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Chair

Mr. James Rajotte

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• (1530)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I declare the 50th meeting of the Standing Committee on Finance in order. We are continuing our discussions with respect to pre-budget consultations for 2009.

We have our third panel of the day for the next hour and a half. We have eight organizations before the committee. I'll read out the names of the organizations in order of presentation: Independent Living Canada; the Canadian Federation of Students; Campaign 2000; the Business Tax Reform Coalition; the Canadian Chemical Producers' Association; the Canadian Consortium for Research; the Alliance to End Homelessness; and the Association of Consulting Engineering Companies.

I welcome all of you. Thank you for being with us here today and thank you for your submissions to the committee. You will each have up to five minutes for an opening statement and then we will have questions from members of all parties.

Independent Living Canada isn't here yet, so we'll start with the Canadian Federation of Students, please.

Ms. Katherine Giroux-Bougard (National Chairperson, Canadian Federation of Students): Good afternoon. I thank you for the opportunity to speak to you today about our priorities for budget 2010.

The Canadian Federation of Students is Canada's largest student organization. We represent college, undergraduate, and graduate students at Canada's public universities and colleges, both small and large. Altogether, we unite over half a million students on campaigns for affordable, high-quality post-secondary education.

My comments today come at a time when students are facing incredible hardships. More than any other generation in Canada's history, students today are struggling to afford their education. Record tuition fees, combined with the effects of the global recession, have heavily impacted students and their families.

This past summer saw the second-highest level of student unemployment since Statistics Canada started collecting data in 1977, with both July and August breaking all previous records. Those students who did find jobs received fewer hours and earned less.

More than ever, students are looking for the federal government to build on its long history of involvement in funding for post-secondary education. Canadians have benefited from more than six

decades of federal funding, from direct or indirect transfers to student loans and grants. This kind of national leadership will be critical to our long-term economic recovery and to reducing socio-economic inequality.

Students have applauded the substantial investments in post-secondary education in the last three budgets. However, without a national vision, there is no guarantee that these investments make it into the hands of students and their families. For example, shortly after the announcement of one of the largest increases in federal funding for post-secondary education, the Government of British Columbia cut funding to universities by \$50 million.

A post-secondary education act, akin to the Canada Health Act, will not only help increase accountability, but will also help establish long-term post-secondary education objectives that target quality and affordability at our public institutions. In return for upholding these principles, provincial governments would receive increased and predictable funding from the federal government.

The second area I would like to focus my comments on today is our student financial assistance system. The 2008 budget answered the Canadian Federation of Students' call for a true national system of grants, with students receiving their first Canada student grants this fall.

However, high fees continue to push student debt to historic heights. Average debt for a four-year program ranges between \$21,000 and \$28,000, depending on the province or the area of study. Last January, student loans owed to the federal government surpassed \$13 billion for the first time in Canadian history. This continues to increase by \$1.2 million a day. This figure does not even include provincial student loan debt or personal debt.

The federal government currently spends substantial amounts on expensive tax credits that predominantly benefit those who need it least. These non-refundable education and tuition fee tax credits cost the federal government over \$1.44 billion a year. Tax credits are a poor instrument to improve access or reduce student debt, and they aren't available when students are required to pay their tuition fees or living expenses.

A much more effective way to ensure federal funding improves student financial assistance would be to shift all funding from back-ended tax credits to upfront grants. This would be a cost-neutral measure for the federal government and would reduce student debt by 75%.

I will end my presentation here. I look forward to providing more in-depth information during the question period.

Thank you again for the opportunity to speak with you.

The Chair: Thank you very much for your presentation.

We'll now hear from Campaign 2000, please.

Ms. Helen Saravanamuttoo (Member, Steering Committee, Campaign 2000): My name is Helen Saravanamuttoo. I'm with Campaign 2000 as one of the partners and I am on the steering committee. I'm representing Laurel Rothman today. I thank you very much for the opportunity to talk to you today.

Campaign 2000 has three big recommendations, and I say big because they involve a lot of money.

First, increase the child tax benefit and the national child benefit supplement to a maximum of \$5,200 over the next two budget years. It's a very effective measure. It's estimated that a 31% decline in child poverty will ensue if this is done, at an additional cost of five billion dollars.

Second, expand eligibility for employment insurance and improve the benefit levels to provide support for unemployed workers. In the midst of this recession, less than half—47%—of unemployed female workers and only one in five—that's 20%—of young workers are receiving EI. Eligibility requirements should be restored to 360 hours, with benefit levels based on the best 12 weeks of earnings, at 60% of earnings as a minimum.

Third, designate a new federal transfer fund for early childhood education and care services. Specify funds in the next two federal budgets for ECEC operating costs, beginning with one billion dollars in 2010, and capital expenses, including expansion and quality improvement. These plans must have measurable targets and timelines and approval from provincial and territorial legislatures to build a system of quality, affordable, inclusive public/non-profit child care services, which is essential to poverty reduction.

Why do we want to spend so much money? What is it about poverty that is so detrimental? In effect, what you're doing by putting in these investments is saving a lot of money in the long run and actually increasing productivity in the economy.

The correlations with poverty are bad health, poor levels of education, more police and court involvement, and more violence. When people grow up, they are unemployed longer and have low pay, and this means that we add to our unproductive economy.

I point out that the Nordic countries, where they spend a lot of money on social programs, have the best running economies in the world and have had for the last few years. That's not by chance. They spend a lot of money, but they reap good benefits from that.

The next point is to expand eligibility for employment insurance. This really increases demand in the economy. Moodys.com has figures for what the stimulus effect is. The biggest effect from stimulus comes from giving money to low-income people. Employment insurance is really important there. Henry Ford had the right idea: he created demand in the economy by paying his workers well, and then they bought his cars.

The last one is early childhood education and care services. This saves a great deal of money later. Research shows that every one dollar spent saves seven dollars in services later. People getting this early childhood education have productive jobs later and better health and they contribute better to the economy.

● (1535)

I urge you to really look at this seriously. Our choice is clear. We can pay now or we can pay later. It is expensive, but it gives very good dividends. Campaign 2000 believes that paying now to improve life chances and provide more opportunities for independence and success makes good sense.

Thank you.

The Chair: Thank you very much for your presentation.

We'll go to the Business Tax Reform Coalition.

Mr. Paul Stothart (Vice-President, Mining Association of Canada; Business Tax Reform Coalition): Thank you, Mr. Chair.

My name is Paul Stothart. My day job is vice-president of economic affairs with the Mining Association of Canada.

The Mining Association has also submitted a paper to this committee. The mining industry accounts for about 19% of Canada's goods exports. I would encourage you to read our submission. It seeks support in a couple of areas relating to mineral exploration and modernization of production facilities.

I'm speaking this afternoon on behalf of the Business Tax Reform Coalition. This coalition of 12 large trade associations represents manufacturers with cumulative exports of over \$200 billion and employment of over 1.5 million in such areas as chemicals, mining and metals, steel, forest products, and petroleum products.

Our members help to create significant wealth for Canadians, which in turn generates revenues for governments. The coalition's members face strong international competition, and we therefore have a simple purpose: to advocate for the most competitive Canadian business tax regime possible.

Our submission to the committee is also fairly simple and straightforward. We have two main requests of the finance committee.

The first is to stay the course in moving the federal corporate income tax rate to 15% by 2012. The reduction in corporate tax rates introduced by the previous Liberal government, and continued by the present Conservative government, recognizes the importance of building a competitive tax regime. We commend the federal government for its progress in moving along this path. It's important that the government stay the course in this area.

Our second request of the finance committee relates to an area known as accelerated capital cost allowance, or ACCA. The federal government introduced accelerated writeoff for investment in new machinery and equipment in budget 2007, although only with a two-year projected time horizon. In budget 2009, this measure was extended for a further two years, although again with a limited time horizon.

This measure has the potential to be useful. In theory, the ability to write off an investment more quickly than would otherwise be the case should encourage greater investment in machinery and equipment. ACCA treatment can significantly improve cashflow at the front end of a project. However, this measure has fallen short of its potential for one main reason.

Simply put, companies generally require more than two years to complete a major capital investment project. While purchases of small-ticket items such as computers and pumps can be made and implemented quickly, this is not the case with large-scale capital investments. It can often require a five-year window for companies to complete a major modernization project.

Because the ACCA is only available once machinery has been ordered and put in place, the current time horizon of two years is too limited to be of use. This reality is the main reason the industry committee in its report and recommendations a couple of years ago concluded that a five-year window should be associated with this measure. There is a need for government to align this measure with the realities of actual business practices and timelines, that being a timeframe of about five years.

Let me conclude by quickly summarizing our two main requests: first, stay the course on corporate income tax cuts; and second, extend the accelerated capital cost allowance window to five years.

Thank you very much. I look forward to our discussion.

• (1540)

The Chair: Thank you.

We will now go to the Canadian Chemical Producers' Association.

Mr. David Podruzny (Vice-President, Business and Economics, Canadian Chemical Producers' Association): Thank you.

My name is Dave Podruzny. I'm with the association as vice-president of business and economics. With me is Fiona Cook.

I'd like to thank you for this opportunity to present in this round of budget hearings. I'd also like to begin by setting the context. This recession has hit our sector and a lot of other sectors very hard—and it hit very quickly. But our members are used to dealing with competitiveness challenges and global challenges. Every member in our association exports and is familiar with facing the competition. We live in an increasingly competitive world.

Manufacturing in Canada has seen its share of GDP drop, from 18% of GDP to 14% over the last five years. In the U.K., it's down to 10%. In the meantime, the U.S. share of global manufacturing has stayed steady at 22% for the last 30 years. People hear other stories, but these are what the numbers show. Today it comes in at an impressive \$1.6 trillion, and the U.S. is still the largest manufactur-

ing economy in the world. It's a very important market next door to us.

To pose a couple of questions, should the Canadian manufacturing sector slide further, and should we go below 14%? Or should we develop a strategy that will maintain or rebuild the core role of manufacturing in the economy?

I'll offer that there are three ways a country creates wealth: you can grow it, you can dig it, or you can manufacture it. Everything else just moves around. These are the ways you create wealth.

We think there is an opportunity to develop a manufacturing strategy, and that's the area I want to focus on. The chemical sector is a good example of why we focus on interdependency and synergy among sectors to create the right policy levers to build a strong, diversified economy that includes resource development, manufacturing, and services. Our sector won't prosper in isolation without a strong and vibrant resource development sector, or without other manufacturers using our products in the value chain. We in turn are dependent on a wide range of services, such as banking, computer support, transportation—again within the value chain.

I'd like to use that as a backdrop to raise the two points that I want to bring before you today. First of all, the good news is that on the tax front, Canada is getting more competitive. Significant steps have been taken. We commend this committee and the government for announcing the corporate tax reductions that took place, for encouraging the provinces to match them, and for extending incentives to provinces like B.C. and Ontario to harmonize their sales taxes and to get rid of fixed taxes, like the capital taxes and retail sales taxes that applied along the value chain. Alignment and cooperation between the federal and provincial governments is essential to branding Canada as a good place to invest.

We bring two recommendations before you, as I mentioned. The first one is to stay the course with the planned corporate tax rates. Just do it. That's a good thing to do. Just finish that job. The second one is to extend the accelerated capital cost allowance on machinery and equipment. My colleague has mentioned this, and it's no surprise that you're going to hear this from capital-intensive sectors. We've had this message before. If you extend the capital cost allowance for a year or two, it's good for whatever is going to happen anyway. If you extend it for five years, you'll allow us to go to the boardrooms and to win new investments we wouldn't otherwise get, and to bring them here. We can book that value in winning new investments. That's going to mean jobs. But it takes time to get that through the boardroom. It takes almost three years to get it through the environmental approvals process here, and so on. That's why we're asking for the longer timeframe.

We're capital-intensive. We generate value in the value chain. There are only two places that our industry is going today: it's either going to countries with advantage in energy and feedstocks, or it's going to rapidly expanding markets. We're not a big market, but we do have the feedstock. We have the raw material.

One concern we have right now is that U.S. refineries are retrofitting to handle Alberta bitumen, taking advantage of a five-year U.S. accelerated capital cost allowance of 50%, put in place in 2007 and allowing the refineries to convert specifically to handle Alberta bitumen.

• (1545)

The question I have is what are we doing to generate wealth for Canadians here. Let's at least match the competition in using our own resources. This committee can equip the Canadian value-added manufacturing sector so it can emerge from the current downturn and be part of a very integrated global supply chain. We need to be better than the competition.

In conclusion, it's all about moving along the value chain from primary energy to finished value-added manufacturing. I would offer the illustration that bitumen is the energy log with the branches still on it. Let's move it down the chain.

The Chair: Thank you very much.

We'll go to the Canadian Consortium for Research, please.

Mr. Paul Jones (Member, Canadian Consortium for Research): Thank you.

My name is Paul Jones. I'm joined today by my colleague, Dr. Paul Vincett, from the Canadian Association of Physicists.

The Canadian Consortium for Research is a coalition of 18 organizations concerned with the funding of research and post-secondary education. Together we represent approximately 50,000 researchers and 400,000 students across the country. Our members are based in universities, government laboratories, and the private sector. They engage in basic and applied research, study, and practice in the humanities and in the natural health and social sciences.

Our core message today and our core message in the brief is that Canada's social and economic progress and international competitiveness depend on increased support for basic research. Basic research is that research that aims to gain knowledge without immediate specific applications in mind. It is this curiosity-driven work that propels social and economic growth. Essentially, all transformative innovations in the last 100 years have arisen from basic scientific thought.

The CCR is not alone in stressing the importance of basic research. Other briefs to the finance committee touch on this issue, including ones from the Partnership Group for Science and Engineering, the Canadian Association of Research Libraries, the Canadian Meteorological and Oceanographic Society, the Canadian Federation for the Humanities and Social Sciences, the Canadian Association for Graduate Studies, and the Canadian Federation of Students.

With respect to the particular contents of our brief, we are recommending two ways to boost basic research. The first is that the

government increase by 5% the base budgets of the three granting councils and of Genome Canada. This would cost approximately \$100 million per year and would return the basic grants provided by these councils to historic levels.

Second, we recommend that the government increase funding for the indirect cost of university research, to represent 40% of the direct costs allocated to the granting councils. This would cost approximately \$200 million per year.

These figures and the rationale for them are explained in more depth in the document we have submitted to the committee. Rather than review in detail the contents of that document, I want to talk a bit about an example of basic research.

The example I have concerns the bar-tailed godwit, a crow-sized bird that migrates every year between the Arctic and the southern hemisphere. What scientists were able to do, as an example of basic research, was attach small transmitters to these birds and were able to track their journey by satellite. One particular bird, named E7, took off from Alaska and flew non-stop for eight and a half days. It flew over the Pacific Ocean all the way to New Zealand, a distance of almost 12,000 kilometres.

Why is this example of basic research important? First, it is intrinsically interesting. This is an extraordinary feat of navigation and stamina, and through these scientists we have learned more about the beauty and wonder of our natural world.

Second, migratory birds carry pathogens that can infect humans and domestic animals. Wild ducks and geese carry strains of influenza viruses from northern to southern Asia every year. When these strains mix with those occurring in farm animals, the influenza forms that can affect human populations are generated. Wild bird populations are also the main hosts for the West Nile virus.

Tracking the migratory patterns of birds might at first seem to be kind of an obscure and esoteric scientific pursuit, but it has important practical implications for understanding the spread of disease. It may also lead to totally unanticipated breakthroughs in other areas.

Earlier this week, the importance of basic research was underlined by Canadian Nobel prizewinner, McGill graduate and physicist, Dr. Willard Boyle. After lamenting the lack of understanding of the scientific process by some politicians and some members of the public, he issued this plea, that what is needed is "an appreciation for the free will, free spirit of scientists. Give them a chance to do the things they want to do."

To give our researchers a greater chance to engage in transformative innovation, the CCR recommends that the government boost basic research by—and I will repeat our recommendations—an increase of 5% in the base budgets of the three granting councils and Genome Canada; and increased funding for the indirect costs of university research to represent 40% of the direct costs allocated to the granting councils.

Thank you very much. I look forward to the discussion and questions.

• (1550)

The Chair: Thank you very much for your presentation.

We will go to the Alliance to End Homelessness, please.

Ms. Marion Wright (Chair, Alliance to End Homelessness): Thank you for the opportunity to speak this afternoon.

My name is Marion Wright, and I'm the chair of the Alliance to End Homelessness in Ottawa. With me is the vice-chair of the Alliance to End Homeless, Dan Sabourin.

Our message is clear: we want to ask you to take action to keep Canadians housed. The Alliance to End Homelessness recommends that federal action be taken to support a new national housing strategy that will enshrine housing as a human right for everyone.

The consequences of Canada's lack of a national strategy is borne out by Ottawa's increasing homelessness rate, even while Statistics Canada shows a 10.4% increase in the combined housing investments by all levels of government. Only a strong and direct federal role can ensure equal access to affordable housing for Canadians in all provinces.

The Alliance to End Homelessness believes that revamping and better funding of the Canadian Mortgage and Housing Corporation, CMHC, will allow the federal government to invest in more affordable housing. As a cost-effective method of funding this investment, we propose that the federal government use the surpluses that will be created over the next 25 years, as the federal portion of the existing social housing operating agreements expire. Increasing CMHC's capacity would address the urgent need for appropriate affordable housing. In Ottawa in 2008, 79% of homeless people stayed in the shelters for 51 days. The Alliance to End Homelessness also proposes that a new national housing strategy include increased and ongoing funding of the federal homelessness and housing programs.

For the past 10 years, homeless funds in Canada have been frozen at \$135 million annually. These funds are still being allocated only in two- or three-year periods, a frustrating challenge for communities. They focus mainly on the needs of chronically homeless people, thereby limiting the scope of local assistance.

The Alliance to End Homelessness also believes that an effective national housing strategy will require improvements in the access to, and the benefit rates of, national income support programs—EI, CPP, old age security, and the guaranteed income supplement. This is necessary to assist people on low incomes. Our members recognize that homelessness is an extreme indication of poverty and that affordable housing is fundamental to the success of other poverty measures in income and support.

Stimulus measures are an important opportunity for Ottawa's homelessness agencies and its non-profit housing sector to take on significant projects. But given our experience this past spring and summer, more effective stimulus guidelines are required.

We ask that the committee be mindful that the 7,045 homeless people in Ottawa's shelters in 2008 are not the same people that

made up the 6,500 homeless population in 2007. Homeless individuals and families continually find housing, either on their own or with the assistance of effective housing support. It's important to remember that staying in a shelter is the end point of a difficult, devastating crisis for the individual and the family. It is seldom possible to return quickly to a stable situation and find permanent, appropriate housing. We are thankful for the investments that have occurred at all three levels of government, but it is unsettling to see the trends continue to rise. Homelessness in Ottawa is up an additional 7.2% over the increases of last year.

Thank you for your time. We look forward to the discussion.

• (1555)

The Chair: Thank you for your presentation.

We'll go to the Association of Consulting Engineering Companies.

Mr. John Gamble (President, Association of Consulting Engineering Companies): Good afternoon. My name is John Gamble. I'm the president of the Association of Consulting Engineering Companies. We're grateful for this opportunity to appear before the committee.

We are a national association that represents approximately 500 consulting engineering firms that provide engineering and other technologically based services to the built and natural environments. Our firms are also represented in a federated structure of 12 provincial and territorial associations, and our members have been involved in virtually every aspect of our infrastructure and built environment.

In the interest of time, we come here with only two recommendations. One is a fairly high-level recommendation and one is a very specific recommendation.

Our first recommendation is simply that the government recognize that public infrastructure is a core business of government and that it commit to long-term, predictable, and stable infrastructure funding. We certainly recognize the challenge the government faces in balancing responsible fiscal management with responsible investment in Canadians and Canadian infrastructure. And while it is prudent to address the fiscal deficit, the infrastructure deficit is equally troubling. It is currently pegged at more than \$125 billion for municipally owned infrastructure alone. This is according to the Federation of Canadian Municipalities last year. This massive shortfall, to our mind, is arguably a greater barrier to the competitiveness of the Canadian economy than perhaps even the fiscal deficit.

The good news, however, is that successive federal governments have put in place a host of programs designed to address this massive infrastructure deficit. The gas tax fund, the Building Canada fund, the various gateway funds, the public-private partnerships fund, and most recently the programs contained under the stimulus fund have all contributed to addressing our infrastructure deficit. However, one thing we note, with the notable exception of the gas tax fund, is that the other infrastructure programs announced since 2005 are one-off programs that will expire once their funding allocations are fully disbursed.

We applaud these many important and worthwhile programs to fund infrastructure in Canada, including the recent stimulus package. And we're certainly better with them than without them. However, it is our view that the long-term strategic investments, such as the gas tax, give the best sustainable job and wealth creation and have the best opportunity to realize significant life-cycle savings for taxpayers.

By contrast, short-term programs often result in the most expedient projects rather than perhaps the ones with the most strategic or long-term economic value. This limits the potential long-term competitive advantages to the Canadian economy. The opportunity to receive the best return on our infrastructure investment is therefore jeopardized. We'd portray this simply as a lost opportunity. What we have is good, but we are missing an opportunity and better value for the taxpayers.

Furthermore, the tendency toward one-time-funded infrastructure programs creates a great deal of uncertainty for provinces and municipalities, as well as our industry. Such uncertainty does not allow municipalities to adequately plan their longer-term infrastructure needs, preventing them from investing strategically. It also presents a number of capacity problems for the owners, municipalities and provinces, and our industry to meet those needs.

Now, the gas tax alone.... And I'm certainly not advocating that we just need the gas tax or a super gas tax. But we use this as a point of illustration. This model does meet the test of long-term, sustained infrastructure funding, and we hope all future infrastructure funding strategies should also meet the same tests of sustainable, long-term, and predictable funding. We think that will realize the best investment of the taxpayers' dollars.

Our second and more specific recommendation is that to ensure that the best long-term savings and sustainability are achieved, the Government of Canada should adopt the procurement best practices

that were originally developed by the national guide to sustainable municipal infrastructure and recommended this past summer by the Standing Committee on Government Operations.

The national guide to sustainable municipal infrastructure, also known as InfraGuide, developed the best practice entitled "Selecting a Professional Consultant", which promotes the principles of qualifications-based selection, or QBS, rather than price-based selection as the best method of selecting a professional consultant, and that is discrete from a contractor.

The best practice was developed jointly by the National Research Council and the Federation of Canadian Municipalities using extensive interviews and research. It concluded that the best long-term savings that can be gained from selecting engineering and architectural services are far more significant than the short-term savings provided by using the lowest-price design. QBS can also reduce many risks associated with projects by allowing more clarity in the projects, resulting in improved cost and schedule certainty. This methodology has been used extensively in the United States since the 1970s and is mandated by law to qualify for federal funding for infrastructure.

• (1600)

The benefits of QBS were clearly proven in a recent study commissioned by the American Public Works Association. Just one example of its findings was that when you pick the designer using QBS, construction cost escalation was reduced by 70%. To put that in context, if you take a \$10 million capital project, that's a potential saving of \$700,000. This methodology has been used successfully in parts of western Canada and recently adopted by the City of London, Ontario. And in 2008 the Province of Quebec enacted new procurement legislation requiring its ministries and agencies to use QBS for procuring engineering and architectural services.

Then this past June, as I alluded to, the Standing Committee on Government Operations and Estimates released its report entitled "In Pursuit of Balance: Assisting Small and Medium Enterprises in Accessing Federal Procurement", acknowledging the need to place more emphasis on qualifications and innovation in government procurement. In fact, the committee went as far as to recommend that Public Works and Government Services Canada consider legislating QBS for procuring professional services, as the Province of Quebec has done.

The Chair: Mr. Gamble, we're running over time. Could you just conclude, please?

Mr. John Gamble: Thank you, and that's my presentation.

The Chair: Okay, good timing. Thank you.

We will finish with Independent Living Canada, please, for a five-minute presentation.

Ms. Traci Walters (National Director, Independent Living Canada): Hi there. My name is Traci Walters, and I'm national director of Independent Living Canada. With me is Amy Grumberg, who is our policy research consultant. She also helps me with my memory, as I have great memory problems.

Basically, I'm just going to summarize what we were trying to say in our paper. People with disabilities live in extreme poverty in this country. If you can imagine living without a disability in poverty, can you imagine living with a disability and needing supports, or transportation, or any type of assistive device you need to participate in society? As Marion probably knows, many of the people on the street are people with disabilities themselves.

Over the years I think a lot of people from many sectors have been saying to you that we need an anti-poverty strategy, a very comprehensive one. This needs to have a specific disability lens on it as well. The quickest way you could actually help alleviate some poverty for people with disabilities that could be done immediately is make the disability tax credit refundable. Many people in this country with disabilities live on less than \$10,000 a year. The tax credit could be worth about \$1,600 to people who don't have taxable incomes. You can do so much for so many people by immediately making that a refundable tax credit.

I also know there has been a framework already agreed upon by the provinces, territories, and the federal government. It's already there. This is "In Unison", and it was created in 1988. It's a wonderful framework for how to provide disability supports in Canada and how to work as a united approach in this country. We simply need leadership, and we need leadership from the federal government to make this happen.

Secondly, I need to talk a bit about the capacity of disability organizations, or the lack of it right now. There's the Office for Disability Issues, which provides funding for the disability organizations to provide support to people—and we're talking about 4.2 million Canadians with disabilities—and none of us have seen an increase in twenty years. That's a long time to be living without a cost of living adjustment so we can at least continue to do what the government can't, and that's supporting people to participate and contribute to society.

Many people with disabilities want to work. They need the supports to do that. They can be paying taxes. They can be fairly self-sufficient. The money from the Office for Disability Issues enables organizations like ours that are run by and for people with disabilities and employ people with disabilities as well. Each year we provide supports to over 300,000 people. It's just not our issue alone, Independent Living Canada, it's all the disability organizations under the Office for Disability Issues. I'm sure governments and politicians have gotten increases over the past twenty years, but we have not. We continue to face more and more people becoming disabled. There are seniors living longer, and other people with disabilities, so it's really critical that we have the capacity. We are not a special interest group; we are a public interest group. All of you, if you live long enough, will face a disability at some point.

We call on this government to invest, because that investment, which really isn't a lot of money, enables many people to contribute to the economy, the social and fiscal economies. For example, we had \$1.5 million invested at one point and we generated \$35 million into the economy, and that didn't even count the people with disabilities who were now paying taxes.

I would like to thank you folks for allowing me to come here today. This is not a partisan issue; we've received plenty of support

over the years from different parties. It's time that we all work together and do something, and it won't take much, to make a huge difference in this country.

Thank you very much.

• (1605)

The Chair: Thank you very much for your presentation.

We'll start with questions from members. Mr. McCallum, please.

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

I'd like to start with a question about students.

[*Translation*]

Are you anglophone or francophone?

Mrs. Katherine Giroux-Bougard: I am bilingual, so you can use either language.

Hon. John McCallum: I have spent more time in academia than in politics. So I am fully aware of the need to allocate more money to students, especially given that the unemployment rate is extremely high among young people, that their parents have less money these days and that tuition costs more.

But I find it hard to accept that the federal government should get involved in tuition matters. To my mind, it would be more effective and even more constitutional to give more funding directly to students than to create legislation to control or influence tuition levels. Do you agree?

Mrs. Katherine Giroux-Bougard: Our recommendations take into account some of what you are suggesting. Currently, the federal government is involved in the student financial assistance system. This is a good example of cooperation with the provincial governments. In most provinces, the federal government is responsible for 60% of the student financial assistance system and the provincial government, the remaining 40%.

Even though post-secondary education is a provincial matter, I think that the federal government has a clear responsibility in terms of post-secondary funding. For nearly 50 years, the federal government has been involved by transferring funds for post-secondary education. But we see that a certain measure of control is needed. For example, the federal government announced that the government of British Columbia's share would be \$110 million—I think that was in 2007—but a few weeks later, university funding was cut by \$50 million.

Basically, without legislation or a federal initiative, the many inequalities between the provinces will persist, and the funding will not necessarily get to the students and their families.

• (1610)

Hon. John McCallum: Thank you very much.

[English]

I'd now like to turn to the question of time limits, because there's a linkage here, I think, between the time limit for the infrastructure grant, which ends March 2011, and the time limit for accelerated capital cost allowances, and two of our witnesses spoke of that.

In both cases, if you want the money to spend quickly, you want a shorter time limit to give the incentive to get the money out. But if you want them to do it efficiently or effectively, then you want a longer time limit. We said for the accelerated capital cost allowance that two years wasn't enough. If you extend it one year, anyway, you might as well have made it three years to begin with. But the recession is now. In two, three, or four years the economy might be better. So my question would be, is five years further extension really required, or maybe three or four, given that as a country or as a government one wants that investment to happen sooner rather than later?

On the deadline for the construction, I don't need to ask you a question because I fully agree with you. The government has been so slow to get the money out that I think you need that extra time, or else the money will lapse. So I don't have a question there; I fully agree.

On the ACCA, there are a couple of people who may want to answer that.

Mr. David Podruzny: I'll take a crack at it first, then Paul might want to add something.

The problem today is if we want to win a new investment in a board decision somewhere offshore, somewhere outside of Canada, we go there, we make the case. They look at the economics. They don't count the accelerated capital cost allowance. It's not included in the calculation because it will have expired before the investment can take place, before the machinery and equipment can be on-site. We are spending over two years.... It will be 2012 before we even get an environmental approval.

Let's say we get a board decision to make a big investment in Canada to upgrade, to do manufacturing here—

Hon. John McCallum: I'm starting to run out of time, but I understand those constraints.

Would a three-year extension, rather than a five-year extension, do the job or not?

Mr. David Podruzny: We suggest that a five-year extension is the only one that would do the job. A three-year extension would not do the job.

We also suggest that the cost of this has already been paid for because we're past the hump in terms of accelerated capital cost. Projects later will be making more money.

Hon. John McCallum: Thank you.

My next question is to Mr. Paul Jones of the Canadian Consortium for Research.

I was surprised that your request was so modest, when you asked for a 5% increase in funding for granting councils and Genome Canada. I imagine the government cut about that amount, so you're

just asking to get back to where they were. The previous witness we had this morning asked for a doubling of the funds for the granting councils. The 5%, in the light of the cuts this year, seems such a modest amount. Is that really enough?

We don't usually ask questions like that. We usually ask why you want so much.

Mr. Paul Vincett (Chair in the Management of Technology Enterprises, Wilfrid Laurier University, Canadian Consortium for Research): I think there was an important point that may have slipped through. There have been increases to the granting councils' funding in the last two or three years and there have been cuts. Of course, there was considerable concern about the cuts last year in the context of what's going on in the United States.

However, I think the key problem we see is not so much even the absolute level of funding. Certainly we'd like to see more, but the concern we have particularly is that in the last three years, if not more, virtually all the increases, small as they may have been, through the granting councils have gone to targeted programs and virtually none to the more basic areas.

Hon. John McCallum: I have to cut you off, because I have one last question, but I certainly agree with you on the anti-targeted, as a former academic.

I want to ask one last question to Campaign 2000.

In the last election campaign, which we lost, we had a very ambitious anti-poverty program. The money might be in shorter supply now, but if you had \$1 billion to spend as a down-payment on anti-poverty, what would be your priority use of that money?

• (1615)

Ms. Helen Saravanamuttoo: We have three of them here, but \$1 billion is not going to cover the cost.

I would say it would be the increase in the child tax benefit and the supplements. I think that's very important because it is very effective. Not only is it increasing the stimulus in the economy, but it's also effective in relieving the poverty, with all the benefits from relieving poverty included there. I think that's probably the most important. I would very much like to see a bit in EI too and the ECEC.

The Chair: Thank you.

Thank you, Mr. McCallum.

We'll go to Mr. Mulcair next.

[Translation]

Mr. Thomas Mulcair (Outremont, NDP): I would like to thank my colleagues for their selflessness and caring, both of which allowed us to prepare a presentation, which we will give a little later. I also want to thank everyone for their presentations this afternoon. What you have done is extremely important. After hearing from the petrochemical industry, social groups and students, we are in a better position to prepare and analyze the government's budget choices. A budget is a reflection of choices, and those choices will speak volumes about the government's priorities, which are not always the same as ours.

I want to start with Mr. Podruzny. I would like him to discuss the tax cuts that he has just advocated. He knows that our party does not agree with him: we believe that the money that could be saved by not granting your members those tax cuts could be used for social spending.

I want to ask you something very specific. Even before the global economic crisis, 450,000 jobs were lost in Canada's manufacturing sector, namely in Quebec and Ontario. We have always favoured a targeted economic approach. Having a manufacturing sector in a country such as ours requires the government to make certain choices. In order to achieve \$60 billion in corporate tax cuts—the total amount of the tax cuts—the government created tax room by looting the employment insurance fund.

The equation works out almost perfectly: \$57 billion taken out of the EI fund and \$60 billion invested in tax cuts. Do you find it fair that those cuts came out of the employment insurance fund, while all of your members in the manufacturing sector, who, despite losing money and not making any, could not take advantage of those cuts? Let us be clear, a company that does not make money never pays taxes. But, all of these companies, even though they were losing money, paid into the employment insurance fund for all their employees.

Are you telling me that you agree with a tax policy that takes money away from your members, who duly paid into the system even though they were losing money, and gives that money to the most wealthy companies, those that made profits, such as in the oil and petrochemical industries, but also to the banks, which had absolutely no need for it? Does your association consider that a good tax decision by the government?

[English]

Mr. David Podruzny: I'm going to qualify my comments here.

First of all, the principal benefits were not specifically the corporate tax rate cuts so much as the fixed taxes—the capital taxes—that were being applied. The result of the harmonized sales tax....

[Translation]

Mr. Thomas Mulcair: I was talking about corporate tax cuts. I would ask that you give me a specific answer to my question.

[English]

Mr. David Podruzny: Okay.

The corporate tax cuts that were made and did affect our competitiveness and our ability to attract new investments were a

factor in attracting new investments to and new jobs for this country. We would contend that lowering that tax rate to a level that put us on a competing basis with our international competitors was a necessary step. At the top of the business cycle—

• (1620)

[Translation]

Mr. Thomas Mulcair: I am running very low on time. Thank you for your viewpoint.

Now I have a question for Ms. Giroux-Bougard, from the Canadian Federation of Students.

How did the cuts to the Canada Summer Jobs program affect you?

Mrs. Katherine Giroux-Bougard: This summer, we saw near-record student unemployment: 19.2%. One in five students could not find a job this summer. One of the programs we supported was Canada Summer Jobs, but it was cut by half in 2006. In 2007, most of the funding was restored. So 40% of the funding was reinjected into the program, but the rules had changed. Despite those changes, 10% of the funding was cut, which represents approximately 2,000 jobs.

In the last 2009 budget, the government announced a 10% increase, but only for two years, which takes us back to 2006 levels, before the cuts, which is not enough given this summer's unemployment rate.

Mr. Thomas Mulcair: Now can you comment on student debt? How much money does a student need to get an undergraduate university degree? What about a master's? A Ph.D.?

Mrs. Katherine Giroux-Bougard: It varies a lot depending on the province and program of study. Some professional programs cost a lot more. But, on average, a four-year undergraduate degree costs somewhere between \$21,000 and \$28,000. I think it costs just over \$30,000, on average, for a master's degree.

Mr. Thomas Mulcair: Which province is the cheapest, and which is the most expensive?

Mrs. Katherine Giroux-Bougard: Quebec has the lowest tuition fees, at around \$13,000. But the programs are also shorter because of CEGEP, where there are no tuition fees. It is not surprising that Nova Scotia has the highest tuition fees, with an average of nearly \$30,000.

Mr. Thomas Mulcair: Thank you very much.

That is all, Mr. Chair.

The Chair: Thank you, Mr. Mulcair.

Mr. Laforest, you have the floor.

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

I want to welcome all of our witnesses.

I would like to start with you, Mr. Chair. It has to do with the translation of the documents for the notice of meeting. I see that this is not the first time that “Business Tax Reform Coalition” has been translated as “Business Tax Reform Coalition” in French. But representatives of the organization submitted a brief that lists the name in French as “Coalition d’entreprises sur la réforme de la fiscalité des sociétés”. It would be nice to receive all the meeting notices with the full translation.

Now I would like to ask Ms. Walters a question. Ms. Walters, you are the director of a group that works to advance the independence of people with disabilities. Last summer, I was told that some people with disabilities work. Not all of them are able to work, but when they do, they have to give up certain benefits that they receive because they have a disability. Is that something you are familiar with? If so, does it happen a lot?

[English]

Ms. Traci Walters: Yes, it's very common. Many people with disabilities work in this country, and many can and want to, but there are disincentives throughout many of the provinces, in that your supports or your medical or drug payments are attached to you being on social assistance.

Let's say you get a job for \$20,000 or \$40,000; it doesn't matter. As soon as you move, you lose that coverage. Many people cannot take the chance of losing even attendant supports. Even some attendant services will be cut if you try to get a job. Not too many people can afford to work and then pay another \$15 an hour on top of that for attendant services.

This is a huge problem in this country. It would be wonderful to have leadership from the federal government, if it would provide a leadership role at solving this problem, because this is probably one of the biggest barriers for people to access the labour market.

•(1625)

[Translation]

Mr. Jean-Yves Laforest: Thank you. That is exactly what I was told.

When people with disabilities make the effort to take training in order to find a job and then lose some of the benefits they receive because they have a disability, they lose their desire to continue participating in the workforce and independent living.

Thank you for that answer. I think this is an important issue that the committee should study and make recommendations on. I will support that position when the time comes.

My second question is for Ms. Giroux-Bougard.

You had three recommendations. The second was that the federal government should discontinue education tax credits and instead use the funding to increase student grants.

Would that not create problems in terms of accessing education? Does the tax credit not cover everyone, whereas the grants target only certain people? Would that not have a restrictive effect?

Mrs. Katherine Giroux-Bougard: In our recommendation, we recognize that the federal government has to make monetary choices when making its decisions. In many cases, the tax credits do not

necessarily go to the families and students who need them the most to pursue post-secondary education. We believe that the money would be much better spent if it was given to students in the form of grants, when students really need the money, specifically, when paying their tuition, buying books and covering other expenses. It is often at these times when families struggle the most and need the most help. Tax credits do not necessarily address the need to improve access to post-secondary education.

Mr. Jean-Yves Laforest: Thank you.

Ms. Saravanamuttoo, in your brief, you recommend that the federal government create a new fund and transfer money to the provinces in order to provide early childhood education and care services, all in an effort to combat child poverty, of course.

Last week, pre-budget consultations were held in western Canada, specifically, in Vancouver, Edmonton and Yellowknife. Many people who were asking for the same thing as you spoke very highly of the program that was put in place by the Quebec government.

In your request and recommendation, do you mention the quality and success rate of Quebec's program?

[English]

Ms. Helen Saravanamuttoo: They are not specifically referring to the quality in Québec, although we admire it. But we believe very strongly in high-quality child care; the children progress so much faster, and they are so much better looked after. And these benefits last through life. They show up in savings through services later. A child who has done well in the first years usually continues to do well. They have a sort of momentum that keeps on. The research in the United States—this is old research, but later research has confirmed it—shows that for every \$1 spent, the country saves \$7 in services later.

So we very much admire the services in Québec, but I think the same thing should be all over. Other provinces say the same thing, I think.

•(1630)

[Translation]

The Chair: Okay.

You have 30 seconds left.

Mr. Jean-Yves Laforest: I just want to add that other briefs we received mentioned the fact that such measures also gave women more freedom and facilitated their entry into the workforce. Establishing a daycare system that works is important for children, but just as important for women.

Thank you.

The Chair: Thank you.

[English]

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

Oh, I'm sorry. Did you want to respond?

Ms. Helen Saravanamuttoo: Yes. I agree totally that this is a really important feminist issue. It's the same issue that we see in our second recommendation on EI; women are not getting the benefit there either. We have to support women in the workforce so that we can give them sufficient resources to bring up their children properly.

The Chair: Thank you.

Mr. Dechert, please.

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

Thank you, ladies and gentlemen, for your presentations.

My first question is for the Business Tax Reform Coalition.

Mr. Stothart, I was interested in hearing your description of the current corporate tax rates and the plan to continue reducing them over time. We've seen some good news recently concerning investment in Canada, for example, with respect to the decision of Tim Hortons to bring their international headquarters back to Canada. One of the reasons given was that the tax rates are now more competitive and attractive in the province of Ontario in Canada than they are in the state of Ohio in the United States.

Would you comment on how you see the competitiveness of Canadian corporate tax rates proceeding over the next five to six years compared with those in the United States and Europe, especially given that Canada has the best debt-to-GDP ratio in the OECD? For example, our friends in the United States have a debt-to-GDP ratio of 13% today. One would expect them to increase or to have a need to increase their taxes over the next few years. Where do you see Canada's competitiveness going in the next few years?

Mr. Paul Stothart: I would just say that taxes are one very important component of what companies look for when they are investing. There are a number of other considerations involving project approval and regulatory efficiency and other considerations. But certainly tax competitiveness is a very important one.

It is our submission and the position of many other associations that come speaking about the movement to a 15% corporate tax rate by 2012 that it will position Canada very attractively in that area. There are other things to do, but that's very important. For example, the industry I'm most familiar with, mining and metals and the processing of those products, paid about \$14 billion in taxes and royalties to governments last year in Canada. That's significant. And obviously there are a lot of supplier industries that build up around it, but that one industry alone paid a fair amount, and it has been paid while respecting the fact that this is a fairly attractive place to invest.

Mr. Bob Dechert: So new investment obviously spins off other, service-related jobs. That's good.

A number of organizations have made a presentation to us on making scientific research and experimental development tax credits refundable. Do you have a view on that?

I wonder whether Mr. Podruzny has a view on it as well.

•(1635)

Mr. Paul Stothart: It's not as big an issue for our mining and processing industry as for some other industries, such as high tech and computers, etc. All industries feel that the whole system can be

made much more efficient. Never mind the size of the incentive; just the administration and design of the system can be made more efficient.

Dave may have more detailed thoughts.

Mr. Bob Dechert: Mr. Podruzny, do you have a comment on that suggestion?

Mr. David Podruzny: Just very quickly, we as CCPA haven't been supporting the refundability at this point.

Mr. Bob Dechert: Why not?

Mr. David Podruzny: We find the SR and ED tax credit system to be a very good system. It's a very rich system. It encourages the kind of research and development that we think needs to be in place.

But we would support the comment that the administration of it and the way in which you can predict whether or not you'll be eligible for projects, so that you can book the value and win the new R and D project here rather than somewhere else, so that we can actually count on it.... That part of it still needs some work.

The refundability issue isn't one that our members have raised. They're more concerned that they be able to predict whether they will qualify or not.

Mr. Bob Dechert: So better administration, okay.

I have a question for the Canadian Federation of Students and Ms. Giroux-Bougard. Similar to Monsieur Laforest's comment, I find your suggestion about eliminating all education tax credits a bit drastic. Have you studied what impact that would have on workers and part-time students who are trying to upgrade their skills? Isn't that something we want to support? Don't tax credits help them to pursue further education and skills training?

Mrs. Katherine Giroux-Bougard: What we're considering is that we're operating in an environment where we have scarce resources and we're trying to see how we can maximize those resources to make post-secondary education as affordable as possible. For a lot of these credits, students can claim them once those fees have been paid, so they don't necessarily come at a time when students require them the most.

To give you a comparison in terms of numbers, in 2006, which is when we have some of the most comprehensive data on what was spent on tax credits, the government spent \$1.44 billion on tax credits, and the same year lent about \$1.92 billion through the Canada student loans program. In our opinion, it would be much more effective to be using the money that is going back into tax credits, when students don't necessarily need the money—

Mr. Bob Dechert: If I could ask you the question, do you know if part-time students who are working but trying to upgrade their skills, workers who are trying to move into higher-value-added jobs, typically get scholarships?

Mrs. Katherine Giroux-Bougard: There is some lending in place through the Canada student loans program, so they are eligible for some level of borrowing, but again, the majority of people that do receive money from tax credits are often full-time students.

Mr. Bob Dechert: Okay, thank you very much.

I have a question for the Association of Consulting Engineering Companies, Mr. Gamble.

One of your suggestions is long-term, stable infrastructure spending. I assume your members are pretty busy this year with all the infrastructure spending that's going on, and I hope that's helpful. Given that this necessary infrastructure spending has obviously resulted in a deficit that everyone predicted, how would you suggest the government deal with the deficit question going forward, in light of your suggestion for long-term, stable infrastructure spending?

Mr. John Gamble: That's a very fair question. One of the challenges the public sector generally has is that you're subject to the tyranny of cash-in, cash-out annual budgets, and it's very hard for you to amortize costs. So you end up with the paradox where you must appear to save money regardless of the cost.

The problem with short-term programs is that we're dealing with infrastructure assets that are going to have design lives of 25, 30, 50, sometimes 100 years, and the spending decisions are focused very much on the here and now. We don't really take an opportunity to explore how we achieve life-cycle savings by extending the design life of assets. What if the replacement period for infrastructure is 70 years instead of 40 years? What if we can put more effort into the up-front design and planning so that a water treatment plant may require 20 operators instead of 35 operators?

• (1640)

Mr. Bob Dechert: I take your point. What do you think we should do in terms of the budget?

The Chair: I'm sorry, Mr. Dechert, we are over time.

We'll go to Mr. McKay, please.

Hon. John McKay (Scarborough—Guildwood, Lib.): That was an interesting response, Mr. Gamble.

I wanted to go back to the conversation with Mr. Stothart and Mr. Podruzny.

Every year, the manufacturing industry comes to this committee asking for tax reductions, asking us to keep the corporate rates down, asking us for accelerated capital cost allowance, and every year productivity goes down, and every year fewer and fewer Canadian companies exist. In fact, productivity and efficiencies are actually statistically better by foreign companies coming in here and taking over Canadian companies.

At some point or another, the industries, as a general proposition, have to stand up and essentially explain to the taxpayers of Canada why their productivity is not competitive with that of foreigners. Both governments over the last ten years have essentially given the industry what it wants, and we are facing a rather grim situation in manufacturing.

Mr. David Podruzny: I'll give you a response from the Canadian Chemical Producers' Association first.

Our membership's productivity is roughly 50% higher than the same industry in the United States, and it's getting better. As long as

we keep making new investments here rather than down there in our sector, we'll improve our productivity even more.

Hon. John McKay: Why is it your sector as opposed to other sectors?

Mr. David Podruzny: In the late 1990s and in the first two or three years of this century we made investments. We made capital investments in this country in the newest and latest and best technologies. In the last five years that hasn't been happening. So we have in place newer equipment, more modern equipment, and bigger equipment in industrial chemical manufacturing than our American counterparts.

Hon. John McKay: That's an interesting response.

Mr. Stothart.

Mr. Paul Stothart: On the point of accelerated capital cost allowance, I'm not sure that governments have given the industry what they've asked for on that front. As my colleague mentioned earlier, it takes a long time for companies to get approvals, do the engineering, order the equipment, prepare the site, do foundation work, do mechanical construction, get the equipment delivered, get it installed, and get it commissioned, at which point the ACCA starts to kick in. That takes much, much longer, in general, than two years. It's more like five years. It's those kinds of activities that I think we want to encourage in this country. I think it's those kinds of activities, those major modernizations, that improve productivity, that improve the environment—

Hon. John McKay: Why would Mr. Podruzny's industry be able to make the investments and do the research and buy better equipment, and so on, and others not?

Mr. David Podruzny: I think it's fair if I answer that question.

Those investments were made in the late 1990s and up to the end of 2002. They were made based on certain kinds of access to raw materials that no longer exists. We're now moving that product south. We're pipelining bitumen south. So there's a different circumstance. If we want to win back those investments, if we want to win the next round of investments, it will take the value of the accelerated capital cost allowance.

This isn't something that's going to cost. This is only deferring the tax collected. The same taxes will be collected over the life of the asset, and because you've already had the accelerated capital cost allowance in place for a few years, the investments that happened three years ago or two years ago or last year will start paying more tax now. It comes back to the government. It's just deferred taxes.

Hon. John McKay: Yes. Thank you.

I would love to carry on the conversation, but I'm running out of time.

Just to direct it to the research folks, I, like my colleague Mr. McCallum, consider your request quite modest and very acceptable. What disturbs me, though, is that we do wonderful basic research in this country, and it doesn't seem to translate. The Canadian taxpayer, in effect, pays for other people to eat our lunch. It seems that after the basic research is done, we get into a patent squabble between the researcher and the facility and the university or the institution, and it gets lost.

Can you give me your observations on that particular area?

• (1645)

The Chair: Be brief, if you can, Mr. Jones.

Mr. Paul Jones: I think one issue in Canada, compared to OECD members generally, is that a disproportionately large amount of the research is done in public institutions—in universities and research institutes. So while those institutions have the capacity to produce the knowledge to make the breakthrough, there aren't necessarily the same private sector receptors other countries have to pick it up.

But if my colleague has....

Mr. Paul Vincett: I think part of the problem is that there's what people call the valley of death. It's the stage in our product or services development when the technical capability has been developed but you are not quite at the point at which you can take it to market. The U.S., for example, does a much better job with its SBIR program. NRC's IRAP is good but doesn't go quite enough downstream. I think we need to look, perhaps, at some of the things the U.S. does.

The Chair: Thank you, Mr. McKay.

Madame Faille, s'il vous plaît. Bienvenue.

[Translation]

Ms. Meili Faille (Vaudreuil-Soulanges, BQ): Thank you, Mr. Rajotte.

I am new to this committee. Normally, I sit on the Standing Committee on Public Accounts, and I was on the Standing Committee on Government Operations and Estimates. So I am familiar with the contract selection method that the engineers described. In fact, as far as its investment projects go, the federal government has a strong tendency not to distinguish between investment in equipment and investment in professional services.

Earlier you mentioned a measure in Quebec that specifies the duties performed by professional services. I also think we need to make a distinction between purchasing equipment and purchasing professional services. Could you comment on that, Mr. Gamble?

[English]

Mr. John Gamble: Absolutely.

By the way, we were very satisfied with the report of the Standing Committee on Government Operations. Hopefully this committee will throw its weight behind it.

A professional service is not the same thing as purchasing equipment. It's not the same thing as straight-out contracting.

Engineering, architecture, and so on are intellectually based professional services where, properly remunerated, we act as agents on behalf of our owner to leverage the proper value.

We've heard a lot of talk about innovation. Engineers love to innovate. Our biggest challenge is often public procurement.

What happens is that there's a big price factor, which basically says that if you come up with something creative or novel, you're going to price yourself right out of competition. Second, if you happen to stumble through and win the job, the government wants to transfer all the risk to you. That's a big disincentive to innovate. Finally, if you get through that and you actually come up with a great idea, the government wants to own all your intellectual property. Those are three disincentives in a row for us to innovate when we're doing work on behalf of government clients.

But I take your point, and I'm very grateful for your distinction. The Quebec legislation was very welcomed by our industry. It actually was the subject of a lot of discussion at the International Federation of Consulting Engineers in London, England, last month. Similar methodology is used rather thoroughly through the United States to great success, and has been used quite successfully in Alberta. About two years ago, the City of London, Ontario, also adopted it. It does provide good results.

As I mentioned earlier, the U.S. looked at 200 projects and at a variety of procurement methodologies. By far and away the best results were when they used the qualifications-based selection method.

[Translation]

Ms. Meili Faille: Thank you.

I hope that Public Works Canada is watching us right now.

I also have a question for the Canadian Consortium for Research. I live in a riding near Montreal, which is home to the pharmaceutical industry, but there are also labs nearby. Scientists tell me that research often requires long-term investment. The fact that indirect costs are not always refunded at a level that reflects what the research process actually costs may stop the industry from making innovative choices that could benefit it.

Could you explain your second recommendation?

• (1650)

[English]

Mr. Paul Vincett: Recommendation two is specifically aimed at the situation that universities face, or the higher education sector generally, where the research funding that flows from the granting councils is for direct costs only. That would be things like salaries of graduate students, materials, and so on and so forth.

On the indirect costs that are associated with research, such as the provision of space, libraries, and all these other many good things, in fact studies have shown that the magnitude of that is about 40% to 60% of the direct costs.

They used not to be refunded at all in Canada. They're now refunded through the indirect program, up to around 23% or so. That is still far short of the numbers I mentioned, and far short of what happens in the U.S., where it's about 50% or 60%, and in the EU.

I think what we're suggesting is that, at the very minimum, we go to 40%. Otherwise you have a disincentive, frankly, for universities to even want the research.

[Translation]

Ms. Meili Faille: But, when universities experience financial trouble, often the first place they make cuts is in indirect cost sectors. So you are at a double disadvantage, where the sector is not funded and you cannot access those services.

[English]

Mr. Paul Vincett: Oh, yes, quite so. It's not appropriate that the university should have to fund a very significant portion of the true costs of research out of its general operating funds, which come to it from the provinces principally for education.

[Translation]

Ms. Meili Faille: Thank you.

[English]

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

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

I want to thank our guests for coming here today. Being here at the end of the day, I want to wish you a happy Thanksgiving, which is coming up this weekend.

I only have a few questions.

Mr. Gamble, you're president of the association. Are you an owner or a consulting engineer yourself?

Mr. John Gamble: I did practise for ten years, but I'm the chief staff officer at the moment.

Mr. Mike Wallace: Okay. Because taking a "Gamble" with your consulting firm would be....

I had to use his name there.

Here's my issue. In your presentation you talked about the one-time spending aspects of the infrastructure program. We agree 100% it's one-time, because we don't want to have structural deficits.

You also mentioned that in our business it's in and out, cash in and cash out. That means, under your scenario, if we had a longer-term plan and we continued the same long-term process of spending on infrastructure at the same level, we'd have to raise taxes.

Do your members want to pay more in taxes to be able to pay for an infrastructure program?

Mr. John Gamble: I'm going to answer this carefully.

I think our members are quite happy to pay taxes when they feel they're getting value out of those taxes. They don't want to pay too

much, and they don't want taxes going to things that don't benefit our quality of life here in Canada. However, they are also businesses and they have overhead operating to think about.

We're saying that infrastructure is one of the things government does at all three levels. Government is involved in education and health care. These are some of the core businesses of government. The problem we face with these one-time programs is that, time and again, the funding cap comes on and then it goes off. It makes it difficult to plan assets that have 100-year design life. It's hard to leverage long-term strategic investment to get the best return on investment.

I take your point—you have a real problem. But the Province of Ontario allowed the Ministry of Transportation to amortize costs of similar capital projects so they could get done. For those of us who run a business, that's a perfectly responsible way to deal with your finances.

Mr. Mike Wallace: I appreciate the answer.

To our friends from the Canadian Consortium for Research, I'm with my colleagues on the other side. I appreciate that the ask is not particularly significant. We had somebody at an earlier panel today wanting us to double the research money. It got me a little uptight, so I went back and looked. In the report from the CIHR granting council it says that in 2004-05 it was \$757 million, and it's gone to \$974 million. That's a significant increase over the last five years—over \$216 million. Then they talked about Genome Canada. It's true they didn't have any new money in the past budget. But in the budget before that they got \$148 million of new money. The budget before that, they got another \$100 million of new money.

I want to be on the record with you folks that I appreciate it was a more realistic ask than what we've had from others. If you'd like to comment on that, I'd be happy to hear your comments.

● (1655)

Mr. Paul Vincett: I assume that the numbers you gave were from the Natural Sciences and Engineering Research Council, NSERC.

Mr. Mike Wallace: No, this one is from health research.

Mr. Paul Vincett: I think comparable numbers would apply to NSERC, which I happen to be more familiar with.

There have been significant increases, but they are virtually all targeted research. Our point is that it's essential. Economists everywhere agree that for a country to be successful in the world these days it has to have balanced support for both basic research, which ultimately gives rise to the biggest impact, and targeted research. I think the big concern is that we're tending to move away from that. We were not asking for a huge amount of money. Still, the signal that would be sent by an increase at the basic end would be extremely important.

Mr. Mike Wallace: Since you opened the door, I'm going to stay with you on this one. Our learned colleague on the other side believes that we're good at basic research, but we're not good at commercializing it. You gave us an example about the bird flying across the Pacific. Your first sentence got us rolling our eyes a little, but then you went on to explain it.

I want to put the onus back on your industry. Earlier today, we had solid examples of what research was doing in omega-3 eggs at the University of Guelph. I remember that because I'm a University of Guelph graduate. I'm throwing it back to you. Having better examples, doing a better job of illustrating what research is actually able to accomplish, would be better for us as policy-makers than just asking for money.

The Chair: Thank you, Mr. Wallace.

Mr. Paul Vincett: May I answer that?

The Chair: Yes, but very briefly.

Mr. Paul Vincett: Did anybody read the front page of the *Globe and Mail* this morning? "Breakthrough" is a word that shouldn't be used as much as it is, but we have had a breakthrough in Canada in understanding breast cancer. It may well lead to the ability to provide personalized treatments that could be hugely important in treating this disease. That was based on work done in B.C.

The *Globe and Mail* mentioned that it was supported by some charities. It was also, probably primarily, supported by CIHR, which is one of the granting councils. I can't think of anything more important.

The Chair: Thank you.

We're going to go to Mr. Pacetti, please.

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

Thank you to the witnesses for appearing.

I don't want to seem crude, but on that note, Mr. Jones, is Canada going to see any money or positive spin-offs from that?

Mr. Paul Vincett: I think all the evidence is that the country that initiates the key basic understanding, which is what's happening here, is very well placed to achieve a lot of the spin-offs.

Mr. Massimo Pacetti: Thank you.

Ms. Wright, I have a question for you. In your presentation, or while you were making your presentation, you were talking about the stimulus money and you said that more stimulus was needed. The question is why would more stimulus be needed? Is it because in your experience all of the money has been spent already, or is it because you haven't seen any of it yet?

Ms. Marion Wright: Thank you for your question.

I think it is more the former than the latter, and the need is extremely great. We also thought that with the stimulus funding, a broader focus on the home sector would better address some of the significant needs of children and youth and families. We're losing the battle—and the war.

Mr. Massimo Pacetti: Has the stimulus money gone to your homeless projects?

Ms. Marion Wright: Yes, it has, thank you, gratefully.

Mr. Massimo Pacetti: Thank you.

Just quickly, Mr. Stothart, I saw your presentation and the list of companies you're affiliated with or are representing. Your one recommendation is the accelerated capital cost allowance. Correct me if I'm wrong, but my understanding is that many of these companies are not in the best financial condition and may not take advantage of the accelerated capital cost allowance. So I'm just wondering if there is not another request, or if this recommendation is really based on just a few of the companies or associations you represent.

● (1700)

Mr. Paul Stothart: I think it remains a valid request. I'll just speak for the industry I'm familiar with, and that's mining, mineral processing, and metals. Things turned down from late 2008 to pretty early in 2009, but metal prices have come back fairly strongly—nickel, copper, zinc, etc.—and companies are starting to invest again. I think that will translate into more activity for the supplier sectors, etc. Certainly, from the point of view of that industry sector, I think the global situation is such that companies are going to start investing a lot more.

I think it's still very important to ask for the ACCA to last five years so that companies can have this planning horizon and be confident that the allowance is going to be there in five years when their investment is completed.

Mr. Massimo Pacetti: I asked because there doesn't seem to be any request for the science and research technology credits and refundability. We saw a lot of that last year, actually.

Mr. Paul Stothart: I'm sorry, but you asked...?

Mr. Massimo Pacetti: I mean the refundability of the science and research credits, the SR&ED credits that some companies have been building up.

So you haven't heard any of your companies or members request that?

Mr. Paul Stothart: No, it's not a huge issue that I'm aware of. But as I mentioned earlier, companies think the program is fairly paperwork-intensive and bureaucratic and that there's a lot of room to improve the administration and process of that program.

Mr. Massimo Pacetti: Thank you.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Pacetti.

I understand Madame Faille has a very brief question, and then I have two brief questions.

[Translation]

Ms. Meili Faille: I just have a question for the representatives of the organization that works with the homeless.

A little earlier, you said that the stimulus money went to the project heads. But those of us who live in these areas see that there is also a growing need in this respect, and new projects are not being funded.

When you talk about increased and ongoing funding, are you requesting a certain amount of money for these new projects?

[English]

Ms. Marion Wright: Yes, we are.

The homeless funds have been frozen at about \$135 million for the last 10 years, and that's across the country. The need continues to rise and is growing extensively in all communities of Canada.

[Translation]

Ms. Meili Faille: Thank you.

I will be brief. Earlier, with respect to the research industry, we heard about problems related to regulations. Our colleague across the table was saying that you should provide more examples regarding molecules. I also think that there are situations involving the regulatory framework where the government could do a much better job.

Take probiotics, for instance. Depending on whether they are in a yogurt or a capsule, they are two completely different mechanisms as far as certification and marketing go. Innovative companies might be able to get off the ground today, but they cannot because they are caught in a maze of red tape.

[English]

Mr. Paul Vincett: I'm sure that's probably true. I'm afraid I have no expert knowledge of that.

The Chair: As chair, I want to ask two very brief questions.

First of all, to the Canadian Federation of Students, you've called for a post-secondary education cash transfer payment, and we've certainly heard that from student groups before. But there was an exchange that Mr. Dechert had with a student group in Quebec, and I thought that group was very firm about saying the money should be transferred to the province but the federal government ought to attach no ties whatsoever to that money once it's transferred to the province.

I tend to hear the opposite from student groups that are outside Quebec. They say the federal government ought to have some accountability mechanisms or ways in which the province reports back to the federal government as to how that money is allocated, to ensure that it goes for things you talk about in terms of tuition reduction or whatever.

We're hearing two diametrically opposed views, depending on whether you're in the province of Quebec or not. Does your association have a firm position on that?

As a committee deliberating this, if we're hearing two very different strong views, how do we reconcile those two opposing positions?

● (1705)

Mrs. Katherine Giroux-Bougard: From our perspective, we would certainly welcome provisions for the ability of Quebec to opt out, because they do have quite a distinct system of post-secondary education in comparison to the rest of Canada.

The Chair: Would Alberta be able to opt out? This is the challenge for us.

Mrs. Katherine Giroux-Bougard: Again, in terms of previous collaborations—for example, the Canada student loans program—with the exception of Quebec, which has opted out, we've seen all other provinces collaborate and continue to collaborate with the federal government to further integrate provincial and federal grants programs. If the federal government is willing to come with predictable and increasing funding for post-secondary education, I think the majority of provinces are willing to negotiate.

As one last point, in terms of some polling we've done, the majority of Canadians actually are in favour of the federal government exercising more control over post-secondary education transfers.

The Chair: Thank you. I appreciate that.

The second issue is with respect to the capital cost allowance. It's obviously something I know very well, because I was the chair of the committee, and I know Canada's chemical producers and other groups were very instrumental in bringing that issue forward.

I think one of the issues relates to what was said about the research issue. The more practical examples you have of research actually coming forward and having an impact are the same with respect to this issue. My understanding from your industry and from groups like the Canadian Manufacturers and Exporters is that the accelerated capital cost allowance has caused companies to actually make investments. I've toured a number of companies over the past number of months where plant managers walked me through and said, "Those two machines that are a million dollars plus were bought in part because of the accelerated capital cost allowance".

You may want to comment on this, the two of you, but this is what you have to show, then, to this committee and to the government, and say that because the government has done this with accelerated capital cost, these are the investments that have been made, and if you keep it going for a five-year period, this is the type of further investment that will be made to address the productivity concern that Mr. McKay had.

Can I get one or both of you to address that?

Mr. David Podruzny: I think, Mr. Rajotte, we're talking about two different kinds of investment. One would be a million-dollar machine, and many of our members have taken advantage of that. We can provide some examples. We have provided some examples to Jayson Myers' group so that he could put them forward to your government.

The other is investments in the \$500-million range, where it will take time. We can't provide you with one example of that, because the way in which the accelerated capital cost allowance was extended has never allowed us to book that value in the argument we're making with another country for where that investment goes.

The Chair: You need the five-year period to make the billion-dollar investment.

Mr. David Podruzny: That's correct.

The Chair: Okay.

Mr. Stothart, did you want to add anything?

Mr. Paul Stothart: I would just add this quickly, to note that the U.S. does have a five-year ACCA window that they brought in in 2007. So just from the point of view of competitiveness and a level playing field with companies in the U.S., the government should think about the same thing here.

The Chair: Okay.

I want to thank all of you for your presentations, your submissions, and your responses to our questions. Thank you very much for a very informative session.

Thank you.

The meeting is adjourned.

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