities today.

The second threshold that was introduced and has been amended but needs to be reviewed on an annual basis is the capital gains exemption for small business corporations' sale of shares and for farm property. Most small businesses consider their business assets to be their pension plans or their RRSPs for their eventual retirement. It was most recently updated in 2007, but prior to that the capital gains exemption was not reviewed for 19 years.

The third example is the luxury auto threshold. It currently sits at $30,000. Bear in mind that these vehicles are used for individuals in their business endeavours to earn taxable income. While we agree with the general policy that luxury vehicles should not be available for write-off, certainly we need to ensure that these numbers remain reasonable. The last change to that was nine years ago.

The last one is the small suppliers threshold for GST. It was introduced at $30,000, again when GST was enacted. It's been 18 years since that was amended, and we suggest it be raised to $75,000.

Thank you, Mr. Chairman.

● (0945)

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

We'll now go to Almita Manufacturing, please.

Mr. Lawrence Kaumeyer (President, Almita Manufacturing Ltd.): Good morning, Mr. Chairman.

Thank you very much to all of you for having me speak here this morning.

I have French and English in both of my presentations, so please feel free to look at both.

As a snapshot of Almita, it is Canada's leader in the design and fabrication of screw piles. We employ 75 people south of Edmonton in the small town of Ponoka. The key to our foundation is that we basically are competing against both driven piles and concrete piles. We'll grow by 25% this year, and we plan on growing by 25% going forward.

What has assisted our growth? IRAP has assisted our growth, and Ross mentioned this as well. We've received IRAP funding in excess of $164,000 this year for two key initiatives within the company, both of which fuelled our growth substantially. Without that program we would not have been able to be successful, now competing on a world stage at Curl Lake with ExxonMobil and a number of other companies.

It should be noted that the timing of the increased budget amount for IRAP from the economic action plan by the government coincided with one of our key projects. Without that we would not have proceeded and we would not have been successful in being able to launch that, so the timing of it was perfect.

What has assisted our growth also is SR and ED. The tax credits received from SR and ED have totalled $81,000 for our company in the past two years and have provided further support in our key research and development projects throughout the company. Without that, we would not have been successful on the global stage. We continue to use SR and ED for a number of projects within the company, and it's a huge benefit for us.

A number of people have also touched on CCA. Within the small and medium-sized enterprise aspect of the segment of companies and manufacturing industries, capital expenditures are a significant barrier to growth and entry. At Almita Manufacturing we have spent a little over $2.7 million in capital expenditures over the past three years. We appreciate the recently enacted accelerated tax depreciation for certain manufacturing equipment, and particularly the recent acquisition of a major robot in our manufacturing, which has assisted us greatly, and we intend to use that as far as the eligibility is concerned.

What could truly assist SMEs across Canada? Do not cut back on the CCA, please. This was worked on by Jayson Myers at the Canadian Manufacturers & Exporters. It's a vital program for small business.

Consider expanding what is truly eligible under CCA. Unfortunately, currently the definition of what we can actually apply through on an accelerated basis is too narrow for us. We would like to see that expanded to support SMEs across Canada that look at movable equipment, yellow iron, and things we need on a construction basis that would tie in quite nicely with the economic action plan of the government. Specifically allowing any self-propelled industrial equipment such as earthmovers, Cats, hoes, etc., for small to medium-sized enterprise would greatly support our systems.

What could also assist SMEs across Canada would be IRAP. Here again, it would be foolish to cut back this program, and the additional funding that was provided by the government was vital to a number of industries starting up and generating additional cashflow recently. Look for ways to expand this program and look for ways to increase eligibility for it across the country.

Concerning SR and ED, CRA should continue to enhance its administrative service. Preparing a claim for SR and ED is difficult for small and medium-sized enterprises at times. We find it is just very time consuming when you're trying to do it as a small to medium-sized enterprise while you're trying to run the business. So that could be streamlined.

Last, but by no means least, I'd like to mention that we have identified, here in Alberta and I'm sure across the country, that Canada continues to lag behind the U.S. and other OECD countries in its productivity. Support for initiatives across Canada that encourage companies to look at both efficiencies and the increasing value of their products and services would address some of our competitiveness challenges. Alberta has begun this work by establishing Productivity Alberta, a connection point for the industrial sector for all productivity innovation programs, tools, services, and expertise, working in partnership with industry across governments and associations, academia, and related institutions. Perhaps this is the beginning of a model that could be used across the country.

Thank you, Mr. Chairman.

● (0950)

The Chair: Thank you very much for your presentation.

We'll now go to the Treaty 8 First Nations of Alberta, please.

Chief Rose Laboucan (Chief, Treaty 8 First Nations of Alberta): Good morning, everyone, and thank you for having us here.

I represent 23 first nations communities here in Alberta from Treaty 8. We want to look at a different process for first nations people in our area, and we're hoping the presentation to the finance committee will help us look at a different partnership in the way we look at things.

One of the things we look at is not being a tax burden to Canadian society. With this presentation from an economist, I hope we are going to look at it on a more equitable basis.

I'll turn it over to Darcy.

Mr. Darcy Dupas (Representative, Dew Paws Consulting, Treaty 8 First Nations of Alberta): Good morning.

I want to particularly thank the clerks for their assistance in bringing us here today. They were very diligent in helping me make the submission and coordinate our participation here today.

From 1996 to 1997, direct transfers by the Department of Indian and Northern Affairs to Canadian first nations increased by about 0.59% per capita per year. This figure was well below inflation of about 2.36% per year over that period, below the growth rate of federal government revenues at 4.21%, and below the growth rate of gross domestic product at about 4.81%. Over that 13-year span of 0.59% growth in real per capita transfers, if you subtract inflation, you get a net contraction of government sector spending in first nations economies of 1.26% per year.

The effect of a 1.77% real deficit per year over 13 years is a 26% deficit in the current year. The net social debt from these ongoing deficits is manifested in first nations housing, education, and in general quality of life outcomes.

The funding arrangements are based upon a formula calculated by the department, which allocates according to a trickle-down availability of funds from the main estimates and an internally calculated formula. The effect of the long-term fiscal disparity is an annual recurring deficit.

The current financial transfer arrangements lack transparency, they lack predictability, they lack sustainability, and they in no way reflect an equitable exchange of value compared to the lands described in Treaty No. 8.

A history of the treaties lays it out this way. The British North America Act from 1867 contains specific provisions for the equitable treatment of first nations people. This was an extension of the Royal Proclamation of 1763 by the crown of the British Empire. The guiding principle of equitable exchange with first nations and other aboriginal people around the world was formed by the crown of Britain through more than 200 years of experience in managing the greatest colonial empire in the history of the world. For whatever reason, the crown of Canada has not abided by this time-honoured policy, to Canada's great economic and social detriment.

The equitable principles contained in the Constitution Act, 1982, and the Royal Proclamation are there to assist the long-term well-being of all citizens, not just first nations citizens.

The British Empire understood, through experience, that it did not benefit trade and peaceful commerce to marginalize the aboriginal society.

How are we for time?

● (0955)

The Chair: You have one minute.

Mr. Darcy Dupas: Skipping to our third recommendation, we're looking to negotiate direct treaty-based funding agreements that create a government to government relationship between the crown of Canada and first nations governments, and appropriate arrangements thereto, without getting into the cost estimates.

All first nations in Alberta have a relationship with the crown of Canada through the department, and the current arrangements are consistent with the 142-year-old Indian Act. The very title of the legislation is derogatory to first nations people, and the content is no better. The act enabled a system of enfranchisement, which is a euphemism for cultural genocide. The act was created unilaterally without consulting first nations.

The treaties, by contrast, were enacted through a more consultative and good faith process. Most first nations continue to hold the treaties as a sacred trust between their first nation and the crown; therefore, the treaties are a more legitimate basis for good faith negotiation than the Indian Act.

The Chair: Thank you very much for your presentation.

Chief Rose Laboucan: Could I just make a closing remark?

The Chair: Sure.

Chief Rose Laboucan: We are the only colonized people in the whole world and we need to stop it.

Thank you.

The Chair: Thank you.

We'll go now to Kids First Parents Association of Canada.

Ms. Ward, please.

Ms. Helen Ward (President, Kids First Parents Association of Canada): Hi. My name is Helen Ward. I'm the president of Kids First Parents Association of Canada. I'm also the mother of two. Thank you for having me here today.

Kids First is a grassroots, volunteer-run, national charitable organization concerned with children's optimal care and well-being and with support and recognition for parental child care since 1987. We receive no union, corporate, or government funding.

Some lobby groups will be telling you to spend even more money on non-parental child care, day care centres, or, in its rebranded form, all-day kindergarten for children three to five. Groups like HELP, the Human Early Learning Partnership, will seem to promise that the more you spend, the more you save. They imply that you could save more than $400 billion if you spent on high-quality early learning and child care, that for every $1 spent, you could save anything from $1.58 to $17.

Spending on day care could pay off the debt, apparently.

Now, Kids First supports high-quality child care and early learning, as I'm sure we all do. But what do these terms mean? What is "high quality", and how is quality measured? Most importantly, what is "child care"? What is "early learning"? The definitions of these words are battlefields. The devil is in the details.

The day care lobbyists frequently cite Nobel Prize-winning economist James Heckman of the University of Chicago as if he supported their agenda, but he does not. In his paper entitled "The Productivity Argument for Investing in Young Children", he says, "None of this evidence supports universal preschool programs." He also says, "Advocates and supporters of universal preschool often use existing research for purely political purposes. But the solid evidence for the effectiveness of early interventions is limited to those conducted on disadvantaged populations."

The reality is that all children need child care, and they need it 24/7, 365.

As for early learning, children begin to learn before birth and continue to do so wherever they are. The institutional care lobby has attempted to co-opt these terms as if they had a monopoly on care and learning. But they do not.

We call on the federal government to end the unjust discrimination against parents who do not prefer full-time institutional care and learning settings for our children and the discrimination against our children.

We ask you to enforce our charter rights to equality before the law, and our children's rights to security of person, by requiring that laws and policies and programs at all levels of government cease to employ exclusive, discriminatory definitions of key terms, including work, child care, and early learning.

We ask that you cease funding the day care lobby—for example, the Human Early Learning Partnership, the Child Care Advocacy Association of Canada, and the Canadian Child Care Federation, etc.

We ask you to redirect funding of child care and early learning and child development to parents so that we can exercise real choice, free choice, in determining our children's care and early education.

The day care lobby is telling us that the UN Convention on the Rights of the Child requires government to fund day care preferentially. It does not. The convention states that the child has the right to be "cared for by his or her parents". The convention forbids any kind of discrimination.

The UN Declaration of Human Rights says that parents have "a prior right" to determine their children's education.

Stimulating the economy by transferring the production of goods and services away from the family sector and to the family replacement sector in government business and non-profits is not economically, socially, or environmentally sustainable. Increasing children's infections and stress, decreasing breastfeeding, and decreasing parental time spent with children may stimulate economic activity and swell the GDP, but only by parasitically bleeding the family. Funding families directly is fair and sustainable.

Sweden is held up by the OECD as the model for child policy, but after over a generation of this kind of policy there, we find plummeting academic test scores. Canadian teens score higher than Swedes. We find youth suicide and youth violence rising. We find domestic violence against women rising. They say that children in day care centres are 6.7 times more likely to be sick, and that's at a cost of $27,000 per child aged one to five.

We don't want to follow the Swedish model.

Thank you very much.

● (1000)

The Chair: Thank you very much for your presentation.

We'll now go to the Prospectors and Developers Association of Canada.

Mr. Philip Bousquet (Senior Program Director, Prospectors and Developers Association of Canada): Good morning, Mr. Chair and committee members. My name is Philip Bousquet. I work for the Prospectors and Developers Association of Canada. I'm here with Eira Thomas. She is a member of the PDAC board of directors and executive chairman and director of the Stornoway Diamond Corporation.

Thank you for providing us with an opportunity to meet with you today.

The PDAC is a national association whose members are involved in the mineral exploration and development industry, both in Canada and around the world. Our membership includes approximately 1,000 corporate members and 6,000 individual members, comprising mineral exploration and mining companies, service and consulting firms, geologists, geoscientists, students, environmental consultants, and the financial, legal, and investment sectors.

The PDAC organizes an annual convention in Toronto, which is the world's premier mineral industry trade show. In 2009 our convention attracted 18,000 delegates from 120 countries.

As the research and development branch of the mining sector, exploration companies do not have production revenue and therefore must rely on investors who are prepared to support high-risk activities. In the past year, the global financial crisis and a steep drop in commodity prices have had a dramatic and negative effect on the exploration sector. Reduced investment in companies leads to fewer drilling programs and impacts negatively on regional employment and income, particularly in rural, northern, and aboriginal communities.

Working with our members, the PDAC has developed proposals to reduce the impact of the crisis on the mineral industry in Canada.

Number one is a mineral exploration tax credit. As many of you know, this was introduced in 2000 and has consistently provided Canada with one of our competitive advantages. In January the credit was extended for one year to March 31, 2010. The mineral industry is recommending that the current 15% METC become a permanent feature of the federal income tax system. This will provide additional certainty for companies and for investors.

In order to counter the current economic crisis and encourage investment in Canadian projects, we are also recommending a temporary increase of the mineral exploration tax credit from the current 15% rate to 30% for the next two years.

Number two is investing in transportation infrastructure. For instance, all-weather roads, bridges, and upgrades, as well as improvements to seaports and airports in Canada's north and remote regions of the provinces, greatly improve the economics of exploration projects, increasing access and allowing for extended exploration seasons. As well, maintaining a long-term commitment to the geo-mapping for energy and minerals program, or GEM program, will improve our knowledge of Canada's resource potential and encourage new exploration.

In number three, we are looking to improve an exploration company's ability to retain employees by allowing issuance and compliance costs, that is, costs associated with financing legal and accounting expenses, to qualify for renunciation as Canadian exploration expense, or CEE, under flow-through share arrangements.

We believe these recommendations will have an overall positive impact on the economy by encouraging investment in research and resource activities that are critical to Canada's economy. A vibrant mineral sector in Canada creates jobs in all regions of the country, sustains communities, fosters new business opportunities, and raises tax revenues that allow government to meet social needs.

I will now ask Eira Thomas to offer her perspective on issues faced by exploration and development companies.

Thank you.

The Chair: You have about a minute and a half.

Ms. Eira Thomas (Member, Board of Directors, Prospectors and Developers Association of Canada): Thank you very much.

I'm very pleased to be here on behalf of the PDAC and the Canadian exploration sector.

Mining is a globally competitive business. Canadian exploration companies can and do explore for minerals all over the world. In response to the impact of the financial crisis on the minerals industry, we have an opportunity, and I believe an obligation and responsibility, to ensure that Canada remains competitive as a jurisdiction for investment in mineral exploration.

Canada is routinely ranked and assessed as one of the world's most attractive jurisdictions on the basis of its geology. It remains highly under-explored, particularly in the north. However, we also face many challenges. Most of the geology is extremely remote and lacks infrastructure access, making exploration and development extremely expensive. Our northern climate limits the exploration season. And our regulatory regime is expensive, inefficient, and lacks transparency.

Mining is a vital industry in this country and, we think, can play a very important role in our economic future, so we really urge you to consider the recommendations that the PDAC has submitted in order to ensure that the Canadian mineral exploration industry and companies can contribute to Canada's economic recovery.

Thank you very much.

● (1005)

The Chair: Thank you for your presentation. We'll now go to questions from members.

We're going to start with Mr. McCallum, for seven minutes.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you, Mr. Chair, and thank you all for being here.

It's a pleasure for me to be in Edmonton. I went for a little walk this morning and was accosted on the road by an enthusiastic Liberal—in Alberta. So that was a great pleasure. It made my day.

The Chair: Do you want an election?

Hon. John McCallum: Well, I'll move on.

Four of you focused on either the importance of government contribution to research or active government measures to help companies out, whether it's IRAP, the mineral exploration tax credit, or SR and ED. All of that is music to my ears, because we believe very strongly that a lot of the jobs lost in the current recession won't come back, and we must have active government policy to create the jobs tomorrow. That involves research and commercialization, which implies an active role for government.

Even though I'm in Alberta, I'll say that this is in contrast to the government's position, which has actually cut back on funding for research and science. I agree with the thrust of those who have argued for this more active approach.

My first question will be for Mr. Murray. While I agree with what you have said about finding the winners or home runs early, there is also the view that governments aren't always very good at choosing winners. For governments to find the home runs early kind of sounds like choosing winners, and we may not choose them well. I'd like you to speak briefly about your plan for allowing governments to identify these home runs—not necessarily governments, but government funding.

Dr. James Murray: Basically we need a more integrated approach to utilize the expertise—not just in government, academia, or the private sector—and form teams that can evaluate these discoveries at an early date. To date we've basically looked at government, academia, and industry to identify them. That approach hasn't worked. We have all the elements in those three planks, but we have to use them together.

Hon. John McCallum: Thank you. That's very interesting. I'll study it further, because I think it is a key issue. If we could identify home runs, we'd do really well, but it's always a challenge to know in advance which one will be good and which one won't.

On agriculture, your presentation was really clear. In a minority situation one has to be ready for an election at any time, so I will pass it on to Wayne Easter, our agriculture critic. That's not really my area of expertise.

If I may ask Mr. Bousquet a question, I was NRCan minister for a brief time in the dying days of the Martin government. On the mineral exploration tax credit, it strikes me that to make it permanent would make sense. Governments seem to extend it each and every year, but there's always that uncertainty. Would it help your industry quite a bit in terms of certainty if it were officially made permanent?

Mr. Philip Bousquet: It would. The investors and companies are looking for some measure of certainty on tax policy, tax credits, and regulatory regimes. That's why we've asked for this to be made permanent. It would allow companies to plan on a longer timeframe.

Eira, do you have any comments?

Ms. Eira Thomas: I'll just comment that exploration takes a long time. For diamonds in particular, it could be seven to 10 years before you know whether you have an economic project. So for us to have the assurance that we could go back to the market year after year and raise funds on the basis of that tax credit would be very helpful.

● (1010)

Hon. John McCallum: It wouldn't cost the government anything. Whichever party is the government has tended to renew it every year. That has been the pattern for quite a number of years—correct? Yes.

On aboriginal matters, in the past we brought in the Kelowna accord, and we're committed to having something not necessarily identical but similar come the next election. Under the Kelowna accord the last time there was approximately $1 billion a year for five years. However, if I look at this complicated formula in your presentation and read it correctly, are you saying that aboriginal people in Alberta alone are underfunded by approximately $1 billion per year? It shows $999 million on page 3, which is pretty close to $1 billion.

Mr. Darcy Dupas: The calculation was based upon all levels of revenue collected. Alberta is a special case because we have to compete with the provincial jurisdiction when it comes to education. It makes it very challenging to retain teachers and so on. To be accurate, that formula doesn't include the health transfer or the HRSDC transfer. So you'll have to subtract those out as well.

In about 2003 or 2004, the acting regional director general of the Alberta region sat before the chiefs of Alberta and assembly and made a carte blanche admission that there was a $110 million deficit for K through 12 education alone. That's just in terms of fiscal parity, and it has nothing to do with outcomes.

The Chair: You have 30 seconds, Mr. McCallum.

Hon. John McCallum: A few of you mentioned IRAP, but maybe I'll ask Mr. Kaumeyer. My impression is that it is a pretty good program. Do you agree?

Mr. Lawrence Kaumeyer: It is a good program. It's just that the direct funding that was provided through the economic action plan is temporary. We would want to make sure that it becomes permanent, because it has supported a great deal of additional investment recently that has helped stimulate growth—which will show up and is showing up.

Hon. John McCallum: That's certainly my impression.

Thank you.

The Chair: Thank you, Mr. McCallum.

We're going to go to Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Good morning everyone. I am extremely pleased to be here with you, in Edmonton.

My first question is for Mr. Kobly from the Alberta Chambers of Commerce.

You made recommendations on threshold limits that have practically never been reviewed. You are recommending setting the “small supplier threshold” at $75,000. It was introduced at $30,000 in 1991 and has not changed since.

What is the figure based on? Is it an arbitrary number? Are there studies proving that a $75,000 threshold is preferable? Why not $100,000?

[*English*]

Mr. Ken Kobly: Well, there aren't studies currently available to determine or support the $75,000 number we picked. We took a look at the intent of that threshold when it was originally introduced at $30,000 in order to eliminate and/or save on compliance issues, as well as the compliance costs of reporting GST—or taking it off to their accountant to figure it out.

We've seen a great proliferation in the last number of years of individuals who are working on a subcontract basis. They may be working for one contractor or two contractors. So these are truly the smallest of small enterprises. As for the number of $75,000, if you look at what was considered low income in 1991 and then carried that forward with the effects of inflation, I think it would bring you pretty darn close to the $75,000 range.

If you take a look at what would be the overall impact on government, it would be very minimal, in our opinion, in that individuals who work for GST-registered companies or who provide services to GST-registered companies get that GST back on the items they pay.... So as far as the impact on the Government of Canada is concerned, it would be minimal. The true benefit of this would be for small enterprises, by reducing the burden on them.

● (1015)

[*Translation*]

Mr. Jean-Yves Laforest: Would that affect independent workers?

[*English*]

Mr. Ken Kobly: Definitely, if they are working as a subcontractor or as a self-employed individual.

[*Translation*]

Mr. Jean-Yves Laforest: Perfect, thank you.

I now have a question for Ms. Strydhorst.

On the issue of agricultural insurance, your group proposes to reduce production insurance premiums by 20% for producers who use “green” agricultural practices.

What is the rationale behind that? We rarely ever hear from groups that advocate reducing payments.

[*English*]

Mr. Tom Jackson (Advisor, Zone 3, Alberta Pulse Growers Commission): Thank you very much for the question.

I think it's clear, in this day of energy conservation and the green movement, that growing crops like pulses that fix their own nitrogen, reduce chemical inputs, and all of those things that conserve the environment should be encouraged by our government. There's the production of forage and a whole number of things. Crop insurance has really emphasized traditional crops, monoculture. This would be very good for our environment, for encouraging value-added processing, and there are a number of ways that our crops that are environmentally friendly have always been discriminated against in crop insurance. We're asking for a level playing field. Particularly, risk management is a problem for our industry. If we could have that help, it would put our crops on an even footing with many of the major crops like wheat.

Ms. Sheri Strydhorst: To add to that, there was the national farm stewardship program that was essentially achieving the same results, but funds in that program did run out in August 2008. This is seen as another way to implement a similar type of approach where there is more producer buy-in to it by its being a reduction in crop insurance premiums that they pay.

[*Translation*]

Mr. Jean-Yves Laforest: In your opinion, will producers of green products, or those who use “green” agricultural practices react strongly to the recommendation you are making? You argue that their costs vary slightly and are lower than yours. When the proposal is made to reduce insurance payments to a different group than one's own... I can imagine that there will be a strong reaction. I am just seeing things from their perspective.

[*English*]

The Chair: There's about one minute left.

Mr. Tom Jackson: From a producer's point of view, because we are a non-traditional crop, there aren't good records. We are generally discriminated against on cost of risk management because of those issues. We need to look at this issue of green production and the true cost, both to us individually as farmers and to society. We hope this committee will look into that.

[*Translation*]

Mr. Jean-Yves Laforest: That is fine, thank you.

The Chair: Thank you, Mr. Laforest.

[*English*]

Mr. Dechert, please.

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

Thank you, ladies and gentlemen, for your presentations this morning. It's a real pleasure to be in Alberta, in this vibrant and dynamic city of Edmonton.

I have a number of questions, and I'd like to start with the Alberta Chambers of Commerce, Mr. Kobly.

I took great interest in your suggestions for indexing various thresholds in the Income Tax Act. I think that's something we should certainly follow up on. I wonder, in addition to that, if you could comment on the competitiveness of our current Canadian corporate and business tax rate, especially when they're fully implemented by 2012. Do you see that as advantageous for encouraging growth of business investment in Canada? What more, if anything, do you think we ought to do in that regard?

● (1020)

Mr. Ken Kobly: Definitely, with a few exceptions, I think our corporate tax rates are competitive, especially in Alberta, because we have a very low corporate tax rate, particularly on small business. I think the importance of a competitive tax regime cannot be overstated. Capital can move, as you well know, from country to country very easily. The gentleman to the left of me knows that all too well with the commercialization of intellectual property. It's not the end-all and be-all to keeping or attracting business in Canada, but certainly it is a contributing factor.

Mr. Bob Dechert: Thank you.

Yesterday in Vancouver we heard from the Canadian general accountants association, and one of their suggestions was simplification of our tax system. Specifically they suggested that the government appoint a panel of experts to undertake a fundamental review of our tax system and suggest changes to simplify it to make it easier for businesses and individuals to comply. What's your view on that suggestion?

Mr. Ken Kobly: Perhaps Don might want to supplement this answer, but both of us have a background in public practice accounting. Certainly, anything that government can do to reduce the compliance burden, the interpretation difficulties with the act, and the simplification of the act would be welcomed by not only tax practitioners but by individual businesses as well.

Mr. Don Oszli (Chair, Alberta Chambers of Commerce): Yes. Certainly I would echo that comment as well. The cost of compliance is steadily increasing, particularly when we get into globalization issues, transfer pricing issues, and the studies that have to be undertaken. Those things are horrendous and cost a lot of money to do. As for complying with a lot of the transfer pricing issues we have, it can be in excess of $50,000 to $100,000 merely to comply with that part of our Income Tax Act.

Mr. Bob Dechert: Thank you very much for that.

My next question is for Mr. Kaumeyer of Almita Manufacturing.

I'm pleased to hear that some of the government programs for IRAP, SR and ED, tax credits, and CCA acceleration have benefited your business and small businesses generally across Canada. That's certainly very good news. On this side of the table, we understand that small business is the backbone of the Canadian economy and that more people are employed in small and medium-sized enterprises than in any other form of business organization.

I had a question for you with respect to your suggestion about acceleration of capital cost allowance and including additional types of equipment. My question is this: why should we restrict the definition at all? If it's capital equipment that a business needs to expand and to add to its productive capacity, shouldn't it just qualify for accelerated CCA?

Mr. Lawrence Kaumeyer: Absolutely. Yes, that's the key. Within some of the frameworks of small and medium-sized enterprises, the definitions are narrow, so a lot of things don't fit within that definition. For example, of the $2.76 million that we've invested in capital in the last two years, we find that a very, very small percentage of that is eligible. We'd like to have this accelerated program in place for that.

It's a substantial cashflow issue for companies, particularly now with the credit crunch, because you need to ensure that you have your capital turning over and that your cashflow is available to you for future growth. When you're growing as fast as we're growing, your cost of capital relative to its impact in being able to put it back into the company is dramatic. If you can accelerate that down payment, it just helps fuel the growth of the company even further. So yes, we would love to see that expanded.

Mr. Bob Dechert: Thank you.

Congratulations, Ken, on the success of your business.

I have another question for the Prospectors and Developers Association, Mr. Bousquet. One of your suggestions is to increase, for a temporary period, the mineral exploration tax credit from 15% to 30%. First of all, can you tell us what the recent experience has been in your business during this global recession and what impact you think doubling that METC would have in terms of new investment in your industry in the short term?

Mr. Philip Bousquet: Thank you for the question.

There has been great impact on companies' ability to raise flow-through share financing. It's decreased over the past year. For this year, some estimates are that it would be approximately 50% of the 2008 total, so what we're looking for is to try to offer additional incentives to bring investors back to encourage them to consider mineral exploration.

Manitoba is an interesting example. Earlier this year they announced an increase, both for this year and for next year, for their own Manitoba mineral exploration tax credit. So there are precedents where some jurisdictions in Canada are looking at this.

Perhaps Eira could offer a comment on what she's seen on the financing side from companies.

● (1025)

Ms. Eira Thomas: Yes, further to that, in addition, jurisdictions like the Northwest Territories and Nunavut, which don't have the ability to bump up on the flow-through credit, would really benefit from this increase because it would put them on a more competitive playing field with some of the other jurisdictions in Canada.

But certainly from our own perspective, if you look at the costs to government associated with this tax credit, they are somewhere in the order of $55 million over a couple of years, but that's translated into, in 2007, an investment of $1 billion. It was less last year, obviously, at about $750,000, I think, and of course we're expecting lower numbers this year.

But again, if we can get that investment back into the market through extra incentive with this increase in the METC, I think we will certainly speed up the recovery of our industry overall.

Mr. Bob Dechert: Thank you very much for that.

The Chair: Thank you.

Thank you, Mr. Dechert.

We'll go to Ms. Duncan for a seven-minute round.

Ms. Linda Duncan (Edmonton—Strathcona, NDP): Thank you, Mr. Chair.

I, along with the chair, am happily an Edmonton, Alberta, member of Parliament, and it's a delight to be here. I'm sitting in for the regular member, and it's a delight to be with you today.

My first question is for the Alberta Pulse Growers Commission. It's delightful to see you. I have a long personal history with organic pulse growers, mostly in southern Saskatchewan. I really appreciate the value of your industry and the struggles you go through. Today, I'm unfortunately missing a presentation on the Hill by Dr. David Sauchyn from Regina, who edited and led the NRCan report on the impacts of climate change in Canada. He wrote the big section on agriculture, and he identified a lot of issues similar to those you've raised today.

I'm also aware, through my 35 years in the environmental and energy fields, of the crisis we have in science. I was previously on the board of a group called ECO Canada, which is the environmental sector table for the Government of Canada, and they do market studies on who's demanding jobs in the environmental field and what's available. We are fast reaching a crisis, and you've identified one of the key areas. I'm glad you raised that, and I hope you emphasize that, because in the area of the impacts of climate change and other issues, it's going to be a critical one for your industry.

I welcome your request for financial incentives for greening agriculture. I'm wondering if your sector is looking into offsets and if that is of any help to you at all.

Ms. Sheri Strydhorst: Offsets have been looked at and doing some life cycle analysis to quantify exactly what kinds of benefits we are contributing. One of the struggles we're facing, though, is the issue of early adopters, so producers who have been farming and growing these pulse crops for the last 20 years are not going to be eligible for any of those offsets. That's a very big frustration, that the people who were the early adopters don't succeed in getting those benefits. I think this is one thing that needs to be considered in terms of offsets.

Ms. Linda Duncan: Thanks.

I have a question for Chief Laboucan. It's a delight to have you here. I appreciated your brief.

I wonder if you could talk a bit about your feeling about contribution agreements. In areas such as safe drinking water, one of the areas I'm aware of—and it may well be that there are contribution agreements for other things, like education and other public facilities—do you run into any kind of frustration where, as I understand, you can receive federal financing to do water treatment or waste water treatment, but only if you've signed the contribution agreement that passes liability over to your first nation?

Chief Rose Laboucan: That's exactly true. I'll speak of my first nation because we got a $6 million water treatment facility. My question to the federal government was, why invest that kind of money if it's not feasible to even run it and maintain it? Even with the ability to hire somebody to run it, that's a $75,000 to $80,000 cost these days. When we train somebody, they get scooped up and have to go and work somewhere else because they're willing to pay them that cost.

● (1030)

Ms. Linda Duncan: Chief, I found very interesting your recommendation that you should be given a greater level of independence in how the money is spent. There's an ongoing battle in the federal transfers to the provinces that the provinces don't seem to think they see fit to be accountable. Are you suggesting that perhaps you should be treated on par with provincial and territorial governments?

Chief Rose Laboucan: Definitely so, but not only that. One of the things that happens in this whole process is the inability to really look at the equitable way we can utilize it. I met with the Auditor General in 2007, and it seems that every time there's an issue with first nations and governments and the issue of accountability, it is the first nations themselves who have to bear the burden of a process. Like now, are we going to be funded differently? In 2011, there's a new scheme up front. Why couldn't we just fix what we had and make it better and more accountable? We have no problem with the accountability part of it. It's just costing the government many more dollars in waste that could be going to first nations communities.

Ms. Linda Duncan: Do I have time for one more question?

I have a question, but I'll put it to both Almita and Quadrise, because you seem to be seeking in the same direction.

I had the opportunity last week to go to the oil sands trade show. I wandered around and talked to the various entrepreneurs, from people who are selling lined pipes that don't have to be replaced as often, to people doing worker safety, to people doing technology to contain or to treat tar ponds waste or control sour gas emissions. One of the things they pointed out to me was that the issue isn't so much the taxation, although one always wants lower taxes or capital cost writeoffs, the issue is the lack of regulatory drivers.

I also sit on the parliamentary committee on environment and sustainable development, and we heard from very renowned scientists here in Alberta, engineers who are working on the technology, and one of the frustrations raised to us was that there seems to be money trickling in from government and some from industry to develop technologies, but there is little money out there to actually pilot or field test them.

I'm wondering if you could comment on whether you think a stepped-up regulatory agenda might actually shift the dollars over until you could improve private investment as well, in the uptake of your technologies.

Mr. Ross Lennox: I'd like to speak on that first. Our company has developed two environmental solutions. One is a zero-emissions oil sands plant, which we've tried desperately to get piloted. We've also developed a low NOx fuel solution, which we're now marketing in the United States because we have no regulation here. Those are both tragedies, to our mind, to work and invest money to develop solutions and still wait for regulation to follow.

Part of our suggestion of having government involvement in some of the NSERC centres of excellence is that it gives government a view of what's out there. Right now there isn't a good understanding on the regulatory side of what solutions there may actually be.

The Chair: Thank you.

Thank you, Ms. Duncan.

We'll go to Mr. Pacetti.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you, Mr. Chair, and thank you to the witnesses for appearing.

Again, this is a challenge for us, because we're limited in our time and we have a lot of questions to ask, so we might not get to all of you.

I'm from an urban centre, so I like to know where my food comes from. I'm not a very knowledgeable person when it comes to food.

The question is to Ms. Strydhorst. We're promoting products like the ones you're trying to promote, the peas, the beans—the unknown products—and there are a lot of people saying they want more environmentally friendly products. The grocery store has a section, but it's always the smallest section, because they're the highest priced.

In your experience, price on price, if we do subsidize these types of products, would there be an increase in demand? I'm asking about your personal experience.

● (1035)

Ms. Sheri Strydhorst: I don't know if we're necessarily looking for subsidizing these products in particular, but I think we need to brand them environmentally so the consumer is aware, and maybe that would increase demand and create a market pull in that respect. Looking at carbon footprinting of the products would start that.

I guess that's the later stage, but we need to make sure all the producers are onboard with the right equipment to be able to further enhance those environmental attributes.

Mr. Massimo Pacetti: So you want to make sure that the product is actually environmentally green?

Have you tried it locally, so that locally you'd be able to experiment and say, well, this does work if we price it at a certain point? I think it's price point that's important.

Ms. Sheri Strydhorst: Pulses are very cost-competitive. They're not an expensive protein source. I think it's more that we need more things for the consumer to realize that, branding them as that environmentally friendly type of food product.

Mr. Massimo Pacetti: So a lot of it is marketing?

Ms. Sheri Strydhorst: Yes.

Mr. Tom Jackson: If I could just add something, the Government of Canada has helped us with a science and innovation program where we have doctors and many studies that examine in the diet what it does for obesity, so we would maybe—

Mr. Massimo Pacetti: No, I agree.

I don't mean to interrupt; it's just that our time is limited.

My point is that I understand that it's good for you, healthy and all that, but in the end, when somebody goes to a grocery store, they look at price.

Mr. Tom Jackson: But to actually get the claim on the package so that consumers know it's important that they add it to their diet—that's part of the science and innovation that the Government of Canada is helping us with.

Mr. Massimo Pacetti: I agree, yes, but people have to believe what's on the package, first of all, and they have to be able to read what's on the package, correct?

Mr. Tom Jackson: And that's all with Health Canada, what we need.

Mr. Massimo Pacetti: Okay. Thank you.

I have a quick question for Almita Manufacturing.

You were talking about productivity, and you were very complimentary in terms of all the programs that you were able to take advantage of, whether it be IRAP or R and D credits and so forth. But you spoke about productivity being below par.

I'm just wondering if your company has made any evaluation of how your productivity has been, because you've taken advantage of some of the programs the government has offered.

Mr. Lawrence Kaumeyer: The program I was referring to, Productivity Alberta, isn't actually a federal program. It's a provincial program. Really it's a non-profit board that basically has a business-led governing board and is supported by Alberta Finance.

Mr. Massimo Pacetti: But we hear the statistics that Canadian companies have not done a good job in terms of upping their productivity. So I'm just wondering, with the help of IRAP and R and D, has productivity in your company gone up?

Mr. Lawrence Kaumeyer: It has, but it's broader than that.

In other words, lean marketing principles and understanding what truly drives productivity isn't just about IRAP and SR and ED and making an investment. It's about getting down to the shop floor and understanding what they do individually, day by day, to increase productivity. It has very little to do with what government can provide.

Mr. Massimo Pacetti: So how do we make these programs easier for SMEs to use?

To both Mr. Lennox and Mr. Kaumeyer, how do we make IRAP more accessible?

I think, Mr. Lennox, you had a limit where you said we should probably make it more available to larger companies.

Perhaps you could also comment on R and D refundability. We didn't hear anybody asking for R and D credits to be refundable.

The Chair: Very briefly, then—two comments on the two issues.

Mr. Ross Lennox: Okay.

I think there's a big gap between the SMEs and the large companies in terms of programs. The ITAs in particular are doing a fabulous job in terms of diversity of program and all the different industries they touch. I think it's really important to look at expanding their mandate, though, to talk about commercialization and what we call technology acceleration. They see lots of good ideas, but they don't have the capability of expanding the program to help companies where the B.C.s and other investors have disappeared.

I think that's where the gap of commercialization is missing.

Mr. Lawrence Kaumeyer: I'll just add that the dollar amount provided through EAP last year to the Province of Alberta was approximately $19 million for IRAP. The previous year it was $9.6 million. Without that additional funding for IRAP this past year, you would not have a significant number of uptakes in this SME area that would help drive additional growth in this province.

● (1040)

The Chair: Thank you.

You might have another round, Mr. Pacetti.

Monsieur Laforest, s'il vous plaît.

[*Translation*]

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

My question is for Ms. Laboucan. In your opening remarks, you stated that the funding provided to various band councils and aboriginal groups has not been consistent with the rate of inflation since the 1990s. In your opinion, do funding rules apply equally for all band councils across Canada, or are you talking exclusively about your own band council?

[*English*]

Chief Rose Laboucan: They're actually applied to all first nations across this country, a majority of which are not well-to-do.

[*Translation*]

Mr. Jean-Yves Laforest: Either you or Mr. Dupas said that education falls within provincial jurisdiction. I presume that you must reach agreements with the different provinces so that you can hire teachers. Does the band council hire teachers and is it obliged to pay salaries as stipulated in the collective agreement in effect, be it in Alberta or elsewhere, as is the case in Quebec? Do the individual collective agreements of each one of the provinces apply when it comes to hiring teachers and meeting working conditions?

[*English*]

Chief Rose Laboucan: Tuition agreements across this province manifest some of the issues that are occurring, because just a certain number of dollars come to first nations in our FTA, the federal transfer agreement. For example, I will get $5,400 per student, but for the tuition 40 kilometres down the road, I'm charged $9,500, so I have a shortfall already of that amount. Because I have a school that operates only to grade 9, I have to send my grades 10, 11, and 12 to that school, so I'm going to have a shortfall of more than $3,000 per student every year.

Our funding has been capped since 1993. That was the last time we got an increase.

[*Translation*]

Mr. Jean-Yves Laforest: I would like to know if the funding you receive takes the disparities in your obligations from one province to the next into account. For example, in Quebec, a teacher is entitled to a given salary, whereas in Alberta and Ontario and elsewhere, a teacher will receive a different salary. Is your federal government transfer always the same amount, or does it take into account educational, health care, and other types of disparities? Is it one general envelope?

[*English*]

Mr. Darcy Dupas: Multi-year funding agreements, to which you refer, have been capped at an increase of approximately 2% per year, for the past 13 years. So, no, they do not accommodate any inflation, demographic shifts, which are massive in first nations communities, or general cost structure changes, such as the Alberta Teachers' Association agreements, etc.

[*Translation*]

Mr. Jean-Yves Laforest: Therefore, it is almost as though some band councils are underprivileged, compared to others. I am convinced of this. In fact, the costs for education and health care are higher for certain band councils, and I presume that the funding method is totally inadequate because it does not account for disparities. That is how I see it.

Is this correct?

[*English*]

Chief Rose Laboucan: At the start of this year I had a young child with special needs. Last year the parents moved away so that child could access special needs resources at a special school. They've moved back to the community because that's where their family is, and now that child is suffering because I can't afford to get a special one-on-one teacher's aide for that child to accommodate his school year. That's how bad it is.

● (1045)

[*Translation*]

Mr. Jean-Yves Laforest: Thank you.

The Chair: You have 30 seconds remaining.

Mr. Jean-Yves Laforest: I will be brief.

Mr. Bousquet, you state that in order for you to remain competitive, there must be more tax credits. Yet, the mining industry is already competitive. Compared to other industries, it is in relatively good health.

[*English*]

The Chair: A very brief answer, sir.

Mr. Philip Bousquet: It's competitive in the respect that we are competing for investor dollars going anywhere around the world. We are a competitive industry; keep the costs low. As Eira Thomas mentioned, we have good geology, but in a period where investor confidence is low, we need additional incentives to ensure that investors are considering mineral exploration.

The Chair: Thank you.

We'll go to Mr. Cannan, please.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

It's a pleasure to be back here. I was born and raised in Edmonton and moved to Kelowna 20 years ago, where I've had the honour of being the member of Parliament for the last three and a half years. It's a pleasure to be back.

Interestingly for Mr. McCallum, I thought the Liberals were an endangered species here in Edmonton, but I guess he found one. So I'm glad he found a friend—friendly Edmontonians.

I appreciate all your comments. Maybe I'll just go around the table, because we don't have much time.

To the Prospectors and Developers Association, we had a presentation yesterday from the Association for Mineral Exploration British Columbia with a similar request for the mineral exploration tax credit, so I'm well aware of that, and some of my local constituents keep reminding me as well when you have your annual conference in Toronto. Hopefully that will be able to continue, as I know it's a valuable asset for your industry.

Ms. Ward, I really appreciate your comments. As a father of three adult children now and grandfather of a two-and-a-half-year-old, I appreciate your Kids First Parents Association of Canada presentation. In regard to a couple of your recommendations, could you comment, first of all, on the universal child care program and the benefits you've seen from some of your members? Also, on your third recommendation, I think it's a creative concept, but do you have any idea of the cost and how it would be implemented?

Ms. Helen Ward: The universal child care benefit benefits me. I'm a low-income single mother. I don't pay taxes on it. Most single mothers don't earn enough income to pay taxes on it, so we get the full $100. Families with higher incomes pay some tax on that.

I've heard positive things. Certainly $100 a month isn't going to pay for everything, or pay for a day care centre, or pay all the costs that we undergo as parents who forgo income to look after their own children, or opportunity costs, but this amount is significant. Some people think it's a token gesture. Well, a token gesture is better than a kick in the face.

On transferring funding to families that is currently going to non-families, to researchers, to lobbyists, to day care centres and the people who build them, and all the rest of it, there are so many different programs that fund anything but families. You have researchers earning $70,000 or more in researching poverty and families. They're studying low-income families on welfare who have been kicked off welfare, but there is a gross injustice there when we have people who are being funded so much to do anything. It's not actually to look after children, and we want to see the money going to children.

To create real equality for women, you would have to fund the care, the work of child-bearing and child-rearing—it's work—on an equitable level with all other socially essential work. Through our tax dollars, we pay people to plant flowers in our parks, to build our streets, to research things in university, to teach our kids, and all these things. In the past, those things were not funded by tax dollars, so the family as a sector is being underfunded while the other sectors have grown in their prestige, in their money, and in their power.

It's very difficult to even be here. I have a child under two years old who came here with me on the plane from Vancouver. Parents are marginalized politically as parents. If you speak as an educator or a researcher, you have more clout, more power, and more money. We would like to see parents and the family sector being funded on an equitable basis for the valuable work we do.

Mr. Ron Cannan: Thank you very much. I wish you continued success in your work.

Ms. Helen Ward: Thank you.

Mr. Ron Cannan: I'll move around the table as there's limited time.

● (1050)

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

Mr. Ron Cannan: To the Chamber of Commerce, I commend your efforts. We did reduce the GST from 7% to 5% and I know that's been very helpful in the housing industry. Many Albertans have come out and bought homes in the Okanagan, so we're thankful for that as well. It's still a continued growth industry and a big employer for our community.

For the agricultural community and my colleague Sheri beside me, what is the annual contribution of R and D right now or for research? You're asking for $28 million over 10 years or $280 million. What's the annual contribution right now?

Ms. Sheri Strydhorst: Annually right now I believe it is $280 million today, what is being spent, so a 10% increase....

Mr. Ron Cannan: In one of your recommendations I think the idea is to reward, as my colleague across the way mentioned, someone who is promoting sustainable food production. How would you monitor or measure someone using a green sustainable measure? How would that reduce their insurance premiums? How would you use that as a benchmark?

The Chair: Very briefly, please.

Ms. Sheri Strydhorst: How would we use...?

Mr. Ron Cannan: How would you measure that?

Ms. Sheri Strydhorst: I guess we would measure it in terms of doing life cycle analyses to measure what are the improvements in water use and what are the reductions in soil losses and so forth, so it's measuring the sustainable metrics that these new technologies implement.

The Chair: Thank you, Mr. Cannan.

We're going to Mr. Pacetti or Mr. McCallum.

Mr. McCallum.

Hon. John McCallum: We'll share our time.

Mr. Dechert asked the business people if they'd like it if the accelerated capital cost allowance could be applied to every kind of equipment, and of course they answered yes. So while we're at it, why don't we have a 100% accelerated capital cost allowance applied to every kind of equipment? I suspect they'd say yes again.

My point is that you have to keep your eye on fiscal responsibility. A year ago, the government said we'd have nothing but surpluses forever. Then it was a $34 billion deficit. Then it was a $50 billion deficit. Now it's a $56 billion deficit. Such a blanket application of accelerated capital cost allowance would cost a fortune, raise the deficit, and increase the burden on our children and grandchildren, so it's entirely irresponsible.

I have one question to Mr. Kaumeyer. In a fiscally responsible way.... Of course, you'd like everything, but if there were to be one kind of expansion that's not huge, not costing tens of billions of dollars, what single measure would you urge the government to adopt?

Mr. Lawrence Kaumeyer: The single measure I would look at, honourable member, is that the restrictions are too tight relative to most construction equipment—excavators, yellow iron. Most of the things that are carried on that have been a substantial stimulus for the government recently have been in the heavy equipment and construction industry. That's the area where there is very limited application. It's far too narrow.

Hon. John McCallum: Thank you.

Now I will pass it over to my colleague.

Mr. Massimo Pacetti: At the end of the last session, Mr. Kaumeyer, we were talking a little bit about IRAP and R and D. Should we be making the R and D refundable? Some companies are not taking advantage of it.

I guess that would be more for Mr. Lennox or even Mr. Kolby on the bigger companies that are not getting all their R and D numbers back, all their R and D credits. Have you heard anything on that?

Mr. Ross Lennox: There has to be some balance. I think you have to look at where the jobs are being created and where the IP is being created, and that is primarily in the SMEs. The refundability to the larger companies is 20% for SR and EDs.

Mr. Massimo Pacetti: Okay, that's fine.

In terms of paperwork, is it easy to get IRAPs? I'm talking about people who are applying for between $20,000 and $50,000. One of the big complaints I get is that it is tough to get the money. It's not worth their while to get the money, but when they do get the money, it is worth their while.

Mr. Ross Lennox: It requires a process, and there is a team of 12 technical experts who look at your applications. One of the things that would help us is this. If I receive an IRAP, I have to go through the same process with SR and ED again, so if it's an IRAP project, I should automatically get SR and ED for it.

Mr. Massimo Pacetti: That's what I wanted to hear. Do you agree with that?

A witness: Absolutely.

Mr. Massimo Pacetti: Thank you, Mr. Chair.

The Chair: I have some time for a final round because people have been very concise. I certainly appreciate that.

I have a series of questions. The first is for the Alberta Chambers of Commerce.

I certainly have some sympathy for your recommendation concerning the threshold, so the first recommendation you make, committee members, can look at and perhaps adopt, but in terms of the second one, or in terms of actually committing to do that, is there a cost? Obviously, the biggest question the finance minister and the finance department would have is, what would be the cost of actually implementing ongoing thresholds for any tax changes?

● (1055)

Mr. Ken Kobly: As far as the actual cost involved to implement is concerned, we don't have those numbers. I would suggest that Finance could probably come up with a pretty good estimate, and we'd encourage them to take a look at it.

The one that would cost the least amount to implement, in my opinion, would be increasing the threshold of GST for small suppliers. It's effectively revenue neutral.

The Chair: Certainly I think the first recommendation in terms of an ongoing review of that is very practical.

Just turning now to the prospectors and developers, I am very heartened by Mr. McCallum's comments on perhaps this committee recommending that we stop doing this every year and having this constant debate on whether we are going to do it or not do it. That is certainly very hopeful.

I don't know if you want to comment on that, but the thing that really hit me when I was up at the diamond mine in the Northwest Territories was the massive structure, but then they showed how long it actually took to construct it, how long it will be in operation, then how long it will take to actually reclaim that land. Obviously, that is the reason you're asking, to have a long-term framework fiscally so that you can actually make decisions.

Ms. Eira Thomas: Absolutely. It is an investment in the future.

Further to Mr. Laforest's comment about our competitiveness, for 25 years mineral reserves in Canada have been on the decline, so despite the fact that we've had quite strong commodity prices, minus the last year where we had significant pullback, we haven't been replacing our mineral reserves. That is because Canada is probably losing its competitive edge. A lot of that comes down to the things we spoke about earlier, about a lot of the geology being in remote areas. The last major road development into northern Canada was Diefenbaker in 1959, so that gives you an indication of the lack of investment in infrastructure.

All of those things are important for the long-term sustainability, but for now and survival, I think this mineral exploration tax credit is very important.

The Chair: Thank you for that.

Also, I appreciate your comments about the IRAP program. It is certainly a program that we support very strongly and we will certainly look at what we can do on an ongoing basis.

I did want to return to the accelerated CCA. It's a bit of a special issue for me because we worked on it at the industry committee, and Jay Myers certainly drove that issue forward. The industry committee adopted it unanimously. The finance committee adopted it as well. I do take Mr. McCallum's point. You can't have 100% CCA on everything—obviously not—but with respect to the manufacturing sector, I get a little sensitive when people say a two-year writeoff for capital machinery and equipment is a subsidy.

Mr. Kaumeyer, I want you to respond to the people who say this is a subsidy and actually tell us what accelerated CCA actually means for a company or a plant in terms of their own operation.

Mr. Lawrence Kaumeyer: On what it means and why it's so vital right now, we're in very unique circumstances with SMEs across Canada right now. Probably the most predominant aspect that has hit small and medium-sized enterprises across Canada has been the ability to access cash from financial institutions. We all know what has happened with the credit crunch. The reason why it ties back so directly within CCA and the acceleration is that the ability to depreciate that faster enables you to increase the amount of cash flow you'll have in the business for other things. It's absolutely vital right now.

We're not a big business, but we are the lifeblood of what's going on across the country in that. We've invested $2.76 million in capital expenditures in the last two years. Our ability to have some leverage in looking at where that could expand would further assist in our cashflow management. That's really what's taking companies under right now.

I toured Ontario in the spring and saw dramatically what had occurred there in manufacturing. Basically companies were running out of cash. So the acceleration would assist that dramatically.

The Chair: Thank you.

Mr. Oszli.

Mr. Don Oszli: An accelerated capital cost loan is really a deferral of taxes. From the government's standpoint, it doesn't result in reduced taxes overall; it's simply a deferral. You invest the money now and reap the benefits of that when the equipment is disposed of, or you reap the benefits of taxation from the growth of the companies that invest in that.

● (1100)

The Chair: Thank you.

I'd love to continue this discussion, but we're out of time. As I enforce the time on others, I'll enforce it on myself.

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

Members, we're going to suspend for a few minutes. We'll ask the other witnesses to come forward to the table, and we'll resume immediately thereafter.

Thank you.

● (1100)

(Pause)

● (1105)

The Chair: I call the second panel of the 44th meeting of the Standing Committee on Finance to order, as we continue our pre-budget consultations across Canada in our second city of hearings—and my favourite—Edmonton. It's lovely for all of you to be here.

We have with us a number of individuals and organizations, and I'll introduce them in the order they'll be presenting.

First of all, as an individual, we have Mr. Peter Bulkowski; and then we have Meyers Norris Penny LLP; the Edmonton Social Planning Council; Volunteer Alberta; the United Way of the Alberta Capital Region, Success By 6; and His Worship, the Mayor of Edmonton, Stephen Mandel.

Welcome to all of you. Thank you so much for being with us. Because of time constraints, you will have up to five minutes for an opening statement, and after the last presentation we will go to questions from members.

So we'll start with you, Mr. Bulkowski, for five minutes.

● (1110)

Dr. Peter Bulkowski (As an Individual): Thank you.

There is no free lunch. Every dollar you spend means money that's going to have to be recouped through increased taxes or through the destruction of savings by inflation. There's no free lunch.

I was born in 1950 in Canada. I have lived here all my life. I studied hard. I have three degrees in science from Toronto and Queen's. I've worked hard. I'm a conserver. I've lived frugally. I have a 14-year-old daughter and I'm not quite sure what to tell her now. The path now taken by all levels of government in Canada is unsustainable. It is unsustainable economically, it is unsustainable socially, and it's unsustainable environmentally.

My first recommendation is: you need to balance the budget. No deficit. No off-the-book deficits. No unfunded liabilities.

I'm 59 years old. In my lifetime, you gentlemen have destroyed the value of our currency by a factor of about 20. I've given you the example here of a postage stamp from 1966. I was 16 then, and five cents got you a letter then. Today it's 54 cents, an increase by a factor of 10. It's the same thing for a candy bar. It cost a nickel when I was a kid, but now it's a buck.

If you look at the coinage, you've debased our currency. The first coin I show here is from 1967. That coin was 80% silver. It's worth about two and a half bucks in today's money. By the end of 1967 it was down to 50% silver. In 1969 it was made of nickel, and then at the turn of the millennium you converted it to iron with nickel plating. You have debased our currency. I've seen it debased four times during my lifetime.

You carry a huge debt and you're adding to the debt. I guess I'm different from most of your other presenters, who are asking for more spending, more deficits, and more debt at all levels of government. I showed you the Canadian stamps and the Canadian coins. The other stamps there are German. Germany had some fairly significant inflation. The cost of stamps went from 20 marks in 1920 to 100,000 marks in 1922, and then the cost went to 50 billion marks to mail a letter in 1923. We're heading the same way, gentlemen. With that destruction of the currency, Germany removed its debts; they were inflated to nothing. It destroyed social stability and it brought in Hitler.

There is no complexity. The only way to spend more than is being earned is to inflate the currency. That is neither stable nor sustainable. There is not a trade-off between economics and social and environmental stability. Without economic stability, you will not have social stability. You cannot defend the weak if you have no financial abilities. You cannot protect the environment. You need to balance the budget: no deficit, no off-the-book deficits, no accounting games, no unfunded liabilities.

Where you're going to spend, you need to spend productively. That means accountability. You need to show that what you're spending actually generates some wealth. I heard a lot about IRAP and other things. After spending 40 years in science, I'm telling you that you need to show that you're actually getting something back, because a lot of it doesn't come back. You need to rebuild the tax system so it's fair, and seen to be fair. Simplify, simplify, and simplify.

There are a bunch of examples there. No deficits; accountability for all spending; a simplified fair tax system. No free lunch.

Thank you.

The Chair: Thank you for your presentation.

We'll now go to Meyers Norris Penny, please.

Mr. Gordon Tait (Partner, Meyers Norris Penny LLP): Thank you for the opportunity to appear before this committee.

Meyers Norris Penny is here to make a presentation on behalf of our 300 Hutterite colony clients who represent approximately 95% of the 30,000 Hutterite people in Canada.

Section 143 of the Income Tax Act applies only to communal organizations and outlines the specific rules that Hutterite colonies need to follow in order to file and pay income tax on their earnings. We have been requesting a change to these provisions for many years, and we appeared before this committee in 2007. Through the years the message has been the same: it is unfair to restrict the Hutterites' ability to allocate income for tax purposes when there are no other similar restrictions in place for any other business in Canada.

Our submission to the committee included a fair amount of detail and background regarding the information on colonies, and we trust you've had a chance to review that. Today we would like to focus on two critical issues.

One, by denying an allocation of income to Hutterites under the age of 18 who are actively engaged in the business, the Income Tax Act penalizes Hutterites; and two, in some of our discussions with the Department of Finance it has been suggested that the current legislation is fair because it allows colonies to allocate income to members over the age of 18 without regard to their age, physical or mental capacity, and without distinguishing between activity and responsibility on an individual basis. Our analysis and the numbers will show that an inequity still exists.

There are approximately 3,000 members of Hutterite colonies between the ages of 14 and 17 who are actively engaged in the business of farming and who at this point in time are not allowed to file an income tax return based on the provisions in section 143. Meyers Norris Penny, as I said, prepares the income tax returns for approximately 95% of all Hutterites in Canada, so we got this from our demographic data.

As you're all aware, an individual in Canada can earn approximately $9,500 of income, tax free. It's that inability to file an income tax return and the loss of those resulting non-refundable personal tax credits that amounts to about $25 million of non-refundable credits per year that the colonies lose access to. That loss of non-refundable tax credits results in an actual tax loss of about $3 million per year.

The income allocated to taxpayers for Hutterite colonies over the last number of years averages less than $20,000 per year, per person, for the people who are allowed to file a tax return. The average income allocated to a senior or disabled person in the 2008 taxation year was less than $10,000.

The reason I point those numbers out is that they are very reasonable and supportable based on the contributions the individuals are making to the colony business, and they demonstrate that Hutterites do not receive any significant benefit from the current allocation rules. There is no trade-off or benefit that in any way offsets the loss of the non-refundable personal tax credits.

Let's also remember that no other business in Canada, farming or otherwise, is subject to any restriction whatsoever when it comes to the payment of salary or wages or the allocation of income. The only requirement is that the amount be reasonable given the circumstances.

It is fundamentally unfair to put restrictions on Hutterite people that are not in place for any other business. This is not a social policy issue; this is an income tax issue.

We've been asking for this change to section 143 for a number of years, and we've met with many MPs and department officials who agree that our request is fair and reasonable. In terms of government spending and budgets, the change we are requesting will have a very small impact, approximately $3 million per year. This amount is very significant to the Hutterite community.

You should also be aware that Hutterites believe in growing and maintaining their existing culture and establishing new communities, so you can rest assured that any tax savings achieved as a result of this request that we are making will be reinvested back into the Canadian agricultural economy, into the western Canadian economy, which I think is in line with the committee's mandate. We can seek fairness in income tax and grow the economy at the same time.

The request we are making is not to get something special for Hutterites—quite the opposite. We are trying to bring the taxation of Hutterites in line with the taxation of other farm businesses.

You might be interested to know that Hutterites were not allowed to file separate income tax returns for a married couple until 1997, more proof that the legislation regarding colony income tax has lagged behind all others.

● (1115)

The rules in place today do not result in fair and equitable treatment. The numbers and analysis prove that colonies are losing access to $25 million in non-refundable tax credits each and every year.

We respectfully request that this committee make a recommendation that the income allocation rules contained in section 143 of the Income Tax Act be updated and modernized in the next federal budget.

Thank you.

The Chair: Thank you for your presentation.

We'll now go to Mr. Kolkman, please.

Mr. John Kolkman (Research and Policy Analysis Coordinator, Edmonton Social Planning Council): Thank you.

Thank you to committee members.

The Edmonton Social Planning Council is pleased to participate in these pre-budget consultations. The ESPC is an independent, nonprofit social research organization focusing on issues of poverty and low income, with the goal of building a more healthy, just, and inclusive community.

This ESPC brief responds to the first question posed by the committee, which asks, what federal tax and program spending measures are needed to ensure prosperity and a sustainable future for Canadians?

Any recovery from the current economic recession is likely to be slow. Poverty generally goes up during recessions. This makes it imperative that next year's federal budget expand investments in Canada's people, especially its children. These investments should support the development of a poverty reduction strategy complementing the initiatives under way in most Canadian provinces.

The ESPC therefore makes the following recommendations: one, that Budget 2010 increase the basic Canada child tax benefit by $400 annually, in addition to normal indexing, for the first child, with proportionate increases for additional children; two, increase the basic Canada child tax benefit by $200 annually, in real terms, for the subsequent four budget years, starting with Budget 2011; and three, index the working income tax benefit starting in Budget 2010, with further increases beyond the indexing being phased in after the economy recovers from the current recession.

I want to speak in more detail about the child tax benefit. The child tax benefit, including the national child benefit supplement for low-income families, is an important social policy measure that helps reduce child and family poverty. The child tax benefit is also a parental recognition program designed to compensate parents for the extra expenses involved with raising children.

Budget 2009 made a modest additional investment in child tax benefits by raising the upper limit on net family income required to receive the maximum benefit; however, there is the potential to do so much more as government revenues recover in coming years.

To help pay for the recommended changes, the non-refundable child tax credit should be eliminated. It is a poorly targeted program disproportionately benefiting higher-income families. The $1.5 billion in savings should instead be invested in the basic child tax benefit, allowing it to be increased by about $200 annually at no extra cost to government.

The ESPC's position is that any real increases to child tax benefits should be to the basic benefit, with indexing only of the NCBS portion, that is, the supplement, in future years. This avoids creating a poverty wall caused by the already steep phase-out rates of NCBS benefits as family income rises.

We propose that benefit reduction rates remain the same as those currently existing. Applying the real increases in child tax benefits to the basic benefit will also assist more Canadian families with the costs of raising children, thereby helping to offset the loss of the non-refundable child tax credit. Currently, child tax benefits are fully phased out at $107,000 of net family income. Under our proposal, by July 2014, child tax benefits will only be fully phased out above $200,000 of net family income.

The universality of the universal child care benefit should be retained as it provides extra support to younger families with children of preschool age, who incur extra child care costs compared to parents of school-aged children. The UCCB also replaced the supplement for children under age seven that existed prior to July 2006; however, the UCCB should be non-taxable, indexed, and better integrated with the child tax benefit system.

The effect and estimated additional cost of these recommended changes is summarized on the table on page 4 of the written brief that I have presented. Also, phasing in benefits over five budget years recognizes the constraints the current economic recession is placing on government expenditures. As the economy recovers, the federal government will have increasing fiscal capacity to make these investments in Canada's children.

We estimate that this single measure of enhancing child tax benefits, once fully implemented, could lift at least one in five Canadian children out of poverty.

● (1120)

While I recognize that this is a little bit of a technical presentation, I'd be pleased to answer any questions you may have.

The Chair: Thank you very much for your presentation.

We'll now go to the Consulting Architects of Alberta for their five-minute presentation.

● (1125)

Mrs. Vivian Manasc (Architect, Consulting Architects of Alberta): Thank you, and good morning.

It's great to be here to speak with the Standing Committee on Finance on behalf of the Consulting Architects of Alberta.

The Consulting Architects of Alberta is a relatively new organization. It was founded to represent the business interests of the architectural community in Alberta. It works in collaboration with the Alberta Association of Architects, which is our regulatory body, and the Royal Architectural Institute of Canada, our national advocacy body.

When we looked at your questions and identified the wide range of interests that architects have in the environment, in the economy, and in the future budget of this country, we identified three areas that we could speak to among the many of interest to us as architects. Those three are the environment, the federal stimulus program and actual infrastructure construction, and the cultural infrastructure of our country. All of those are part of the wide range of issues and interests that we as architects address on a day-to-day basis.

Starting with the environmental issues, we're delighted to see the ongoing commitment of the Government of Canada to reducing greenhouse gas emissions from the built environment, recognizing the very large contribution that buildings and the communities make toward greenhouse gases.

We can dramatically reduce energy consumption and greenhouse gas emissions from buildings by improving their energy performance for both existing and new buildings. That we can do, and incentive programs are of great assistance to that.

We would invite the government to consider reinstating or expanding new incentive programs to replace those that have been eliminated. For instance, the LEED green building rating system, which has taken off across the country, is one that should be recognized and incented. We would appreciate an incentive program that would recognize and reward both private sector and public sector owners who get their buildings certified to a green building standard.

Secondly, on the issue of the economy and the federal stimulus measures, certainly it's been great to see the number of dollars that have been committed to infrastructure, but it's interesting to hear the focus on “shovel-ready”. That, of course, is of great concern to us as architects and as engineers. We recognize that about 10% of the man-hours involved in the world of infrastructure are actually related to the knowledge economy, or the architecture and engineering of the work. We suggest that a term such as “pencil-ready” might be more appropriate than “shovel-ready”. That way, when projects are in the process of being developed and imagined, there's an opportunity to spend time on design and construction.

Many of our clients are very frustrated by the very short timeframes that have been provided for shovel-ready projects, and as a result have been proceeding with less urgent road repairs instead of more urgent building design. The building design simply takes too long to design and construct within the very tight windows that have been established.

Finally, I think there's an opportunity to look to Canada's future. We're coming to 2017, our 150th birthday. It's an opportunity to create a cultural buildings program across the country, and the time is now. It's important that we start to think about designing libraries, new museums, new cultural facilities, and buildings of all manner that will celebrate the richness and diversity of the culture of our country. We have heritage buildings that need preservation and we have new buildings that need to be designed and constructed so that our children will have an even richer cultural environment.

If we cast our minds back to 1967, we are reminded of the number of centennial projects that we all enjoy today, including auditoriums and libraries and recreational facilities. We would invite the government to consider including in this year's budget a fairly substantial initiative around the planning and design of a whole new set of cultural facilities in every community, as well as in first nations communities, across this country.

In summary, there are basically three areas that are of particular interest to the architects in Alberta. Those are the environment, infrastructure, and cultural infrastructure.

We welcome your questions.

● (1130)

The Chair: Thank you very much for your presentation.

We're going to go now to Mrs. Lynch.

Mrs. Karen Lynch (Executive Director, Volunteer Alberta): Chair and finance committee members, my name is Karen Lynch. I am the executive director of Volunteer Alberta, a 20-year-old provincial organization connecting the non-profit voluntary sector, and specifically volunteer-engaging organizations. I'm also a volunteer on three boards.

I have with me today in the audience three current or former Volunteer Alberta board members: Dr. Christina Nsaliwa, executive director of Edmonton Immigrant Services Association; Mr. Ryan Stasynec, a fourth-year business student presently in a co-op position with Meyers Norris Penny, and Mrs. Mary O'Neill, the executive director of the Glenrose Rehabilitation Hospital Foundation, a former member of the legislative assembly and an educator.

Some Canadians might question why an organization with the word “volunteer” in its name might be concerned about an economic stimulus plan. The fact is that in the 21st century volunteers are not free. This statement may further confuse committee members who are painting a visual picture of volunteers reflecting the warm adages of motherhood and apple pie and wondering, “Since when did volunteers start getting paid?” I can assure you that you have not missed this important detail as you search to find an economic silver bullet for Canadians in this worldwide recession.

What costs is developing the leadership in volunteer-engaging organizations. Investing in both defining the knowledge and then transferring it efficiently and effectively throughout all 12 sectors, not just the social service delivery sector—which is the one that most government and elected officials think of when the word “volunteer” is spoken—but the entire range of organizations, from faith, sports and recreation, and arts and culture to environmental groups, requires more than just “business as usual” during not only the current economic downturn but also to be the partner in delivering your public policy on the ground.

Volunteer Alberta's position on specific economic investment measures that our government could take that would generate great returns not only in the traditional way of measuring return on investment, or ROI, but in terms of service delivery and creating community is in the brief respectfully submitted to you in August.

There are three points.

First, investment in infrastructure needs to include the powerful social investment of volunteerism, not just capital infrastructure but the people infrastructure, the very foundation of Canada's wealth. Funding to Canadians most negatively impacted by the recession must also address the infrastructure required for the service delivery mechanisms: non-profit organizations.

Secondly, although thankfully Canadians do not have the fractured American financial system model, there are a few American initiatives in the Edward M. Kennedy Serve America Act that should be considered in Canada to act as a catalyst to increase the opportunities for Canadians of all ages and demographics to serve our country—most importantly, investing in the non-profit sector's capacity to recruit and retain volunteers. This is where the “volunteers are not free” comment comes in. It is not true that volunteers are in short supply in this country. What is true is that the types of Canadians interested in volunteering are dramatically different from the motherhood-and-apple-pie volunteer. Engaging and keeping volunteers engaged is challenging, but the bigger challenge is for non-profit leaders to adjust and learn an entirely new approach to 21st century volunteerism. Knowledge is there; capacity is lacking.

That leads to our final recommendation: leverage the existing academic research and best-practice learning to eliminate inefficient and outdated voluntary sector practices; create funding opportunities for capacity-building organizations so the government receives value for its investment. The responsibility for transferring this knowledge in leadership organizations across the country is again an investment in the infrastructure.

Like others presenting today, I follow media reports on the economic action plan and applaud you for the investment made today in the non-profit sector. As a recipient organization of the extra investment in the Canada summer jobs program, thank you. Just a word, though: it would be really helpful if the grant approval process were actually six weeks earlier so non-profits could actually attract the best of student populations.

Many volunteers and elected leaders toy with the suggestion that tax credits would be incentives to offset the perceived declining rate of volunteerism. Earlier this year, Volunteer Alberta commissioned a research study, of which your chair received a copy, that finds that the wide-scale implementation of the tax credit policy for volunteer time donations is potentially problematic. The research, undertaken by a CA and funded by the Muttart Foundation, revealed the complexity of the issue. The research is available to inform you about the fallacy of volunteer tax credits as a quick fix to improving volunteer rates in Canada.

On that note, I would like to leave you with one memorable statistic. According to government data from StatsCan, the non-profit voluntary sector represents nearly $80 billion, or 7.8% of the national GDP. It's a larger share than the manufacturing sector, and that is only when you use traditional accounting methods.

● (1135)

The passion, the commitment, and the civic engagement levels are immeasurable.

Thank you.

The Chair: Thank you very much for your presentation.

We'll now go to Success By 6.

Mrs. Ilene Fleming (Director, United Way of the Alberta Capital Region, Success By 6): Thank you very much for the opportunity to present to the House of Commons Standing Committee on Finance as you deliberate on your budget for 2009.

Success By 6 is a community partnership whose mandate is to see that all Edmonton children from zero to six have the supports they need to ensure a lifetime of healthy growth and development. Success By 6 works under the direction of a council of partners, which engages a broad range of stakeholders to direct the work of Success By 6.

These stakeholders include representatives from a variety of institutions and include parents, service providers, and the health, education, and social services sectors, and we have representatives who provide funding in our community. The commonality of all of the people who sit on our council of partners is the interest of supporting all children to have what they need to have the best possible start.

We work to educate people on the importance of early childhood development in our lives and their ongoing health and well-being. We engage stakeholders as much as possible in being a part of creating an optimal environment for child development.

We know that children grow up in families, that families work in communities, and that the outcomes within those communities can be shaped with our investment, with your investment, of Canada's dollars.

We thank you for the opportunity to bring forward some recommendations on the difficult investment decisions that you're going to have to make with the limited resources that Canada has.

Mr. Christopher Smith (Chair, United Way of the Alberta Capital Region, Success By 6): In terms of recommendations, we have three.

The first recommendation relates to making maternity and parental leaves more accessible and better funded. In terms of the arguments in favour of parental leave policies, they present two rationales: first, that such policies are now a necessity, giving the increasing numbers of women who participate in the labour market; and second, that there are benefits, both health and well-being benefits, that flow from allowing new parents an opportunity to spend time with their children during those first years of life.

Unfortunately, based on the current policies, there are individuals, groups, and families who do not have access to maternity and parental leaves. If we summarize those groups, it's single, younger, and less-educated women who are much less likely to be eligible for maternity benefits than other groups. This primarily relates to the structure of the EI program, which means that, at present, seasonal workers and those women who are self-employed are ineligible for maternity benefits. Second, when we look at the length of the leave women take, primarily it's women in vulnerable circumstances, younger women, and those facing financial hardships who take shorter leave.

Our recommendation to you today, first, is that you extend the maternity and parental leave benefits program to include those working Canadians who do seasonal work or part-time work and those who are self-employed, and, secondly, that you look to enrich the value of the benefit to those lower-income families.

The second recommendation relates to income support for families and refers to some of the information that Mr. Kolkman presented. It remains a disturbing fact that children and their families continue to live in poverty in Canada. Child poverty has a high price that we all pay. Children who grow up in low-income families do less well in school, they earn lower incomes, and they have higher levels of use of social, health, and justice services.

One fiscal vehicle the federal government has to reduce child and family poverty is the Canada child tax benefit. We encourage you to enhance that child tax benefit to ensure it targets low- and modest-income families, and our recommendation is that you do that by eliminating the universal child tax benefit and the non-refundable child tax credit and flowing those moneys into an enhanced child tax benefit. As Mr. Kolkman points out, that would immediately elevate 50,000 families above the low-income level.

Finally, we commend the Government of Canada for your recent investments in infrastructure. Those investments in infrastructure need to be added to by investments in social infrastructure. There is a large body of evidence that supports the value of early childhood education and care as a vital social infrastructure that supports families and their children.

Public investments in early childhood education and care support the healthy development of children, they enable parents to participate in the labour force, and they create community jobs. We therefore recommend that the government re-establish the funding transfers outlined in the 2005 early learning and child care agreement.

Thank you.

● (1140)

The Chair: Thank you for your presentation.

We'll now go to Mayor Mandel, please.

[*Translation*]

Mr. Stephen Mandel (Mayor, City of Edmonton): Welcome to Edmonton. I apologize for not speaking French.

[*English*]

My city's economic reality has changed a lot in a year. One year ago we were managing a boom. This year our economy has slowed significantly. Like you, we are streamlining our spending priorities while investing in major infrastructure, which has the dual purpose of building the city's infrastructure and supporting economic growth.

It is clear that when it comes to stimulating economic recovery, Ottawa understands that this is a city issue. It is also clear that when the government points to cities like Edmonton, money spent here quickly recycles into economic output.

All this means that our goals are aligned. We already know that we have common constituents, which means that the targets of our efforts are the same. What remains is to understand that the actual application of federal policies and programs needs to better reflect our common goals. This is a question of not just the size of allocation but of structure and delivery.

I want to go over two main themes, but first I'd like to talk about process.

Big-city mayors have long called for the federal government to take meaningful steps towards addressing the infrastructure deficit. I would be remiss if I did not acknowledge that the government response to this recession does focus on this very issue, and the commitments have been significant. Edmonton is the beneficiary of federal commitments; $25 million, as an example, is being spent in transit upgrades that were applied across our system to help make it more effective. These upgrades complement the successful south line extension, which was made possible by leveraging a gas tax transfer, which was already leveraged to finance a $700 million extension.

In addition, the $75 million announced by the federal government, plus matching provincial and municipal funds, will allow us to build the first leg of our NAIT line, in a project worth more than $200 million.

We appreciate the political and funding support we have received for these projects, as well as the efforts of our local representatives to align federal spending with city priorities, but the city has done their share too. We've invested close to $1.8 billion this year in infrastructure. We're committing debt financing for large-scale projects, such as LRT and new multi-purpose recreational facilities. We have earmarked an increase in tax of 2% a year to cover neighbourhood renewals. We have also introduced a new program, called Community Revitalization, that will allow us to pay for major rehabilitation.

I'm talking so quickly because my speech was longer than five minutes.

What we should notice, in all of these initiatives, is that they allow us to create long-term funding pools for financing purposes. Just as the city's budgeting has migrated support for this type of cash management, so too must federal funding. It must be delivered in a long-term, sustainable form under a program that allows for fast scale-up and easy flow-through. When the goal is to see a quick distribution of funds, the funding mechanism is of equal importance to the funding amount.

An increasing part of our infrastructure need is found in larger, system-wide investment that can only be addressed with long-term, stable financing, which in turn allows us to leverage funds and manage major projects. The best example of this is the gas tax. It is a tool that meets most urgently the needs we have, as cities, for long-term investment.

We accept that our goals are the same and the people we serve are the same. The missing component is certainty. Without it, our SLRT line expansion would not have been built. Under this program, we understand what we can expect. We know how to react to it and how to plan. We can balance between immediate small-scale needs and the need to tackle some of the bigger challenges. We allocate money accordingly. The accountability framework is similarly straightforward and transparent.

Further, under this program, certainty means that we do not compete with provincial priorities, nor do we apply for funds at the same pool as community stakeholders, many of whom not only compete with our funding but also come to us to ask for money to match the federal funding. Under the gas tax framework, cities are treated as a significant economic partner, not as a separate entity.

This brings me to the next major point I would like to address today, which is the need to better align federal goals and objectives with the on-the-ground realities in places like Edmonton.

Edmonton has received great political support on files. Our urban aboriginal file is an example. The minister has a very strong understanding of the reality that the issues of off-reserve migration have created in Edmonton. The desire to address this issue with new and unique partnerships allows us to better integrate members of our aboriginal community in our city.

But the reality is that gaps exist between objectives and procedures. Program alignment does not match political will. Thus, resources are not easily applied where they are most needed, as in the case of a city like Edmonton, which is becoming Canada's largest aboriginal community. Here, the real challenge for the government is not what is being spent—indeed, I cannot believe that sufficient resources are not available—but the urgent need to facilitate changes in the institutional and jurisdictional processes that prevent resources from being targeted where they are most needed.

● (1145)

Just as with the overall approach to funding, new and innovative approaches are needed to reflect the reality of the issues we face. Processes need to acknowledge that today's aboriginal communities exist in cities like Edmonton. Resources must follow the need or we'll all regret what could happen in the future. A new order must be found to allow us to better match our goals with what's really happening on the ground.

There's a common theme to what I've said today. Very quickly, it is that truly solving issues cannot be done when cities of the size and skill of Edmonton remain mere provincial stakeholders. As your partner, we need certainty and alignment to be built into our processes. We need to be able to break through barriers to become full partners who are going to solve problems and create opportunities alongside the federal and provincial partners. The key to our shared success will be in applying solutions to allow us to begin to overcome some of those challenges.

I speak to you today not simply about the need to apply money to our issues but about the much more urgent need to overcome the structural challenges that hinder our flexibility, our nimbleness, and ultimately our success.

Thank you very much.

The Chair: Thank you very much, Mayor Mandel.

Thank you to all for your presentations.

We'll now go to questions from members. In the first round, each member will have seven minutes.

We'll start with Mr. McCallum, please.

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

Thank you to all the witnesses for being with us today. It's a pleasure for us to be in Edmonton.

I'd like to start with a brief comment on the social policy, principally related to Success By 6 and the Edmonton Social Planning Council. Then I'd like to focus a bit on infrastructure, drawing in both Vivian Manasc and the mayor.

On social policy and child support, we are entirely committed to early learning and child care. You say the 2005 program should be brought back. We haven't released our platform yet, but something like that will be there, you can be sure.

On child support, we certainly featured that in the last election platform. I can't tell you what's coming up, but I definitely agree that the non-refundable child tax credit is bad. It should be refundable. But I'm also concerned about affordability and the size of the deficit, and the proposal we have, of a $7.5-billion-a-year increase in spending, and 2014, is not on, from my point of view, given the fiscal conditions of the country.

On infrastructure, I really enjoyed the mayor's presentation. I think it's exactly the same point of view that I have and that the Liberal Party has. But I'd like to try to address both of you, because it seems to me that what the government's done is the worst of both worlds. It's a hodgepodge of things. It's not strategic. At the same time, the money doesn't get out.

I think we have two priorities. One is to be strategic and the other is to get the money out. I would have suggested that the infrastructure funding be broken into two components. One is through the gas tax mechanism. All the mayors have been pushing for that. We in the Liberal Party have been pushing for that throughout, because the money would have gotten out faster, the cities would have had control, and shovels would have been in the ground many months ago, instead of what we have today, when we find that only 12% of the projects are actually on the ground.

The second component of this, which relates to 2017—I really liked your cultural facilities point—should be longer-term and more strategic.

So one part of it would be quick and deal with the jobs issue and still be useful, because the cities would decide, and the second part would be longer-term. We can't be only concerned about pencil-ready; we have to be concerned about shovel-ready, at least for that first component.

First to you, Ms. Manasc. What do you think of what I've just said? Is it consistent with what you said?

Mrs. Vivian Manasc: Thank you, Mr. McCallum.

I think in part it is consistent. Certainly the idea that investment in infrastructure needs to be both strategic and quick is important. But I also think, to the mayor's point, long-term certainty is important and long timelines are important.

I would also suggest that one of our concerns is that we as architects and engineers also be seen as being part of the jobs economy. We also have jobs. Employment in the world of architecture and engineering is more than 10% of the construction industry. The number of man-hours that are invested in design and construction are just as important in the design phase as in the construction phase.

● (1150)

Hon. John McCallum: Thank you. I do acknowledge that point. I think, though, that the fact of the reliability of the funding on a long-term basis could be achieved through expanded use of the gas tax mechanism.

I'd like to ask the mayor what he thinks of what I just said.

Mr. Stephen Mandel: There's no question that expansion of the gas tax facilitates cities in doing the kinds of things they want to do. It gives us long-term funding. I think it's a good direction. We don't make that policy. You guys make that policy. What we are pleased about, though, is that it is now permanent, which it wasn't before, so that allows us to plan for the long term.

The biggest concern of cities, from our point of view, is the need for long-term stable funding. That's always been the problem with the way cities are treated, no matter who is in government.

I don't want to pick political sides. That's not our job. We're supposed to be non-political at the municipal level. We just want to see long-term stable funding, which we can then allocate in a way that allows us to build the cities, which really are the engines of this country.

Hon. John McCallum: Let me ask you a non-political technical question.

Voices: Oh, oh!

Hon. John McCallum: Do you agree that if the FCM had had its way and if they had done what we in the Liberal Party had suggested and funded things through the gas tax mechanism, rather than one-third, one-third, and one-third, a whole lot more shovels would have been in the ground a long time ago and many more people would be employed as of this moment?

Mr. Stephen Mandel: To answer that question, FCM has always asked for the gas tax to be installed. It was installed and it has been made permanent. It would be a source of long-term funding, but no one has committed to increasing the amount of gas tax, that I know of, to go from a fuel tax to a gas tax. Whichever one it is, fuel or gas, it's the exact opposite of what we have in the province. We end up getting $100 million a year versus getting about 40%.

Hon. John McCallum: What I mean is a type of gas tax funding mechanism rather than the one-third, one-third, and one-third mechanism that the government has used. Would that not have resulted in faster job saving and creation?

Mr. Stephen Mandel: Absolutely. I would concur.

Hon. John McCallum: Thank you.

My last point is to Mr. Bulkowski.

I don't agree with everything you've said. I don't think for a moment that we're at any risk of German-style hyperinflation, but I do agree with you that we have to be concerned about deficits. I would remind you that it was in the mid-nineties that the Liberals were elected and inherited a $42 billion deficit from the Conservatives but balanced the books.

We went from 66% of GDP as the federal net debt in the mid-nineties to 30%, which was the best in the G7 by 2005 and—

The Chair: Your question, Mr. McCallum?

Hon. John McCallum: —then the Conservatives came in and the deficits ballooned, and we might have to eliminate it again. How do you react to that?

The Chair: Very briefly, sir.

Dr. Peter Bulkowski: Yes. First off, it wasn't the Liberals that drove to balanced financing. It was the Reform Party, sir. That's a key point.

I agree that we're not at the point of German hyperinflation yet.

As for the spending that is occurring, I agree that the different parties, Green, Liberal, Conservative, the Bloc, and the NDP, all have different ways of how they would be doing the spending, but every one of those parties wants more spending, not less. The deficits that we're going to run in the next year or year and a half are going to wipe out the penny-by-penny gains that we reduced the deficit by in the last 10 years—

Hon. John McCallum: Actually, the debt to GDP went from 66% to 30%.

The Chair: Thank you, Mr. McCallum. Unfortunately, you're over your time.

Hon. John McCallum: It's going to go up to 34%. That's not wiping it out.

The Chair: Thank you, Mr. McCallum, for those non-partisan questions.

Voices: Oh, oh!

The Chair: We'll now go to Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest: Good morning, everyone. It is a pleasure for me to be here with you in Edmonton. I am a member of the Bloc Québécois. I have a few questions, and like all the others, I do not have a lot of time.

Ms. Lynch, you talked about a program and increased funding for volunteers. Are there volunteer structures that exist in Alberta? In Quebec, we have what is called the centres d'action bénévole, or the volunteer action centres, which are subsidized by the Government of Quebec. Do you have something similar in Alberta?

● (1155)

[*English*]

Mrs. Karen Lynch: Yes. We have a network of 27 volunteer centres in Alberta. They are funded through a variety of different methods, some through the provincial government through social service funding, some by communities through their town councils, and then we have two of them who are completely independent.

Your movement in Quebec, which is 113 volunteer centres, is funded pretty uniformly all the way through. Ours depend a little bit more on entrepreneurial abilities.

[*Translation*]

Mr. Jean-Yves Laforest: Since you are calling for increased subsidies to volunteers, I would hope that it would go through the federal transfers to the provinces. It is as though this were an area of responsability.

Do you share this way of seeing things?

[*English*]

Mrs. Karen Lynch: We've had two models. We had a federal volunteer program that supported capacity building. That one was an interesting one, because it focused on on-the-ground development of volunteers and, more importantly, provided opportunities to have national research and national best practice learning. All of that is still available, but only to people who have the time to go in and find it. One of the things that we're suggesting is to find a way to disseminate the information that already exists. That's number one.

Two, I understand that if you think about geographic locations, defining where volunteers should be, Canada as a whole benefits from a higher level of civic engagement. One of the things that sets us apart from the rest of the world is having a really strong voluntary sector.

[*Translation*]

Mr. Jean-Yves Laforest: I agree completely. Thank you.

Mr. Bulkowski, you stated that all parties are seeking to increase government spending. I would point out—as I did yesterday in Vancouver—that the Bloc Québécois has asked the government to reduce the size of the public service by filling only half of the positions left vacant by those entering retirement. This would free up considerable budgetary room, and bring down the debt.

You stated that there is no such thing as a free lunch; that the budget must be balanced; that there should not be a deficit. I agree with you, nothing comes free. You also stated that government expenditures must create wealth. Mr. Kolkman, Ms. Lynch, Ms. Fleming and even Mayor Mandel are all calling for increased investments for municipalities or early childhood development.

Do those types of expenditures create wealth? Must they generate a yield instantaneously, or can they bring in a return over the long term?

[*English*]

Dr. Peter Bulkowski: I believe that governments have to deal with things that are over longer periods of time. I appreciate the Bloc's recommendation of reducing the civil service by a third. Though that's not quite what you recommended, it's close.

There are programs that make sense in terms of social activism that are absolutely necessary, but we need to be sure that those programs actually give us some benefits. That holds for all government spending.

That was part of my second recommendation, that we need to see value for the spending. That means we need to look at things over a period of time. If we have a charity that claims to have had great success, what is the reality behind that? If we have a scientific research program that has a lot of good PR, what are the dollars that have really come from it? What are the successes? You can easily pick one or two great examples in a program, but if 99.9% is failed spending, then it's not the type of program we should be in.

Did that answer your question?

● (1200)

[*Translation*]

Mr. Jean-Yves Laforest: Yes, that is fine.

In your opening remarks, I understood you to say that the government introduces business tax credits to create jobs and grow wealth. Yet, the government can contribute in other ways, such as tax measures and municipal infrastructure. This is also important. This kind of involvement may not necessarily create wealth immediately, but the government has the responsibility to ensure that citizens receive services. It is not just a creator of wealth and jobs.

Thank you.

[*English*]

The Chair: Mr. Bulkowski, do you want a brief response to that?

Dr. Peter Bulkowski: Yes.

I agree that the government is not solely responsible for creating wealth. In my view, the government is a great wealth destroyer. If you're going to spend on new things or you're going to increase some programs, other things have to disappear. It's like a family's budget. You can't spend more than you earn always, consistently, and forever. Something crashes.

Thank you.

The Chair: Thank you.

Merci, monsieur Laforest.

I'm going to take the next seven-minute spot. I have a number of questions. I'll try to get through as many as I can.

I wanted to ask both Mr. Kolkman and Success By 6 a question with respect to their recommendations on the Canada child tax benefit. We certainly heard a lot about that in Vancouver yesterday, but the proposals, which are obviously on the same topic, are somewhat different.

Recommendation 2 from Success By 6 is a national $5,000 benefit per child, so it's different from what I see as increasing the amounts and the threshold, which the Edmonton Social Planning Council is recommending.

Can you explain why you're choosing this approach over the approach that Mr. Kolkman identified? I'll perhaps have Mr. Kolkman respond as well.

Mr. Christopher Smith: In terms of the Success By 6 recommendations for enhancement, we were looking at the work that was done by the Caledon Institute. In terms of that work, what we were looking at is essentially trying to simplify the benefit process. It's a non-stigmatizing benefit. Increasing the value to $5,000 essentially impacts immediately on those families with very low incomes and it actually simply raises them above the poverty level overnight.

In terms of our recommendation, also what we were recognizing is that this is a difficult financial situation, so to accommodate that, to accommodate that kind of social justice strategy, we would look to eliminate the universal child care benefit and the child tax credit and flow those moneys into what we consider to be a more progressive structure to address child and family poverty.

If you're hearing similar recommendations in Vancouver—and Mr. Kolkman and I have talked about ours—I think what's clear is that the child tax benefit is a very good federal structure to address the needs of low-income families. We would be willing to entertain different notions to strengthen it. This is one notion that's been researched and developed.

The Chair: The estimated cost is $4 billion annually, so this would be A-base funding each year of $4 billion?

Mr. Christopher Smith: Yes, of $4 billion, and to go back to the discussion that I think we've had here, this is an investment. It's not simply a cost; it's an investment. If you look at the money that these families receive, they all spend it in the economy.

The Chair: Okay.

Mr. Kolkman, you keep the universal child care benefit. In fact you index it, but you obviously add on a fair amount as well, so I just wondered if you could explain your approach.

Mr. John Kolkman: Thank you, Mr. Chairman.

The proposals are similar in the sense that we both recommend that the non-refundable child tax credit be eliminated and basically folded into the refundable child tax benefits, enhancing them. The reason is very simple. The only way you get benefit from the non-refundable portion is if you pay income tax. The amount of benefit you receive goes up the more income tax you pay. Therefore, it's very regressive.

Mr. Bulkowski talked about scarce resources. We need to better target those resources, and the way to do that is to fold the non-refundable portion into the overall refundable child tax benefit system.

On the question of the universal child care benefit, if you put aside the fact that it is a not a child care program—it's a parental support program that provides extra financial resources to parents, which they may or may not spend on child care—then is it such a bad program as a parental support program? I say that for a couple of reasons. One is that it provides extra benefits to families with very young children, under the age of six years. It's true that those families do tend to incur extra child care costs because their kids aren't in school yet. What's wrong with providing some additional support for very young children? Secondly, parents with young children tend to be starting out in their careers, and therefore it might also be fair to provide some additional assistance.

I guess the reason I came up with this concept was to try to invent a better mousetrap. There has been this constant debate over whether we favour parents who put their kids in child care versus parents who stay home. To some degree, this is an attempt to kind of bridge that divide. That's why I am suggesting that we look at perhaps retaining the universal child care benefit but basically changing it somewhat.

● (1205)

The Chair: Thank you. I appreciate that clarification.

I also appreciate your comments on the working income tax benefit.

I do want to turn to the mayor. I have about two minutes left.

With respect to process, you were fairly clear. Going forward, if there was a choice for the government in terms of doing any more infrastructure spending as a separate program or funding additional dollars through the gas tax transfer, your preference is clearly through the gas tax transfer. Is that correct?

Mr. Stephen Mandel: Yes.

The gas tax is a simple process. One of the challenges we face is that the government puts standards on things each time they decide to fund something. Then we have to come up with a program that fits into it. The gas tax already has all the terms and conditions in it, and it's a simple program. The province is the same thing. It just moves quicker. Money flows to citizens much faster.

So I think it's a much more economically driven way to do things. There's not a lot of bureaucracy.

The Chair: For other infrastructure programs, there has been funding, obviously, of recreational infrastructure in the city of Edmonton here. Do you want to comment on that program? Or if a program like that were to continue in the future....

I mean, these are upgrading some facilities that were not touched since 1967, as someone mentioned earlier. Is this something that should be rolled into a gas tax transfer, perhaps?

Mr. Stephen Mandel: Well, no, I think the government has to make a decision on how they want to fund the money, how they want to use it. From the city's point of view, it's wonderful that you want to fund various upgrades that you want to do, but from a municipal point of view, we need long-term sustainable funding.

If you decide that you want to give money to organization A, that's a decision that government makes. We don't want to interfere with that. Our concern is that, one, the money that is allocated to the cities goes to the cities and doesn't go to these other organizations. Then we have to match that money, which happens—

The Chair: Because they come to you after.

Mr. Stephen Mandel: That's right. You give them money and they call us. Well, then, you've allocated the money from us to them, and as a result of that, we're now short, so we have to put up our third.

From our point of view, funding the cities with the gas tax allows us to have long-term planning to deal with the challenges we face. Then you would do what you want to do on the other side of the ledger. If you want to fund program A, or fund Success By 6, however you want to do it, that's your choice. Our concern is having long-term sustainable funding, and the gas tax is a very good way to do it.

The Chair: Okay.

My time is up, and since I cut everybody else off....

I do want to say, though, that we did hear a proposal yesterday in Vancouver on heritage buildings. We can certainly provide it to you. It may be something that could jibe with what you're doing, especially with what's going on with the federal building here in Edmonton, which is very exciting.

I'll leave that as a statement.

I'll go to Ms. Duncan now, for seven minutes.

Ms. Linda Duncan: Thanks, Mr. Chair.

I want to start by first of all thanking Mr. Bulkowski for taking the time to appear today. It's regrettable that these sessions are all held during the day, which precludes most workers, caregivers, and youths, who are in school, from presenting. I am recommending and encouraging this committee to consider having evening sessions in the future.

I don't agree with everything you say, Mr. Bulkowski, but I think your first point is absolutely laudatory and is the most important one. You're recommending documented, publicized, and publicly available reports on tax deductions, expenditures, federal transfers, crown corporations, and NGO benefits for accountability. I commend you for that. It is something that our party certainly supports.

I want to go to the architecture association and follow up on the chair's point. This summer in Edmonton, specifically on that point, I kick-started an initiative called Greening the Avenue. In Edmonton, we are very proud of our heritage buildings. I and many others worked for many years to preserve the last of the heritage buildings in the city, especially in Old Strathcona.

The problem now is energy costs. I'm happy to say that the Heritage Canada conference just a few weeks ago centred specifically on how to retrofit heritage buildings. In Britain, they've passed new building codes whereby they have to retrofit all their buildings, so if you can retrofit buildings built during the time of William the Conqueror, surely buildings from 1910 or the 1950s could be.

I would like to hear a little more from you about your proposal on the connections between heritage buildings. Are you equally proposing that there be support for energy retrofitting and energy efficiency, not just building new buildings?

● (1210)

Mrs. Vivian Manasc: Yes, absolutely, Linda. We're certainly proposing heritage buildings as an important part of our infrastructure. In fact, I spoke at that Heritage Canada conference on that very subject.

I think it's extremely important that we look at heritage buildings, not just buildings that are over 100 years old but the modern heritage buildings. As you know, there is work being done both in Edmonton and across Canada on our modern heritage and on the re-skinning of buildings from the 1970s. They are perhaps not considered heritage buildings, but they need a new purpose, need to reduce their energy consumption, and need to extend their useful life.

I think there are a lot of opportunities in the world of existing buildings for dramatically reducing the carbon footprint, dramatically reducing energy consumption, and dramatically improving the quality of our urban environment through the re-purposing of buildings that we already have, both older and more contemporary buildings.

Ms. Linda Duncan: I have a lot I could follow up with, but there are other questions I need to ask. If I have time left over, I'd like to get back to you.

Mr. Kolkman, I was delighted to hear that you and the United Way seem to be pretty well in sync on your presentations.

By the way, I commend the United Way. I think your entire proposal is fantastic. It's certainly in sync with what we've put forward, and I'll certainly be recommending it to the usual members of the committee.

Mr. Kolkman, you talked about anti-poverty measures as an investment. The United Way representative spoke about this. Would you like to elaborate on that a bit more?

Mr. John Kolkman: Yes, certainly.

I really think that particularly when we're investing in children we're investing in Canada's future. There has been some really good research done in recent years, basically demonstrating that by allowing child poverty to persist we're actually creating more social costs in the long run for society.

All of the research indicates that children living in poverty do less well in school, for example. There is lower educational attainment. Therefore, after they leave school, they earn lower incomes as adults, and that's a direct loss to government down the road in terms of tax revenue.

There are also extra costs from child poverty for the health care system, because their houses may not be as safe and kids end up in hospital more, for example, as do adults who grew up in poverty. There is also more involvement with the criminal justice system, and we all know how expensive incarcerating people can be. And then, while they're incarcerated, they're not paying any taxes either.

That's very much why I think we need to use the language of investment when talking about things like improvements to child tax benefits such as those being recommended this morning. It's going to benefit all of us in society in the long term.

Ms. Linda Duncan: Have I time for a quick question for the mayor?

It's delightful to see you. I really appreciate your presentation, Mayor Mandel, and certainly my party is in sync with what you're recommending. We have long felt the way to distribute the money is to municipalities.

One of the issues I haven't heard discussed today—and I welcome your input to this—is that one of the advantages, of course, of long-term, committed, stable funding is that you can actually create long-term, sustainable employment. I was wondering if you'd speak to that.

The second question is while I agree that municipalities themselves should decide what they should spend the money on in consultation with their taxpayers, how do we make sure we can also have policy-drivers? For example, how do we encourage municipalities to be spending money supposedly to the new green economy?

● (1215)

Mr. Stephen Mandel: I think I would take that a bit personally, that we're irresponsible and that we can't make decisions about how to spend money. I think we're pretty efficient, and we're right next door to the people, so as far as how we spend our money, I think we do it very well and very efficiently, number one.

Number two, any kind of long-term projects create a lot of jobs. As an example, the other day we were talking about transit, and I hope this is a correct statistic. I was told for every million dollars spent in transit, you create twenty-seven and a half jobs, and on the same thing for the oil industry it's a lot less. So investments in transit and in communities create a substantial number of jobs, and long-term jobs, which is important. But as far as spending money, I really think we're responsible. As these large cities are responsible orders of government, we have good leadership and good management. The process just needs to flow where we can deal with the money. We'll be glad to give you an accounting for it, although we're taking it out somewhere else, and then we can move forward. We need long-term sustainable funding.

The Chair: Thank you.

Thank you, Ms. Duncan.

We'll go to Mr. Pacetti, please.

Mr. Massimo Pacetti: Thank you, Mr. Chair.

Thank you to the witnesses. As I've been saying, we've been going through this consultation process for a while, and it's difficult with panels of seven and eight groups trying to get questions in. So I'll try to do my best.

A quick question for Mr. Tait on the Hutterites. You are saying the income or taxable income that's paid to members less than 18 years of age is not being considered. We have young people who work all the time, whether it be at McDonald's or part-time jobs, and they get a T-4. What is the difference?

Mr. Gordon Tait: Just a point of clarification. The Hutterites are a unique culture, so they're members of their colony. They all take a vow of perpetual poverty, so there's a special section of the Income Tax Act that determines how the income of the congregation of the community is to be taxed. It does not allow a person under the age of 18 to file an income tax return as a member of a colony.

Mr. Massimo Pacetti: Because he or she has made a vow of poverty, is that it? Can you be excluded until you reach the age of 18?

Mr. Gordon Tait: You're excluded until you reach the age of 18 in this section of the Income Tax Act.

Mr. Massimo Pacetti: No, but I'm saying can a Hutterite not be part of the vow of poverty until he reaches 18, so he or she can file prior to the age of 18?

Mr. Gordon Tait: No, they cannot. That's been the subject of some discussion with the department. The department in fact confirmed that. Anyone under the age of 18 in the technical rules is deemed to be a member of the family who has taken a vow of poverty, so they're not allowed a distribution, even though they're actively participating. We would just like to see the rules on the restriction to the age of 18 be removed to allow the sharing and the recognition of their contribution.

Mr. Massimo Pacetti: Thank you.

A quick question to Ms. Lynch. In your brief—and correct me if I'm wrong—you're not asking for a specific dollar amount in terms of what we can do in terms of volunteers, because there are all kinds of estimates on how much volunteers actually.... The service the volunteers provide ranges from $30 billion to...I think in your brief you say $80 billion. But in your brief you don't specifically ask for any dollar amounts for anything. Is that correct?

Mrs. Karen Lynch: First of all, it's not volunteers. The voluntary sector is $80 billion. Anybody would say that's an awful lot of volunteer time if it were.

What we're asking for is to look at what is already there to make sure we can use it. So there is already a plethora of existing information about voluntary sector organizations and how to work with them and how to engage volunteers in the 21st century. Getting that out and allowing non-profit organizations that are capacity-builders—organizations like Volunteer Alberta, Volunteer Canada—to get that information out and to train and move people into the 21st century is what we're looking for. The cost we've seen is anywhere from a $5 million investment to a $10 million investment to be able to do that, number one.

Mr. Massimo Pacetti: So that would mean undertaking a study or putting an organization in charge.

Mrs. Karen Lynch: An organization would be in charge, one or more of them. We're good at partnering and at making sure that we're cost effective in getting the information out.

One of the things we are asking for is the Canadian survey of giving, volunteering, and participating—I'll refer to it as the CSGVP. This is a cost, although it's already buried in the current budget. It's a Statistics Canada document that comes out every three years. It's been called different things in the past, but in 2004 it changed the name.

Between 2004 and 2007, there was a concern that the statistics would not be required again. To make sure we had it, the non-profit sector had to get up, get organized, and talk to MPs. We understand now, as we're going into the next collection period, that the CSGVP scheduled for 2010 is on the cutting block. This is a huge concern for us.

● (1220)

Mr. Massimo Pacetti: The CSGVP, what is this?

Mrs. Karen Lynch: The Canadian survey of giving, volunteering, and participating. It's the only national Canadian data collection for volunteering and donations.

Mr. Massimo Pacetti: That's a Canadian program?

Mrs. Karen Lynch: It's Canadian—it's a Statistics Canada program.

Mr. Massimo Pacetti: I have a quick question for Mayor Mandel. With regard to the projects that the city has submitted for the last round of infrastructure funding, have all your projects been started? Have they all gotten the money they needed? How is that working out for you? We've heard nightmare stories from the City of Toronto. In Quebec all the money's been transferred to the Province of Quebec, and the City of Montreal is working with the province. So in Quebec it's been taken care of, but that's a different way of funding. I'd like to know.

Mr. Stephen Mandel: We have a close relationship with the province. Once the projects were approved, we had to go through a process.

Mr. Massimo Pacetti: How many projects did you submit? Did you get at least some funding for all of them?

Mr. Stephen Mandel: We submitted five projects and we have approvals for four. We asked for changes in one of them, and this is being processed.

Mr. Massimo Pacetti: Of the four that were approved, have any commenced?

Mr. Stephen Mandel: I don't think so, no.

Mr. Massimo Pacetti: Thank you.

The Chair: Thank you, Mr. Pacetti.

Mr. Dechert.

Mr. Bob Dechert: Ladies and gentlemen, thank you for your presentations. Mayor Mandel, I'm pleased to be here in this dynamic city of Edmonton. Congratulations to you and your councillors and staff for the way you manage the city.

I've a question for Ms. Manasc and the consulting architects. I take your point about incentives for green building design. I think there's a lot more we can do, a lot more that deserves study.

In our most recent budget, the government provided, on a fifty-fifty basis with the provinces, $1.3 billion over two years to support renovations and energy retrofits for social housing across Canada. Several co-op housing buildings in the city of Mississauga, where I'm from, have taken advantage of that funding and are now doing energy retrofits. I wonder if you could comment on whether you think this is a worthwhile program that should be expanded.

Mrs. Vivian Manasc: I think any energy retrofit program is a worthwhile program. I would suggest, though, that this program is far too narrowly focused to be effective. What's needed is a much broader, more inclusive program that affects all building types and all building owners. The program shouldn't focus solely on energy but also on water use reduction, with a view to creating more healthy environments. This is why we're proposing that you look at things like the LEED green building rating system, which is not confined to energy.

Even if you're looking only at energy, the program that used to exist, the commercial building incentive program, was actually a far more effective program than the current one. The program that exists at the moment funds far too little to be effective. In fact, there is a program that is applicable to commercial buildings. We looked at it for a client and there was about $1,000 worth of funding that might have been available. But we found that it would actually have cost about $10,000 to submit the documentation to get $1,000 worth of funding. Nobody was going to do that.

The programs that exist today are not nearly as effective as the programs that were in place. We need a broader incentive program that rewards people for achieving energy use reductions, for achieving green building certification.

Mr. Bob Dechert: The co-op building program covered all kinds of renovations, not just energy but also other environmental renovations. What would be the cost of the programs you're suggesting? What is the amount we should be looking at?

Mrs. Vivian Manasc: We have some preliminary numbers in our brief, and we said that if, for instance, the government chose to provide a $50,000 incentive for LEED silver, $65,000 for LEED gold, and $75,000 for LEED platinum, we could imagine an investment of about $5 million a year being required to do that. So it's not a huge amount of money, but it would have a very significant impact and ripple effect.

● (1225)

Mr. Bob Dechert: Thank you.

I have a question for Ms. Fleming and Mr. Smith from the United Way. You mentioned that increasing numbers of people are self-employed these days. I certainly see that in my city, and a lot of women, in particular, are self-employed, working from home. In that regard, the lack of parental leave benefits is certainly an issue. It's a proposal that I support. I wonder if you could help me by giving me your views on how you think the program should be structured.

Should self-employed parents pay into the EI program in advance of taking advantage it, and how would you determine who is self-employed and who isn't? How long would they have to be involved in their own business before they can take advantage of this kind of program?

Mr. Christopher Smith: I think the first two questions have actually been very well-answered in the Quebec parental insurance plan. I think the way that model is set up is that all Quebeckers who are working are contributing. Therefore, the cost is spread across a much larger number. I guess it's like insurance program models. So that's fairly easy to do.

I think what we need to do is probably look at it federally. We need to do the investigation of it. The work that has been done suggests that its potential for implementation is better than trying to amend the current EI program. I think the EI program is suffering given the changing nature of work.

In terms of the cost—

Mr. Bob Dechert: So you wouldn't do it under the EI program, but as something separate?

Mr. Christopher Smith: Our recommendation would be to study a national equivalent to the parental insurance program in Quebec. It seems to make more sense.

Mr. Bob Dechert: Can you just help me and explain how that works?

Mr. Christopher Smith: In Quebec, it's a province-wide program. The premiums would cover the traditional EI-type premium and then an additional cost to cover maternity and parental leave structures.

Mr. Bob Dechert: That's paid by all workers, not just self-employed workers?

Mr. Christopher Smith: Yes, it is paid by all workers, including the self-employed. It seems there has been some costing done for self-employed workers, and it looks like the net cost is $420 per year for a self-employed worker.

Now, there's no option as to whether or not you will contribute; we consider it as part of supporting children of families across the province.

In terms of how long you need to contribute, as soon as you indicate you're self-employed, then you're eligible to contribute to the program.

The Chair: Okay, thank you.

Sorry, Mr. Dechert, but you're out of time.

I want to thank all of you for being with us.

I just want to follow up briefly with the mayor on the question Mr. Pacetti asked about the four or five projects. Mayor Mandel, you can certainly provide the information to the committee, if you want, on what the four projects are and when their start and completion dates are. I don't know if you want to comment further.

Mr. Stephen Mandel: Well, yes.

I mentioned bureaucracy in regard to these projects. The politicians' approval might have to go through the bureaucratic process, and that slows everything down. The projects have support, but you guys in the federal government create a process that's long in every way. Our projects have been approved. We asked that one of them be changed, as a result of that. This is the point. That's all.

The Chair: If we could get more information just for the general committee, that would be good.

Mr. Stephen Mandel: Sure, we'll get it to you.

The Chair: Okay, thank you.

I want to thank all of you for being here with us today and for your presentations, submissions, and responses to all of our questions. Thank you so much.

Members, we will have a meeting again at one o'clock.

The meeting is adjourned.

● (1225)

(Pause)

● (1310)

The Chair: I call the third panel of the 44th meeting of the Standing Committee on Finance to order. I apologize for our being a little late. We had a very short break and we weren't able to get back here on time. We will extend the session so we will have the full hour and a half before the committee.

We have seven organizations with us here today, so it's a large number of organizations. This is the second day of our tour across Canada. We did Vancouver yesterday, and we're going to Yellowknife later today; we'll be there tomorrow. We're doing nine cities in all, so it's part of the pre-budget consultation, and we very much appreciate your being here.

I'll read the organizations, and we'll have those presentations in order. We have up to five minutes maximum for an opening statement, and then we'll go to questions from all members of all parties.

We have the North American Equipment Dealers Association, Capital Power Corporation, and Grant MacEwan College. That should read "University", shouldn't it?

A voice: Yes.

The Chair: Congratulations to you on that.

We also have the Wood Buffalo Housing and Development Corporation, the County of Athabasca, NorQuest College, and the Small Explorers and Producers Association of Canada.

You each have five minutes, and I'll give you a signal when you have a minute left so you'll know when you can wrap up.

We'll start with you, Mr. Schmeiser.

Mr. John Schmeiser (Vice-President, Canadian Government Affairs, North American Equipment Dealers Association): Good afternoon.

I would like to thank the committee for the opportunity to make a presentation on behalf of the North American Equipment Dealers Association. Our trade association represents over 800 equipment dealers in Canada. Our dealer members retail equipment that is primarily used in agricultural or farming practices. Our members are sensitive to the changing needs and demographics of farmers and have seen many advances in the equipment offered for sale.

Farming today is vastly different from 30, 20, and even 10 years ago. Increases in farm size and demand for greater production with the same farmable acres have seen significant increases in technology. Tractors, combines, high-clearance sprayers, air seeders, corn planters, and GPS systems today are very sophisticated pieces of equipment that require highly skilled technicians to service. Added to this is that the changes in technology are coming in at an extremely fast rate, making relatively new equipment obsolete. However, it is our perspective that government policy affecting our industry has not moved as fast.

To accurately represent these increases in technology and to fully account for the effective life of today's farm equipment, we recommend that consideration be given to changes on the capital cost allowance schedule on farm equipment and implements. We believe that the existing CCA rates on farm equipment are not reflective of the current life of the machine, nor respect the substantial increases in technology that have taken place in recent years, nor match the buying and purchasing practices common today in the industry. Our dealer members are seeking quicker turnover of equipment by our customers, which speaks to the demand for the new technologies and the increased usage of the current equipment.

The current CCA rate of 30% is not reflective of today's environment; therefore, we are requesting that the CCA rate on class 10 equipment be increased to 40% in the first year from the current 30% and the CCA rate on class 8 equipment move to 30% from the current 20%. At the same time, we are requesting that the Department of Finance undertake a comprehensive review of the current determination of what qualifies for class 8 or class 10 types of equipment. Current classifications identify high-clearance sprayers, air seeders, air drills, and corn planters as class 8, but due to the sophistication and useful life of these machines, we suggest they be reclassified to class 10.

It is our understanding that Minister Flaherty commissioned his officials in the Department of Finance to undertake a review of current CCA rates to ensure that Canada's businesses are competitive in the world economy. Our industry has yet to see any adjustments in CCA rates from this review.

Increasing the CCA rates has been addressed through resolutions that passed unanimously at our annual general meetings. This has become formal North American Equipment Dealers Association policy in both Canada and the United States. There have been recent initiatives in the United States that have seen rapid acceleration of their depreciation schedule. Our organization was successful in leading an initiative in Washington, D.C., to have agricultural equipment fully depreciated over a five-year period as opposed to the previous seven-year period. The American Recovery and Reinvestment Act of 2009 also makes an additional $250,000 of equipment depreciation available, in addition to another measure of a 50% bonus depreciation provision for farm equipment purchases.

Our agricultural equipment industry conducts business in a North America-wide market. It is vital to our Canadian dealers that Canadian taxation policy be as competitive as possible.

Such a change in Canada would see all sectors on the agricultural equipment market benefit, the Canadian manufacturer, dealer, and consumer, and result in a positive effect for the Canadian economy. Farmers will be encouraged to reinvest in their equipment even quicker and faster. This benefits the manufacturer, which will allow for further sophistication and advances in technology.

In our materials that I have provided, we have a current outline of the CCA rates. According to the CCA guidelines, harnesses and sleighs have the same depreciation rate as a $300,000 combine. We hope this illustration alone points to our desire to have the CCA rates updated.

I'd also like to point out that in 2007 the Standing Committee on Agriculture and Agri-Food passed a motion supporting our request to increase the CCA rates on class 10 and class 8 agricultural equipment. Our organization is also one of 14 groups and sectors in Canada that is calling for long overdue changes to the CCA rates. We seek support from the Standing Committee on Finance to finally address this long overdue change.

Our third issue addresses environmental concerns. We are requesting that the committee propose and support the introduction of a program that would see financial incentives to see farmers replace, repower, and retrofit older diesel engines. We base this initiative on a program currently in the U.S. that is successfully reducing emissions from diesel engines.

Recently the Obama administration announced a new directive to reduce carbon dioxide emissions. Soon the State of California will be requiring all tractors to have a tier 4 engine. We don't envision that tractor manufacturers will have tractors with two different engines for the North American market, so Canadian dealers and farmers will be impacted by these changes. We feel that manufacturers, dealers and farming customers are ready for environmentally responsible changes; however, our concern is who pays, and what value will the farmers' old equipment have once new environmental standards are imposed?

● (1315)

In closing, Canadian farm equipment dealers remain committed to selling and servicing quality products for Canadian farmers. We are hopeful that all sectors of the industry will be profitable in 2009, 2010, and beyond.

On behalf of our 800 dealer members across the country, I'd like to thank the committee for the opportunity to make this presentation on their behalf, and I look forward to your questions and comments.

The Chair: Thank you very much for your presentation.

We'll now go to Capital Power Corporation.

Mr. Tony Scozzafava (Vice-President, Capital Power Corporation): Good afternoon, and thank you for the opportunity to appear before you today.

My name is Tony Scozzafava. I'm the vice-president of taxation for Capital Power Corporation, based here in Edmonton. With me is my colleague, Dr. David Lewin, senior vice-president responsible for development of our proposed IGCC power plant.

I'll go over the recommendation that we've made to the committee in our written submission, and then I'll be happy to answer any questions. However, I'm a tax accountant, and I'm clearly not qualified to speak about turning coal into gas and then taking the gas and producing power, so I'll allow Dr. Lewin to answer those questions regarding the technology.

A word about Capital Power Corporation, as you may not be familiar with the name. We're a new company, created only this summer from the spinoff of power generation assets by EPCOR Utilities, also based here in Edmonton. Although we're a new company, we are one of Canada's largest independent investor-owned power generators. We employ more than 1,000 people and have interests in 31 power plants, operating in three Canadian provinces and eight U.S. states. Our operations are North American in scope and our vision is to become one of the most respected power producers on the continent.

Now to the specific recommendation we've made to the committee for the upcoming federal budget.

We believe at Capital Power that coal will continue to be an indispensable part of our energy mix going forward, in Alberta and globally. At the same time, we recognize that we need to develop a new generation of coal plants that can meet the demands of any future carbon emissions regime, and right now the global consensus is that carbon capture and storage, CCS, is the best option we have to achieve that goal.

To meet our current policy goals for carbon reduction, we have to accelerate the deployment of carbon capture and storage technologies into commercial use. We believe that carbon pricing will eventually make CCS economical, but that would take longer than governments and the public are currently willing to accept.

We have to be clear that reducing carbon emissions is a considerable added cost for power generation, no matter which approach we take. We believe that coal, with carbon capture and storage, can be cost competitive with other low-carbon options, but right now all those options have to be subsidized. Carbon capture, in particular, is like other low-carbon energy technologies in a key respect. The cost of proving the technology on a commercial scale is very high, but that cost is expected to drop dramatically and rapidly over time as it is scaled up.

There is no mystery to this. It's the same cycle that we're seeing in other technologies, such as solar power. Technologies that are so expensive as to be commercially unviable at a given time can become very viable within a short period of time. In the interim, they are supported everywhere in the world through power pricing and other means. The challenge for CCS right now is to identify early adopters and get them through the first phase of proving the technology on a commercial scale.

Capital Power has invested a decade of effort to position itself to become one of those early adopters. We need the support of the federal government to show the potential of CCS on an accelerated timeline, so the debate comes down to how best to do that.

The federal government has supported action on greenhouse gases through a variety of mechanisms, including giving great credit, I guess, for looking at those mechanisms. One of those mechanisms is to accelerate the CCA, or capital cost allowance, allowing costs of adopting new technologies to be written off on a faster schedule that recognizes the upfront cost burden and risk that early adopters take on.

We think it's a good approach, in combination with others, and it's already in place, supporting other low-emission energy technologies. Those include renewable sources as well as the efficient and responsible use of fossil fuels.

The essence of our recommendation is this: We respectfully ask that the federal government treat CCS equipment on an equal basis with other clean energy technologies by extending the scope of the 50% CCA rate under section 43.2 of the Income Tax Act to this equipment. We think it is the right step for the federal government for several reasons. Most importantly, capital cost allowance is ideally suited to recognize the nature of investment in CCS and other technologies. That investment is heavily loaded upfront and then pays back over time as the market catches up.

The measure we are recommending is a deferral, not a permanent subsidy. By our best estimate today, the federal government would only defer $17 million of tax revenue in the plant's first two years of operation in 2015 and 2016, but the deferred revenue would be recouped over the remaining length of the project.

The change we are recommending would continue the federal government's commitment to CCS, a commitment for which it deserves great credit. The Government of Canada supported its development, including our own work at Capital Power, adjusting the capital cost allowance to support technology as it moves into implementation phase.

More generally, it's important to treat clean energy technologies equally, to recognize that different areas of the country have a different mix of energy sources.

● (1320)

It would support Canadian industry and technology, including new projects and a major infusion of new knowledge and expertise. It would support renewal of some of our most basic infrastructure and at the same time help transition a core industry into a very different future.

Finally, as to the new plant that we're proposing in particular, it would help establish Alberta and Canada as global leaders in technology-based solutions to reduce greenhouse gases.

I thank you for the opportunity to be here today to speak to you in person. It's been an honour, and I hope to meet with you again.

Dr. David Lewin and I are happy to answer your questions. Thank you.

The Chair: Thank you for your presentation.

We'll now go to Grant MacEwan University.

Mr. Alan Heyhurst (Associate Vice-President, Corporate Services, Grant MacEwan University): Thank you for this opportunity.

Our president, Paul Byrne, has submitted a written document. Unfortunately, he was called out of town and he's asked me to present his recommendations to the committee. What I'm going to do is just highlight the recommendations and the reasons for them, and then I can answer questions from you.

He's put it in the form of opportunities, and the first opportunity is to increase funding for infrastructure in education. The reason for this is that the demand for post-secondary education outstrips the capacity that we have in our buildings.

The new buildings that we build now are sustainable buildings in that they are built to LEED silver standards. We also require funding to upgrade existing buildings. The buildings may be functional now, but when you compare them to the current standards, you'll see that additional funding to bring those up to standard would be appreciated. We also, in some institutions, have deferred maintenance. What we need to do there is provide additional funding so that, again, those buildings can be brought up to standard if we cannot replace them.

The other priority is access to post-secondary education, and this is more from a student perspective. We know that the cost of attending a post-secondary institution can be extremely high when you take into account the tuition fees, the living, the books, the supplies, all the association fees.

We have a recommendation on this for the committee. There is a system of refundable tax credits right now for post-secondary education, but it applies only to tuition fees. If we could include the whole cost of education as a tax credit, I think that would alleviate some of the issues. Because you can't go to school with just tuition fees. You have literally hundreds or maybe thousands of dollars' worth of books and other supplies. That would be a consideration that we would like you to look into.

The final item we have is investment in technology. Sometimes location can be a barrier to education. We would suggest that we look into promoting technologies so that the student doesn't necessarily have to be on campus. Although traditionally, as years have gone by, face-to-face instruction has been very important, there may be instances where the education can be done remotely. We're recommending the committee look at technology for distance learning, maybe subsidize the purchase of computers for students, and also look into high-speed Internet access, especially in rural locations.

I thank you for this opportunity. I've really summarized Paul Byrne's presentation, so I'm open to questions afterwards and hope I can answer them.

Thank you.

● (1325)

The Chair: Thank you very much for your presentation.

We'll now go to the Wood Buffalo Housing and Development Corporation.

Mr. Bryan Lutes (President, Wood Buffalo Housing and Development Corporation): Good afternoon, Mr. Chair.

My name is Bryan Lutes and I'm president of Wood Buffalo Housing and Development Corporation in Fort McMurray. Thanks for allowing us to present this afternoon.

Wood Buffalo Housing and Development Corporation is a not-for-profit affordable housing provider in the most expensive real estate market in the nation.

The Regional Municipality of Wood Buffalo ranks, by area, amongst the largest municipalities in North America, encompassing approximately 10% of the land mass of Alberta. The disproportionate national economic contribution of Fort McMurray is well known. The Fort McMurray region is the economic engine of Alberta, according to our premier as of Saturday, and potentially the economic engine of Canada at this point.

Oil and gas activities in Alberta have a total national impact of $2.9 trillion. Oil and gas activities in Alberta create total GDP impact of $2.5 trillion in Alberta, $166 billion in Ontario, and $93 billion in British Columbia.

Due to the fact that the Wood Buffalo area relies heavily on oil from the oil sands industry, special interest groups have recently smeared the region as anti-environmental.

Housing stats in the area, according to CMHC's spring 2009 survey, say that the average rent for a two-bedroom apartment in Fort McMurray is $2,200 a month. Compare this nationally. It is twice that of Edmonton, over twice that of greater Toronto, and nearly four times that of Montreal. According to Fort McMurray's real estate board, the average sale price in 2008 for a single family home was $682,000.

Two primary needs exist: more affordable, attainable housing units and a green sustainability approach developing high-growth neighbourhoods that will materially aid in the facelift of the region.

We would like to present to you two options for your consideration today.

The first one is an affordable net zero or net-zero-ready development in the new subdivision called Parson’s Creek. Parson's Creek is the newest greenfield site in the Fort McMurray region, approximately 1,000 acres on the north side of the city. Identified by the Province of Alberta as the high-growth node, some 24,000 residents will occupy the development.

In consultation with Gordon Shields of Net-Zero Energy Home Coalition, we have the following definition of net zero. A net zero community is a community whose buildings annually produce enough energy to offset the amount of energy purchased from the grid, resulting in a net zero usage from the grid.

Just like typical buildings, a net zero building is connected to and takes energy from the utility system. Unlike typical buildings, these produce enough energy to send a portion back into the utilities, enhancing long-term affordability by reduced utility bills, enhancing carbon emissions by reduced to zero or near-zero energy, enhancing climate protection, clean air, and healthier homes. Net zero defines the next generation of sustainable development, enhances community and social well-being, and enhances community image as well.

Concerning Parson's Creek net zero energy development funding and support, the services cost for the 1,000 acres is roughly $1.6 billion. The province is putting that money in. The upside to get to the net zero or near net zero energy-ready is about $500,000. And then for the builders to build houses would require a subsidy of about $90,000 a door.

I'll get into my second proposal, which is the rental development—federal. Currently the federal tax situation does not make it favourable for rental product to be developed. Canada is the major country in the world without a national housing program. The federal government, in the latest budget, dedicated $8 billion towards housing, but no funds for tax incentives were directed.

We would recommend—not a more favourable tax treatment for the residents in the Fort McMurray industry, but simply a levelling of the playing field by applying the same tax rules to rentals as to sales development.

● (1330)

Our request of the federal government is to remove rental housing disincentives from the federal tax policy. We therefore request a rescinding of the tax issues for the municipality as described above, or, in lieu, the elimination of the national rental tax policy, specifically.

Thank you for allowing us to present. We'll answer questions as they come up.

The Chair: Thank you very much for your presentation. We'll now go to the County of Athabasca.

Mr. Charles Ashbey (Councillor and Chairman, Budget and Finance Committee, County of Athabasca): Thank you, and good afternoon, Mr. Chairman.

Briefly, the County of Athabasca is a municipality where we don't have any really novel suggestions; we have a continuation of what we have seen occur over the last couple of years, principally with the new deal for funding for infrastructure.

The county has recently taken advantage of the program. Thanks to the new deal program, we have been awarded roughly $3 million of federal money for a road overlay project. Particularly important—and I've been on council since 2001—I think the amount of federal money we have availed ourselves of in that period of time has been negligible. Just in the last year we got $3 million for the road overlay project. I think the Town of Athabasca, within its boundaries, got over a million dollars for a lagoon, and the Village of Boyle got roughly $4 million for upgrades to a hockey arena. So these funds coming at a time when the costs of these projects have been skyrocketing due to inflation is extremely vital.

In the last three years, the overlay job we're doing has gone from around $6 million to over $12 million. Thanks to the federal programs, the new deal and the Build Canada programs help take up some of the cost of inflation. So it is the county's opinion that ongoing federal support for infrastructure requirements in the $10 billion per year range nationwide is warranted.

The county's second suggestion is for more commercialization of research and development by making investment in scientific research and experimental development a refundable tax credit to stimulate increased private sector investment. The long-term financial health of the county requires a transition to a knowledge- and technological-based economy and away from a resource-based economy. While Canada is blessed with a cornucopia of resources, the long-term wealth of the country will be based on developing the intellectual and creative capacity of Canadians, who will develop the future technologies, processes, and knowledge required to meet the needs of Canada and the world. In the future world economy, Canada is competing with countries that, lacking our resource base, heavily promote the development of their human capital. To compete with these countries in a future world economy in green energy, nanotechnologies, and nano-cellulose products, the federal budget needs to actively promote private research and development by making the scientific research and experimental development tax credit refundable.

We have the world's fastest growing university within our boundaries—Athabasca University, a correspondence and long-distance learning institute—with in excess of 30,000 students enrolled. They have actually started an Athabasca River research study, and we're hoping to build a centre for river-based research in conjunction with that. The county and Athabasca University are good partners.

Our third suggestion for the 2010 federal budget is directed towards agricultural support and is related to the second point above. Developing new product lines for consumption and export is vitally important to an export-oriented industry. Two federal government programs—AgriInvest and AgriStability—have been of assistance to producers, especially during this recent year of drought and grasshoppers. The county strongly supports the increase of $1 billion annually in the levels of core funding and to applied research associations and forage associations.

In conjunction with previous presenters from Fort McMurray on having Highway 63 go through the length of our county, the federal government's commitment of $150 million to the twinning of Highway 63—it was a few years ago, 2006, I think, that it was committed—is greatly appreciated, because we have volunteer ambulance people who have to tend to the carnage on that highway on a daily basis. Twinning it is for safety. It is the engine of growth, certainly in Alberta, if not in the country. The federal government recognizing that as a national highway was greatly appreciated. So thank you.

● (1335)

The Chair: Thank you. Thank you very much for your comments.

We'll now go to NorQuest College, please.

Dr. Wayne Shillington (President and Chief Executive Officer, NorQuest College): First of all, thank you very much for the opportunity to present to you this afternoon. We provided a written submission to the committee. I'll highlight some of the key points and look forward to answering some questions.

For those who may not be totally familiar with NorQuest, we're a community college serving the Edmonton region, and the largest community college in the Alberta post-secondary system. Our focus is on creating the pathways to careers that enable the advanced skills in the skilled workforce that are needed in the future economy for Canada. That starts with career programs that lead to jobs—highly skilled occupations. But because of our role as a community college, a large percentage of our student body are new Canadians, so it includes transitioning those highly skilled immigrants to productive roles in our economy. That is a large part of our academic programming. It also provides an opportunity for those who are perhaps underutilized in our economy, such as the aboriginal population. In my brief I note that over 13% of our students are self-identified as having aboriginal heritage. So again, that ensures that everyone can contribute to the Canadian society and economy.

On our career areas, we have a number of areas of expertise that are leading-edge across the country. Besides the usual certificates and diplomas in a range of college programming, we have identified areas that go above and beyond and have roles locally and nationally. Those are areas of print media production; intercultural education; aboriginal education; health care, especially continuing care; and supports for learners who have challenges. Much of the work of our applied research is done in those areas of expertise by our faculty, who are involved in leading-edge activities that take the academic expertise and build solutions with business partners in the print media. In the brief I've highlighted some examples.

We've also benefited greatly from the Western Economic Diversification investment that has helped us create business solutions. Last week we had presenters in Edmonton from California Polytechnic. The print industry from across western Canada came here to learn about environmentally sustainable print media production.

So that's the kind of leading-edge research done there, and that links to my first recommendation, which is to ensure that the federal government invests in applied research. Many of the research models and granting agencies have been defined around the traditional university research model. So the college system across the country —and we're very active in that—is doing more research in partnership with business. We would really like you to look at how you can better support that kind of research that has very immediate financial and business solutions. Another area is intercultural. That entire area works with skilled immigrants working for engineering companies and organizations like that.

The second recommendation is on accessibility to the college and opportunity for everyone. As a result, many of our students come from diverse backgrounds. We've grown over 20% in the last year. With more immigration, greater aboriginal population growth, and the desire of those populations to engage in our economy productively, we're under tremendous enrolment pressure. Like my colleague from MacEwan, facilities and infrastructure are major challenges for us.

We've had some benefit from the knowledge infrastructure investments in the short term. That did some nice maintenance and we're doing some exciting things. But there's the larger, long-term strategy of creating sustainable infrastructure with new environmental standards—creating new facilities and refurbishing the old ones—and creating the kinds of learning spaces the students need. We're really struggling currently with not being able to physically accommodate the learners we have.

The other recommendation is on investing in that infrastructure. The other one that's sort of tied to that is your strategy around the aboriginal population—there are huge waiting lists in that growing population—and looking at how you can make stronger investments to ensure that population is able to move forward and participate in learning.

Those are our recommendations. I look forward to answering any questions you have later.

Thank you.

● (1340)

The Chair: Thank you very much for your presentation.

We'll go to the Small Explorers and Producers Association of Canada.

Mr. Gerry Gilewicz (Chairman, Finance Committee, Small Explorers and Producers Association of Canada): Thank you.

The Small Explorers and Producers Association of Canada, or SEPAC, represents more than 400 junior oil and gas companies across Canada. I use the word "junior" because it's an important distinction in the oil and gas world. When I talk about junior oil and gas companies, I'm talking about companies that produce anywhere from zero up to 10,000 barrels of oil equivalent per day. We need to make that distinction before I get into the recommendations, because it's an important one.

We've had many challenges over the years, the first of which has been pricing, for natural gas specifically. Junior oil and gas companies are predominantly natural gas producers, and approximately 75% of their production comes from natural gas. Of course, it's no secret that right now, today, we live in a world of very low natural gas prices.

The second challenge we've had, which has become highlighted especially in the last 12 months, is the credit crisis. We rely heavily on bank financing, and credit lines have been cut drastically. We need other means of raising capital in a very capital-intensive industry.

The three proposals that I have before you relate specifically to the flow-through share program. It's not a new program; it's been in the Income Tax Act for more than 20 years. What we're looking for is changes to it.

The first one is that for a limited time period, to deal with the current situation, a 30-month period be provided for converting Canadian development expenses into Canada exploration expenses. This is for a temporary period. The proposal is jointly made with the Canadian Association of Petroleum Producers, which made it in a submission to the Minister of Finance this past summer. SEPAC comes into play in that we have said we would put our weight behind this recommendation as well, but we would want these expenditures eligible for flow-through share renunciations.

The second is similar to the first. It is that the first million dollars of Canadian development expenses, which gets a lower writeoff rate in the Income Tax Act, be eligible to be converted to Canadian exploration expenses, which have a 100% writeoff. The level of re-characterization has not been revisited since 1996, and it has not kept up with the costs to explore and to develop the resources. In fact, it was reduced from $2 million to $1 million back in 1996 to reflect the health of the industry. Things have changed quite a bit since then, especially in the junior world—and the flow-through share program is only relevant to the junior oil and gas world, not to the senior producers.

The third recommendation goes hand in hand with the second one. Access to the million-dollar re-characterization of development expenses to exploration expenses is limited to companies that have $15 million of capital on their balance sheets. This is far too low, and we find that very few of our members can actually participate in this program for that reason. We would like the limit raised from $15 million to $50 million.

We'd be remiss in not talking about what this might cost the government. As anybody who is familiar with the flow-through share program will know, it's really a timing issue. The junior oil and gas companies are foregoing their tax deductions and passing them off to the individual investors. So really, there's no permanent tax cost; the only tax cost there might be lies in the present value of the writeoffs. We've given a numerical example analyzing that. We think that on $100 of renounced expenditures, the cost to the government would be less than $2.

In summary, we're not asking for anything new here. What we are asking for is an enhancement of what's already in existence. This is an excellent program for the junior world. It's unique to the entire world. We just need the amounts updated to reflect current standards.

Thank you.

● (1345)

The Chair: Thank you for your presentation.

We'll start with questions from members. The first round will be seven minutes.

We'll start with Mr. McCallum, please.

Hon. John McCallum: Thank you, Mr. Chair, and thank you all for being here with us this afternoon.

I've spent twice as many years in education as in politics, so I thought I would start with the two educational representatives here.

My first question is to Mr. Shillington, about his suggestion that the federal government should put more money into supporting applied research by colleges. I tend to agree with that. My observation is that the federal government, in supporting research over the years, has been very ungenerous to colleges as distinct from universities. My question is, do you agree with that, and why is it? Is it a jurisdictional thing, that colleges are more the creatures of provinces than are universities? How do you see that? This is not the first time we've heard a proposal like this, and it doesn't seem to have gone very far. I think that in principle it's a good thing, but what are the impediments?

Dr. Wayne Shillington: I think one of them is—I don't disagree with what you said—that research in colleges has really just in the last probably half a dozen year come into its own. That is one factor. It's new to the agenda. It's more closely linked to the business innovation agenda—very closely linked—than what you think of as basic research, the bench research of a university.

Many of the mechanisms that have been put in place for decades have been based on that model. I think it's a matter of transitioning to a model that supports both activities and recognizes the value of both. I agree with you that it hasn't moved as quickly as we would like, and that was part of my goal today. It was to help move that agenda forward.

Hon. John McCallum: Do you have any thoughts on this, Mr. Heyhurst?

Mr. Alan Heyhurst: I could say something different about last week when we were a college and now we're a university.

Voices: Oh, oh!

Mr. Alan Heyhurst: Unfortunately, I have only been at MacEwan for seven weeks, and my last stint in education was over ten years ago. I really can't answer the question, but I do know that in the college field—and correct me if I'm wrong here—they concentrate, and so will Grant MacEwan, on the role of teaching. Research will still be a component, but it will be a lot smaller than in a university setting.

Hon. John McCallum: Thank you.

My second question to either or both of you has to do with access and support for students. It's my impression, at least anecdotally, that this is a more serious problem for students now than it was a year ago, partly because student unemployment is at a record high, so students find it very hard to get jobs. It's also partly because students' families or parents might be feeling more of a pinch because of what's happened to the stock market and so on.

In terms of your own institutions, do you find that there is a more pressing need for assistance now? Is it a higher priority than it might have been a year ago?

Dr. Wayne Shillington: Certainly from our perspective the demand is higher, and again, given the part we play in the system as a community college, those in the more marginal or lower socio-economic areas and the new immigrants are sometimes the first ones to experience that downturn, and they're not often in the financial position to pursue education without government intervention. So we've been working with both governments to do that.

We very much agree that access has become a greater issue than it was two or three years ago.

● (1350)

Mr. Alan Heyhurst: I think I can say the same for MacEwan. Our enrolments are up about 15% over the last year. We are now starting to move people out of the main facility so that we can convert to classrooms. When the economy is bad, it's really good for education if we have the space to accommodate it.

Hon. John McCallum: My next question is for Mr. Lutes. You have two options. One is the net zero. The other one is about ending the discrimination against the residential rental industry, for example, by the fact that the rollover of capital gains is prohibited in this industry.

We've had other people present that, and I think the idea has merit. However, I was a little puzzled—and maybe I'm missing something —but the way your proposal is framed it seems that you're asking for that end to discrimination only for your municipality, and you're asking for the net zero community thing only for your case. Maybe there is a reason, but I'm not quite sure how the federal government could do that exclusively for one municipality.

Mr. Bryan Lutes: Thank you for the question, Mr. McCallum.

Let me elaborate on that. In terms of the rental changes to the tax law, we're proposing that you set that up as a pilot in the highest-need area of the country today, fine-tune it, and then you can roll it across the rest of the country in a proven manner. Then it works and has a track record of working. The net zero energy and technology involved would involve groups from different areas of the country, which the technology would be moved across as well. It would not just benefit our community immediately, but ultimately the country at large.

Hon. John McCallum: But presumably you'd have no objection if this leveling of the playing field for rental property were applied to the whole country.

Mr. Bryan Lutes: That's what we ultimately hope. Being a not-for-profit, it doesn't directly affect me. We would hope that private developers would be able to invest in rental development, because there are rental pressures across the country. It's a national issue.

Hon. John McCallum: Thank you.

My last question is for you, Mr. Ashbey, about your request for $10 billion per year more in federal infrastructure funding. What form do you think it should take?

At the last session, we had the mayor of Edmonton, who was a strong advocate of the gas tax mechanism, as was the Federation of Canadian Municipalities. Would that be your preference too, or would you prefer another process?

Mr. Charles Ashbey: If it could be accomplished with the gas tax, I think that's an equitable manner of doing it. I think it's just in recognition that, particularly in a time of inflation, the program was very well received. At the end of the line, in my mind, there's one tax dollar. So I think the gas tax is one way of doing it. I'd defer to your judgment. There's some politics involved there in how you get that amount.

The Chair: Thank you, Mr. McCallum.

We're going to go to Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest: Good morning to all witnesses.

I would like to put my first question to Mr. Scozzafava or Mr. Lewin; Mr. Scozzafava said that Mr. Lewin would be taking technical questions.

You expect to maintain and even increase power generation through the use of coal. As a way to reduce greenhouse gases, you suggest capturing and storing carbon, or at the very least, enhancing the capacity to do so.

Is this technology not still in its trial stages? Is there a sufficient number of safe sites where your group can move ahead with this recommendation and meet the proposed objectives?

● (1355)

[*English*]

Dr. David Lewin (Senior Vice-President, IGCC Development, Capital Power Corporation): Thank you for the question.

The technology really is in what we call its early commercial phase. We're trying to accelerate the commercialization of technology that is now currently available, but until the marketplace, in terms of electricity prices, is at a point where a project like this would be commercial from an industry point of view, we wouldn't go ahead and build that particular project unless we had additional help—public funding, changes to the accelerated capital cost allowance, things like that. So it's in what I would call its early commercial phase.

These kinds of projects are also going ahead in other countries—certainly in the U.S. Japan, I know, is looking at it because we had some Japanese visitors to our power plant on Thursday of last week. Also in Europe.... It's sort of a world-wide trend in terms of carbon capture and storage.

Our particular focus is on carbon capture, so our expertise is developing on the carbon capture side and not so much on the storage side. In this project we would first of all rely heavily on the transportation industry in terms of transporting the CO_2 captured in a liquid form, and then safely storing the CO_2, likely initially for enhanced ore recovery, in low or non-producing oil wells not too distant from our power plant around the Pembina Swan Hills area in the province. I know there are a number of companies that are, as we speak, running pilot schemes testing the disposal and safe storage of CO_2.

That's the limit of my knowledge in terms of actually storing the CO_2 underground, but I will add that the use of CO_2 for enhanced ore recovery has been done for the last 30-plus years in Texas. Naturally occurring CO_2 is recycled and used for enhanced ore recovery, and the CO_2 remains down there. Weyburn, Saskatchewan, has had a similar project whereby they take CO_2 from North Dakota and have stored CO_2 for the last few years. Also at Joffre in Alberta, this sort of process has been done for a number of years. So all indications are that this process will be safe disposal of CO_2, but I would recommend to the committee to talk to the Alberta Research Council, who have more expertise than I do.

[*Translation*]

Mr. Jean-Yves Laforest: My second question is for Mr. Lutes, from the Wood Buffalo Housing & Development Corporation. You spoke of “net zero” energy consumption. “Net zero” accredited buildings would be new buildings connected to a public grid, that would generate an equal, if not greater amount of energy than they consume.

I have trouble understanding how a building would be able to produce energy.

[*English*]

Mr. Bryan Lutes: Thank you for the question.

Net zero energy homes would ultimately produce more energy than they use from the grid. They would need to be connected to the grid because of seasonal peaks and demands. In northern latitudes you have less solar. So through different methods, geothermal energy, solar energy, solar-electric, passive solar, and wind energy, we would be able to generate more energy than we would use from the grid and ultimately, potentially, push back into the grid and keep the net usage of that house at or near zero.

● (1400)

[*Translation*]

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

Mr. Jean-Yves Laforest: Is the case hypothetical, or do such buildings already exist in an environment where the elements are just as harsh as they are in the region of Fort McMurray? They may exist in Europe, but in the Far North, it will be more difficult to comply with standards and generate an amount of energy equal to what is consumed. You talked about seasonal peaks and temperature differences; I suppose these factors would make meeting the objective more complex.

[*English*]

The Chair: Just a brief response, Mr. Lutes.

Mr. Bryan Lutes: Yes.

The technology is there. There are a couple of houses in Edmonton that are currently up and running. Texas has some stuff. There's some stuff in the Middle East, where a whole community is running off the technology. The technology is increasing day by day.

Most of the advantage to the energy efficiency is in the building envelope, to get to an 80 to 90 on the EnerGuide rating of a building envelope and ready for the new technology when it comes. We're working with the University of Alberta in that regard to help further that.

Mr. Jean-Yves Laforest: *Merci.*

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

Mr. Bob Dechert: Thank you, Mr. Chair.

Gentlemen, thank you for your presentations today and for taking the time to share them with us.

I have a number of questions for several of the speakers. I'd like to start with Mr. Schmeiser with the North American Equipment Dealers Association.

I take your point about the harness and sleigh equipment being still included in the Income Tax Act. We certainly need to update that legislation.

I heard your proposal to increase the CCA rate on certain types of farm equipment from 30% to 40%.

What is the average life of a new piece of sophisticated machinery like a $300,000 combine?

Mr. John Schmeiser: We look at it this way: how quickly are our customers trading in their equipment? In the seventies and early eighties, it was very common for a smaller farm, with smaller-sized equipment, to hang on to a combine for anywhere from 8 to 12 years before the effective life of the machine was pretty done and major overhaul work would have to be done on it. Now we're seeing with the high-end stuff that they're doing more bushels, more acres, and they're doing it in a shorter period of time. We're seeing the five-year range now as the effective life cycle.

That came from data that came from our dealers. That was the basis for our organization going to Washington, D.C., and getting the change from seven to five years.

Mr. Bob Dechert: Okay. That's interesting.

In terms of your proposal regarding an incentive to replace, repair, or retrofit diesel engines, what would you estimate the cost of that proposal to be to the Government of Canada? What kind of investment would you expect equipment users to make if we were to bring in that kind of an incentive?

Mr. John Schmeiser: We have a great example in the state of California, which population-wise is very similar to Canada. They have a program called the Carl Moyer program. It sets aside, and this is just the state, $150 million a year. When a farmer brings in an older engine—tier 0, tier 1, or tier 2—and the engine needs a complete overhaul, California will pay for the brand new tier 3 engine to go in there, and soon the tier 4 engine that's coming very shortly. They will pay for the difference between the cost of the new engine and the cost of the overhaul. They've committed $150 million a year to do that, and there's been a lot of take-up.

What happens with the old engine, though, is that a hole is punched through the block and it becomes scrap metal. We have an issue with this green wave. Maybe our industry is a little bit behind the curve on that, but 95% of equipment transaction sales involve a trade-in. If all of a sudden one state deems that they no longer want tier 3 engines in California, what happens to the value of that farm equipment?

That state is becoming a model for the rest of the United States. Because of financial challenges at the state level, they're not going to create another California Air Resources Board; they're just going to adopt the California standards. The manufacturers are not going to make two engines for the North American market. We're going to get caught up in that. At the end of the day, it will mean increased costs to our farmer customers.

I'll give you one quick example. It's with regard to moving from tier 3 to tier 4 engines in tractors. We asked John Deere what that would mean in additional costs for the farmer. Similar to the housing concept, the air coming out of the tier 4 engines should be cleaner than the air going into the tier 4 engines. John Deere told us that on their largest horsepower four-wheel-drive tractor, that is going to cost an additional 20%. That's $50,000 to $60,000 extra that the farmer is going to have to pay to meet these environmental standards.

● (1405)

Mr. Bob Dechert: Okay. Thank you very much.

I have a question for Mr. Heyhurst of Grant MacEwan college.

You mentioned that one proposal would be to build a rural broadband network to assist in the development of distance learning, I believe.

Are you aware of the contribution, I think $250 million, that was made in Budget 2009 for the construction of a rural broadband network across Canada? Is that a program that you think is a good idea, and do you think it should be expanded?

Mr. Alan Heyhurst: I wasn't aware of it, and if that program is in existence, I'd certainly—

Mr. Bob Dechert: I believe some of those networks are under construction now.

Mr. Alan Heyhurst: The provincial government has also put a fair amount of money into connectivity in the province. Whether that will go as far as the student in their house may be the next level.

Mr. Bob Dechert: Okay, thanks very much.

I have a question for Mr. Scozzafava from Capital Power Corporation. Your proposal to increase the capital cost allowance for carbon capture and storage technologies is an interesting proposal. I think it's something we need to work on.

I just returned from China on the weekend, where they have a major environmental issue. They're looking significantly at carbon capture and storage; they use a lot of coal.

If we allow an accelerated capital cost allowance for companies in Canada, do you think that will benefit the Canadian companies who develop that technology and thereby enable us to access big markets like India and China in the future?

Mr. Tony Scozzafava: I think there is an incentive to develop the first commercial-sized power plant that uses CCS technology in Canada.

We have to keep in mind that power is transportable across the borders of Canada and the U.S., and there are other parties in the United States currently looking at similar projects. There is an abundance of coal in the United States as well, which could be used in a similar fashion. So I think there is an incentive, notwithstanding the gasification technology and a lot of the CCS technology that's developed in Europe or elsewhere.

I think putting together the CCS technology and gasification technology with a commercial-scale power plant would be of benefit to Canadian industry in terms of having that leading edge and being at the forefront of that market.

The Chair: You have 20 seconds for a really quick question.

Mr. Bob Dechert: Okay. I just have a quick question for the County of Athabasca.

Regarding your proposal on the SR and ED tax credit, can you comment on what you think the estimated benefit of that proposal would be in terms of new investment in scientific research and development in Canada?

Mr. Charles Ashbey: Very briefly, our CAO is actually more versed in that than I am, and he is not here.

Brian, I don't know if you have any comment on that.

Mr. Brian Pysyk (Director of Corporate Services, County of Athabasca): Not a lot, but just to say that for every dollar a company puts in, if they can see something at the end of the tunnel, they may invest more in the long run. So having any kind of a tax break would promote this development.

The Chair: Thank you.

We'll go to Ms. Duncan, please, for seven minutes.

Ms. Linda Duncan: Thank you, Mr. Chair.

My first question or comment would be for Mr. Schmeiser.

I appreciate your pointing out the issue where we're trying to get all sectors to reduce greenhouse gases. Of course, you're looking to the farm sector, both in energy use but also in your equipment.

Two things occur to me here. I'm not sure how much of this equipment is actually manufactured in Canada, but given that there's going to be a North American market, it may be advantageous if we stepped up to the plate and helped the manufacturing industry get in early and devise these energy efficient mechanisms.

But it also occurs to me that we need to start being far more innovative in the greenhouse gas offsets. Why couldn't there be an offset where somebody simply buys the extra cost to upgrade the tractors?

I would encourage you to look into that. We need to be go outside the box and look at different ways of doing this, because agriculture is an important part of our economy. It's already stretched because of the drought and its impact.

I'm just wondering if you have pursued those kinds of ideas.

● (1410)

Mr. John Schmeiser: Yes, first of all, on the issue of the offsets, I think there's a great opportunity for our farmer customers with carbon offsets, or having carbon injected into fields. It's something that has been looked at and been tried by a number of organizations, but it really has not got off the ground. I think there's just huge potential and a huge revenue potential for our farmer customers with carbon offsets.

With regard to the equipment manufacturers, there is only one tractor manufacturer left in Canada and that's Buhler Manufacturing out of Winnipeg. Buhler maybe speaks to a bigger issue; it's not only a North American market for them, but a worldwide market. They're manufacturing tractors that are going to Russia and Eastern Europe right out of Winnipeg, and they are a great Canadian success story. Even though they are owned by Russians right now, they are still creating jobs here in Canada, which is something that our dealers have a lot of pride in when they sell that product.

All of the tractors of the other major manufacturers of tractors, John Deere and Case IH, are manufactured in the United States.

Ms. Linda Duncan: I have the same comment for Wood Buffalo Housing.

I'm delighted to hear about the proposal for the energy efficient, affordable housing. That's been an ongoing serious problem, and it's providing infrastructure for the massively overcharged economy up there. It's slowed down now, simply because of a lot of regulatory uncertainty.

I'm wondering, though, again, why should the taxpayer pay for affordable housing when in many cases the people who work up there make far more than a lot of other people in Canada? How about the idea of a potential offset, where some of the energy producers up there subsidize the development of the energy efficient housing?

Mr. Bryan Lutes: Thank you for the question.

We have looked at off-site construction methods and our initial research says that we have a method of constructing off-site that would reduce the carbon footprint by 43%, but we still have high needs and high demands, with the required income to rent a three-bedroom apartment being $99,900 a year on a 30% rent geared to income. It's $75,000 for a one-bedroom, so it's really—

Ms. Linda Duncan: It's okay, I'm all for more federal money into affordable housing. Don't worry about that. I'm just trying to look at dealing with that additional issue.

Do I have time for a few more questions? I have some questions for Capital Power.

I found your presentation very interesting, and I would appreciate your explaining to the committee why taxpayers should subsidize coal when for less money we could be deploying more gas, renewable, and retrofit at the same value? Why should the taxpayer be subsidizing coal-fired, which is in all cases the dirtiest source of power? It's cheap, because currently our federal regulatory standards are low.

Minister Baird promised higher air emission standards. We're waiting for those to be delivered.

I attended the World Business Summit on Climate Change, and there was a resounding, 100% recommendation from worldwide business—I don't think any Canadian business was there, but it was Europe, China, the United States, all over the world—that we need to put the high price on carbon now to incent the shift to a greener economy, as the International Energy Agency has said.

My question is, why should the taxpayer be subsidizing dirty coal?

Dr. David Lewin: I will do my best to answer that.

When looking at power supply, simply in the province of Alberta, for example, from a Capital Power point of view, we recognize that there are huge coal reserves, something like 32 billion tonnes of coal in the ground that are economically mineable. So our view is that it's not necessarily the only source of fuel for future power generation, but it's not an energy source that you can simply ignore and walk away from.

We do have considerable experience to date in using coal in the province for power generation, but we do recognize that environmental emission standards are changing as we speak, and that really brought on the need for Genesee 3, which was at its time and still is the cleanest coal-fired power generation in Canada. It's a supercritical unit, but we do recognize now that there's another step that has to be made.

In our portfolio of supply we do have coal, natural gas, wind, small hydro, and so forth, and one thing I would always advise when you're designing a power system is never to rely on any one particular source of fuel. We recognize that in that portfolio the coal has a significant role to play. Our responsibility is to try to make that coal-fired generation as clean as possible, and that is the purpose of the last three years that we spent in designing the IGCC project and bringing it to the point where it is now ready for commercialization.

It will not be commercialized, it will not be built, unless we get some additional help from public funds and from things like changes to the Income Tax Act. But we're not saying that coal is necessarily the panacea. We're saying it is one of the energy sources for a portfolio of supply options that we have available to us, particularly in this province.

● (1415)

The Chair: You have about 20 seconds, if you want to ask a follow-up question.

Ms. Linda Duncan: I have a quick comment for Athabasca University. I'm absolutely delighted that you want to get more into the development and deployment of alternative renewable technologies. That has been the downside of the federal support. There has not been support for deployment. So I'm absolutely delighted that Athabasca University is interested in getting into that.

The Chair: Thank you.

We'll go to Mr. Pacetti, please.

Mr. Massimo Pacetti: Thank you, Mr. Chair.

Thank you to the witnesses for appearing. It's always a challenge for us to try to ask questions to all the groups. We don't manage to ask questions to everybody, so you have to bear with us.

I want to start with the Small Explorers and Producers Association. How do you normally finance your operations? Is it only through the CEE and CDE? Are there any public companies in your group?

Mr. Gerry Gilewicz: It's virtually all public companies.

Mr. Massimo Pacetti: Would any of them have been income trusts?

Mr. Gerry Gilewicz: No. When I talk about the “junior” world and the three recommendations I had, it would be unique to the smaller companies. The income trusts are completely beyond the scope of these three proposals, as well as the major oil and gas companies, with the exception of that first recommendation, which already is a cap recommendation. We're just piggybacking on that one.

Mr. Massimo Pacetti: So the majority of your funding would come through these programs, the CDE or the CEE.

Mr. Gerry Gilewicz: The funding of current operations comes from two sources. One is bank debt, which has been severely constrained in the last 12 months with the credit crisis. The second is raising money in the equity markets. The flow-through share program allows the small companies to be able to go into the equity markets and raise money on a favourable basis, because you're giving the investor the ability to get a tax deduction with the purchase of the shares.

Mr. Massimo Pacetti: So whether it's good times or bad times, do you still have a problem with the flow-through or is the pricing changed?

Mr. Gerry Gilewicz: If it's good or bad times, flow-through shares are going to be very relevant. In the bad times, for the junior oil and gas companies, sometimes it's the only vehicle they have to raise money. In the good times, there's no problem selling flow-through shares, but when, really, are the good times for the juniors?

Mr. Massimo Pacetti: Thank you.

Mr. Scozzafava, I have a quick question for you, since you're the tax expert. If your company is going to spend money for carbon capture and storage, most of it is technology. Isn't most of that deductible right away? Why does it have to be capitalized?

Mr. Tony Scozzafava: Most of the technology related to gasification of coal and capture is already out there, so in my view, most of it would not be eligible for the scientific research and experimental development program. What we're trying to do is combine those technologies with a commercial-scale power plant, which to this date is not proven. So that's the element of risk that's being taken here, building something to that scale—

● (1420)

Mr. Massimo Pacetti: But wouldn't it be an operating expense, even if it were not eligible for scientific research?

Mr. Tony Scozzafava: It would not be an operating expense, because it would have a useful life beyond one year.

Mr. Massimo Pacetti: So you would have to capitalize all those costs.

Is there any hard equipment involved?

Mr. Tony Scozzafava: Absolutely. Most of it is hard equipment.

Mr. Massimo Pacetti: So it is hard equipment and it wouldn't be considered part of manufacturing, so it wouldn't qualify.

Mr. Tony Scozzafava: It wouldn't be eligible for M and P, because you're producing gas. As the rules are currently written, M and P excludes production of gas. With the gasifying component of the facility, if you end up in that category, then you end up in class 1 at 4%. Arguably you can try to squeeze into the M and P, but it becomes a bit of a debate whether you get there or not.

Mr. Massimo Pacetti: Thanks.

My next question is to Mr. Schmeiser, from the equipment dealers association.

What we've been hearing from other equipment dealers, not necessarily in the farming area—we heard yesterday from recreational dealers, for example—but any type of dealer, anybody selling equipment, is that it's not necessarily CCA incentive that they're looking for but help in financing. How's that going?

Mr. John Schmeiser: It's a huge issue for our members. We had a lot of momentum in 2008 that has really kind of hit the brakes because of lack of inventory financing. Captive and non-captive inventory finance companies have either cut back or pulled out of the market altogether.

We've been meeting with FCC. We see them as a reasonable solution to our needs, because their cost of funds is considerably lower than any other finance company that has to go to market for funds. We've made that request to the Standing Committee on Agriculture and Agri-Food and met with the Minister of Agriculture on it. FCC has given us some positive feedback, but they have to build the system to create an inventory finance—

Mr. Massimo Pacetti: But there are some lines available with the government. They've done it through the BDC, so shouldn't that be your first ask in terms of making sure your financing is there? Wouldn't your customers want to purchase the equipment before they're able to write it off?

Mr. John Schmeiser: I agree with you about BDC. When that announcement was made in the budget, we were very excited; however, we don't fall into any of the parameters right now in the first round of funding. We've been advised that we may qualify for the second round of funding.

Mr. Massimo Pacetti: There doesn't seem to be a second round. That was it; $12 billion out of $13 billion already accounted for, given to the automobile sector.

Mr. John Schmeiser: Yes. That's why we've looked at FCC as the most likely solution to our situation.

Mr. Massimo Pacetti: One more minute?

Just a question to the people from the Athabasca region; they were talking about infrastructure money. With the new stimulus money as infrastructure money, you happened to get more money than in previous years?

Mr. Charles Ashbey: Definitely. The previous experience—

Mr. Massimo Pacetti: And the money's already been given and the projects have already been started and completed?

Mr. Charles Ashbey: No, the projects are already designed and ready to go, I think—

Mr. Massimo Pacetti: But not started.

Mr. Charles Ashbey: Not started. Well, one within our boundary has been—

Mr. Massimo Pacetti: Understood. Thank you.

The Chair: He only wanted half an answer.

Mr. Charles Ashbey: But one we did do that we didn't qualify for is we did our own broadband Internet a couple of years ago. We're now serving over 90% of our residents with high speed, and that's in an area where you have trees and hills. We did it through a partnership with a private company.

The Chair: Through...?

Mr. Charles Ashbey: MCSNet.

The Chair: Okay, thank you.

We'll go to Mr. Cannan, please.

Mr. Ron Cannan: Thank you, Mr. Chair.

Thank you very much to our guests for taking time out of their schedules to give us some valuable input. The folks up in Fort McMurray and Wood Buffalo area work closely with Brian Jean, the member of Parliament for that area. I know he speaks on many occasions about the need for infrastructure improvement. I know he worked hard to get the highway twinned up there, and as you said, it was definitely from a safety perspective as well as for economics.

On the aspect of housing, I've chatted with him several times about that, because I represent the Okanagan. In B.C. we have some serious issues about affordability of rental housing.

One of the questions I have for Mr. Lutes is in your submission you talk about the need for the federal government to remove the rental housing disincentives from the federal tax policy. Maybe you could elaborate a little more on exactly what those disincentives are from your perspective.

Mr. Bryan Lutes: Thank you for the question, Mr. Cannan.

The disincentives are anything that would preclude an investor from making a commitment for a 20-year term in developing rental units. The commitment of the investor is over a long term. The current tax regime makes it more practical for a private investor, private developer, to go in and build condos and get out, get his money and get out. We'd like to see opportunities for more rental product to be developed on the market, so remove barriers or at least make an equal playing field so that if you sell a rental property to reinvest in another rental property you aren't hit immediately with capital gains. You're given a capital gains reprieve or period so that you can roll and reinvest into a new development. That's an example of one of the disincentives currently in place.

● (1425)

Mr. Ron Cannan: We've had other submissions, and even from my local community, on the aspect of looking back to the seventies when they had the multi-unit residential buildings, the MURBs. I spoke to Minister Flaherty about that, and there were some real inefficiencies and abuse. But that's the model you're looking at, some sort of incentive to encourage a developer to go down that road—or do you have anything more concrete to put forward?

Mr. Bryan Lutes: In a similar vein, I think the intent of that was very good, but they needed to have more monitoring and more constraints put on it, so that it was effective and it wasn't just a loophole for people to save money or reduce taxes. It needs to be for the actual developer rather than just a regular tax shelter for anybody who has a few extra dollars. We just need to control it a little bit more and make it so that we can create more rental development.

Mr. Ron Cannan: Okay, thank you.

Moving on to the Capital Power Corporation, to clarify your recommendation, is it reasonable to say that you're trying to rephrase the existing legislation so that it would include other pieces of capital that would add to the productivity or capacity of your business; that rather than leaving legislators specifically identifying certain pieces of equipment, the definition would more broadly allow capital expenditure that's going to improve a business? We had some presenters earlier today asking for an addition to the exemption as well, so that they could continue to increase investment in their business and in turn hopefully increase productivity. Or is that something different from my understanding?

Mr. Tony Scozzafava: The changes we're asking for are for incremental property and investment that would be over and above the costs associated with building a conventional power plant. They would in fact be additional investments. They would create additional jobs and spending in the economy, as well as growing the capacity of Canada to export power and rely less on imported power.

Mr. Ron Cannan: Okay.

Mr. Schmeiser, I want to follow up on my colleague across the floor concerning family farmers in Alberta. I was born here in Edmonton, and my family has been here for many generations. I know that the cost of some of those big pieces of equipment is astronomical. Are you saying that floor financing, as we heard from the RV dealers and the marine association, is still an ongoing issue?

Mr. John Schmeiser: Absolutely.

Mr. Ron Cannan: And what have you proposed to the minister—anything, recently?

Mr. John Schmeiser: Farm Credit Canada provides a retail finance program that, quite frankly, is second to none in the industry.

We see them involved as they are now right now within the industry, in providing equipment financing. They have a partnership with the Canada West Equipment Dealers Association. We see them as being in the business already, and the next logical step would be to finance the inventory and just oversee all the financial arrangements coming from the factory to the dealership. Their cost of funds is low, so we think they have a very small barrier test to entry into the market.

The Chair: Thank you, Mr. Cannan.

To wrap up, I want to clarify a few things. Number one, with respect to any recommendations the committee gets for deferring taxation or flow-through shares, is that the big challenge for us—you can respond quickly now or respond later—is that the finance department or the finance minister will always want a sense of what kinds of economic benefits flow and how quickly they flow. The challenge with deferred taxation is that if the benefits flow back to the treasury two years later, there obviously is a challenge, especially given our current fiscal situation.

You may want to comment on that from a benefits perspective. I know you've said CAPP will outline the first proposal, but....

● (1430)

Mr. Gerry Gilewicz: CAPP is the initiative behind the first proposal. The question concerning flow-through shares has been in front of the minister for a few years now.

The Chair: The question I always get, though, is, when do the benefits arrive, and how much, and how do we trace them? That's the question I'm asking you to answer.

Mr. Gerry Gilewicz: That's a difficult one to answer, because—

The Chair: Yes, it's tough for me.

Mr. Gerry Gilewicz: But you're generating the equity right now, currently, to be spent in the communities, across Canada. It's not just an Alberta, a Saskatchewan, or a B.C. issue; it's across Canada now.

The tax deduction that is foregone, because the company gives those up to the investor—it essentially sells them through the flow-through share program—is only realized when that junior oil and gas company becomes taxable.

The Chair: Which may be farther down the line.

Mr. Gerry Gilewicz: It could be. Or when the investor, on the other hand, sells those flow-through shares, there is recovery to the fisc when those shares are sold and there is revenue coming back into the government.

Now, the life of any junior oil and gas company is fairly short: if you're around for four to five years, that's about it.

Does that give you some general parameters?

The Chair: Yes. I'm just saying that this is the question we have put to us, most often.

I also want to turn to accelerated CCA. We get some very specific recommendations, which obviously are valid points, but in general the committee may have to recommend just that CCRA and Finance do an ongoing review of CCA rates, because it's hard for us as members to say that it should be class 8 or class 10. I just want to make that point.

Do you have any brief comments on that, Mr. Schmeiser?

Mr. John Schmeiser: We are very supportive of a review that makes sure the equipment is in the right clause, absolutely.

The Chair: Thank you.

I'll let you answer this as well, because I do want to follow up with Capital Power. I certainly take your point, Mr. Lewin, that we need a variable supply. I don't think it's feasible for Alberta, Saskatchewan, or Nova Scotia to see coal not in its energy production future, in the foreseeable future. But the federal and provincial governments have, I think, shortlisted your project with Enbridge in terms of CO_2 capture, transportation, and storage. So there will be some concern, I think, that you're asking for changes to CCA at the same time that there are moneys being provided through federal and provincial departments. So can you address that for me, and can you also address the other CCA issue?

Mr. Tony Scozzafava: In terms of the changes to CCA, I think it's important to keep in mind that any changes would be available to all future developers of similar projects. While it's important for early developers, because of the risk they're taking on, to have access to that lower cost of capital—and whether it's by way of government funding or CCA, all those sorts of things—what we're proposing is something that would put everybody on a level playing field thereafter, so that they can continue to develop similar projects.

The Chair: This is across energy fields?

Mr. Tony Scozzafava: It would be across the electricity industry, so for whatever entities would like to construct a similar facility thereafter, those rules would be available to them. There is a declining cost, obviously, to building them after the very first one, but it's still going to be a very sizeable risk that companies would take.

The Chair: On the question of your asking for both tax changes—and you're asking for federal and provincial support for the project—I know it's a question we're going to get, obviously.

Mr. Tony Scozzafava: In terms of asking for both, I'd remind you that it isn't one of those things where you're going to get both, because to the extent that you're getting government funding, that's going to reduce your amount eligible to claim capital cost allowance against anyway. So it's not a matter of double-dipping per se or anything like that. You're only going to get one or the other, and the funding is a one-time window. We don't view that as being a permanent thing that you would take on forever. This is something to encourage ongoing investment in clean coal use. We are in Alberta, so we don't really have the ability to do large-scale hydro or a lot of these other things that can go on. Of course, wind is unreliable, and we're of the view that continued use of coal is a reliable way to generate electricity.

In terms of the other question you raised, I think our ask is quite transparent. I think the deferral of tax would only be...if you went to 50%, it would be a two-year deferral in 2015-16, and then it would be repaid in the year after. There is no transferring of that tax to anybody else; it's all very transparent.

● (1435)

The Chair: Thank you.

I have many more questions, as we all do, but unfortunately our time is up.

I want to thank you all for your presentations, your submissions to the committee, and your responses to all of our questions. We hope you enjoyed this session.

Thank you very much again.

We declare the meeting adjourned.

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