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Chair

Mr. James Rajotte

Standing Committee on Finance

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• (0930)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I declare the 54th meeting of the Standing Committee on Finance in order.

This is our second day in Toronto, the ninth city in our cross-Canada pre-budget consultations. We're very pleased to be here in Toronto. We have four panels today, with an hour and a half for each panel. We'll be hearing about 60 witnesses in two days here.

I'll list the organizations we have with us here this morning in order of presentation to the committee: the Canadian Health Food Association, McMaster University, the Greater Kitchener Waterloo Chamber of Commerce, the Canadian Media Guild, Mr. Chris Smith as an individual, the Canadian Federation of Students Ontario, the Alliance for Equality of Blind Canadians, and GrowthWorks Capital Ltd.

I welcome all of you and thank you for being here this morning.

We'll start with the Canadian Health Food Association.

Each of you has five minutes as an organization for an opening statement, and then we'll have questions from members.

Ms. Penelope Marrett (President and Chief Executive Officer, Operations, Canadian Health Food Association): *Bonjour* and thank you very much, Mr. Chair.

I thank the members of the committee for inviting the Canadian Health Food Association here today.

[*Translation*]

My name is Penelope Marrett and I am President and Chief Executive Officer of the Canadian Health Food Association.

The Canadian Health Food Association, CHFA, is Canada's main national commercial association for natural and organic products. It represents more than 1,100 businesses, including growers, retailers, manufacturers, importers, distributors, consultants and health care providers. Serving Canadians from sea to sea, CHFA has faith in a world in which natural and organic products are an integral part of health and well-being.

[*English*]

In 2004 the natural health products regulations came into force. Natural health products include vitamins and minerals, herbal remedies, homeopathic medicines, traditional medicines such as traditional Chinese medicines, probiotics, and other products like amino acids and essential fatty acids. This sector is valued at $2.5 billion a year, a significant contributor to the Canadian economy.

The regulatory requirements to license some 50,000 products and over 800 domestic sites have led to serious challenges in the marketplace, including decreased product innovation, inability to advertise, and consumer confusion.

Furthermore, the current backlog of product licence applications is creating additional challenges to the industry, thereby creating consumer concerns and the inability to obtain necessary international trade certificates for export purposes.

We applaud the government for providing additional funds in the 2008 federal budget to the natural health products directorate for its regulatory responsibilities. However, it will be important for these funds to continue to flow over the long term and to be used in a manner that will enable a fair, predictable, and consistent regulatory environment. We are very concerned with the increasing pressure on the directorate to deal with the more than 41,000 applications it has received since 2004. Up to 50% of these applications have been refused or withdrawn, and just over 16,000 have been approved. That's taken five years.

Further, changing and increasingly rigid policy interpretations continue to frustrate applications, which is not within the spirit of the 1998 report from the Standing Committee on Health, “Natural Health Products: A New Vision”. According to a recent Health Canada survey, approximately three-quarters of Canadians—that is, 24 million Canadians—regularly take natural health products. As the demand continues to grow for these types of products, we believe the government needs to take specific steps to address industry and consumer needs and concerns.

As an industry dedicated to the health and well-being of Canadians, we want to ensure that Canadians can continue to rely on safe, effective, natural health products. However, this can only been realized if the directorate has a clear direction on how to move forward and the support of the department and stakeholders and is provided with the necessary resources and expertise.

On June 30, 2009, the organic products regulations came into force. Our members have expressed concerns about potential issues with the implementation of the regulations, including the importation of organic products. Canada imports approximately 60% to 70% of organic products throughout the year in order to supply Canadians. Canadians want to have access and choice. This government must ensure Canadians are able to continue to enjoy access and choice in a fair and predictable manner.

An increasing number of Canadians continue to purchase organic products. The Canadian organic sector is valued at $1 billion a year and growing at a rate of approximately 20%. Smart regulations are key to fostering competitiveness and a sound economy for all Canadians. It is predicted that consumer demand for natural health products and organics will continue to grow as more Canadians, in their quest to achieve optimal health and well-being, discover the health benefits associated with these products.

Permanent funding, such as A-based funding, is required to ensure appropriate expertise and resources for both the natural health products directorate and the Canada organic office. The government must ensure a fair, predictable, and consistent regulatory environment for natural health and organic products in Canada to enable Canadians to continue to have access and choice to a wide variety of safe, high-quality, natural, and organic products, which they demand. We must work together to ensure that this industry is able to continue to thrive and grow in Canada.

Thank you for your time today and for the opportunity to present to the committee on behalf of natural products and organics industries. I'll be happy to answer any questions.

● (0935)

The Chair: Thank you very much for your presentation.

We'll now go to McMaster University.

Mr. George, please go ahead.

Dr. Peter George (President and Vice-Chancellor, McMaster University): Thank you, Mr. Rajotte, and thank you for the invitation to be with you this morning to share our views on the strategic role that Canada's universities can play in facilitating commerce and enabling wealth creation for Canadians.

McMaster endorses the presentations you will hear from the Council of Ontario Universities and the Association of Universities and Colleges of Canada. We urge you to support their priorities.

In our McMaster brief, we take a narrower focus that will directly impact on the prosperity agenda. Economic prosperity is driven by increased competitiveness, which in turn is driven by an increase in productivity enabled by innovation. It draws increasingly on intellectual resources found in universities among our researchers and our graduates.

Indeed, our universities are called upon to become more entrepreneurial in their dealings with industry, particularly the knowledge-intensive sectors. McMaster University, located in Hamilton, Ontario, is one of Canada's most research-intensive universities, with an annual research income of more than $350 million. McMaster, like other research-intensive universities, has a particular opportunity and responsibility to engage in economic and social development in our communities. At McMaster, our traditional mandate of education, research, and service is enhanced by our focused development of university-industry partnerships, spinoff companies, and knowledge transfer, supported by a full range of incubator and technology transfer facilities.

Our city and surrounding region have felt the impact of this economic downturn deeply. For Hamilton, the expectations of our university and the McMaster Innovation Park to be a catalyst for economic revitalization and renewal are huge. McMaster is committed to doing its part. Ensuring this happens effectively and efficiently will require strategic investments from the federal government, building on the past successes with Advantage Canada and the science and technology strategy.

McMaster's vice-president of research and international affairs, Mo Elbestawi, will share with you our thoughts on some specific steps we recommend for your consideration.

[*Translation*]

Dr. Mo Elbestawi (Vice-President, Research and International Affairs, McMaster University): Thank you, Peter.

Thanks as well to committee members for their attention and interest in our research activities.

The wealth and economic prosperity generated by university research are a mandatory reality for Canada, if it wants to remain competitive.

[*English*]

How we do this depends on our ability to turn our research into successful commercial opportunities and to strengthen existing companies.

Five years ago we began developing the McMaster Innovation Park. Today the first building is at capacity, and the addition of CANMET-MTL will create one of the most dynamic materials research clusters in the country. Plans for an automotive research centre and a life sciences complex are under way, but infrastructure funds are needed to complete the development.

The McMaster Innovation Park is a turning point for our community, and the one-time federal investment of $10 million to match the provincial investment will accelerate the development of the park and create economic prosperity for the region.

Start-up companies have profound effects on regional economies. A critical component is the need for space. Canada already has some strong, innovative initiatives through federal subsidies and tax incentive programs. We need to develop model mechanisms for global companies to expand and invest in Canada to take full advantage of these programs. To further this effort, a federal investment of $15 million over five years will allow Canadian universities to increase their capacity to develop and promote programs that will result in significant university spinoff companies.

Canadian universities need to market their research to industry to capture its true economic value.

● (0940)

[*Translation*]

The universities must also support current businesses through an industry engagement process. Businesses need to be informed of the capacity and faculty that are unique to Canadian universities.

[*English*]

Canada's world-class research universities are now producing a high level of patents, licensing agreements, industrial research, and spinoff companies. To capitalize on this activity, a federal investment of $25 million over five years is required to guarantee that our research output is moved quickly and efficiently from our laboratories and marketed globally while creating industry engagement opportunities for our universities.

Thank you for your time and your continued investment in Canada's research community.

The Chair: Thank you both very much for your presentation.

We'll now go to Mr. Sinclair.

Mr. Art Sinclair (Vice-President, Greater Kitchener Waterloo Chamber of Commerce): Thank you very much, Chair Rajotte, for allowing us to address the committee for this year's pre-budget consultations.

My name is Art Sinclair. I am vice-president of the Greater Kitchener Waterloo Chamber of Commerce. Our organization appreciates the opportunity to provide perspectives on the national economy and, most importantly, on the federal government's role in managing the current recovery.

Our chamber, sir, has over 1,700 members, representing all sectors of our local economy. The membership includes small, medium, and large employers who provide 70,000 jobs in one of Canada's most progressive and diverse regions.

As Minister Flaherty noted in last January's budget speech, industrialized nations of the world were taking and are continuing with unprecedented action to inject money into their economies in response to the global recession. The magnitude of this crisis necessitated swift action to mitigate the severity of the downturn, restore confidence, and promote recovery. A three-year $46-billion fiscal stimulus package was subsequently introduced in the 2009 budget.

The Waterloo region has benefited from some major investments in local post-secondary sectors through the knowledge infrastructure program. Conestoga College will receive federal and provincial funding totalling $72 million for increasing their educational capacity in advanced manufacturing and construction trades, renewable energy, and health care. Our chamber has been a strong advocate for increased government funding in skills and workforce development across all sectors of the regional economy.

Increasing the ability of local post-secondary institutions to meet future employer demands is critical for competing in global markets. We therefore recommend that the federal government continue with ongoing efforts to implement all announced stimulus measures to ensure continued economic growth and productivity.

With respect to fiscal measures for the next federal budget, we, like many business organizations across Canada, have been concerned with deficits at all levels of government. Rising debt and the accompanying interest payments severely constrain flexibility and will reduce the ability to address ongoing national competitiveness issues.

In July of this year, CIBC Economics indicated that while federal budgets will be in deficit over the next few years, Canadians likely won't be saddled with the massive debt and interest costs that plagued the nation nearly two decades ago. While stimulus spending and other demands have placed us in a tenuous situation, our fiscal standing, according to CIBC chief economist Avery Shenfeld, is not at risk; therefore, a cautious approach moving forward is critical for maintaining this position of stability.

Our second recommendation is that, in order to restore confidence for the future, Canadians must be presented with a viable strategy for balancing the books and avoiding structural deficits. Two days ago, on October 20, TD Economics released a report indicating that a fairly uniform national and global shift towards fiscal restraint is looming in the near future. According to report authors Don Drummond and Derek Burleton, current governments are likely working with less freedom than during the mid-1990s. Two forces in particular potentially limiting fiscal flexibility will be the likelihood of an historically slow rate of trend growth across the country and age-related spending challenges, or significant funding required for the health care system.

The October 20 TD report indicates that in order to return the aggregate budget balance to zero by fiscal 2015-16, which is still fairly unambitious, program spending growth should be held to 2%. Our chamber, consistent with the recommendation from the Canadian Chamber of Commerce in their submission to this committee earlier this fall, calls on the federal government to contain annual increases in program spending to 2% to 3%, in line with growth in inflation plus population, commencing in 2012-13 when more solid economic conditions emerge.

In conclusion, preserving public trust and the sustainability of public finances are essential for recovery. Policies must be implemented that promote employment, encourage entrepreneurship, enhance productivity, and strengthen long-term national competitiveness. While we address the current challenges and the economic realities of 2009, we must also focus on initiatives for long-term prosperity.

Thank you.

● (0945)

The Chair: Thank you very much.

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

Ms. Lise Lareau (President, Canadian Media Guild): Thank you to the committee for having us here today.

I am Lise Lareau, the president of the Canadian Media Guild, which represents about 6,000 people at various media employers across the country. Most of my members work at CBC/Radio-Canada, and that's what I'm here to talk to you about today.

I'm here to tell you things you won't hear anywhere else, the view from the front lines of the CBC, a company that has had to bend, scrape, and make serious compromises to get along on a shrinking parliamentary appropriation. In real terms, as you may or may not know, the CBC gets $400 million less than it did in 1990. I chalk this up to simple negligence, sometimes benign, sometimes not so benign on the part of Parliament, depending on the year. I'm here to say that I know Canadians value their public broadcaster. They like it, they want it, and they need it.

In a Pollara survey in May, 74% of Canadians thought the annual funding to the CBC should be increased. So if you want to be in line with what Canadians think and you want the CBC to be able to do quality work on behalf of you and all citizens, you need to change the way it's funded and how much it's funded. That's why we ask you to take the lead from your colleagues on another parliamentary committee, the heritage committee.

As you know, last year it recommended that there be a seven-year memorandum of understanding or contract between the Government of Canada and CBC/Radio-Canada, setting out their respective responsibilities. Funding should be assigned to the same period, the committee reported, and indexed to the cost of living—basic stuff that we think should be endorsed here and, ultimately, in the budget.

Obviously this would give the CBC an ability to plan ahead, something it hasn't had in years and years. Most importantly, this would give the CBC an independence from the partisan cut and thrust of the government of the day. So we echo this heritage committee recommendation.

We also echo the heritage committee recommendation that CBC's core funding be increased by about $7 per Canadian per year to about $40 per person per year. This too was recommended by the all-party committee, with the Conservatives on the committee objecting only in that they said they could not support a specific amount until the memorandum of agreement was finalized.

In the document we're circulating today, you'll see a chart indicating that the CBC is one of the least-funded public broadcasters in the entire industrialized world. It's shameful, really. Even at $40, even if the heritage committee recommendations were adopted, that would still bring it to only about half the average of all the industrialized countries in the world.

The committee noted some of the reasons for the recommended funding increase: new media initiatives, which we all know about; the transition to digital; and properly funded local news, valued more than ever now that the private sector has opted out of a few cities, so that it can expand to serve newly populated areas such as Barrie in Ontario, Red Deer and Lethbridge in Alberta, and Kelowna and Nanaimo in B.C. These are areas that the CBC has not been able to properly serve because they grew and expanded after it laid down its primary infrastructure, and it needs to do so.

Finally, I believe it's imperative that the CBC be removed from the government's strategic review process immediately. Why? The threat of losing yet another $50 million has already had an impact on how the CBC dealt with this year's $171-million shortfall.

Secondly, the media industry in this country, as you well know, is going through very rough times. It's one of the hardest-hit industries in the country, a story you don't hear very much about because the media doesn't cover its own disasters, ironically. This is not the time to cut the public broadcaster further.

Most importantly, one could strongly argue that the strategic review process itself, which is done under cabinet confidentiality, raises further questions about the real independence of the public broadcaster from the government of the day. This is not healthy for the CBC or the government.

● (0950)

I leave you with the following thoughts. The CBC is a place in crisis, a crisis of identity. It's funny; the management-union relationship is solid and better than ever, but there is a malaise that we believe is shared by management and those of us on the front lines. No one at the CBC knows where the future lies with all of this funding uncertainty. The chronic underfunding, the fact that there's no long-term contract with the government of the people—it feels like the place is drifting away.

We know that people generally like the services the CBC provides. They know it's the only place to find Canadian programming in prime-time TV, thoughtful radio, and programs in eight aboriginal languages in the north. From our members, we know it's the only place where there's sustained news content in communities under 300,000 people, for example. It's a leader in online programming. We know these things.

We also know that with the effect of all the cuts, we're watching a pull towards the CBC being a commercial broadcaster, with a public subsidy that's shrinking all the time. We know this because the CBC has had to move that way to survive. We know it isn't why we started working at the CBC, and it isn't what audiences expect or deserve.

Instead, the government needs to understand and embrace the idea that solid information is a public service. It's one that's more, and not less, necessary now because there are fewer sources of news content now because of media company convergence and fewer places airing made-in-Canada TV shows.

In short, the CBC needs you and your attention in this vital time in the history of the media in this country. It needs the seven-year deal, the $40-per-capita funding, and an end to the strategic review process.

I thank you for your attention and I look forward to answering your questions.

The Chair: Thank you very much.

We'll now go to Mr. Smith please.

Mr. Chris Smith (As an Individual): Good morning.

My name is Chris Smith. I own a small business in Uxbridge, Ontario.

I may be out of my element here. I'm clearly not as prepared as everybody else, but after discussions with my MP and a consultation with the Minister of Revenue's office, I was asked to present this idea. It's a very simple idea and I won't take much of your time.

It's clear that among small and mid-sized business, we have had a rough year. We're not looking for bailouts or handouts, just for an environment that will promote success and job creation.

The idea is simply this: for every employee that a small or mid-sized company adds to the current employee payroll, the employer will retain the employer source deductions. It's a wash for the government, as you're taking somebody out of the safety net and putting them into the workforce. It's easily implemented, as the Receiver General already has that information; it's in their database and is easily measured.

I'd be happy to answer any questions and to create a dialogue on this.

That's about all I have to say. Thank you very much.

The Chair: Thank you, Mr. Smith.

We'll now go to the Canadian Federation of Students for Ontario.

Ms. Shelley Melanson (Chairperson, Canadian Federation of Students (Ontario)): Good morning, committee members. I hope everyone is doing well.

My name is Shelley Melanson. I am the chairperson for the Canadian Federation of Students in Ontario.

The federation represents more than 300,000 college and university students at 38 student unions across the province. We are the Ontario affiliate for the Canadian Federation of Students, Canada's national student lobby organization.

Before I start, I think it is important to highlight the student context that surrounds this year's budget deliberations for the federal finance committee. Data released this week from Statistics Canada, just two days ago, indicates that Ontario has surpassed Nova Scotia in having the highest undergraduate tuition fees in Canada, an honour that we have actually held at the graduate level for a few years now. National student debt surpassed $13 billion this past January, and this number doesn't include personal lines of credit, credit cards, or provincially held debt, which in Ontario surpassed an additional $2 billion last year. On top of this bleak picture, student unemployment reached record high levels this past summer, over 21% on average.

The government has demonstrated its commitment to helping students, with the introduction of a new Canada student grants program. Despite these tough economic times, and perhaps because of them, we believe post-secondary education should become one of the government's fundamental priorities.

In our submission, the Canadian Federation of Students in Ontario has highlighted three key priorities. Students also illustrated our priorities this past week in Ottawa, where over 50 student representatives from across the country presented Canada's education action plan to nearly 200 parliamentarians during an intensive lobby week that we have been participating in.

First, students are calling for the introduction of a federal post-secondary education act, modelled after Canada's health act, and a dedicated cash transfer for post-secondary education. We believe it is essential for establishing national standards for quality and affordability and ensuring that the federal government is committed to making education accessible across the country. We estimate that this will cost $1.2 billion and will go a long way towards equalizing the quality and cost of post-secondary education from province to province.

We also believe such an act would provide greater accountability and transparency for federal moneys allocated to the provinces for funding post-secondary education. Let's face it, when the federal government commits taxpayers' dollars to an important national priority, it has the right to ensure that the subsidy is being used to meet benchmarks for quality and access.

Our second recommendation is for the government to convert money dedicated to tuition fees and education tax credits into needs-based grants. The current system of providing tax credits does very little for students, who need money at the time of paying their tuition fees. Instead, tax credits are disbursed in May, nine months after students and their families have had to pay their first semester tuition fees. We believe that by converting the money that is indicated for tax credits to upfront grants, students will benefit from this government program, because the money will be there to open the door to educational opportunities. This is, of course, a cost-neutral recommendation that could benefit all students greatly.

Finally, we are calling for the number of Canadian graduate scholarships available to master's and doctoral students to be doubled, and for increases to the scholarships to be tied to future increases in enrolment growth. As part of Canada's strategy to become a knowledge-based economy and a leader of innovation, Canadian universities have aggressively expanded graduate studies, but funding has not kept pace with enrolment. We estimate that, for $125 million, graduate student funding could meet the needs of new students who have entered graduate school and ensure that we have enough funding to be able to undertake the quality research that this country needs to compete in a knowledge-based economy.

I have brought copies of our written submission and our latest policy document. I've also translated copies of our submission for those who would like them.

Thank you so much for your time. I hope that we can work together to build Canada's knowledge potential to transform our economy by ensuring our place as world leaders in post-secondary education.

I have with me here today our federation's government relations coordinator, Joel Duff, and we both look forward to your questions.

Thank you so much for your time.

● (0955)

The Chair: Thank you very much for your presentation.

We're now going to hear from Mr. Rae, please.

Mr. John Rae (First Vice-President, National Board of Directors, Alliance for Equality of Blind Canadians): Good morning, Mr. Chair.

Mr. Chairman and members of the committee, my name is John Rae. I'm the first vice-president of the Alliance for Equality of Blind Canadians, a national not-for-profit organization of Canadians who are blind, deaf-blind, or partially sighted.

On this occasion, I want to frame my comments a bit differently. I don't like to do things the same way each time. I don't want you all to get bored with what I might be here to tell you. Today I want to frame my comments in the context of the pandemic and the poor, a contrast in government response.

Think about it. Today Canadians are concerned about the possible swine flu pandemic. Government officials are doing something about it. They are concerned. They are acting. A vaccine has just been approved, and plans are being developed to make it available to Canadians.

Will we, as persons with disabilities, have the same access to that remedy, or will we be expected to sit on the sidelines and wait our turn, as is often the case? Well, that's a question for a different time and place.

When we think about the poor, however, the situation is quite different. Years ago Parliament passed a resolution to eradicate child poverty in Canada. We're still a long way away from achieving that goal. Report upon report has talked about the plight of the poor, and Canada's disabled population is among the poorest and most unemployed in our country.

Report upon report has talked about the benefits—psychologically, socially, economically, and in all other aspects—of doing something concrete to deal with the chronic poverty that continues to plague far too many Canadians. This is why the AEBC has called upon the government to develop a national economic strategy for persons who are blind in this country.

You notice I used the term national “economic” strategy and not national “employment” strategy. We do that purposely.

Here are some of the major aspects of that economic strategy. Number one is government will, the kind of will that seems to be present in fighting the pandemic, the kind of will that we've never seen when it comes to dealing with persons with disabilities. We believe the Prime Minister should call upon business, labour, and community leaders, put them in a room, and lock them there until they come up with a new deal. He should keep them there until emerging smoke shows that they are ready with that new deal.

Second, we believe the Government of Canada needs to embark upon a national outreach strategy, just as it is doing in the area of racial minorities, to increase our representation within the federal public service.

Third, in the area of income there is a chronic need to put more money into the pockets of Canada's poor. The current disability tax credit does assist some disabled Canadians who work, but it's misnamed. It's not really a credit but a deduction. We believe the DTC should be revamped and become a true tax credit that would go to all disabled Canadians who qualify.

Fourth, in its last budget the government earmarked a fair bit of money for infrastructure programs. Here was an opportunity lost. Why did those programs not include a provision that earmarked some of those funds to assist in making transportation systems more accessible, retrofitting some old buildings at some of Canada's colleges and universities, and doing things of that sort?

In closing I will note that way back in 1981, the federal government released the landmark *Obstacles* report, and the International Year of Disabled Persons was conducted under the theme of full participation and equality. That wasn't yesterday. That wasn't last year. That was 1981. Old guys like me remember that year. We remember that theme. We thought it was very forward-looking at the time.

It is high time that the Government of Canada showed some leadership and brought us into the mainstream. We are tired of sitting on the sidelines. We want to be part of Canada's mainstream.

Thank you.

● (1000)

The Chair: Thank you very much for your presentation.

We will now hear from GrowthWorks Capital Ltd., from Mr. Levi.

Mr. Daniel Levi (President and Chief Executive Officer, GrowthWorks Capital Ltd.): Thank you very much, Mr. Chair.

I'm just going to highlight my statement because you already have it in your hands. I'll just add a few things.

I want to thank you very much for inviting me back. Some of you probably won't remember this, but I was here two years ago, talking about the need for venture capital and the crisis we're facing.

I'm pleased to tell you that two years later, we are now 30% lower in the amount of venture capital available in the country, and the crisis is very significant right across the country. We have, on average, two to three venture capital groups having available capital to invest in each of the provinces across the country, with the exception of Quebec. So it is a very desperate time, in particular for start-up technology companies and life sciences companies.

We're an organization that operates right across the country. We're in seven of ten provinces. The only province we don't operate in that has retail venture capital is the province of Quebec, which is, I think everyone knows, very well served by the two funds there.

I'll get to the recommendations in just a couple of minutes. The key for most of the folks in this room, quite honestly, is that the government has made some very strong forward movement in the amount of money that's been spent in basic research and development. Over $13 billion has been spent in the last 10 years in research and development. The key to that is to capture that and to commercialize it. Most of the universities are getting to the point now where they are able to figure out which companies have the opportunity for commercialization, but there is no venture capital available for them.

On a per capita basis, the United States has more than 45% venture capital compared to Canada. And the United States is our major competitor. Many companies leave this country to find venture capital in the United States because there is so much more capital available.

We have been very active, as an organization, going to the U.S. and trying to bring that venture capital to Canada as well, but as most of you know, that line between Canada and the United States is more than just a line on the map. Most American venture capitalists would prefer their companies move to the United States where they understand all the laws and the regulations. It's only because of strong venture capital groups in Canada that we're able to attract venture capital to the country and maintain those companies here. Otherwise the U.S. venture capitalists would move the companies south, and that's a key issue for us.

Venture capital supply has fallen, as you can see. From 2001 it dropped from $4.5 billion a year down to $1.4 billion, and in this province it's now dropped to less than $300 million. So it's a very serious issue here.

It's interesting, because one of the things we do very successfully, as a retail venture group, is that we are able, through government incentives through the tax credits, to raise money from the public. That incentive is approximately 30%, and I'll talk a little bit more about that in a minute. That incentive is about 50% less than what you would get if you invested in oil and gas or in mining in this country because the incentive there is a full 40% to 44% tax savings for individuals who invest in oil and gas and in mining, depending on which province you're in.

My suggestion to you is that we seriously consider the need to give our technology industries and our life sciences industries and our alternative energy industries the same incentive. We're not even asking for that, but I think it's time we gave them the same incentive that we give our oil and gas sectors and our mining sector in this country.

Since 1985 there has been almost no adjustment to this program at the federal level. Tax credits that were maxed at the federal level at $750 per $5,000 investment, and the maximum RSP contribution, which has now gone to $21,000 in comparison to ours, have remained unchanged at $5,000 since the beginning of the program. So in 1984, when the program began, we had a $5,000 cap and 30 years later we have the same cap.

● (1005)

My recommendation to the committee is really just to match what the provinces have been doing now over the last few years. In British Columbia, the cap is now $13,000. Saskatchewan has increased its tax credit from 15% to 20%. Manitoba has increased its size from $5,000 to $12,000. Nova Scotia, New Brunswick, and Newfoundland and Labrador all increased their tax credit and the amount available for investment. And Quebec has gone as high as 25% for one of the funds in that province.

This is a program that's been proven to work. It's a program that, with matching funding already in place from provinces, will allow us to raise up to $1 billion more at a cost of only $100 million per year for the next three years across the country.

Thank you.

The Chair: Thank you very much.

I thank all of you for your presentations.

We will now go to questions from members, and we'll start with Mr. McCallum.

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

Thank you to all of you for being with us this morning.

I think I'll start with post-secondary education, beginning with students and then universities, partly because I've spent twice as many years working for a university as I have in politics. I have some understanding and sympathy for the case.

Beginning with the students, I certainly agree that more student aid is desperately needed, partly because the unemployment rate for young people is at record high, so it's harder to get a job, and the parents of students may be financially more pressed than normal because of the financial crisis.

I certainly agree that gimmicky things like the textbook tax credit should be replaced with core grants to students. My only question though—and I'd ask Peter George to answer this question too—is about your proposal for a post-secondary act and the transfer of $1.2 billion or whatever the number is. I have a little bit of a concern over that—one, because it gets into all sorts of jurisdictional issues, notably with Quebec, and two, because money is fungible. If you give an extra $1.2 billion to the provinces dedicated to post-secondary, there's nothing to stop them reducing the amounts they contribute.

So I'm not sure it's all that effective, and I'm not sure that it wouldn't be better to use that same amount of money to put it directly into the pockets of students. The money would then flow to the students rather than flowing to provincial governments. Once it flows to provincial governments, it's kind of like a black hole. You don't know where it will end up.

Ms. Melanson, what would you say to that?

● (1010)

Ms. Shelley Melanson: I certainly appreciate the concern of money essentially going missing once it gets to the provinces or somewhere into a government coffer. But I actually think that having a dedicated transfer payment is one of the ways of alleviating that, because what we have now is essentially a series of transfer payments that have been coupled together. It makes it far more difficult for students on our lobbying end—I can speak on behalf of the representatives for the provincial component—to actually go to the provincial government and say, “Well, this is how much money is being specifically allocated for post-secondary education”. We feel that with a dedicated transfer payment, it's a way of being able to touch base. If we see that $1.2 billion being allocated, well, we know that's exactly what we need to be going after.

But you're also attaching a requirement, when you have an act in place, to determine how that money should be allocated and what it should be used for, which is giving direction. And I think that in consultation with the provinces....

I've heard the comments before about the difficulty associated with negotiating with a variety of different provinces. But I do believe there is a will on behalf of the provinces to have investment in education, certainly in Ontario. I think it's important to recognize that when we're talking about students today, we're not talking about 18- and 19-year-olds who are graduating from high school. We're talking about the upwards of 200,000 people in this province who have lost their jobs, many of whom are in the manufacturing industry, who do not have the skills to be able to access the vast majority—more than two-thirds—of new listed jobs that require some form of post-secondary education.

So I think investing into education and increasing the amount of money is a political priority for provincial governments but also, quite frankly, for citizens in Canada, because they need that access.

Hon. John McCallum: Thank you.

This question is to Peter George. If you had the choice between a dedicated transfer of so much money to the provinces and the money being constrained to go to post-secondary education versus the same amount of money going directly into the pockets of students, which would you think would be better?

Dr. Peter George: Well, Mr. McCallum, I believe it's really important to get student aid right, and I think putting the money directly into the hands of students is an effective way to promote efficiency in the student aid program.

On the other question, there is a consummate need for us to get more resources from all levels of government directly into the universities to enhance the quality agenda. I think you put your finger on a major concern—that is, that federal transfers, while appealing, may not ultimately find their way into the hands to which they were intended by the federal government. I regard that as a major concern. It's something we have been working on for a number of years, as you know.

My own view is that higher education, especially as it's linked to the economy and to the future prosperity of our country, is too important to be left for the federal government to have a limited role, as it is to research and student assistance. I believe it's very important to have a national post-secondary educational priority, for the federal government to have a strong voice in helping provinces set national standards and national priorities.

● (1015)

Hon. John McCallum: Okay.

Can I ask you something else, though?

Mr. Joel Duff (Organiser, Canadian Federation of Students (Ontario)): We don't agree on much, by the way, but...[*Inaudible—Editor*]

Hon. John McCallum: Well, I'm not sure you'll agree on my next question.

One problem with transferring money, dedicated money, to provinces is that the money may not end up with the universities, as you just said. But a problem of putting lots of money into the pockets of students—let's say we had a program to give every student $2,000 extra to pay for the fees, or you pick the number—is that universities might take the opportunity to raise their fees by that amount. So if we try to get money to students, universities may just take that money away by raising their fees by a similar amount.

What would you say to that, Peter George?

Dr. Peter George: Well, that is one way in which the federal government can, in effect, provide a transfer direct to the institutions that need the resources, but I would be foolhardy if I were to say that McMaster would raise its fees by exactly the amount of any additional federal transfer to students. I do think there is room for a national discussion on this, and my discussions with students have generally been of the form that student aid, especially for those most in need, is priority one.

Second, the issue of tuition increase is muted if students see corresponding increases in resources coming from levels of government and individual donors to ensure that not just access but also the quality agenda is attended to and that the students are making the investment through their own fees in a high-quality education that will provide them with future returns on that investment.

The Chair: Thank you, Mr. McCallum.

Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): First, I would like to say hello to the witnesses.

My question is for Mr. George or Mr. Elbestawi.

You say that McMaster University is a pioneer in research designed to market products developed through applied research.

I must say, first of all, that I find it extremely interesting that a university is taking this kind of approach, but I wonder what the role of the private sector is. What kind of balance should there be between private sector investment in this kind of research or marketing and that of government? Is it a matter of marketing, and thus of products that private businesses will put on the market in order to make profits? Is there a policy in that area at McMaster University?

[*English*]

Dr. Peter George: If we may, both of us will respond to this question.

In terms of the bigger picture, a couple of years ago we had a group develop a report on commercialization at the university, because we see that one of the major challenges is promoting a commercial culture within the university that sees the importance of taking applied research, those next steps to the innovation process and technology transfer process, to helping to create wealth. So at the university level, while we've had a lot of interaction with the private sector, we still see the need to promote a greater sense of cultural attachment to university prioritization of commercialization as a value of the university and its activities.

We've put in place a number of instruments to help further that, and Mo will address those.

Dr. Mo Elbestawi: Our position at McMaster is that universities don't do commerce, but they facilitate commerce. That means our job is to create a culture and systems that allow students and faculty members who would like to commercialize to move in this direction. In doing that we create a system that will really maximize the potential of the university.

The role of the private sector in some areas of research is obviously quite important. In our university in some areas like manufacturing and engineering, for example, approximately 35% of the total funding comes from industry.

So industry plays an important role and it's a good role. It's something we encourage significantly.

● (1020)

[*Translation*]

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

I have a second question for Mr. Sinclair from the Kitchener Waterloo Chamber of Commerce.

You recommend, second, that the government present a viable plan to avoid structural deficits. In the past 15 years, a number of your members, who are employers, have contributed to the employment insurance fund, and the government has used the employment insurance fund to reduce the deficit.

Without going in too much detail or making too many proposals, do you believe your members are still in favour of this kind of situation? They may not have been at the outset; they weren't asked.

[*English*]

Mr. Art Sinclair: In response to our recommendation for a plan to eliminate the deficit, we're a Chamber of Commerce, so we have a wide variety of members from universities, municipalities, the public sector, and the private sector. But those in the private sector are very concerned about the deficit and the impact it has on their operations. All businesses over the last year have had to take measures to restrain their spending and exercise extreme discretion in how they allocate their resources, so we'd like to see the same from government.

On the EI fund, our biggest concern as the Chamber of Commerce—and the Canadian Chamber of Commerce has expressed this concern as well a number of times—is the balance between employer premiums and employee premiums. We've made a number of submissions in the past calling on the government to seriously examine and address the issue of employer premiums under the EI program to ensure that we have a competitive structure there and don't get into a situation where we have huge surpluses.

[*Translation*]

Mr. Jean-Yves Laforest: That's good.

You're telling us that's your concern and you say you would like a better balance between employer and employee contributions. I imagine, even though you didn't say it, that you would also like the employment insurance fund to really be used for employment insurance, not deficit insurance.

[*English*]

Mr. Art Sinclair: Yes, we would like to see the employment insurance plan operate like many private sector insurance plans.

[*Translation*]

Mr. Jean-Yves Laforest: That's good; thank you.

[*English*]

The Chair: Merci, Monsieur Laforest.

We'll go to Mr. Menzies, please.

Mr. Ted Menzies (Macleod, CPC): Thank you, Mr. Chair.

Thank you to our presenters.

For those of you who haven't presented to a committee meeting and pre-budget consultation before, take no offence if we don't ask questions of everyone. It's not that we don't listen and hear your presentations. It's just that we don't have enough time to ask questions of everybody.

So we do appreciate the input, and it is all recorded. I don't know if the chair has explained that. We do take all of the presentations into account and we do appreciate them.

Having said that, we're with a very interesting challenge this year in trying to wind down.... I was glad to hear Mr. Sinclair reaffirm that fact, that our spending was short term and that we're in a deficit position and that we need to find a way to control spending.

In that context, that's what we need to take forward as recommendations. That's not to discredit any of your suggestions at all, and please don't take it that way.

To Mr. George from McMaster University, commercialization is so critical. I think you have probably already answered that question, so I won't ask about that. But competing in areas of expertise has always been a bit of a challenge for me. We hear from all sides how important it is to provide an education to our children so they can become the leaders of the future and drive our economy. Universities continue to compete for expertise and areas of expertise. I'm sure you've dealt with this, that universities are looking for money to compete against each other.

Is there a way to focus specialization so that we can focus the valuable taxpayers' dollars we have? I hope I'm explaining this properly.

● (1025)

Dr. Peter George: I think it's perfectly clear.

Generally speaking, I think we're very good in Canada at doing research and producing intellectual property. The weakness is on the commercialization side and that's why we've chosen to address it.

In terms of specialization or focus, rather than simply duplicating efforts, we do two things at McMaster, which in some sense, I think, represent efforts that may not be ubiquitous, but are at least central to many of the major research universities.

First, we have a very strong commitment to setting priorities within the university. We can't do everything at the level we aspire to do it. If excellence is important to us, we must focus, and we have six areas of strategic research priority that inform all of our investment decisions on the research agenda. Mo has mentioned one, materials and manufacturing. We are the leading Canadian university in this area. Another one would be applied radiation sciences. We have a nuclear reactor on campus. We have received KIP money to expand the nuclear research building and activities, and so forth. So we take the focus-setting or priority-setting very seriously.

Second, we have developed a number of collaborative initiatives with other universities. Because Art is here, the one I will mention is our work with the University of Waterloo. We have a couple of major things under way right now. One is a proposal called Green Art, for collaborative research with private sector partners in the greening of the automobile sector, with a view to enhancing productivity and making the sector more competitive internationally, so the Canadian auto industry will remain a state-of-art, leading edge, competitive industry. That's but one example, but we have a number of those.

So I think it's a matter of focus within the institution and setting priorities and also picking areas of collaboration with other institutions that build centres of excellence.

Mr. Ted Menzies: The money that we invest in research chairs, is that money well spent? Is that the right way to do it?

Dr. Peter George: The money is extremely well spent, in our view. We have almost 70 Canada research chairs. Those chairs, plus the new chairs in international research excellence and the commercialization of research, are extremely effective in helping us support our areas of focus and in attracting to Canada scholars of international distinction, who help build Canada's reputation for excellence, and will contribute ultimately to the commercialization agenda. It's money well spent in a program that needs to be renewed when it expires.

The Chair: Okay. There are a couple of minutes left—

Mr. Joel Duff: Could I respond to that?

The Chair: Yes, of course. Please do.

Mr. Joel Duff: As the Canadian Federation of Students, we represent about 70,000 graduate students in the country, including exchange students. On the issue of the Canada research chairs, we think it's obviously excellent to develop these chair positions, because you don't just get the chair; you also get the infrastructure that goes with it. Usually an office goes with it, and it provides a centre for research in a particular area. I just want to highlight an issue that we're concerned about in Canada's colleges and universities, and that's the incredibly increasing reliance on contract faculty.

What we have on the one hand is the situation of the Canada research chairs, who are super-elite all-star researchers. What we have on the other hand are institutions at which students by and large go through an undergraduate degree without ever developing a relationship with a full-time tenured professor. This reliance on contract faculty is a huge problem on a lot of campuses, whether the students are current doctoral students or recent graduates. Doctoral students and former doctoral students teaching at McMaster are traveling to Wilfrid Laurier and to Guelph, cobbling together a career by teaching classes on all these different campuses and not doing any research. They live in their cars, and their cars are pretty much their offices. It doesn't create the kind of quality we need across the board.

While we like things like the Canada research chairs, which create excellence, we also need to elevate the faculty-to-student ratios, and we need to make sure that there's more tenure-track faculty on campuses across the country.

● (1030)

The Chair: Thank you.

Mr. Rae, you would like to comment? Please comment very briefly. Mr. Menzies is out of time, unfortunately.

Mr. John Rae: The greening of the auto sector is an issue for us. The new hybrid automobiles are too quiet for blind persons to hear. They are dangerous, so Canada needs to follow what's going on. Legislation is now before the U.S. Congress to fix that problem, and Canada needs to regulate these new automobiles.

The Chair: Okay. Thank you.

We'll go to Mr. Pacetti.

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

Thank you to the witnesses for appearing. It's always interesting when we have witnesses from different spectrums and with different points of view. We're not going to have enough time to get to everybody, as Mr. Menzies was saying, but we'll try our utmost.

I have a question for the Canadian Health Food Association.

Ms. Marrett, you talked about applications being refused or withdrawn. Maybe I missed it, but I don't think you stated why these applications were withdrawn or refused. Is it because of process, lack of funding, or...? I didn't see that anywhere.

Ms. Penelope Marrett: The majority of the application refusals were not based on safety. They were based on the evidence that was provided. We've been told by Health Canada that they are aware that sometimes they are asking for information that is not available. It makes you wonder why they are asking for the information then.

We have been told that parts of the standards of evidence—

Mr. Massimo Pacetti: Well, I'm hoping it's for the safety of Canadians.

Ms. Penelope Marrett: No. They have told us that 99.5% of the application refusals are not based on safety at all. The safety is confirmed.

From what we understand, some of it is information that they know is not available, but they continue to ask for it. If it is not available, why are we being asked for it as an industry, particularly if they know if it's not available?

The other part of the standards of evidence that we are being asked for is double-blind clinical studies. For small and medium-sized businesses that are providing innovative products that Canadians use, it's very difficult, because they don't have the funding to do double-blind clinical studies.

Mr. Massimo Pacetti: What would your solution be? I'm just trying to understand the reason for coming to the finance committee instead of maybe going to the health committee.

Ms. Penelope Marrett: We're doing both, in actual fact. If Health Canada is the regulator, they must be provided with permanent funding to be a proper regulator so that they're as fair and predictable—

Mr. Massimo Pacetti: That's what I'm looking for.

Ms. Penelope Marrett: That's what we talked about at the end. That's what I said at the end: it is not fair and predictable at all.

Mr. Massimo Pacetti: No, but it's not...so they don't have the adequate funding.

Ms. Penelope Marrett: No, not at all.

Mr. Massimo Pacetti: What would you recommend in terms of a dollar amount?

Ms. Penelope Marrett: In the 2008 budget, the federal government provided $33 million over two years. That ends March 31, 2010. The transition to the regulations will be over by then, and we don't know what's going to happen. We can't afford to have a regulator trying to cobble together from the branch moneys that are available here and there, because that does not—

Mr. Massimo Pacetti: Okay; we only have limited time.

You state that there were 15,000 applications approved over a five-year period. To me that seems like a lot, but I'm not sure what the numbers are.

Ms. Penelope Marrett: Out of 41,000 applications? That's—

Mr. Massimo Pacetti: That's why I can't say it's good or not in terms of percentages. It's probably not good, but I'm not sure.

To me, it seems like it's a lack of funding.

● (1035)

Ms. Penelope Marrett: It's definitely partly a lack of funding, but it's also part—

Mr. Massimo Pacetti: Can you get us a dollar amount and just send it over to the clerk?

Ms. Penelope Marrett: Okay. Done.

Mr. Massimo Pacetti: I'd appreciate that.

To Ms. Lareau from the Canadian Media Guild, I don't have a problem with CBC, and I like your idea of maybe signing a seven-year contract, but I still have a problem with how we would be able to have accountability of that money. I think you said it should not be under peer review or under an expense review.

I'm not sure; I have a problem with that. If you have nothing to hide or if there are no problems with the services you're providing, you should be more than happy to undergo that review. That's where I'm a little hesitant.

I'd like your comments on that.

Ms. Lise Lareau: Let me make this perfectly clear. The heritage committee, actually, are the ones recommending that there be a memorandum of understanding, which is a contract between the government and the CBC, that would last for a seven-year period. That would be where your accountability is. All of it would be built into it.

I will say to Mr. Menzies' comments earlier that I understand you can't hear everybody and talk to everybody and question everybody, and that everything costs money. The seven-year memorandum of understanding is one of the few things being represented to you today that doesn't cost a cent. It's about predictability, similar to what we heard earlier; it's about being able to plan and being able to run a big broadcaster. That's what the seven-year memorandum of understanding would give the CBC, so that it wouldn't be subject to tenuous, extremely tenuous—

Mr. Massimo Pacetti: Could I, because my time is up, get you to comment on the graph you provided us for per capita funding for corporate broadcasters? Canada seems to be quite low.

Ms. Lise Lareau: It's very low.

Mr. Massimo Pacetti: Given that we're such a small country, how are you even able to—

Ms. Lise Lareau: This is per capita, so it has nothing to do with size of country. This is per capita.

Mr. Massimo Pacetti: That's what I'm saying. In terms of population, how are you able to even provide a service, compared to what—

Ms. Lise Lareau: Don't forget, I'm speaking on behalf of the employees.

How does the CBC do this?

Mr. Massimo Pacetti: Yes.

Ms. Lise Lareau: It's unbelievably difficult. It's done with a lot of dedication on the part of employees.

It's staggering what the CBC does with such a small amount of money, for what broadcasting takes.

Mr. Massimo Pacetti: Is there an advertising component that is not—

Ms. Lise Lareau: Yes, there is an advertising component.

Mr. Massimo Pacetti: That's what makes up the...?

Ms. Lise Lareau: That's what makes up the difference. That's what has enabled the CBC to run. But it's also, at the same time, a double-edged sword to have advertising. It makes it more commercial. It makes ratings the imperative. It creates a different landscape of choices when you start relying on advertising.

That isn't what the public broadcaster is here to be.

Mr. Massimo Pacetti: Thank you.

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

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

Thank you for your presentations. We really do appreciate your taking the time to make these very instructive presentations and provide us with your views and comments.

I'd like to start with Mr. Irwin of GrowthWorks Capital.

Having previously been in the business of helping companies obtain venture capital and other forms of capital to commercialize their technology, I know how difficult it can be, especially in Canada. I'm sure part of it, as you pointed out, is that our resource funding market is so large here, and that a lot of our institutional and other capital goes there.

I take your point about the maximum investment for RVCs not having been increased since 1985. First of all, can you give us some comments on perhaps some successful RVC investments that have happened in Canada over the last few years, so that we get a sense of how important this is to Canadian businesses?

Secondly, what is your view on the appetite for these kinds of investments in the current marketplace, given what's gone on in the markets in the last year or so?

Thirdly, what is the U.S. government doing to encourage and enhance venture capital investments? You mentioned that the venture capital market per capita is so much larger in the U.S. Maybe you could give us a sense of what, if anything, the U.S. government is doing to encourage it.

Mr. Daniel Levi: Let me start off with a brief example that you will all know well. The current war that you see between the cable companies and the telephone companies is because cable is capable of putting telephones over cable systems. You are all aware of that. The technology that allows them to do that was created by a company in Vancouver about eight or nine years ago, and it was sold to the company that has 90% of the desktop boxes. In other words, all cable companies use this chip, from a company called Broadcom in the United States. It's that Canadian technology that allows all the cable companies in North America to compete.

When we started, there were six employees. There are currently more than 200 employees working for that company. Today it is one of the centres of excellence for Broadcom in the development of the technologies they use to allow what is called Voice over Internet Protocol.

That would be one company as an example. The money we earned —that the government earned—on capital gains taxes from that one investment was more than the entire amount of money that was put into the program in British Columbia up to that time. So it is a big win for everyone, the employees as well as the government, in terms of rates of return.

Your second question was on appetite. Really, you are right in saying that the appetite of Canadians has been a bit depressed over the last number of years. Part of the reason for that is due to the change in the way investment advisers get paid. Ten years ago, investment advisers were paid equally whether they put in a small ticket or a large ticket. As you can see from our brief, what has happened is that large, bank-owned institutions in the investment advisory area are trying to get people to move away from small transactions. They are discounting the amount the investment adviser will be paid, and therefore the investment adviser looks toward other investments.

One of the things we're suggesting is that we need to reinvigorate the interest of investment advisers, because financially they are penalized within their organizations for selling this product. We need a bit of a kick-start for individuals, and that's why we're recommending that you match what the provinces have done and take it up to about a 40% credit. Then, as historically we have seen with the federal government before, as the funds start to come in and you see people reinvigorated, you can start to reduce the credit from 40% to maybe 35%.

● (1040)

Mr. Bob Dechert: You believe the cost to the government would be about $100 million over three years?

Mr. Daniel Levi: Yes, because we expect we would raise about $300 million more each year for the next three years.

Mr. Bob Dechert: Is the U.S. government doing anything to encourage investors in this market?

Mr. Daniel Levi: The U.S. government has a number of programs. Most of them are defence-related, so there is a kind of hidden agenda that occurs down there, in terms of research and development, that is very helpful.

Mr. Bob Dechert: Thanks very much.

I'd like to ask a question of the Canadian Federation of Students and maybe get Professor George's comment on it as well.

This has to do with your comment that we should eliminate education tax credits. My concern is what that does to part-time students. We're trying to encourage older workers to upgrade their skills in the new economy. Have you done any study of the impact this proposal would have on part-time students?

Mr. Joel Duff: I'll take that and I'll try to be quick.

The fact of the matter is that part-time students are currently ineligible for Canada student loans. They don't get the interest-free loans that full-time students get, and they are ineligible for the grant system that the government has now created—the grant system that we think is good but that could be improved by including part-time students.

These are measures that better address and target part-time students.

Mr. Bob Dechert: Would they qualify, if it's means tested, though, as you're suggesting?

Mr. Joel Duff: There are different ways to provide assistance, but of course the biggest barrier to all students, full- or part-time, is the up-front cost. The point Shelley was making was that providing back-end tax credits doesn't really provide access to a program, because you have to come up with the money up front. The idea is that simply taking that money and putting it up front—i.e., reducing the cost of the program—is, if the goal is to ensure that everybody has universal access, the best way to deliver.

Mr. Bob Dechert: Just quickly, Professor George, what are your comments on that?

The Chair: I'm sorry; we are way over time, so in the next round we'll have to do that.

We'll go back to Mr. McCallum, please.

Hon. John McCallum: I have a question for Mr. Sinclair.

As I imagine you know, in the government's latest budget document there are proposed substantial increases in employment insurance premiums, starting in 2011. These increases have a significant effect in terms of bringing the deficit down. Calculations by an economist, Dale Orr, suggest that the additional EI premiums will cost a two-earner family $1,200 and will cost a small firm employing 10 people an additional $9,000. I think those are large increases, and when employment may still be quite fragile, they could be damaging to the recovery of jobs.

There's a trade-off. I think we all believe EI should be balanced over the cycle, but this is a relatively short cycle. Achieving balance over a small number of years is giving rise to these very large EI premium hikes. The alternative would be to define the cycle as a few more years and have more moderate EI premium hikes.

Are you, as a Chamber of Commerce person, satisfied with these large EI premium hikes, or would you rather see it done more gradually?

● (1045)

Mr. Art Sinclair: I would suggest it should probably be done more gradually. Again, we're at a very difficult point right now, in that we don't really know what the numbers are going to look like in the immediate term. For example, based on a recommendation from the Canadian Chamber of Commerce, I was suggesting that spending growth will be at 2% to 3% by 2012-13. Just this past Tuesday, Don Drummond and Derek Burleton, from *TD Bank Economics* suggested it would take until 2015-16 to reach that level, so there's still a lot of uncertainty right now.

However, with respect to your original question on EI premiums, yes, I think we would like to see the growth in premiums take place over a longer period of time. Hopefully over that period of time we'll have some economic stability and in fact will be able to address the deficit and the debt more appropriately over that time.

Hon. John McCallum: Thank you.

Mr. Rae, my understanding is that the current disability tax credit is not refundable, in the sense that if you have relatively low income and pay no tax, you get no benefit. Is that correct?

Mr. John Rae: That's correct, sir, so the people who most need it don't benefit from it. That's why we're suggesting it become a real refundable tax credit.

Hon. John McCallum: I certainly agree with that 100%. As you said, disabled people are often people with low incomes, and you want the benefit to reach the lowest-income people most. This one doesn't. I agree with you that this is something that should be changed.

The Chair: You've got two minutes, Mr. McCallum.

Hon. John McCallum: Mr. Levi, I certainly agree that a lot of the old jobs aren't coming back and that the new jobs depend on new ideas and creativity and commercialization and venture capital. With regard to the dramatic drop from 2001 to 2008, was a big part of that drop in the latest year and related to the crisis, or was it a steady decline?

Mr. Daniel Levi: The dramatic drop actually occurred in 2001, 2002, and 2003 in terms of hard dollars. In other words, we dropped from $4.5 billion to probably $2 billion over about a three-year period, but the drop continues to occur.

In the U.S., what we saw was a dramatic drop in 2001, 2002, and 2003, but then, starting in 2004, it started to come back again, and they actually achieved almost the same amount of venture capital in terms of fundraising as they had in 1997 and 1998. It became a very healthy market. In Canada, what we saw was a consistent decline in the venture capital market, and that is what we have seen since.

Hon. John McCallum: Then it wasn't related to the current economic crisis.

Mr. Daniel Levi: No.

Hon. John McCallum: What were the main causes, then?

Mr. Daniel Levi: Well, there were a variety of reasons for it.

The first one was obviously the bubble bursting in 2001 in terms of the high-tech community.

The second one was that the rates of return in particular institutions, pension funds, and others that had invested were not that good. There's a bit of a herd mentality there, so they always leave when times are bad, when they actually should be investing. There was a severe decline in interest from pension funds.

The third one was that the Province of Ontario decided that it was going to phase out this program for retail investment, and that had an impact right across the country, with the exception of Saskatchewan and Quebec, where the program remains very strong.

Hon. John McCallum: My understanding is that U.S. pension funds invest quite heavily in this area and Canadian pension funds don't. Is this an innate Canadian conservatism at work, or is there some other reason why...?

Mr. Daniel Levi: You have struck the chord right there. The difficulty in Canada is that there is not a culture of risk, and certainly there is no culture of risk in the pension funds in Canada, below the largest seven or eight pools that exist. Most pension funds in Canada are too small to be able to bear the kind of risk and the research that's inevitably required for them to make investments. There's no fund of fund advisers in Canada of any significance, and so our large portion of funds that are in small pension funds simply do not invest.

● (1050)

Hon. John McCallum: What about the larger ones, such as CPP or Teachers'?

Mr. Daniel Levi: The CPP and Teachers and others are investing, but in a very limited amount compared with what they were investing in the late nineties and 2000-01.

Hon. John McCallum: Thank you.

The Chair: Thank you, Mr. McCallum.

Mr. Wallace, please.

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

I want to welcome our guests and thank them for coming this morning.

I'm going to start with President George, whom I've known for a few years now. For those who don't know him, Mr. George will be leaving his post as president at McMaster. He's done a great job of elevating "Mac" and the quality of education there; he has done a really good job.

I tease the president a little bit about his ability to be a lobbyist/advocate for his school, but I use him also, when he's not around, as an example of somebody who does a really great job while doing it.

So I appreciate your coming today.

I do have one question for you, though. We've heard from student associations, but I'm going to ask you this question. There is a perception—I want to know whether it's just a perception or reality—that the transfer that goes through the social transfer that is for education doesn't go to education.

Is that actually true or not?

Dr. Peter George: Yes, I....

Thank you. I will be looking for a job after July 1.

Voices: Oh, oh!

Mr. Mike Wallace: Do you want to handle constituency problems?

Dr. Peter George: This is a complicated issue, but let me say that I believe it's true. That's why so much of the focus on the part of AUCC and COU and the research-intensive universities, the G13, has been on the indirect costs of research. When we receive research grants, which only provide for the direct costs of research, the indirect costs must come from within the universities' operating budgets. That imposes a tax, if you like, on the funds originally intended for the educational mission of the university.

So I do believe the point is well taken. If we could get funding for the full cost of research, it would help us immeasurably to address the quality-of-education issues that many of the student groups and colleagues of mine and I myself continue to address. There is an implicit tax there.

Mr. Mike Wallace: Okay, I appreciate that.

Mr. Smith, I have a question for you.

I don't think you're out of your element. You're coming here with an idea for us, and we're looking for new ideas. I have first a request and then a question for you. My request is that you put it in writing and send it to us. You don't have to do this right away, but send it to the clerk. The clerk will tell you how to get it to us.

I just want to be clear, based on your view of your position that, if you take somebody off the unemployment roll—they're actually collecting EI, or are they on welfare?—you would be able to keep, as a business, the business portion of the deductions you have to pay per employee. Do you have a length of time for that?

Mr. Chris Smith: Yes. It would be an incentive. It's strictly the employer's portion; it wouldn't be EI or anything like that, because that obviously needs to be used for other issues. It would strictly be the employer's portion of the source deductions.

Mr. Mike Wallace: Give me some examples of source deductions. How much money is it we're talking about?

Mr. Chris Smith: We're talking about, say, probably $500 on a $3,000 payroll or something like that. If you're paying something like $3,000, you're looking at about $500.

Yes, it would be clawed back—basically scaled back—over a three-year period. All it's doing is allowing people to re-enter the workforce.

Mr. Mike Wallace: Right. And it's not somebody who has left one job and gone to another, but somebody you would be taking on to—

Mr. Chris Smith: No; that is why it would be key on the additional employees on your payroll. That's why it's easy to measure: the Receiver General has that information. They know how many employees I have today, and they'll know how many I have tomorrow. If I just replace somebody, that's not an additional employee.

Mr. Mike Wallace: Right.

Here is a question for the student association. We've seen the federal student association representing Manitoba, Ontario, the national group, with basically the same sort of concept; just a little bit different.

On the issue of the silo that would be created specifically for post-secondary education, you used examples of the other transfers we make; the health transfer, for example.

Are you aware of the strings that are attached to the health transfer now? If you could tell me what they are, I would be happy to hear them.

● (1055)

Mr. Joel Duff: Yes. We want strings. We think there should be strings.

Look, the Stats Can report that came out two days ago that looked at tuition fees across the country shows that in Ontario, students are paying about $6,000 on average, and students in Newfoundland or Quebec are paying less than $3,000. Just by accident of birth, there's an inequality of access across the country.

If you want to go to law at the University of Toronto, it's $21,000. At McGill University in Quebec, for a Quebec student, it's just over $3,000. Would anybody say that McGill is a second-rate law school? I don't think so.

It's about priorities, but it's about having our federal government play a role in establishing national standards for fairness, for equality of access across the country.

There are other quality benchmarks as well. I think Mr. George would be happy—as would Ms. Patterson, who has just joined us—to see some benchmarks for quality. But we would like to make sure that the money the federal government sends to the provinces for post-secondary education gets used in the way that it's supposed to.

Mr. Mike Wallace: I think my point is that if you look at the health transfer, the actual strings attached by the federal government are fairly weak, really. The money goes to the provinces; they deliver health care. They have to meet the five criteria of the Canada Health Act, but other than that there's not a whole lot.

That's why you would be slightly different, if we had a bunch of strings on a transfer.

The Chair: We'll leave that as a comment.

Mr. Mike Wallace: It was just a comment, yes. Thank you.

The Chair: We'll go to Mr. Pacetti again.

Mr. Massimo Pacetti: Mr. Smith, again, going over your proposal, in your brief you talk about "reducing the source deductions". Would that mean CPP, EI, and deductions at source?

Mr. Chris Smith: Well, not EI, as we said, but only because I believe it has its own purpose.

Mr. Massimo Pacetti: So does CPP.

Mr. Chris Smith: Well, yes, and not CPP; it would be basically the income tax portion of it.

Mr. Massimo Pacetti: Then what would you do? Would you just hire an additional employee and then decide not to remit his source deductions?

Mr. Chris Smith: It would be administered however the Receiver General decided to administer it. In essence, it would either be rebated or just not remitted, but it would be recorded, certainly.

Mr. Massimo Pacetti: That's the problem right there. You have to find a way to make it....

In the past, there were programs where, at the end of the year, when you filed your T4, you were eligible to get a portion of your EI premiums that you had paid...more than the year before. That was the true test. There could be some type of program in that fashion.

I'm from Quebec. The federal government has outsourced its employment training. If you were to hire an employee, you could go to see Emploi Québec. They'll give you a grant, if you're eligible, for hiring new people. That would be better structured.

I'm wondering; is there not that type of facility in Ontario?

Mr. Chris Smith: There are currently some programs that you need to apply for, need to register for. I don't think it's effective right now, because most people cannot be bothered, or it simply doesn't apply to them, whereas if it's right across the board for everybody, then it's a simple matter of every additional employee.

Mr. Massimo Pacetti: I understand. The only problem I see is the abuse whereby people just won't submit their deductions at source. At the end of the year you're caught, because you haven't submitted your deductions at source.

Mr. Chris Smith: I suppose that could happen.

Mr. Massimo Pacetti: Thank you.

Just quickly to the people from McMaster, either Mr. George or Mr. Elbestawi, you're asking for money for investment in new innovation. I think Mr. Menzies stated that there seems to be universities competing against universities.

Université de Montréal has put tons of money into our university. I'm just wondering, why should the Government of Canada give $10 million—I think it's $10 million—for innovative products? Why not ask for a loan and let the fact that it's going to generate income force you to generate that income, turn it into a commercialization—the universities seems to be weak in that aspect—and force you to have a return on investment, if you are going to come up with some innovative product?

I would like you to comment on that.

Dr. Peter George: Well, I think it's a strategic investment in the prosperity agenda for the federal government.

Second, when we acquired our property for the McMaster Innovation Park, 37 acres of a former industrial site, we received a $10 million grant from the Province of Ontario and a $5 million grant from the City of Hamilton in support of that project, but we acquired it too late to participate in the federal program to support research and innovation parks. We are asking for a federal grant for much-needed infrastructure investment to match the provincial grant of $10 million that we received a few years ago. We did have this as one of the priorities on our knowledge infrastructure program list, but since the province had already contributed its $10 million, it didn't, I think, qualify for the joint nature of the program.

We think it's a good investment for the federal government, particularly given the economic circumstances in which Hamilton finds itself and the great expectations of the city and of our community for the future activity on the innovation park as a catalyst of economic revitalization of our area.

● (1100)

Mr. Massimo Pacetti: If you're not able to get it as a grant, would you not be interested in requesting it as a loan?

Dr. Peter George: We'd be quite happy with a loan on reasonable terms—especially if, in the end, it was converted into a grant.

Voices: Oh, oh!

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

The Chair: I think you're ready for a career in politics, Mr. George.

I want to clarify a couple of issues or ask a couple of questions.

One question is for the Canadian Media Guild. The proposal of a seven-year memorandum of understanding is an interesting idea, and I think there is some merit to it. The one challenge for us as parliamentarians, though, is with CBC's accountability to Canadians themselves, and I'll give you an example.

When CBC Radio changed their programming with respect to reducing the amount of classical music, I got a lot of phone calls and e-mails from a lot of Canadians in my area who said they were big fans of CBC Radio, they loved it the way it was, and they didn't like the change. I said, “I'm a parliamentarian. I don't determine programming, so talk directly to CBC.” Their response to me was that they had, and that they hadn't got much of a response.

This memorandum of understanding between the government and the CBC is a good idea, but how do you ensure that Canadians themselves have some input or get some response from CBC directly?

Ms. Lise Lareau: Your answer was right, in that the government isn't here to.... Nobody would propose that the government tell the CBC what to do and how to program. The CBC does, in my view, a mixed job about responsiveness to the audience, but that's not a function of its funding.

In terms of accountability, there are two kinds of accountability it needs to have. One is accountability to the government, and I believe it can be done through a memorandum of understanding. In this case the CBC says they will do X, Y, and Z, and that you will pay them *x*, *y*, and *z* dollars for seven years. Then they know where they're coming from, and you know what you're getting. That's the relationship between the CBC and the government. It makes perfect sense. They get predictability.

Now, in terms of the CBC and its audience, in that document you can tell them to beef up their responsiveness to their audience and to make sure their board of directors is functioning in that regard. The board of directors is supposed to be the link between the audience and the CBC.

If that's an important issue for the government that is providing this contract, it can say to the CBC that this is important: if you're going to engage in a contract with us—

The Chair: You mean within the memorandum.

Ms. Lise Lareau: —this is it.

On the whole topic of Radio 2, people field a lot of complaints about a lot of stuff, whether it's *The National*, Radio 2, program X, or program Y, on whatever platform. This issue about funding your public broadcaster and my public broadcaster and Canadians' public broadcaster is much bigger than program X or program Y. It really is. You have to—

The Chair: No, I'm using that as an example.

Ms. Lise Lareau: I know, I know, but I really urge people—because I've been around for awhile on this—not to weigh in to—

The Chair: These are people who strongly support the CBC; they're big fans of the CBC; they like what's being done. They just want to have some more direct contact.

Ms. Lise Lareau: There are mechanisms for that. There are annual meetings with the public. There's all of that. But I really do think that for the CBC to do this, it has to be part of the memorandum of understanding, if it's an important consideration.

● (1105)

The Chair: Thank you.

I want to follow up with Mr. George with respect to research.

The AUCC has said to focus really on funding for granting councils and indirect costs of research. Your submission is more focused on commercialization, and I appreciate that angle. But if you look at research, it seems to me, we fund infrastructures through CFI and through the KIP program in the stimulus package, human resources through granting councils and the Canada research chairs. Then there's the whole commercialization aspect. At the University of Alberta, we have TEC Edmonton.

But it seems as though the more you fund research, the more you need to fund research. You fund research and you have a Canada research chair. For example, U of A is trying to bring someone up from California. You bring that person up, then you have to create the infrastructure around them. Then more people come to the university, who then need more CIHR grants and other granting programs. Then they attract more people, who then need more facilities, and then need more funding for commercialization.

I guess the concern is that it's a sort of never-ending ask. And are we always underfunding one area? The concern now seems to be that we're underfunding the human resource side. But if funding is given to the granting councils, next year are the G13 going to come to the finance committee saying, now you're underfunding on the infrastructure side? And so you have to address that angle. Then two years from now it will be human resources.

How do we find the right proportion among these different areas in a longer, stable program?

Dr. Peter George: I think it's a really important question, and I think we've made great progress in recent years with the research agenda, with funding on both the infrastructure and equipment side and on the human resources side: the CRC side, the Vanier scholarships, and so forth. And with the direct funds and the commitment to an indirect cost program, the pieces of the package are there. I think we'll have to be mindful of what international comparators say in these areas, and it is true by international comparators, as recent studies commissioned by AUCC and the G13 have shown, that we are still underfunding, in relative, comparative terms, the full cost of research.

That said, I am quite comfortable with even more emphasis on outcomes measures, especially in those programs that are aimed at the applied and innovation and commercialization end of the research spectrum.

The question of time horizons is extremely important. We must continue to fund basic research, because it is the wellspring of applied research and commercializable technologies and processes. We can apply outcomes measures more directly to the commercializable end of the process than we can to the basic end of the process, where peer review remains the classic comparator of quality internationally. But the outcomes measures and the vehicles for delivering on commercialization—through innovation and research parks, through tech transfer offices, through the co-location of venture capital companies with innovation and research parks, as we have done at McMaster—I think are the way forward.

The Chair: Thank you. I appreciate that.

I want to thank you all for coming in this morning. I know it's a short time for a lot of big ideas and good discussion, but thank you all for your presentations.

We will suspend for a couple of minutes and bring the second panel forward.

Again, thank you all for your time.

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(Pause)

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• (1115)

The Chair: We will start with our second panel this morning, on our second day here in Toronto of our pre-budget consultations across the country.

Welcome to all of you. Thank you for being with us here this morning.

We have with us a number of organizations. I'll read the list in order of their presentation to the committee. We have, first of all, the Investment Industry Association of Canada; we have Mr. Andrew Frew, as an individual; we have the Council of Ontario Universities; the Ontario College of Art and Design; we have the City of Toronto with us here this morning; the Centre for Image-Guided Innovation and Therapeutic Intervention; the National Angel Capital Organization; and the Direct Sellers Association of Canada.

We have five minutes for each of you for your opening statement. Then we'll have questions from members, from all parties of the committee.

We'll start with Mr. Russell, please.

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

I appreciate this opportunity to appear before the House of Commons Standing Committee on Finance to participate in this pre-budget consultation.

Our association represents over 200 members firms, investment dealers that employ over 40,000 Canadians from coast to coast. Our members account for most of the financing and trading activity in Canadian capital markets. Of our more than 200 member firms, just slightly fewer than that number are in fact quite small, with less than $50 million in capital each. They're located in offices right across the country, serving institutional and retail clients.

Our industry really provides four functions: it provides financial advice to retail clients; it facilitates secondary market transactions in equity and debt markets; it advises corporate clients on capital raising and restructuring; and it underwrites debt and equity securities for government and corporations.

Our core function is to channel savings from Canadians to productive investment.

Looking at the current environment, the financial crisis with its aftermath points to two things that are relevant to our submission. One is that it devastated the savings of individual Canadians, and the second is that it has increased the financing difficulties for small and mid-sized companies right across the country.

For the past year the economy has contracted, which is a reflection of the consequences of the global meltdown last year, and the outlook for Canada is a mixed one. On the positive side, a solid recovery in the developing world augurs well for commodity markets, and Canada will benefit. On the other hand, a very slow recovery in the U.S. and a strengthening dollar obviously dampen the growth prospects for us here in Canada.

In the context of that financial crisis, we support the federal government's response to the crisis. We feel that it acted quickly, it acted judiciously, and it came forward with what we felt was the right mix of fiscal policy to address the crisis. I think the way the Canadian economy has withstood the crisis is testament to that.

The benefits that we have reflect steps taken by both governments, quite frankly: a very strong fiscal position in Canada that really began in the mid-1990s and continued through to date; secondly, a very competitive corporate tax regime that was put in place several years ago; and thirdly, the very solid position in which our financial institutions find ourselves.

But now more than ever before we feel the federal government should encourage productive risk-taking and enterprise by a strategic and careful reduction in the capital gains tax rates. We feel that a reduction in the capital gains tax rates, particularly on common equity shares, would spur business and job creation, enhance productivity, and promote overall wealth creation.

The proposed expenditure and the impact on the federal budget of the lower capital gains tax rate we're proposing would be significantly mitigated if the reductions were restricted to common equity shares, particularly those of small public companies that are ineligible for the lower corporate rates, ineligible for the R and D tax credits, and ineligible for the $750,000 lifetime capital gains exemption. We feel this would really be a boost to stimulating risk-taking in the capital markets and investment in small enterprise and would facilitate capital-raising activities for small and mid-sized companies.

There has been a very significant fall-off in financing by small public companies. This would also create a more level playing field between small public and private companies.

Another initiative we've been looking for and are urging is for the government to confirm a longer-term commitment to the credit facilities put in place just before the crisis, which have worked very well. They are not needed right now, but circumstances could change.

Finally, on the retirement front we recommend adjustments to the tax-assisted retirement savings programs to address the difficulties that older Canadians close to retirement face. We feel these measures would complement the structural solutions, which will have a longer-term impact, that will probably come forward with the task force that will report at year end.

● (1120)

In closing, I would just speak of our economic success, which turns on our ability to compete in global markets. We recognize the challenges faced by the government to promote growth and preserve a strong fiscal position and we recognize the limited maneuverability of finances, but we're convinced that tax policy can be engineered creatively to limit strains on the fiscal position and encourage investment growth.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Russell.

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

Mr. Andrew Frew (As an Individual): Heaven help the family that depends on a farmer for support. Heaven help the nation that doesn't have that farmer to support it.

Mr. Chairperson and committee members, my name is Andrew Frew, and I'm here as an individual.

I'm a hog producer. I farm with family in Durham region. We raise 325 sows, farrow to finish. I have six family members who rely on our farm as their sole income.

This document refers to a Rod de Wolde, who helped me put this together. Through my not understanding the process, I didn't properly have him entered to help me today, but he is documented here for all the work he has helped with. He is a genetics breeder, supplying breeding stock to other hog producers. He also relies on the hog industry as his sole source of income.

The crisis in the hog industry is well documented. I'll highlight just a few things: the rising Canadian dollar, increasing feed prices, country-of-origin labelling, economic downturn, and finally the H1N1 virus. These problems existed long before the current recession and are no fault of the producers.

We believe the industry is at a tipping point. There are many secondary industries that rely on the hog industry. If our industry fails, these industries will fail also, and this will have a greater effect on the overall economy.

We compete in global markets in the hog industry. There are safety net programs within the government, but they have become ineffective because of this perfect storm that has hit us. As grassroots producers, we believe strongly that the industry needs an ad hoc rescue payment. We understand there are trade issues surrounding this, but we think we've figured a way around them. We think “no” is simply not an acceptable answer.

We have developed a 2008-09 Canadian hog sustainability supplement program. This program could benefit all producers across the country. I'll give an example of how our proposed program would work.

Eligible gross sales of hogs on any farm could be used in this calculation. The reference here for the 2008 payment year would be 2007-08. We have come up with a formula that uses the average eligible gross sales multiplied by the factor that we've derived. Our calculations are based on a farrow-to-finish operation. The expected cost of this program for the 2008 program year is $875 million. Using a 60%-40% federal-provincial split, as is normal, $525 million would be federal and $350 million would be provincial.

We came up with the factor using OMAFRA data that was in the appendices—which may have been taken out, because we didn't translate them to French. We apologize for that. The information was in our document, but it may not be in all of your copies now.

We took OMAFRA's information for the cost of raising a hog, divided by the value the hog was sold for, to come up with this factor. In 2007 the factor was 1.2, and in 2008 it was 1.3. The average of those years would be 1.25. That would be the additional value the hog producer needs to make up losses.

Given a sample calculation of a farmer who sells 2,000 hogs a year, using his eligible gross hog sales for 2007-08 times our 1.25 factor for that production year, that producer would be eligible for just short of $64,000.

The benefits of a program like this include: it is not a “per hog” payment; the factor is based on industry averages; the calculation is a two-year rolling average; it does not promote production, because it's after the fact; the calculation numbers should be available from AgriStability; it is simple to calculate; and the payment does not pay producers for commodities other than hogs that they may have produced in that reference year.

We carried through for a 2009 program using the same information, and in the same scenario, the overall cost would be around $1 billion to the hog industry.

In summary, in May 2009 the Canadian Pork Council, CPC, presented a request to Minister Ritz for an ad hoc hog payment of $30 a hog. That request was denied, our understanding is, because of trade implications.

● (1125)

In the appendix, there is a backgrounder from CPC. It says the Canadian pork sector contributes significantly to the Canadian economy, 70,000 jobs. Nearly two out of three hogs born in Canada are exported: $500,000 worth of live hogs, $2.7 billion worth of exported pork products. These exports create 42,000 jobs within our economy, $7.7 billion in economic data, and a total of $2.1 billion in wages and salary. These jobs and benefits are at risk.

We cannot afford to lose the hog sector in Canada.

Thank you.

The Chair: Thank you very much for your presentation.

We will now go to Ms. Patterson.

Ms. Bonnie Patterson (Interim President, Council of Ontario Universities): Good morning, Mr. Chair, and distinguished committee members.

On behalf of the Council of Ontario Universities, thank you for this opportunity to present this morning.

Approximately 42% of all students studying in universities in Canada are in Ontario. These 21 institutions provide a diversity of experiences in academic programs and research opportunities that they provide. Universities are true community partners. They contribute to economic, social, and cultural development that have impact locally, provincially, nationally, and internationally. Whether it is creating new ideas or applying them, universities represent an enormous capacity to solve problems that society faces today and in the future.

In a previous written submission to your committee, the Council of Ontario Universities asked the federal government to invest in three important areas in budget 2010: research, the recruitment of international students, and supports for our aboriginal learners. Investment in all three areas is critical to individuals whose lives will be directly changed by your decisions, but also to communities, our province and country.

I'll focus the remainder of my remarks on just one of these priority areas, and that is research. Put simply: research matters. It matters because it impacts individual lives. It helps us in a global context to see the world from different perspectives, and it awakens individual potential for problem solving and creativity. It matters because it leads to new products, processes, treatments, and services that make a difference for many individuals in society. It matters because knowledge, new and old, is essential to our economic future. It supports a diversified and robust economy based on innovation led by the brightest of minds. The reality of competition in a knowledge-based global economy is that the advantage goes to countries that are innovative, productive, and technologically savvy. In other words, it goes to those that invest heavily in the skills of their citizens.

Canada needs people with advanced skills and entrepreneurial spirit. Universities are primary providers of this talent, and they support the acquisition of leading-edge skills in areas of specialized knowledge needed to drive the economy. Through educational programs and numerous partnerships, universities help Canada's talent pool explore their creativity and imagination, inspiring the possibility of innovation in all aspects of their lives.

Second, in a knowledge-based economy what matters is the ability to acquire knowledge but also to apply it. Canadian researchers must be able to apply their cutting-edge knowledge to tackle the toughest challenges facing Canadian industry today. Centres of excellence and research, universities, play an essential role in the innovation system, and their faculty and students ensure that the innovation pipeline is continually fed.

Let me quickly share a few examples to illustrate the impact of recommendations this committee has made to invest directly in university-based research. Researchers at Queen's University are developing a novel technique for improving the reliability and performance of solar water heaters that can cut heating costs by 50%. The systems are now being installed across North America, and more recently they were installed at Toronto's Hospital for Sick Children. At York University, a public-private partnership involving companies such as IBM and numerous SMEs are establishing a new consortium to develop the next generation of medical device technologies. The York region is currently home to nearly 50% of Canadian medical device technologies.

As a result of collaborations between Lakehead University and Genesis Genomics, early cancer detection products are under development in Thunder Bay. Genesis Genomics is one of Canada's top ten biotech companies. There are many other examples of different types that illustrate successful social and economic outcomes of research that is under way in virtually every university in this province. Many initiatives are developed through successful public and private sector partnerships.

We know that the committee's work is particularly difficult in this current fiscal climate. We also acknowledge the large number of voices competing for scarce resources. The federal government has played a leading role in investing in research and innovation, and we are thankful for those investments. The knowledge infrastructure program is the most recent example. But now is not the time to lose the momentum created by those investments. We need to put them to work and increase the return on investment in the future. We need those investments to compete globally.

● (1130)

Through a significant investment in the three research-granting councils at the federal level—the Natural Sciences and Engineering Research Council, the Social Sciences and Humanities Research Council, and the Canadian Institutes of Health Research—researchers will be able to perform more and better research, move the continuum from fundamental to applied, collaborate with greater speed with industry partners, train more graduates and post-doctoral fellows in the global talent race, and make productive use of the infrastructure investments made recently and over the last decade. This investment will contribute to a prosperous Canada.

Thank you for providing the opportunity to speak with you today. I would be pleased to answer your questions.

The Chair: Thank you very much.

We will now go to the Ontario College of Art and Design.

Ms. Diamond.

Dr. Sara Diamond (President, Ontario College of Art and Design): Thank you very much for the opportunity to address the House of Commons Standing Committee on Finance.

The Ontario College of Art and Design is a specialized university, a member of AUCC and the COU.

I want to speak about three issues that OCAD addresses in our written submission.

The first is design strategy. Design creates innovative processes, systems, and products and is the fundamental engine to drive intellectual property in Canada.

Countries with a high innovation and competitiveness ranking invest in design at all points in the supply chain. *Product design and development, a Canadian manufacturing perspective*, identifies design as the critical element in achieving better productivity, and, according to Industry Canada, firms identify design as being of value in affecting time to market, new products' success rates, and the percentage of revenue from new products.

Design drives innovation throughout the digital industries, gaming, mobile applications, and so on, and design transfers research from the bench to commercial product. Design redirects business capacity to new products and markets and bridges cultures to create universal or individualized products.

Canada needs a design strategy, one that will promote Canadian design, invest in design education, and target design research to the granting councils and CECR initiatives in commercialized network development.

We need to create capacity in IRAP to support design innovation and the redesign of business processes and encourage partnerships with Canadian design firms.

Second is our physical and virtual infrastructure. Through public-private partnerships, we need to greatly enhance Canada's broadband capacity, continue to strengthen our country's mobile Internet, and support the super-computing networks that are fundamental to Canada's research and commercialization and post-secondary competitiveness.

A digital strategy for Canada can enable such partnerships and strengthen the delivery of e-learning, provide access to democratic engagement for all Canadians, and bring Canadian businesses online, supporting the success of Canada's digital industries, a highly competitive sector.

OCAD has created a proposal for a digital future centre with a request to the federal government for $12 million toward this unique national beacon. We are happy to say that the province has supported us both through its training and colleges and university sector and research and innovation, and we encourage the federal government to do so.

Next is aboriginal post-secondary education. All significant studies of aboriginal post-secondary education note the importance of developing programs that will engage aboriginal youth while building the capacity and knowledge of these communities in their own right.

Within the larger Canadian context, new generations of aboriginal artists, designers, architects, and media producers and the application of their skills to other domains such as health care will create significant transformative economies and economic benefits for these communities while contributing to Canadian and international cultures.

Despite the well-documented importance of culture to aboriginal well-being, creativity, and economic capacity, there is very limited availability of programs dedicated to aboriginal visual culture, art, design, and commercialization of art and design in this country.

Hence we encourage the federal government to expand university educational opportunities for aboriginal Canadians by increasing financial support to students of aboriginal descent and investing directly in innovative university programs such as OCAD's aboriginal visual culture programs that provide access to aboriginal undergraduate and graduate students.

There is a link between these three points. Investing in aboriginal learning, linking an effective broadband strategy to all regions of Canada, and understanding the critical role of design in fact will help Canada to be truly competitive.

Thank you very much.

● (1135)

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

We will now go to Ms. Carroll from the City of Toronto.

Mrs. Shelley Carroll (City Councillor and Chair of the Budget Committee, City of Toronto): Thank you, Mr. Chair and members of the committee. It's a privilege to be here today to represent the City of Toronto and to share with you the views of Mayor David Miller and city council.

On October 5, FCM presented recommendations to you in P.E.I. The City of Toronto supports those views. Mayor David Miller is also an active member of the Big City Mayors' Caucus, and he strongly supports the recommendations in its 2006 report entitled “Our Cities, Our Future”. We've provided it for you today.

Since 2006, BCMC has requested that the federal government create a national transit strategy, realign roles and responsibilities with appropriate resources, and share revenues that grow with the economies of the cities.

As you know, the economic security of Canada is inextricably linked to the economic strength and stability of its cities. The success of local and regional economies positions Canada within an international marketplace. You'll hear throughout my presentation that all orders of Canadian governments must continue to work together to ensure that the country remains prosperous and provides a high quality of life. In particular, during these difficult economic times we must work together to provide Canadians with needed programs and services.

The recession in Toronto has hit very hard. The unemployment rate is up, with more people relying on EI. There are more people in vulnerable housing situations, and more families are without child care that would enable them to participate in the labour market. When the recession first hit, the City of Toronto quickly responded with an action plan to support the most vulnerable and to secure and create jobs. Now all governments are playing their part to boost the economy by investing in infrastructure.

Today the City of Toronto wants to thank the federal government for its commitment to improving Toronto's public infrastructure through its Building Canada plan and the economic action plan. Together we are addressing the negative effects of the recession and making a positive impact on the economy with leveraged stimulus spending.

We see three key areas where we could continue to work together to prepare Canada to lead in the new economy.

First is investing in our people and public infrastructure. We look to the federal government to help Torontonians with meaningful employment, obtaining the skills they require for the knowledge economy to come, and having equal access to income support programs such as EI until they gain access to the labour market.

Affordable housing and support for families to raise their children while working full time are essential programs that will help Canada remain competitive at this time. With this in mind, we recommend that the federal government enhance the employment insurance program to ensure equal access, create a national housing strategy with predictable and long-term funding for affordable housing and homelessness services, create that national transit strategy, and provide permanent support for early learning and child care systems.

The second key area we see is support for the green economy. The City of Toronto will begin implementing a sustainable energy strategy to help meet our greenhouse gas reduction targets, which includes a component to help accelerate the retrofit of buildings, transportation systems, and energy infrastructure throughout our city.

We estimate that 14.2 permanent jobs can be created for every $1 million spent on energy conservation, renewables, and the modernization of our energy distribution network. Federal support is needed for the green economy in areas such as labour market development and support programs for green building development and renewable energy sectors; building retrofits, such as support for multi-residential retrofit; and job creation initiatives, like the mayor's tower renewal program. Support is needed here to drive broad environmental, social, economic, and cultural change by improving Toronto's concrete apartment towers and the lands that surround them. It's a very innovative program, and we've provided materials on that. Under the green economy we also support an investment in the agricultural sector.

A third key area is a federal policy focus on entrepreneurship, self-employment, and small and medium enterprises. We think you know the statistics. This is a growing trend, and we need infrastructure and training support so this can be a key area of employment growth in the nation, particularly in Toronto.

● (1140)

In summary, I will reinforce for FCM and BCMC, and I think I speak for all of the GTA based on our votes, that a key component we need coming out of the recession is that one thing you have been asked for, for a very long time—all parties, because it's not about parties. It's about populations and turning points in cities. Revenues that grow with the economy allow us to get on with the growth as we come out of the recession, and your commitment will be to work on your deficits.

Thank you.

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

We will now go to the Centre for Image-Guided Innovation and Therapeutic Intervention.

Dr. Peter Kim (Lead, Centre for Image-Guided Innovation and Therapeutic Intervention): Thank you, Mr. Chair and members of the committee. Thank you for having us today.

More than 10,000 times this year, a mother in Canada will learn that her child has a birth defect. Those with severe abnormalities often die or remain disabled for life. Fortunately, many of these defects can now be treated successfully. As a pediatric surgeon, I have seen how surgical techniques have evolved and advanced over the past 20 years. However, children's surgery has its own challenges.

Operating on children, with their tiny spaces and highly sensitive organs, presents its own unique set of challenges. These giant machines and tools developed for adults just aren't equipped to work effectively. From my own experience and talking to my colleagues from all across Canada and the world, it has become clear that we're not reaching the limits of what can be done with traditional surgery. And it's increasingly becoming an issue with respect to access to appropriate care.

This is where the CIGITI comes in. CIGITI stands for Centre for Image-Guided Innovation and Therapeutic Intervention. We're a multidisciplinary group of surgeons, engineers, scientists, and software developers from all over Canada, working together to develop and market new medical technologies while creating new knowledge.

CIGITI is based at Sick Kids hospital in downtown Toronto. Today I want to specifically talk about a project that we have focused on for the past three years. It's called Kidsarm. Kidsarm combines minimally invasive surgery with imaging technologies and medical robotics. Think of Kidsarm as pediatric surgery's answer to the space shuttle's Canadarm. It's nimble and can handle the smallest patients to the largest with precision and safety.

The technology gives us clear, real-time images of a child's internal organs. The surgeon needs only to make a small incision and then he or she can quickly navigate to the region of treatment, avoiding blood vessels and critical structures before quickly performing the necessary procedure.

The potential is enormous. Consider a birth defect such as a large tumour called sacrococcygeal teratoma, which grows on the back of a little baby. Although the tumour can be removed after birth, this creates a significant complication and sometimes the tumour itself can threaten the baby's life in the mother's womb, necessitating an urgent surgery while the baby is in the mother's womb. Kidsarm, for instance, and its navigation technology can obviate and make such a procedure into a minimal and scarless technique. This obviously means less trauma and suffering and much better outcomes.

There are also other benefits, particularly to the health care system. Treating abnormalities early on means lower long-term health care costs. Today children with birth defects represent 25% to 30% of all hospitalization costs in Canada, and the number of cases will increase as women wait longer to have children and families.

As well, there are so few opportunities to train in pediatric and fetal surgery. Kidsarm will also help to train the next generation of surgeons so that knowledge isn't lost. In much the same way as flight simulators were and are used to train pilots, we would have technology-trained pediatric surgeons anywhere in Canada with a virtual simulation of the exact child they would be treating.

However, Kidsarm does not only mean advances to medicine. It's also about creating high-value, knowledge-based jobs commercializing these new technologies. CIGITI has already developed two potential technologies for pediatric medicine and brought them to the market. They are technologies that will save at least $250,000, for instance, at Sick Kids in terms of health care costs, while reducing the wait time from eight or ten weeks to a few days.

We have an ambitious plan to patent and license some of these products and reinvest the proceeds in new research. The market for these technologies at the heart of CIGITI's work amounts to more than $25 billion, with a projected growth of between 9% and 20% each year. By completing Kidsarm, we expect to be on our way to becoming financially self-sustaining.

However, I am here because we need your support. CIGITI has secured $5 million from the Canada Foundation for Innovation toward the design and construction of the Kidsarm prototype. To complete the project, CIGITI needs an additional $10 million to make it a reality and an additional $20 million to construct a special operating theatre that's equipped with the MRI to run pre-clinical and clinical trials for these and other technologies that are being developed. It will make the transition from idea to research and bench to bedside even faster.

I've talked to you today about the benefits of Kidsarm—less suffering for children, lower long-term health care costs, improving access to appropriate care, training future surgeons, more high-skilled jobs, commercialization opportunities, and the potential to make Canada a world leader in surgical innovation. But for me personally, the biggest part of this endeavour is about giving hope to the parents of these small babies I've been treating for the last 15 years and passing on what I've learned to the next generation of surgeons.

● (1145)

We have key pediatric surgical leaders, from UBC to Montreal to IWK, who wanted to come here and couldn't, but they have sent letters of support.

I hope we can count on your support in this year's budget, and I look forward to any questions you may have.

Thank you.

● (1150)

The Chair: Thank you very much for your presentation.

We'll now go to Mr. Wilkes.

Mr. Andrew Wilkes (Chairman, Board of Directors, National Angel Capital Organization): Good morning, Mr. Chairman and committee members. Thank you for inviting us to speak to you today.

My name is Andrew Wilkes, and I chair the National Angel Capital Organization, a non-profit association of angel investors and investor groups from across Canada. NACO has 5,000 angel investors and 35 angel groups.

Last year we had the pleasure of speaking at some length to the House of Commons Standing Committee on Industry, Science and Technology. During that testimony we outlined many of the policy alternatives available to stimulate early stage enterprise investment and subsequent growth. Our approach is to create jobs and generate revenue for the taxpayer. We appreciate the opportunity to reiterate and expand on these alternatives and to comment on what is working well.

To begin we'd like to briefly establish who we are and on whose behalf we speak. Angel investors are often serial entrepreneurs who have built one or more successful companies. Typically they mentor and invest their own personal capital in early-stage companies to commercialize our Canadian intellectual property. They provide the oldest, largest, and most-often-used outside funds for entrepreneurs. They are the key to the commercialization of innovation by SMEs, our main source of employment growth.

Angels invested roughly $2.2 billion in early-stage companies in 2004—I'm sorry I don't have more data after that—which compares to around $546 million by VCs, venture capitalists, in 2008. Angels are becoming organized, formalized, and professional in their approach.

The problem we are here to address is the $5 billion to $8 billion annual funding gap in the financing of early-stage companies, the number one problem for innovation. Investments by venture capitalists in early-stage companies are declining drastically. Early-stage is the valley-of-death stage; it is the most challenging search for financing that entrepreneurs face. Canada is losing out, as entrepreneurs are seeking financing out of the country.

Our first recommendations are very modest. Traditionally, angels demand that entrepreneurs make the most of what they have and that they run a tight ship. We think the problem can be addressed with well-leveraged, modest expenditures, and we propose the following.

First, we propose an angel community development initiative of half a million dollars a year for four years. The fund would help boost investment through education, best practices, training, networking, and collaboration. It's modelled after Ontario's very successful angel network program.

Second is an innovation productivity tax credit limited to $100 million per year and matched by the provinces. The credit would encourage individuals to take a risk in early-stage SMEs, which could become our economic champions. It's modelled after existing tax credits in five provinces in Canada, the U.S.A., and abroad. These programs have proved to be successful around the world—in over 18 U.S. states, Belgium, Bulgaria, France, Germany, Greece, Ireland, Luxembourg, Russia, Sweden, Switzerland, and I could go on. Studies show that similar investment repays the taxpayers in two to three years.

Let me emphasize that these are programs that provide returns to the taxpayer by accessing further capital to grow our businesses. Indirectly, this is a public-private partnership.

Third, we advocate leverage and emulation of best practices found elsewhere with the national angel co-investment fund: $100 million invested by government and matched by private investors. That would match approved angel group investments in eligible small businesses. This would result in significant leverage to grow businesses. The aim is to achieve Canada's strategic economic goals as set out in the science and technology strategy. This is another proven policy with counterparts in Scotland, Ohio, and so on, and it will harness private interests for public benefit.

This committee has also asked what is working well and what could work better. We're happy to provide a clear answer to both. To begin with, the National Research Council's industrial research assistance program works. Traditional stimulus may only displace private endeavour; however, IRAP's assistance to innovative companies provides leverage that is not matched by traditional programs. Investments in innovation and skills meet future needs for growth and confidence in new markets. Investment in innovation and skills preserves entrepreneurial initiative and accountability.

● (1155)

As to what could work better, we believe research grant funding could have an even greater multiplier effect. Basic research is critical, a catalyst of economic growth.

Present granting funding, however, does not prepare researchers to take on the risks and rewards of commercialization. Thus, few Canadian innovations reach the marketplace. Research granting could achieve an economic multiplier effect if they included requirements for goals and milestones specific to eventual commercialization in their guidelines.

Let me close by saying that the subject of capital formation is important to all sectors, but especially the SMEs, which are the engine of growth in Canada.

Thank you for asking me to appear before your committee. On a personal level, I have a mission to take Canadian intellectual property globally. We are all needed to be aligned in this endeavour.

Thank you.

The Chair: Thank you for your presentation.

We'll finish with the Direct Sellers Association of Canada.

Mr. Ross Creber (President, Direct Sellers Association of Canada): Mr. Chairman and honourable members, on behalf of the Direct Sellers Association of Canada, I want to thank you for the opportunity to appear before the committee today.

Since 1954, the Direct Sellers Association has established and upheld rigorous standards, ethics, and good business practices as the recognized voice of our industry.

As an industry that connects more than 1.3 million Canadians to entrepreneurial opportunity and enrichment, we provide assurance of member company integrity and a foundation of trust for independent sales contractors and consumers.

Our 43 member companies, which include such well-known names as Amway, Avon, Mary Kay, Tupperware, and their ISCs, market and distribute a wide range of products and services directly to consumers, usually but not exclusively in the consumer's home rather than from traditional fixed retail locations. Generally these products and services are sold in the context of group presentations, generally known as party plan, or on a personal consultation basis.

Direct selling contributes significantly to the Canadian economy. Our labour pool includes 3,900 permanent employees and 1.3 million ISCs, who earned an estimated $1.1 billion in income. In a socio-economic impact study conducted by Ernst & Young, when using an income multiplier, the industry's total impact on the Canadian economy was in excess of $1.57 billion—a very significant direct economic impact of the industry's activity in Canada.

As I stated earlier, more than 1.3 million individual Canadian women and men were engaged in operating their own direct selling businesses with more than $2.2 billion in sales. It should be noted that 88% are women, 81% are married, and 56% have full-time jobs and use the business opportunity to earn extra income. Additionally, 15% work part time with no other occupation.

Despite the challenging economic times, direct selling in Canada is performing reasonably well, with sales and independent sales contractor participation growing in most areas, which is somewhat counter-cyclical to the current economic conditions we face.

People enter direct selling for a variety of reasons, including unemployment. In fact, the socio-economic impact study I referenced earlier found that 11% of direct sellers were unemployed prior to entering the direct selling industry.

Our industry has an enormous capacity to create income-earning opportunities and to change lives, including transitioning individuals from dependence on EI to independence. We regard direct selling as a legitimate and accessible form of self-employment or income-generation, a fact that is acknowledged by the Canada Revenue Agency, the Department of Finance, and the Competition Bureau, all of whom we have worked with very cooperatively for many years.

However, on the matter of transitioning from EI benefits to self-employment, we have not experienced the same legitimacy. On that point we have heard anecdotal evidence from members over the years that causes some concern. Members have told us about being refused access to HRSDC-sponsored job fairs, company information not being allowed in EI centres, and about individuals on EI benefits being discouraged from entering direct selling.

For example, we have heard that for individuals considering entering our industry while on EI benefits, the program will count time spent establishing a direct selling enterprise against the hours available for work. This will result in a reduction of benefits despite the fact that there may be no income generated in the preliminary weeks of this new enterprise.

This creates a disincentive to pursuing this type of self-employment prior to the end of the benefit period. However, HRSDC does recognize self-employment and has created a self-employment benefit for individuals starting a business, including a home-based business but not a direct selling business nor a business that is commission sales based.

Since our submission to the committee, Minister Finley has already responded to our submission, which we had copied to her, and I recently met with the minister and officials from her department.

There was agreement that further dialogue is necessary to discuss possible program improvements to ensure that there are no artificial impediments to pursuing a variety of self-employment opportunities while on EI benefits.

I want to thank the minister for her support and genuine interest in providing Canadians with a variety of income-earning opportunities.

The other issue I want to raise today has to do with the GST direct sellers alternate collection mechanism used by our industry. This unique mechanism was developed at the time GST was introduced in 1991 and has been a shining example of industry and government cooperation in tax policy development.

The direct sellers mechanism allows for the pre-collection of GST/HST by direct selling companies at the time of sale to their independent sales contractors based on the suggested retail price. The ISCs do not have to be involved at all.

The result is administration savings, not only for the ISCs in terms of the cost of operating their own small business but also for CRA in not having to administer the GST for hundreds of thousands of small and micro-entrepreneurs.

It has been a win-win-win for everyone, with the government getting tax at the max in a timely and secure manner.

● (1200)

The problem, however, is that the mechanism currently does not allow the growing proportion of the direct selling industry, which operates on a sales representative model as opposed to a buy-sell model with the ISCs.

Recognizing this inequity, the DSA has been advocating before this committee and the Department of Finance for more than a decade now for an expansion of the mechanism in order that it will apply to all the direct selling industry. As you can readily appreciate, the DSA applauded the government in a press release on January 27 of this year for announcing amendments to the DSM in the most recent 2009 federal budget.

The changes announced in the budget are intended to benefit thousands of additional independent sales contractors in the industry; however, as is often the case, the devil is in the details, with the government now preparing to implement the recommended change in a budget implementation bill. For the January 2010 start date, there is still one outstanding technical issue.

We have been in discussion with the department and the minister's office to finalize this technical issue, but we remain concerned that it may not be achieved. We are hopeful, however, that the government, having made it clear that this is an appropriate policy change, will ensure the technical matter is dealt with in order to ensure this measure will have the effect intended by the government, by maximizing its use for the benefit of direct selling companies, the ISCs, and the federal government. Otherwise we are very concerned it will not achieve its intended objective.

In this respect, Mr. Chairman, we ask for and urge the committee's support on this final point.

Thank you.

The Chair: Thank you very much for your presentation.

We'll now go with questions from members.

We'll start with Mr. McCallum.

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

Welcome to you all. Thank you for taking the time to be with us this morning.

The first comment is that I noticed that both the Council of Ontario Universities and the Ontario College of Art and Design recommended special funding for aboriginal students. I definitely agree with you on that.

My first question is for Ms. Patterson.

I don't think you mentioned it, but your second recommendation is that we have an international student recruitment strategy. I agree with you a thousand per cent on that, because I think other countries, notably the U.K. and Australia, have been eating our lunch. I'm told that the U.K. has ten times more foreign students than Canada does, and it's less than two times bigger than us in population. And they have major campaigns for branding and advertising in India, China, and Indonesia. Why have we done so badly?

I mean, I support your recommendation, but is it because of the provincial jurisdiction for education? Is it perhaps because of our immigration system? I don't know. Can you tell me why we have done so badly compared with other countries?

Ms. Bonnie Patterson: Mr. Chair, thank you for allowing me to answer some questions.

I think there are many reasons. In the first instance, we've been trying to manage what has been an increasing demand for access domestically. That has taken significant investments across the country, whether it's in B.C. or Quebec or Ontario or the Atlantic provinces. I guess in part it has been where the growth has occurred and at what time demographically.

Australia got out very much early in the process of their recruitment of international students. They made a very strategic decision to invest in international recruitment into Australia and also to take higher education offshore into other countries.

So it was a direct investment strategy that was put in place.

● (1205)

Hon. John McCallum: Okay, thank you.

Anyway, we certainly could do better. We need to have a strategy. I agree with your recommendation.

My next question is for Mr. Russell, on pensions.

I think pensions are a huge issue and will become even bigger over time with our aging population and the various inadequacies of our system. I don't necessarily disagree with you, but I'm wondering if your recommendation of a lifetime pension allowance—tax relief on that—would do very much.

I don't know the exact number, but I think about 90% of the room that Canadians have for RRSPs is not used. Do you think your proposal would make a big difference in terms of Canadians' ability to prepare for their pensions in the future, their income while in retirement?

Mr. Ian Russell: Thank you for the question, Mr. McCallum.

I guess the way I'd start my answer is to say that looking at RRSP usage, it seems to me that when we look at the aggregate numbers, you're right, a lot of Canadians are not using RRSPs the way one would anticipate. But if you look at it across different income strata, particularly for middle income Canadians, you find that those Canadians are hamstrung. They don't have enough room under the tax-assisted plan to save adequate savings to fund the lifestyle they're now enjoying and would want in their retirement years.

I think the problem here has been that those Canadians have accumulated significant savings under those ceilings. The lifetime target might not necessarily alleviate.... In other words, it would be nice to say that we would raise that ceiling to the levels it's been in the U.K., for example, where it's at a significantly higher level than we have in Canada. But in addition to the size, what it would do is give flexibility to Canadians, I think, in circumstances where they've lost money.

Hon. John McCallum: I don't want to rush you, but I'm running out of time. Thank you.

Mr. Wilkes, on the subject of angels, I certainly fully agree that this is a crucial area and that the jobs of the future are going to come through new ideas and their commercialization. But I think you're suggesting that in order to get a research grant, there might be a requirement for commercialization.

As a former academic, that sort of rubs me the wrong way. A good part of research is not necessarily for commercialization, even though, where it's appropriate, I agree that it's a good thing.

Is that what you...?

Mr. Andrew Wilkes: No, I'm not suggesting that at all. I guess what we're looking at....

While we had some testimony that there is intellectual property being spun out of universities and hospitals, it's not enough. Our recommendation would be that we look at some of that funding and try to incent appropriately the researchers as part of the milestone that it could be spun out of.

This is not something that I have the answers for. It's an observation.

Hon. John McCallum: Okay. Thank you.

I have a quick question for Councillor Carroll. You have a long list of things you think the federal government should do, most of which I agree with. But since we have only 30 seconds, if you had to say one thing that you thought was the most important thing for the federal government to do, what would it be?

Mrs. Shelley Carroll: My final note, for all cities, would be to look at the policy piece, because it is a policy undertaking to embark on what has happened all over the world. Cities become sustainable and off your backs when you give them revenues that grow with the economy so that in renewal times, they can renew.

● (1210)

Hon. John McCallum: So your single point would be a revenue stream that is sustainable.

Okay, thank you.

A voice: Like the gas tax.

Hon. John McCallum: Like the gas tax.

Thank you.

Mrs. Shelley Carroll: Thank you for the gas tax—but it was a start.

The Chair: Thank you, Mr. McCallum.

We'll now go to Monsieur Laforest.

[*Translation*]

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

Good morning to all the witnesses. I was particularly impressed by Peter Kim's testimony on the intervention centre. We're always surprised to see where science can lead us, particularly in the area of micro-surgery. That's what you do, if I understand correctly.

Can you give us more details on the procedures you do? You talked about procedures during pregnancy, on children before they are born. Can the procedures you conduct also be done after birth, or are they strictly limited to pregnancy? Is the purpose of these procedures to correct strictly esthetic problems, or do you go further in treating problems such as spina bifida or cerebral palsy? Can it go that far?

[*English*]

Dr. Peter Kim: The type of problems we wanted to address with the new technology development has to do with those that are potentially life-threatening for both baby and sometimes complications for the mothers as well.

The real challenge is that it's a fairly substantial number. Canada has 33 million people and 350,000 pregnancies per year. If you look at Ontario, for instance, we have 140,000, and in Quebec there would be about 70,000 or 80,000 new births per year. About 1% to 3% of them would have a birth defect associated with them. It affects the entire system, from brain to heart to lungs to the abdominal organs.

The type of technology we want to develop is essentially to make the system smart. Currently we use very dumb instruments, 1990s technologies that we pay a huge amount of money to buy and use.

The second thing is to not only make those instruments smart but make them small, so that it's applicable right across, in all children of all ages, from even before they are born, and it's a type of technology that's scalable for adults as well.

The other fundamental change for us is that this is an opportunity for not only clinicians such as myself, but it allows interaction with engineers. It's a new paradigm, in a sense. It's an open canvas where scientists, engineers, and clinicians can interact.

Canada has always been a leader in using the technology, and I think this is really the beginning of an opportunity to be able to put things together and make a difference.

[*Translation*]

Mr. Jean-Yves Laforest: That's not done elsewhere?

[*English*]

Dr. Peter Kim: No. On the conceptual aspect, we're about three to five years ahead. As it sits now, the current paradigm of this group is leapfrogging, at the cutting edge of it. With further investment, it would really put us on the map and make a difference in care.

[*Translation*]

Mr. Jean-Yves Laforest: Thank you very much.

I have a second question for Ms. Diamond from the Ontario College of Art and Design, which is growing.

Can you give us an idea of the number of registered students? In more concrete terms, what kind of graduates leave the school and what kind of work do they do?

[*English*]

Dr. Sara Diamond: I'm very pleased to do that.

We have incredible demand in the Ontario system. In fact, we had a 31% increase in the number of first-year applicants. We were the most popular school in terms of first choice.

Now, that makes up about 3,600 or 3,700 individual undergraduate students, with a full-time equivalent of 3,200 and a growing corps of graduate students. But that's small. That's a very important growth piece for us.

We cover all disciplines in design, so everything from industrial design to environmental design—in the discussion on sustainability, we're partners in the mayor's initiative, for example—right through to material art and design. We have a very strong digital futures initiative across all disciplines, and an equal number of students in art.

The professions that we graduate students into include everything from the feature film industry to animation to working with hospitals. In fact, some of our colleagues are precisely involved in design in medical engineering. We have a pretty significant research portfolio of some of the supports from the granting agencies that my colleague mentioned, but also a great deal of collaboration with industry—but not on the college model, because industry tells us that they need students who have the intellectual and critical skills to lead businesses as well as the technical and creative skills.

We have a very holistic way of educating, but we're very engaged also with commercialization of research results.

● (1215)

[*Translation*]

Mr. Jean-Yves Laforest: Thank you.

I have a final question for Mr. Russell.

You propose to eliminate minimum annual withdrawals from RRIFs. If the government put that measure in place, what would be the difference between an RRIF and an RRSP?

[*English*]

Mr. Ian Russell: Well, the minimum withdrawal is once the RRSP has been converted into an annuity, into an RRIF, and the problem right now is that there's a formula that stipulates a maximum withdrawal each year. If that's removed, it gives a lot more flexibility on simply withdrawing the funds from that RRIF over a period of time. You're not caught by that minimum withdrawal threshold. You can take out more if you want, or you could take out less.

So it provides flexibility for a Canadian who's already retired, whereas the RRSP, the way that's structured right now, that limits the contributions that can flow into the fund. What we were suggesting there was perhaps replacing that annual constraint on contributions with some kind of a lifetime constraint that just provides a lot more flexibility for Canadians to contribute more in one year and less in another.

[*Translation*]

Mr. Jean-Yves Laforest: All right, thank you.

[*English*]

The Chair: *Merci, Monsieur Laforest.*

We'll go to Mike Wallace, please.

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

Thanks to our guests for joining us this morning.

I'll start with Mr. Russell. I only have seven minutes, so I'll go fairly quickly. I'm going to ask you about all three items, but I'll start with the last one.

The RRSP contributions that people make are really a tax deferral program that we have. They don't pay tax on it when they put it into the system, and hopefully, when they take it out, they will be at a lower tax rate and be able to take advantage of that.

I'm not saying I disagree with you, but with the elimination of the required withdrawal rate at 71, or flexibility in it, the government of the day—whoever it happens to be—still needs its tax revenue, I can tell you that.

In your proposal, when would you propose that the government actually gets the taxes that have been deferred for years and years by doing RRSP contributions?

Mr. Ian Russell: I think if you provided the flexibility, the likelihood is that the tax take would be stretched out over a longer period of time, for sure.

Mr. Mike Wallace: So you would still have an end date where it had to be emptied out by?

Mr. Ian Russell: I'm not sure. If it didn't and the individual died, then the tax would—

Mr. Mike Wallace: At that time.

Mr. Ian Russell: —be imposed at that point, anyway. But I think when you look at the cost benefit, I think the benefit to elderly Canadians to have that flexibility in their retirement years justifies doing it.

Mr. Mike Wallace: Okay.

On the first point, you list off a bunch of exemptions that would be of organizations that wouldn't qualify because they have a bigger cap and so on. You say that it would affect small companies.

What percentage of the marketplace is that?

Mr. Ian Russell: Again, it depends on how you measured. If you measured it in terms of the number of companies that would qualify —because what I'm suggesting here is that you target it into common shares of small companies—it would be the vast majority of companies.

Even on the TSX listing, where there are some—

● (1220)

Mr. Mike Wallace: It would capture more of that majority.

Mr. Ian Russell: It would capture a large number of companies. In fact, that would even understate the number that it would capture, because you'd then be encouraging companies that are staying private to list.

So I think it would have a big impact.

Mr. Mike Wallace: Okay.

My final question for you is the about facilities that we've provided, the financial facilities. You asked for an extension on them. They haven't even been used up.

Mr. Ian Russell: No.

Mr. Mike Wallace: Why would we extend them if they're not being used?

Mr. Ian Russell: You're quite right in terms of their not being used, but the fact is that they have been set up. They're there as standby facilities. It gives, I think, confidence to the marketplace.

For example, the insured mortgage program was a very effective vehicle for providing a source of funding for the banks in a crisis environment. I'm just saying, instead of completely unwinding it and disbanding it, leave it in place so there's assurance that if this thing comes back, it's there. It wouldn't cost the government really anything to do it.

Mr. Mike Wallace: I appreciate that.

To our direct sellers organization, I appreciate your comments. On the changes that we submitted or put in the budget, then put in the bill, are you saying they're not in Bill C-52 or Bill C-51—whatever the number is—that's coming forward next week? Or is it a regulation change?

I don't get specifically what you're asking for in terms of what regulation change is required. If you could expand on that, I'd appreciate it.

Mr. Jack Millar (Tax Advisor, Millar Kreklewetz LLP, Direct Sellers Association of Canada): Thank you for the opportunity to do so.

No, it's not in the current bill. We understand there's some form of progress with it, because it's supposed to become effective January 1 of next year. So we obviously have a limited period of time to get something into the House.

The particular provision, the proposal, is to simplify the application of the GST to the remaining part of the industry, covering approximately 400,000 small Canadian businessmen and businesswomen in their businesses. The idea is that it's a good idea to cover them, as well as the 800,000 who are currently covered under the existing mechanism.

The proposal in the bill, Mr. Wallace, is to put in certain thresholds for use. Number one is that 90% or more of the companies' incomes be earned through the direct selling channel. Number two is that 90% or more of the income of the companies be earned from sales to consumers.

The direct selling industry has no problems with those provisions. The problem comes with the third threshold, which is that no more than 10% of the independent men and women in the industry can earn more than $30,000 a year. We have suggested to the department that if that isn't changed, we're going to end up with a dead letter here, because it's counterintuitive to people to put a limit on what the top earners can make. We've suggested there be some slight moderation or attenuation of that restriction, so no more than 20%, say, can earn greater than $30,000, or we've said that no more than 90% can earn $50,000. We've said to them that we know our industry, and that we're in full agreement with them that if they want to put certain restrictions on this, they need to make sure it applies where it's intended. We are all for that, but this one last point is going to have the very unfortunate effect that it's not going to be taken up by the companies, because they're concerned right now that they could be bumping up against the 10%.

My last point is that if they do go into this to benefit the 300,000 to 400,000 small businesses that would benefit, and if they go outside that threshold, there's a penalty tax. That's the last piece of this puzzle as to why we're again before you, and have been for 12 years in a row, on this particular point. We're finally getting it in the budget.

Mr. Mike Wallace: Would you put that in writing to us and give it to the parliamentary secretary?

Mr. Jack Millar: Yes, we will.

Mr. Mike Wallace: Dr. Kim, if we were to invest in the research and development of your program, at the end of the day some of the money in it would be taxpayers' money, but who would actually own the technology at the end? Would the hospital own it? Would a third party organization own it? Who would actually own that technology?

Dr. Peter Kim: It will be the taxpayers, as the way the institution is structured in Canada, it's owned by institutions. What we have done is that we have already formed a company within the institution to commercialize some aspects of it.

Mr. Mike Wallace: Okay. So it's a commercial organization within Sick Kids hospital, solely owned by Sick Kids?

● (1225)

Dr. Peter Kim: Yes. But having said that, let's say we have partners from coast to coast, and if they come up with an idea and develop it with the engineers, then the local hosting institution would own that IP.

Mr. Thomas Looi (Program Director, Centre for Image-Guided Innovation and Therapeutic Intervention): A specific example is our work with the University of Alberta and Capital Health group out in Alberta. This is the whole idea of being able to translate the knowledge: taking the Sick Kids volume of data we have—let's say pediatric heart models, which we have here in size—and comparing it with the data at Capital Health group's radiology group out there. We can easily share the information we have, going back and forth, and translate their patients' specific data as well. It's a matter of our generating these models and having them treat their patients locally, so it's a very specific training model they can use right in the local community.

Mr. Mike Wallace: Thank you very much.

I just want to congratulate Sick Kids for the work they do. My mother was a patient there when she was a child.

The Chair: Thank you, Mr. Wallace.

We go to Mr. Pacetti, please.

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

Thank you to the witnesses for appearing. It's always a challenge for us to make sure that we ask good questions. We have questions for everybody, but it's not possible to ask them all, so I apologize before I even begin.

Dr. Kim, just to continue what Mr. Wallace was asking, shouldn't you be making this request to provincial governments, as this seems to be specifically for health purposes?

Dr. Peter Kim: The products that will come about will change the health care system. The care itself, to my understanding, is a provincial jurisdiction. But in terms of the development as such of the technology, you're right that the overall project has both provincial and industry investment and local hospital investment—

Mr. Massimo Pacetti: I don't mean to interrupt you, but my question is have you made applications anywhere on the federal side?

I don't see how the money would be transferred for your cause unless it was through a granting council, and I don't think that is possible. Would it be through CIHR? Would it be through Industry Canada?

I am just wondering where this money would be able to be funnelled through for your purpose. I don't think it would be through Health Canada, either.

Dr. Peter Kim: This one straddles across not only health care but also wealth generation in terms of economic development.

Mr. Massimo Pacetti: I am not disagreeing with you, but has there been a request anywhere with the Government of Canada for help?

Dr. Peter Kim: No, this will be specifically the first time.

The fact of the matter is that we have acquired CFI peer-reviewed funding, but that just simply isn't enough. We are very close to it, and it just would be nice to put a plus and put us on the top and get us going there.

Mr. Massimo Pacetti: So perhaps the request should be done through additional funding for CFI so it is funnelled through you perhaps.

I am looking for direction, so if you can be more specific it would help.

Dr. Peter Kim: We are looking at other agencies because this one straddles both as research and knowledge creation and knowledge translation aspects. We are looking into, for instance, economic development agencies—IRAP and all those potential agencies.

Mr. Massimo Pacetti: Thank you.

Speaking of IRAP, Ms. Diamond, I see in your brief that you talk about IRAP. Is your institution eligible to receive IRAP money?

Dr. Sara Diamond: No, it's not. We have an IRAP officer whom we work with and my intervention was very much on the policy side.

I am a big fan of IRAP. I think it is an amazing kind of program that should be replicated across different sectors. It is just that they really do not treat design and design innovation.

If you look around the room, everything in this room is designed. If we try to assess how much of the intellectual property in this room is Canadian owned and patented, other than maybe my suit and your BlackBerry, and maybe your suit, depending on—

Mr. Massimo Pacetti: How would that help out your institution if you were receiving it?

Dr. Sara Diamond: Philosophically, I believe the correct policies mean that the people who graduate from my institution have jobs in Canada in the future. Many of our partners are in the design industry. It would create a climate of intellectual property capacity in this country that would be significant.

Mr. Massimo Pacetti: So you're asking for IRAP to include design in its—

Dr. Sara Diamond: And every design company being able to partner with design firms, with much more investment in design research. There is no space for design research in Canada.

Mr. Massimo Pacetti: When you talk about design, do you also include fashion design?

Dr. Sara Diamond: It's every aspect of the design industries and capacities, from innovation design in terms of business to design rethinking—

Mr. Massimo Pacetti: How do you coordinate all that? How big is your facility?

Dr. Sara Diamond: OCAD is the largest art and design institution in Canada, with the largest program. We have partners across all of the universities and across the country. We act as a national focus. I chair a network of such institutions and we are very capable of facilitating those relationships across the country.

● (1230)

Mr. Massimo Pacetti: Okay. Great.

I just want to ask Mr. Frew a quick question.

Being a city boy, I do not know how to raise hogs or anything like that, but I know how to eat them. My understanding is that there is a crisis in your industry because of the supply and demand. The demand is not there and so there is an oversupply. I am not sure if it is temporary. My understanding is that it is not temporary. Internationally, there is competition coming from everywhere. It is not a temporary problem but more of a long-term problem. I do not know if it is a strategy problem.

I would just like to hear your comments on that.

Mr. Andrew Frew: Current reports are that pork prices around the world are far higher, using today's pricing, than in North America. We have very much been hurt in North America from H1N1.

On the value of the industry as a whole, though, in Ontario I know that 80% of the pork produced within the province of Ontario... equivalent value is consumed. My pig may not be eaten at a grocery; you may not buy my pig. You may get one from the States, but my pig in Burlington could be getting shipped to Japan.

There have been a lot of factors that have created worldwide oversupply. A lot of those factors are starting to improve. I don't have documentation, but about three weeks ago the price for a pig in Mexico was two-and-a-half times what it was in Canada.

Mr. Massimo Pacetti: So you feel it is a temporary problem and not a long-term one.

Mr. Andrew Frew: I believe it will improve, yes.

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

The Chair: Thank you.

We will go to Mr. Dechert, please.

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

Thank you, ladies and gentlemen, for your comments. I had hoped to start with Councillor Carroll, but I think she just stepped out for a moment, so perhaps I'll start with the Ontario universities and also the Ontario College of Art and Design.

It's a question I've asked of several other colleges and universities we've been hearing from across the country. There's a general “ask” for greater funding of research. I understand the need for that, and I think it's generally a good thing that we encourage research in our universities and colleges.

Recently I was in China with a parliamentary committee. I visited a number of universities there. I learned that the Chinese government concentrates on certain areas of research to develop their economy. Of course, in their kind of economy and government structure, it's a lot easier to do that than it would be in ours. But what I generally hear from universities is let's increase funding, and we'll figure out where to put the money and what to research. I often hear from the colleges that it should be more targeted.

Should we have a national strategy to target our research dollar? Given that we're a relatively small country, we have relatively limited resources. Should we target our resources in certain areas like design, or should we just let researchers go off in whatever direction they think best?

Ms. Bonnie Patterson: An awful lot of targeting has gone on within the national framework of research funding over the last two decades. That's why many of us are now saying let's get the core business of research right in the fundamentals.

Mr. Bob Dechert: So the previous targeting was misdirected, or just insufficient?

Ms. Bonnie Patterson: I wouldn't say it was misdirected. There's just never enough to go around. Our greatest worry is that the pipeline will either slow down or empty at a time that we need to move to the next level from fundamental research.

I don't think you'd find anyone disagreeing that both are needed. But the more things become targeted, the less there is at the beginning of the pipeline. You can also make errors in deciding which technologies should leapfrog ahead of others. For example, there is a gap in design. Who would have thought it 10 or 20 years ago? We probably should have known that, but we're never going to get it exactly right.

Most of us are saying that you should get the core in place so that in the long term we have a funnel that is able to move resources into the more targeted and applied research.

Mr. Bob Dechert: Ms. Diamond.

Dr. Sara Diamond: I sit on SACUR, which is the AUCC research council. I'll talk the party line for a minute. I agree that it's critical to fund basic research. Look at the Perimeter Institute and Canada winning a Nobel. That's important.

However, I also think that there should be specialization in the university sector. I'm unpopular for that. I think that where there's excellence, it should be supported, and where there isn't, it should culled. I'll just say that. But that's not your problem. That's a provincial one.

On the research side, it's critical to locate the gaps in Canada. Canada needs a digital media strategy. Our colleagues at the ministerial level are developing one. That means focusing research, not only the physical resources and the infrastructure, but also the research dollars. There was some good practice in supporting business innovation research at the federal level in this country, and we need to look at design research.

You need a combined effect. Many other countries like India and China are putting money into digital research and design research. They'll benefit from that, and we need to do it too.

● (1235)

Mr. Bob Dechert: So if we're going to target, digital media is one area to concentrate on.

Dr. Sara Diamond: Yes, and we should also target design. It uses digital tools, but it's very much across the sector.

Mr. Bob Dechert: Okay.

Councillor Carroll, it's good to see you again. Thank you for your comments.

Mrs. Shelley Carroll: Yes, I apologize.

Mr. Bob Dechert: I represent the city of Mississauga, which, as you know, is part of the GTA. Additional funding for GO Transit, Union Station, VIA Rail improvements, the Toronto-York Spadina subway extension—I hope all of these things were helpful and a step in the right direction.

Mrs. Shelley Carroll: Absolutely.

Mr. Bob Dechert: Thank you.

With respect to a national strategy, are you talking about more money for transportation, or is there more to it than that? Every city has different transportation problems.

Mrs. Shelley Carroll: We are talking about more than that. All those expenditures are welcome. That program, which falls under Metrolinx, remains about $40 billion underfunded. It's because of the one-time nature of it that we always fall a bit short of completing the plan.

We remain the only G-8 country without a national transit strategy, which is an ongoing comprehensive plan that leads to a national economic development strategy. It is centred on economic hubs having coordinated transit strategies that get people to and from work and allow cities to grow around the hubs.

Mr. Bob Dechert: Are you suggesting that the federal government get in the business of deciding what modes of transportation are used and where that money should be placed? Or should it just be left with the cities to decide?

Mrs. Shelley Carroll: I think the strategy could be, again, a small policy exercise. I think there are many models. We need to move quickly. There are many models for you to look at, similar to health.

Yes, there's a provincial role to be played in terms of looking at economic regions and the economic distribution of your dollars. But it's clear that investment in transit gets you there, both in terms of building employment centres and in terms of building healthy cities. Cities can play a tremendous role.

For all those transit gifts you're sending us, we are adding either matching dollars or two-thirds dollars. So we're making that contribution. With our money and our residents' money, we're saying that with a predictable, long-term commitment from both other orders of government, you would really begin to see Canada's large cities flower internationally.

Mr. Bob Dechert: Thank you.

The Chair: Thank you.

I know that we're well over time, but I think the Liberals are going to give Mr. Menzies an opportunity to ask a question or two.

Mr. Ted Menzies: That is so kind of you, John. Thank you.

I will be very succinct here.

I think we need to recognize Mr. Frew's contribution today in coming to Toronto.

The last time we had a pre-budget consultation with Minister Flaherty, the Canadian Cattlemen's Association sent someone all the way from Saskatchewan to present in Toronto. It's interesting, because at that time, we were still dealing more with BSE issues than we were with the hog industry.

It's certainly a stacking of challenges you're facing. We've tried to put into place something that's effective. I know that dollars for an exit strategy seems like a last-ditch effort to try to salvage an industry.

I'm very interested in what your proposal is here, but has the Canadian Pork Council, Martin Rice et al., looked at this? Are they supportive of it? Does it make sense to them?

Mr. Andrew Frew: Again, for most of the members, I think the original ask from the CPC was for $30 a hog. I believe, Mr. Menzies, you would likely have seen that.

That was fair value. The way we derived our formula was that we extrapolated from the $30 a hog based on what we've been told. We work with members of Parliament in our area, who say, “Don't come to this government with a problem, come with a solution.” So over many nights, we ran through some numbers. Yes, the numbers are for Ontario, and I can appreciate that this is a federal committee. Could this work? Probably eastern Canada would have common numbers or western Canada would have common numbers.

The pork industry has supported this economy. We talk about infrastructure dollars. That's out of our pockets. I was at a meeting the other day, and—without using numbers—a farmer stood up and said that he has lost *x* dollars. Everything he has done since the day he started farming he has borrowed against. If he walks away tomorrow, he walks away with zero. He's in good shape compared to a lot of the industry.

I'm not here to criticize the programs that were announced. I don't think there's enough time today to deal with that. But the hog industry, I think, actually deserves more respect than it has gotten.

My opening quote sat on the wall in the office for years. I always said that if I ever make an important presentation, I think I'll use it.

We in this country have to decide whether we are going to produce our own food. Yes, we export food, but we've shown the numbers and the value. In 2005, there was a grains and oilseeds payment. It was a big number—$800 million and some.

I believe you're a grain farmer from the west, Mr. Menzies.

● (1240)

Mr. Ted Menzies: You've done your homework.

Mr. Andrew Frew: You were competing with the U.S. Farm Bill, and you couldn't sell.... I'm going to take a stab here, but you were selling barley for $80 a tonne, and you might have had to truck it to a terminal elevator out of your pocket too?

Mr. Ted Menzies: Yes.

Mr. Andrew Frew: To answer the previous question, why do we have so many hogs? There were too many people who could make money in the hog industry buying grain at less than the cost of production. In Chinese production—not to pick on China—or in other countries, it was cheaper for them to raise the hogs by subsidized world grain and grow them. That's changing.

Four years ago we could buy corn...and we sell corn. We took this hit four years ago in the grains and oilseeds sector. A farmer who just raised hogs, whether in Ontario, in the States, or anywhere in the world, couldn't not make money raising hogs. When you're buying corn at $120 a tonne, let's say, and that was a pretty good number, and turn around and sell that pig for.... Corn today is worth $190. Those people who just buy it to value-add, that money is not going to be there. Farms like ours that are value-added—we grow the grain, we feed it, we use manure to fertilize—we've dug deep pockets. The hole just can't get any deeper.

With respect to the City of Toronto, I believe the GTA has one of the biggest food processing networks in the world. Burlington has half our hog slaughter in the province. If we can't provide 100,000 hogs again in Ontario numbers, we can't keep Burlington, or Quality; or somebody has to close. Then we're going to be in this situation again.

I really think farmers have subsidized cheap food for too many years in this country, and we need help now.

Thank you.

Mr. Ted Menzies: Thanks for getting that on the record.

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

Thank you all for coming this morning. I apologize, because we did keep you here a little longer than expected. We thank you all for your presentations, your responses to all our questions, and the information you provided. It was a very interesting panel.

Colleagues, we'll see you back here in less than 45 minutes, please, for our 1:30 panel.

Thank you.

●

(Pause)

●

● (1330)

The Vice-Chair (Mr. Massimo Pacetti): Good afternoon. We're here for pre-budget consultations.

Look who's the chair, yes; I'm here replacing the normal chair. He will be absent for about 30 minutes, so please bear with me.

As our chair said earlier, this is our last city in our multiple-city visit. I hope you can enlighten us and keep us interested in what you have to say. The challenge is on all the witnesses. You've been told that you have five minutes for your presentations.

We're here pursuant to Standing Order 83.1, pre-budget consultations for 2009.

I'm going to ask that everybody keep it to five minutes. When there's a minute left, I'll try to indicate that you have a minute left.

We will be starting with the Toronto Board of Trade. The second group will be Holcim Canada Inc., and then it will be the Economics of Technology Working Group.

[*Translation*]

Then the fourth witness will be the Tax Executives Institute; the fifth, Mr. MacDonald; the sixth, the Woodcliffe Corporation; and the seventh, Opera.ca.

Ms. Wilding, five minutes, please.

[*English*]

Ms. Carol Wilding (President and Chief Executive Officer, Toronto Board of Trade): I'm Carol Wilding, and I'm the president and CEO of the Toronto Board of Trade. With me is Mr. Brian Zeiler-Kligman, our director of policy.

Thank you for the opportunity this afternoon.

As a quick background, founded in 1845, the Toronto Board of Trade is Canada's largest chamber of commerce, connecting 10,000 members and more than 200,000 business professionals and influencers throughout the Toronto region. We advance the success of our members in the entire region by facilitating opportunities for knowledge sharing, networking, business development, and city building. At the outset I want to emphasize that Canada's cities, particularly Toronto, are critical to our economic success.

Last year the Competition Policy Review Panel noted the importance of Canada's cities to our global competitiveness. As we look to strengthen the current economic recovery, the federal government needs to recognize and support Canada's cities as economic drivers for the entire country.

The board has three recommendations for the 2010 budget: first, the development of a national transit strategy; second, further assistance with programs and supports for integrating foreign-trained professionals; and third, coordinated federal and provincial green economy strategies.

Our first recommendation is the development of a national transit strategy. The board commends the significant contributions this government has made to Canada's public transit systems, investments that are unmatched in recent memory. The gas tax fund, which this government made permanent in 2007, is the first permanent federal transfer to municipalities for infrastructure investment. Substantial money has also been devoted to public transit under such programs as the Building Canada fund. Since 2007 over $2 billion has been committed to transit projects in the greater Toronto region alone. As a result of these actions, federal capital contributions for transit have gone from no funds in 2001 to nearly 25% of all capital contributions in 2007.

The board is encouraged that the federal government is investing in our transit system, but these capital contributions have come through one-off announcements rather than as part of any formal strategy. With the amounts currently being invested, the federal government is essentially spending close to what would be needed under a national transit strategy but without gaining the recognition for investments that would come from a clearly articulated strategy and without providing municipalities with certainty regarding the funding.

The board's proposal, set out in our submission, builds on the gas tax fund and it would be distributed based on population and ridership. The monetary request is based on the Canadian Urban Transit Association's calculations of needed investment in our transit system.

The board's second recommendation concerns the integration of foreign-trained professionals. Failure to integrate our skilled immigrants has economic impacts on the entire country. An RBC Financial Group study found that if immigrants had the same likelihood of employment at the same average income as native-born Canadians, personal income would be $13 billion higher and there would be almost 400,000 net new workers.

The federal government has recognized the need to be involved in this area. The Canada-Ontario immigration agreement is a landmark agreement. To date nearly one-third of the funds have not been spent, largely as a result of capacity constraints, with nearly half of the $920 million committed by the federal government to be flowed this year. The board urges that these remaining funds flow quickly and effectively.

The next Canada-Ontario immigration agreement should include timelines for spending funds and penalties for the failure to do so. It should also direct funds towards the creation of a suite of programs and support for employers, particularly small and medium-sized businesses, for the recruitment and retention of foreign-trained professionals.

Finally, the green economy represents enormous opportunities for Canadian companies. We are moving to a lower-carbon world. Massive amounts will be spent worldwide in future years on green technologies and other innovative services, and we must seize the opportunities for Canada.

The federal and provincial governments should build on the tremendous synergy conveyed through their respective 2009 economic stimulus packages by exploring the advancement of coordinated legislative, regulatory, and fiscal policies to advance a green economy strategy. This recommendation emerged from the greater Toronto region economic summit, which was held by the board of trade last May and attended by over 250 delegates, including a number of federal officials, such as Senator Art Eggleton and Hon. Jim Flaherty.

That concludes our recommendations. We'd be happy to answer any questions.

● (1335)

The Vice-Chair (Mr. Massimo Pacetti): Great, thank you. It was right on time.

Mr. Galloway, please, from Holcim Canada.

Mr. Bill Galloway (Senior Vice-President, Government Affairs, Holcim Canada Inc.): Thank you, Mr. Chairman, and thank you, members of the committee.

I'm here today with Angela Burton, who is our vice-president of communications and public affairs. I'm senior vice-president with Holcim Canada.

Before I move on to talk about our recommendations, I'd like to take a moment to review the history of Holcim and make you a little more familiar with Holcim Canada. We entered Canada in 1951 and we built our first cement plant in Quebec City. We were really drawn to Canada, and as a company based on the St. Lawrence Seaway, we used St. Lawrence as our company name.

Since then, through various investments and strategic acquisitions, we built a plant in Mississauga, Ontario. We are now one of the largest vertically integrated building supply companies in Canada with more than $1.3 billion revenue in 2008. We're owned by a Swiss company called Holcim. Holcim operates in 70 countries around the world and has 85,000 employees.

In 2009 we became a private company. Although Holcim is traded publicly worldwide, we're private and wholly owned by Holcim. We took the Holcim brand name to trade globally in cement. You know it locally here as Dufferin in the construction aggregate and concrete sectors, and you would know it locally in Quebec as De-Mix .

Naturally, infrastructure is very important to us, and the overall results of our restructuring of our economy as a result of the recession is very important to us as a company and very important to our employees. After a decade of strong performance, it's very important that government has engaged and continues to engage to ensure that companies like our own are able to survive through this significant restructuring of our economy.

As outlined in the submission, the U.S. recession has really prompted a lot of the impact that we've seen in Canada and we've seen as part of Holcim. One example is that the Detroit-Cleveland market is a natural market for a company like Holcim coming out of Mississauga, but to try to search out and react to the lack of demand in the U.S., we are now shipping cement from both Mississauga and Joliette to anywhere from Newfoundland to Alberta. Even with that we're down roughly 30% in volume over the course of this year.

We also believe that the Government of Canada has to stay the course. We're very happy with what has transpired with the infrastructure programs and the work that is being done on cap and trade. I think if we can stay the course by maintaining, accelerating, and supplementing these existing programs that are already up and running and proving successful, it will be beneficial to a company like Holcim and beneficial to Canada.

Our first recommendation does deal with tax. We would like to see extending the temporary 50% straight-line accelerated capital cost allowance rate to manufacturing or processing machinery and equipment acquired in 2010 and 2011. This provides real tangible support. Accelerating payback delivers significant tax relief and translates into measurable improvements in cash flow.

Additional measures, such as adjustments to payroll taxes, providing temporary super deductions for contributions to meet the unfunded pension liabilities, and favourable tax treatment for trust funding for post-retirement health care benefits would provide important additional support.

Last on the tax front, expanding the scope of scientific research and experimental development into areas such as environment and resource conservation would not only support companies financially but would also make a significant contribution to meeting our environmental objectives.

Moving on to infrastructure, we have seen infrastructure work in the past....

We're getting close?

● (1340)

The Vice-Chair (Mr. Massimo Pacetti): We're done. Thank you. You missed the one-minute sign.

We'll move to the Economics of Technology Working Group, Mr. Rosenberg.

Mr. Michael Rosenberg (President, Economics of Technology Working Group): I'm Michael Rosenberg, president of the Economics of Technology Working Group, which is an independent organization that has an office here in Toronto.

The topics I want to discuss are the measurement of the economy, the productivity issues, and the effects of natural resources pricing and how that relates to climate change and carbon pricing.

The measurement of the economy is properly done using the net domestic product, which is published by Statistics Canada along with the gross domestic product. Although everybody tends to use the gross domestic product under the assumption that it equals the total output of the economy, in fact it does not. It is greater than the total output of the economy. Just as a business has to take its gross revenue and subtract certain expenses to get its profits, you have to go through a similar process with the total economic production. In fact, some of that is already done in the gross domestic product. If it weren't, the gross domestic product would be several times larger than it actually is, if you just added up everybody's revenue.

Nevertheless, it is not the final result; it is an intermediate result in the calculation. That's why it is called “gross.” It does not contain the subtraction of depreciated or depleted capital. Once you subtract that from the gross domestic product, you get the net domestic product. Obviously, the net domestic product is the actual amount of production, because if all a company does is produce enough to replace its worn-out capital and it goes on doing that year after year, it hasn't produced anything. That portion of its production is not output. Therefore it is the same thing for the entire economy.

When you measure the economy that way, you find out it has generally increased at about 1% less than the gross domestic product numbers would indicate, or, when the economy is shrinking, it goes down at a 1% rate more than would be otherwise indicated. Furthermore, when you calculate in terms of per capita, which is what you really want to know in terms of how well the economy is doing, that's an extra 1%.

Generally speaking, we've had a number of small recessions that were never reported, and during this recession it has been much larger than as reported. So far there's been one quarter of data since the submission I made, so I can now say that the decline in this economy has been 9.5%. That's almost 10% of production that was going on a year ago that's not going on now.

That's as large as the 1990s recession and much larger than the 1980s recession. The point that this leads to is that productivity has not been increasing since the mid-1970s. There's been a certain number of ups and downs in the economy related to how many people are working at any given time, but there has not been any improvement in productivity. The effects of technology on productivity are generally to add a lot of additional expenses.

Once those are considered by considering the capital cost, which is what I'm emphasizing here, you find out that basically for all of the technological advances we have, at best it's been somewhat neutral over the last 30 years. We are now heading into a period of resource limitations, which means that with all of those resources being used up in technological and capital developments, the actual prospects are for productivity to decline as less is available for actual output. This is the first recession in which productivity has actually declined, so the decline in the economy during this recession has been partially due to a decline in productivity and partially due to fewer people working. In the past it's been only because of the decline in the number of people working. We are in a diminishing return situation.

● (1345)

Lastly, on natural resource pricing, I just want to give you the thought that a cap and trade system or anything else that puts a price on carbon is not a harm to the economy. It's not like people are saying that we have to do this to save the environment and it may cost something to the economy. That's not how you should think of it. You should think of it as, if we continue to emit carbon, we're doing real physical damage that will reduce the economy in the future. Therefore, to price that into the price now will actually improve the economy because of the allocation that it results in.

● (1350)

The Vice-Chair (Mr. Massimo Pacetti): I'm going to leave it at that. Members will have time to ask questions later. I just want to get through the presentations from everybody.

From the Tax Executives Institute, we have Ms. Pollock or Mr. Penney.

Ms. Pollock.

Ms. Sherrie Ann Pollock (Vice-President, Canadian Affairs, Tax Executives Institute): Good afternoon, everybody.

My name is Sherrie Ann Pollock. I'm head of tax for RBC Dexia Investor Services. I'm here today on behalf of Tax Executives Institute as its vice-president for Canadian affairs.

With me is David Penney of General Motors of Canada, the institute's secretary.

The Tax Executives Institute is the pre-eminent global association of business tax professionals, with 7,000 members working for 3,000 of the largest companies in Canada, the U.S., Europe, and Asia. My comments today are informed by both TEI's Canadian members and others whose firms have significant operations and investments in Canada.

We believe TEI's recommendations for tax policy and administrative changes will maintain or improve the competitiveness of the Canadian tax system, thereby fostering economic efficiency, growth, and job creation.

During the past eight years, the federal government has increased Canada's competitiveness in the global marketplace by reducing business tax burdens from a high of 29.12% in 2000, to 18% this year, to 15% by 2012. Canada's federal corporate income tax rate is on course to be the lowest among the major industrialized nations. Although Canada is not immune to global recessions, the scheduled reductions in the corporate rate, combined with the elimination of burdensome capital taxes such as the federal capital tax and corporate surtax, have mitigated business cutbacks in Canada and tempered the severity of the downturn for Canadians.

We urge the government to stay its course or accelerate the schedule of corporate income tax rate reductions. The standing committee should ensure that other countries do not leapfrog the Canadian timetable.

TEI commends the federal government for undertaking initiatives to encourage the provinces to promote Canada's competitiveness and improve the administrative efficiency of the provincial tax systems. Many provinces have followed the federal lead, reducing income tax rates and eliminating or reducing their capital taxes. We urge the standing committee to continue working with the provinces to eliminate the last vestiges of provincial capital taxes.

In addition, TEI supports harmonization of the provincial and federal sales tax systems. Substituting a value-added tax system for provincial retail tax systems promotes a more neutral and competitive business tax environment by eliminating cascading taxes on business inputs. Hence, we are pleased that Ontario and British Columbia are substituting a federally harmonized VAT system for the retail sales tax regime, but we oppose the proposed temporary restrictions on large corporations for claiming input tax credits for the provincial component of certain expenses.

Moreover, to be fully effective, we recommend that financial services be zero-rated under the federal and provincial systems, just as they are under the Quebec sales tax regime. Thus, TEI encourages the government to work with the provinces to expedite the implementation of a fully harmonized system.

To this end, we've consulted with the Ontario and British Columbia governments about the implementation of the harmonized system. We remain ready to consult further with the standing committee, the Department of Finance, and the non-harmonizing provincial governments about crafting a workable, fully harmonized system.

Finally, to enhance the competitiveness, efficiency, and fairness of Canada's tax system, the government created the Advisory Panel on Canada's System of International Taxation. The advisory panel released its final report on December 2008 and endorsed several TEI recommendations. We highlight three for the committee's consideration.

First, TEI supports the elimination of all withholding taxes. Thus, we applaud the January 1, 2008, elimination of withholding taxes on all outbound interest payments on arm's-length debt and the provision, in the protocol to the Canada-U.S. treaty, for eliminating withholding taxes on non-arm's-length interest payments by next January.

More is needed, however, to ensure that Canadian businesses have access to global capital markets at the lowest possible cost. Since 2003 the United States has negotiated a nil withholding rate for dividends to group companies with several countries. TEI believes the standing committee should ensure that Canadian residents have the same benefits that residents of other U.S. treaty partners have so that they can effectively compete for increased capital investment, exports, and jobs.

To reach the government's goal of having the lowest effective tax rate among the G-7 group, we urge the standing committee to embrace the advisory panel's recommendation to eliminate withholding taxes and dividends to related group companies through bilateral negotiations, beginning with the U.S. treaty.

Second, to improve access to skilled services, the government should repeal the withholding tax requirement under regulations 102 and 105, especially in respect of payments to U.S. service providers. The advisory panel report discusses the pros and cons of the withholding regimes and recommends that the current system be replaced with a system whereby non-residents self-certify their eligibility for reduced withholding taxes. As important, the advisory panel recommends that the requirement to withhold taxes on services be eliminated where the non-resident service provider certifies that it is exempt under a treaty, such as the Canada-U.S. treaty. We urge the standing committee to implement the advisory panel's recommendations.

Finally, TEI urges the government to consider a broader, or even a full, exemption system for dividends from active business income from foreign investments. A broader exemption would enhance the inherent economic advantages of foreign investments at significant savings to taxpayers, because the cost of complying with complex foreign-affiliate tracking and reporting rules would be eliminated or substantially reduced.

In conclusion, TEI commends the standing committee for holding pre-budget consultations.

On behalf of TEI, thank you for the opportunity to participate. Mr. Penney and I will be pleased to respond to any questions you may have about our recommendations.

● (1355)

The Vice-Chair (Mr. Massimo Pacetti): Great. Thank you.

From the Woodcliffe Corporation, we have Mr. Oberman.

Mr. Paul Oberman (President and Chief Executive Officer, Woodcliffe Corporation): Thank you, Mr. Chair.

I'm president and CEO of Woodcliffe Corporation, which owns one of the largest portfolios of heritage properties in Canada. You have before you today copies of our written submission, which I hope you've had an opportunity to review—or will, if you haven't—as well as a list of the municipal tax relief programs for heritage properties currently in operation across the country.

I understand this committee is interested in programs that will be quickly and significantly stimulative economically and provide good value to taxpayers relative to their costs. Our proposal is to modify existing heritage property tax relief programs, or HPTRs, and to create a new federal agency that will manage these programs for profit to the government.

There are currently HPTRs operating across Canada, with the exception of Nunavut and the Northwest Territories. Quebec has programs in all of its municipalities that provide realty tax rebates of between 25% and 50%. Of the remaining 50-odd municipalities across the country, approximately 60% are in Ontario, where rebates of up to 40% are available.

However, none of the programs have been particularly effective to date because they are not coordinated and they provide insignificant financial benefits to property owners. If owners of qualifying properties were permitted to direct proceeds of rebates to lenders over a long period of time, they would be able to borrow sufficient sums at attractive rates to properly restore and maintain their heritage properties. We propose the creation of a new federal agency to coordinate heritage programs across the country and to act as a clearing house, receiving and directing realty tax rebates without incurring any direct financial liability. We believe the proposed program would be cost-neutral and that the monetary profits it will generate can be shared by all three levels of government on an equitable and non-competitive basis.

It's far more expensive to restore and properly maintain a heritage property than it is to demolish and rebuild it. These increased costs and inconsistent regulations act as an obvious disincentive to the private sector. However, a well-coordinated HPTR program can provide significant economic benefits to property owners by bridging the delta between cost and value, and it has the ability to generate significant profits rather than costs to the government.

Aside from appropriate guidelines, what's really missing in the current program is the ability to receive and direct rebates over a sustained period of time on an assured basis. If property owners knew that these benefits were available over a long period of time, provided the specific and uniform guidelines were adhered to and independently certified, and that they could assign the receipt of rebates to institutional lenders as security for financing, they would line up to hand over heritage easements and perform work that would ultimately increase the value of their respective properties.

If lenders knew that rebates were receivable over a sustained number of years and that a federal agency would ensure that payments were properly directed, they would likely lend against these revenue streams at CMHC-equivalent rates. Needless to say, these lending rates are amongst the most favourable in Canada and institutional funds would be readily available.

To be clear, what's proposed is that property tax rebates would be directed by this new agency only to the extent that they are received, since the payment of realty taxes ranks ahead of all other obligations against real property, including mortgages. The federal agency would merely have to act as a clearing house and would not incur direct financial liability.

In exchange for its services, the agency would be entitled to charge fees, perhaps as a percentage of loan amounts secured by the funds that are directed. It's estimated by Heritage Canada that there is currently $8 billion to $10 billion of restoration and deferred maintenance work to be performed across the country. Since the bulk of the cost associated with restoration and maintenance is expended on skilled labour, significant levels of job creation can also be expected. Aside from the fees chargeable by government, increased realty taxes, GST, HST, VATs, as well as significant levels of both corporate and personal income taxes would also be generated.

The amounts of realty taxes that would be rebated by municipalities would ultimately equate to deferrals, since under market value assessment, property taxes would increase exponentially as a result of the restoration work performed. Time doesn't permit me to get into specific examples of how funds would flow, but I can tell you that from our experience, which is considerable in these matters, the economic model is sound and sustainable.

The Richard Ivey School of Business at the University of Western Ontario is currently working on an analysis of our proposal as well as specific recommendations for implementation. Certainly they'd be delighted to share their report with you.

In conclusion, our proposal is to create a new federal agency that would coordinate HPTR programs at the national level. This agency would direct realty tax debates to property owners and/or lenders when and if received and would therefore incur no financial liability to the government. The proposed program would be cost-neutral, would likely generate significant profits for all levels of government, and would create immediate and significant financial, environmental, and cultural benefits for all Canadians.

● (1400)

Thank you.

The Vice-Chair (Mr. Massimo Pacetti): Thank you.

We are now going to Opera.ca, with Ms. Hargraft.

Mrs. Jane Hargraft (General Manager, Opera Atelier, Opera.ca): Good afternoon.

My name is Jane Hargraft, and I'm the general manager of Opera Atelier, which is a $2.5-million opera company located in Toronto. It produces two operas per year and tours internationally every two to three years.

I'm joined by David Ferguson, who is the chair of the Canadian Opera Company, a $34-million company also located in Toronto that produces seven operas every year.

We are here as volunteers speaking to a brief submitted by our member associations. The executive director could not be here today. We will be speaking for opera companies large and small, composers, singers, directors, librettists, musicians, dancers, and audiences. We are all part of Canada's $46-billion creative economy.

On behalf of myself and Mr. Ferguson, I want to thank you for the opportunity to meet with you today.

Before we begin, we'd like to thank the Government of Canada for its sustained investment in arts and culture, including the recent permanent $30-million increase to the Canada Council for the Arts and the five-year renewal of important programs of support at Canadian Heritage.

We have three recommendations that are consistent with those of our colleagues in other performing arts sectors. The first is to increase the base budget of the Canada Council for the Arts by $120 million over three years. The second is to invest $25 million in a market development program. The third is to increase the federal tax credit to 39% for donations over $200 and under $10,000.

Mr. David Ferguson (Chair of the Board of Directors, Canadian Opera Company, Opera.ca): Opera Atelier and the Canadian Opera Company support the broader opera sector's call on the federal government to build on its current investments in arts and culture by increasing the base budget of the Canada Council for the Arts by $120 million over three years.

This would ensure, first, the sustainability and growth of this sector that is so vital to the overall economy and, second, the continued access of all Canadians to the arts. Even with the recent and much-appreciated increase in support for the Canada Council, federal investment has not kept pace with either the growth in cultural expression or the increasing cost of production.

The Canada Council currently funds Opera Atelier at 8% of its operating budget and the Canadian Opera Company at 6% of its operating budget. Nationally, the average support of the Canada Council for the Arts of the operations of opera companies in Canada has decreased 4% over the last decade, from an 11% average to the current average of 7%. In the same period, the consumer price index has increased by 23%.

Decreases in the proportional support of the Canada Council mean different things for different companies. Now in its 60th season, the Canadian Opera Company has a long history of producing opera of the highest artistic standards. We're recognized around the world for our new opera house, the Four Seasons Centre for the Performing Arts, and for the innovation and risks that we have historically been able to take. Our innovations include the introduction of surtitles designed by the Canadian Opera Company to increase accessibility and now used by opera houses around the world. We have taken artistic risks such as this season's highly acclaimed production of *The Nightingale and Other Short Fables*.

Yet our ability to take these artistic risks and develop further innovations in our field is often hindered as we seek to do more with less. Opera companies in Canada are sensitive to escalating ticket prices. Even though at the Canadian Opera Company, for example, box office revenues from entirely sold-out seasons cover only 40% of our annual costs, the Canadian Opera Company remains committed to maintaining accessibility by minimizing ticket price escalation. Increased investment in the Canada Council for the Arts by the federal government will allow us and other opera companies in Canada to maintain ticket prices at an affordable level.

As the largest producer of opera in the country, the Canadian Opera Company has a national leadership role to play in the development and sustainability of this art form and its accessibility for all Canadians. A significant increase to the grant by the Canada Council for the Arts would aid the company in fulfilling its national role through innovative programs such as cinecasting into theatres across Canada and providing smaller Canadian communities with access to Canadian Opera Company productions.

● (1405)

Mrs. Jane Hargraft: Opera Atelier is a unique and world-renowned company that specializes in baroque and early classical opera and dance. We have toured over the last 25 years extensively in Europe, the United States, and Asia, most recently in Korea.

We support the recommendation made that the Government of Canada invest $25 million in a market development program that will help connect Canadians to arts and culture, and help export-ready Canadian cultural products reach the global marketplace.

When Opera Atelier tours internationally, we act as cultural ambassadors and share Canadian values with the world. In addition to giving us a role as cultural ambassadors, cultural touring really gives Canada a trade advantage in a competitive global economy.

When we were in Asia, for example, Canadian companies were there, too, companies like BMO Financial Group and Sun Life Financial, sharing Canada's cultural exports with potential global partners and aligning these partners at the level of values. In a competitive marketplace, shared values become a tangible trade advantage.

We tour to less developed markets or to markets where there is a great deal of government support, and when we do this, almost always this means that the presenters, the people who are presenting us, cannot cover the full costs of our unionized musicians and artists. But these markets are exactly where corporate Canada is developing their shareholder value and where we can support the development of Canadian businesses abroad.

Mr. David Ferguson: Our brief also supports the recommendation put forward by Imagine Canada to increase the tax credit on private donations to 39% to incent more giving by middle-income Canadians.

Time doesn't allow us to provide further elaboration on this recommendation.

The Vice-Chair (Mr. Massimo Pacetti): Thank you.

The members will have seven minutes for questions and answers. The seven minutes are for both you and the member.

Mr. McCallum.

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

Thank you all for joining us this afternoon.

I'd like to begin with a question to Mr. Galloway and, I think, Ms. Wilding too.

Mr. Galloway, you mentioned payroll taxes in your brief and possible reductions. But as you may know, the latest government budget document foresees substantial increases in employment insurance premiums, beginning in 2011, to the point where for a two-earner family, the additional cost would be $1,200; and for a 10-person firm, the additional cost would be $9,000.

We all agree, or at least I believe—I won't speak for the others—that employment insurance should be balanced over the cycle. But there are different ways of defining the cycle, and the proposed increases are quite substantial; the curve is steep. An alternative would be to have lower increases in employment insurance and to take a longer time, more years or a more gradual approach, to balance the fund.

Given that the Toronto Board of Trade has many business members and that Mr. Galloway has mentioned it, my question to you is whether, from your point of view, you would prefer to see these abrupt increases in EI premiums or more gradual ones.

● (1410)

Ms. Carol Wilding: Brian has done more work on this. The specifics of EI reform is not an area we came here to speak to in any depth today.

Mr. Brian Zeiler-Kligman (Director, Policy, Toronto Board of Trade): Certainly it's not one that we've had extensive conversations on with our membership. But as an initial stab at what you asked, a smoother increase would be preferable to a sharp spike, particularly when many of our members are still feeling the effects of a recession.

Mr. Bill Galloway: From our perspective, we believe the government has various levers available to it within the EI system to strike the right balance in terms of what's necessary.

I think from a practical point of view, trying to have a more measured approach to it over time, to allow us to get out of this cycle, would be something we would see as beneficial. At the end of the day, the fund has to be balanced and has to work for Canada.

Hon. John McCallum: Maybe the Tax Executives Institute, since you're the experts on tax, has a view on this?

Ms. Sherrie Ann Pollock: Sure, I guess I have a view on this one.

To echo Mr. Galloway's comments, generally speaking business isn't usually in favour of sharp spikes; they tend to want to take the long view of things. So if you take the long view and implement it over time, I think that would be our preferred approach. But ultimately you do have to balance it, at the end of the day.

Hon. John McCallum: Thank you.

Let me now change the subject to opera. I like this idea of supporting opera—and not just opera, but Canadian arts—in terms of a market development program that you describe, partly for its own sake but also because it can reinforce diplomatic or economic efforts, particularly in Asia. We believe Canada should become more closely attached to China, India, and Asia because that's where the growth is. I think what you're talking about might complement that.

But can you describe to me essentially how this would work? How would the $25 million be spent?

Mrs. Jane Hargraft: The proposal in the briefing documents suggests that about half of that would go to touring. It goes two ways. One way is to bring presenters here to Canada to see the product so that they can then book at such things as the Hong Kong festival and Singapore. Beijing has all these fantastic new facilities that they need to program. So they can see the product here and know what they can then bring.

The support for opera, for example—because that's what I know—is extremely expensive. Typically what we've seen is that presenters in Asia can cover about half the cost. We obviously don't expect to go without getting private funding, and that's where companies will support us, particularly companies like BMO and Sun Life, who are very active and know that when we are there they have a prime opportunity to align on a values base.

So the program would work. Doing it through the Canada Council I think would be really useful because it's juried. They can go on artistic merit, and really it's highly respected by the arts organizations. That would be great.

Hon. John McCallum: Thank you.

I think I have time for one more question to Ms. Wilding.

This is about your brief. Speaking about the Canada-Ontario Immigration Agreement, my riding is Markham—Unionville, which is one of the most multicultural ridings in the country, so I can attest very strongly to the importance of measures to help new Canadians integrate, especially but not only with regard to language.

Maybe you could tell us, since you emphasized this as one of your three points, from the point of view of your members, why do you rank this so high? I mean, I totally agree with you, but why do you rank it so high in terms of your thinking?

Ms. Carol Wilding: From the perspective of...and to your point, which is when we look at the immigrant population—as I said, referencing some of the RBC studies and others—the actual productivity of that force and its contribution economically and in other ways is just not being leveraged. We haven't effectively integrated them into the workforce in a productive way. They represent a huge talent base for us that we're not utilizing effectively.

So the opportunity that's here with this fund is to integrate them much more quickly. They are the ones who are actually suffering, as well, in particular in this economic situation, and then when you look at the settlement patterns in terms of where they tend to gravitate initially for settlement and then move outwards.

So the rationale is there. The challenge is that there are capacity constraints such that we can't seem to flow the funds.

● (1415)

Hon. John McCallum: Thank you very much.

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. McCallum.

Mr. Bob Dechert, you have seven minutes.

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

Ladies and gentlemen, thank you for your presentations and for taking the time to share your views with us.

I'd also like to start with Ms. Wilding.

It's good to see you again. Although I represent the city of Mississauga, I was also a member of the Toronto Board of Trade for many years while I was in the practice of law here. I know about the good work that the Toronto Board of Trade does to promote industry and the economy of the whole GTA region. So thanks very much for that.

I also would like to focus, as Mr. McCallum did, on your recommendation number two. It's very important. I also represent an area with a high percentage of new Canadians and see some of the problems.

Specifically, you suggest in your brief that we should include money to create an integrated suite of programs and supports for small and medium-sized employers to build their capacity to attract and retain skilled immigrants. Can you expand on that a little and tell us what exactly those kinds of programs are that you're recommending? And what percentage of that $920 million do you think we should be targeting at those kinds of programs?

Ms. Carol Wilding: I'll address it generally and then pass to Brian.

A large portion of our base of members are in the SME market, in the small to medium-sized market. They are creators of a lot of the economic wealth in the economy. We know in discussion with them that they haven't been able to access and integrate the immigrants in a way that maybe the resources of some of the larger enterprise companies do. So we're looking for more of the opportunities in terms of being able to get them.

We in particular have one initiative under way. That's not what I'm saying the funding is for, but that's the kind of thing that we—

Mr. Bob Dechert: Is it marketing, is it language issues?

Ms. Carol Wilding: I'm going to let Brian speak to a couple of specific ideas we have in terms of getting at that market.

Mr. Brian Zeiler-Kligman: One of the largest issues that we've experienced, working with a number of the other organizations that already exist within Toronto specifically targeted at integrating the immigrant population, such as the Toronto Region Immigrant Employment Council, is that all the current programs tend to be targeted at the foreign-trained professional, not necessarily at the employer.

So while they're extremely effective, there is a need for a lot of... especially the small and medium-sized enterprises. The vast majority of companies in Toronto are very small, with fewer than 100 people and often fewer than 10 people. They don't even have an HR function, for the most part. So they have difficulty hiring generally, and when they have to put thoughts to hiring someone where there might be some more difficulties due to language, due to figuring out what their credentials are—

Mr. Bob Dechert: To make them aware of the qualifications that new Canadians have or to...?

Ms. Carol Wilding: Part of it's awareness, part of it is just creating that linkage. As Brian said, when you're a small business with two or five or ten persons, you don't have the resources of a large enterprise to know how to reach out to them or how to get to them. So they may be aware, they just don't know the day-to-day tactics of getting access. Organizations like Triact, as an example, provide some of that matching, so to speak. We need a lot more of that, and faster.

Mr. Bob Dechert: Thank you very much. I appreciate that clarification.

I'd like to ask a question of the Tax Executives Institute.

You propose to eliminate withholding taxes on dividends and for certain types of cross-border services. In terms of the cross-border services, could you give us examples of the services you're talking about? As well, can you break down for us the cost of this suggestion of loss in government revenue versus the benefit to the economy that you would predict this would generate?

Ms. Sherrie Ann Pollock: So you're more concerned with the withholding on services as opposed to—

Mr. Bob Dechert: Well, yes; I think I understand the removal of withholding on dividends, but you can talk about what the benefit of that would be to the economy, if you like. I'd also like you to expand on cross-border services and the reduction of withholding tax on cross-border services.

Ms. Sherrie Ann Pollock: First, to give you a bit of background when we're talking about cross-border services, we would be looking at things like consulting services or management services that are, if you will, imported into Canada by a Canadian resident company. When you do engage a foreign supplier and they perform work, you will have to withhold on their invoices. if you will.

At that point with the withholding, most non-resident suppliers will simply gross up their bill or their charges to incorporate that withholding. Ultimately the Canadian payer is going to have their cost increased.

● (1420)

Mr. Bob Dechert: So what do you think the cost of eliminating that withholding tax on cross-border services would be to government revenue? And if we did that, how much benefit do you think we would get out of that?

Ms. Sherrie Ann Pollock: I think this is explored more thoroughly in the advisory panel report, but the initial view of it, in most cases, is to the extent those non-resident suppliers are entitled to either credit or refund of the tax, there shouldn't be a significant loss to the government. I don't have a number, if you're looking for a number.

Mr. Bob Dechert: Okay, fair enough. Thank you.

I'd like to ask a question of Opera.ca.

Ms. Hargraft, we have seen the Imagine Canada proposal before. From the perspective of your opera organization, I wonder if you could tell us what you think, how much more you think that would generate, if we were to make that change to increase the tax credit from 29% to 39%. What percentage increase would you anticipate seeing to your organization?

Mrs. Jane Hargraft: That's a very good question. I think it really depends on how well we can sell it.

The majority, about 60%, of our donations come from people who are donating less than $10,000. Really, for our organization it's less than $500. For us, it would probably result—knowing the numbers as I do—in about a 3% to 10% bump. But we'd have to be very creative about letting people know exactly what the advantage for them would be and how it would affect us.

David, do you have anything to add?

Mr. David Ferguson: Yes.

In the case of a larger company like ours, the vast majority of the donors would fall into this category. While we have lots of high-end donors, the great majority of our donors aren't giving the full amount.

Mr. Bob Dechert: Then increase it by 10%, maybe?

Mr. David Ferguson: I would say, in that wheelhouse, it could be a meaningful increase. I would say a 5% to 10% increase in revenue, or in that area.

Mr. Bob Dechert: Am I out of time?

The Chair: Your time is up, Mr. Dechert.

Monsieur Laforest, s'il vous plaît.

[*Translation*]

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

My first question is for Mr. Rosenberg. I'm going to allow you the time to put on your headset.

You said there wasn't any growth in Canada. A number of people said there is no growth, and you say the real benchmark should be net domestic product rather than gross domestic product. You say the way to calculate net domestic product is to take gross domestic product and subtract depreciation and amortization.

Gross domestic product is often used to compare with other countries. If we use net domestic product instead, as you say, will there be any places in the world where there has been actual growth? By doing that calculation, doesn't it amount to the same thing for everyone? Gross domestic product less depreciation would be the same thing everywhere in the world. Doesn't that amount to the same thing in any case?

[*English*]

Mr. Michael Rosenberg: The main result would be that everybody would be seen to be doing somewhat worse than we currently think they are doing. So those countries that really do have some growth would be places like India and China—where they would have growth under this measure as well, but just less than what it appears to be. But for countries that have been industrialized for a long period of time and are only going through the kinds of technological changes we see, which are not so much in productive technologies as information technologies, there hasn't been any further increase in wealth as a result of that. Those technologies do consume a lot of resources.

So in a more resource-constrained future, they will actually contribute to a decline in wealth.

● (1425)

[*Translation*]

Mr. Jean-Yves Laforest: If we rely on net domestic product, why would there be any growth in China? Would it be because of the large number of inhabitants?

[*English*]

Mr. Michael Rosenberg: I think it's because the kinds of developments they've had are the same ones we had in the 1960s: basic industrialization, which actually does produce growth, as opposed to what's going on in our country now, which does not produce growth.

[*Translation*]

Mr. Jean-Yves Laforest: Very good, thank you.

I have a question for the representatives of Opera.ca, Mr. Ferguson or Ms. Hargraft. Mr. Dechert may have already asked the same question, but I'm going to ask it all the same. You propose to increase the tax credit for donations of more than $200 to 39%.

How much can that measure generate for your organization? Do you have any figures? Does it have a basis? Is that a random figure?

[*English*]

Mr. David Ferguson: This is a difficult thing to forecast, but in our case at the Canadian Opera Company, we would rely, if you think about our revenue base, on the roughly 18% to 20% from government, the 40% from the box office, and the rest from fundraising. The fundraising pyramid is heavily weighted towards higher-end donors, but in the middle of that pyramid is a very substantial base of people who provide relatively modest amounts.

So the concept would be that through a larger tax cut, we would hope to increase that bigger part of the pyramid—at least in terms of the numbers of donors—to increase the frequency of giving and, hopefully, increase the size of giving.

In our case, I would think that for our $12 million of funding that we get from the private sector and corporations, of that, maybe $8 million comes from the private sector, and we might see an increase in the $300,000 to $500,000 range for our company.

Mrs. Jane Hargraft: Perhaps I could add to that.

Our experience when people were able to donate stocks without capital gains was that our company got 2% to 3% more in fundraising. That was $5,000 to $15,000 a year for us, which for a small company is significant.

[*Translation*]

Mr. Jean-Yves Laforest: All right, thank you.

Turning to Mr. Oberman, you say that Woodcliffe Corporation has assembled the largest portfolio of heritage properties belonging to private interests. You mentioned the Senate building and those of the National Capital Commission in Ottawa. I didn't know that. We think certain buildings belong to the Government of Canada, whereas they belong to private interests.

[*English*]

Mr. Paul Oberman: The buildings referred to in our brief are the offices of the Senate and the offices of the National Capital Commission. It's a project known as “The Chambers”, behind the PMO in Ottawa.

We don't actually own the Senate chamber.

Voices: Oh, oh!

A voice: Do you want it?

Mr. Paul Oberman: If you're considering selling it, we would be interested.

Voices: Oh, oh!

Mr. Mike Wallace: You'd love to own it.

Mr. Paul Oberman: We could be very interested, yes.

[*Translation*]

Mr. Jean-Yves Laforest: Very good. I wanted to understand a little more. Thank you.

[*English*]

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

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

Thank you to our witnesses today. There have been some very interesting comments.

Mr. Galloway, the company Holcim has to do with the dry cement product?

● (1430)

Mr. Bill Galloway: We're the dry cement product, yes.

Mr. Ted Menzies: Are you involved in delivering concrete?

Mr. Bill Galloway: Yes.

Mr. Ted Menzies: You do both.

Mr. Bill Galloway: Yes. We trade under Dufferin Concrete. Cement and aggregate, along with water and some other additives, go into making concrete.

Mr. Ted Menzies: You must have loved budget 2009. Did you?

Mr. Bill Galloway: Yes, the whole infrastructure program is very good for us. We're seeing some good growth in both construction and concrete, but not so much in cement and aggregate at the moment.

We're seeing some infrastructure money right now, and it is having an impact. Trenton air force base is one of our key projects. We think more money is coming into the system and that will bode well for us, but we're somewhat concerned that as we move into the normal budget cycle in 2010 that some of the municipal budgets may slow up a bit.

The side benefit of the public infrastructure is that we're starting to see some enthusiasm in the market on the private side. One of our builders this past weekend had 47 homes that he wanted to sell and 48 people; he sold 47 homes.

There is some momentum building, and I think that's positive, but at the end of the day governments, at both the federal and provincial levels, have to keep doing what they say they will do around infrastructure.

Mr. Ted Menzies: That was the point I wanted to make. We put taxpayers' dollars into this to stimulate the economy, and I wanted to hear that we didn't just pull a lot of business forward but that we actually initiated business.

You said you see houses selling now. My daughter just put her house on the market and sold it in three days, for more than what she was asking. To me, things are starting to come back.

Our concern is how we stop that spending. We've had a lot of witnesses tell us they need more money, but at some point we have to let private enterprise take over.

Mr. Bill Galloway: At the end of the day, when we're finished our infrastructure spending and these projects are done, we have to rely on the private developers.

The other message we have for government, both federally and provincially, is to invest in the triple Ps and get other sources of funding there, because there is still a deficit in our infrastructure program. You can see that with recent investments in the province of Quebec; the economy has not suffered as much as Ontario's, for example. I think that is a function of infrastructure.

Once the private sector starts picking up...I think we're really going to see a recovery over the late part of 2011.

Mr. Ted Menzies: That's good to hear.

I have a question for Ms. Wilding.

I just need a little bit of an explanation on your first policy recommendation, where you say, “The Board also recommends that GTF monies be used only for transit in those municipalities that have transit systems.”

I represent a totally rural riding. I hope you're not suggesting that none of the gas tax money that's paid by my constituents would go back to those communities. Am I reading this wrong?

Ms. Carol Wilding: Yes.

Mr. Ted Menzies: Okay, thank you. You scared me there for a minute.

It's interesting; we had this discussion at lunch today about funding transit systems, and I'll use the example I've used before. Some of my constituents drive 100 kilometres, round trip, to get their mail; how do we balance that? They drive on gravel roads.

They have e-mail, by the way, not broadband to everyone, but we do have it.

That's always the challenge we face, and we understand that. When we go to the city, we use the transit system. It's good for the environment, it's a good way to move people, and it's good for business, but we as legislators have to balance that.

● (1435)

Ms. Carol Wilding: Correct. It's not an either/or, but as you've rightly described, once you look at the drive in and at where the populations are settling and where the labour attractiveness is, the need to create that strong regional transit system becomes increasingly important. It's basically the foundation for any urban centre or regional economy.

So we're saying that's a critical piece, but by putting the funds there, the government allows the municipalities to take some of their funding—if we move in this direction that we're suggesting of a national transit strategy—and potentially redeploy it to other areas.

Mr. Ted Menzies: Thank you.

The Chair: Thank you.

We'll go to Mr. Pacetti, please.

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

It's tough asking questions to everybody, because we have limited time, so bear with us. But I want to ask Mr. Oberman a question. Nobody got to him yet.

In your proposal, you give the example of a rebate of 40% on a property paying $200,000 in realty taxes. Are you saying that, on a project of $200,000, you would be able to get a rebate of 40%? How would that work?

Mr. Paul Oberman: Under existing heritage programs, rebates are available in Ontario, for instance, on a sliding scale of between 10% and 40% of the taxes charged on the property.

Mr. Massimo Pacetti: But it would be the municipality or the provincial government that would be giving the rebate.

Mr. Paul Oberman: Yes, the municipality.

The current legislation says that those rebates are to be shared equitably between municipalities, school boards, and other interested parties proportionate to the rates that they collect.

Mr. Massimo Pacetti: So how would the federal government fit in?

Mr. Paul Oberman: I think the federal government fits in, in a couple of very important ways. Many years ago, when I started dealing with Heritage Toronto, they had a staff of 142 people. Today they have a staff of six people and they administer two and a half times the number of properties that they did several years ago.

Heritage property defence is not well funded. The private sector puts up a pretty good battle in arguments to demolish heritage properties because it's so expensive to restore them relative to the cost of just demolishing them and rebuilding them. I think where municipalities need help is to coordinate a program at a national level and perhaps for some municipalities to provide a form of bridge financing so that they can afford to take the revenue hit for—

Mr. Massimo Pacetti: So the money would flow from the federal government down to the municipalities. Is that your proposal? It's not clear.

Mr. Paul Oberman: Our proposal is not for you to necessarily fund the municipalities. I'm just saying that if your plan is to implement program that will be stimulative quickly, there is, according to Heritage Canada, $8 billion to $10 billion worth of construction that could be performed very quickly on already-identified properties. The challenge for municipalities is that if they forego revenue of up to 40% on these properties for a one- to two-year period, or perhaps longer, while the work is being done, they wouldn't have a net gain. But once the work is completed, under market value assessment, the property values increase significantly and the net take to municipalities would be significantly higher in all likelihood than it currently is.

Mr. Massimo Pacetti: You're saying they would be able to borrow in excess of $1 million, in the same example, just because they're getting an annual rebate of $80,000.

Mr. Paul Oberman: At current interest rates, if we were to set up a federal system as we're proposing, I believe funds would be available at CMHC-equivalent rates, which for five years today is under 4%, plus amortization.

Mr. Massimo Pacetti: Why wouldn't you be able to get that funding now?

Mr. Paul Oberman: We have a large portfolio of heritage properties, most of which are restored, some of which have not been restored because we cannot get funding for them. There are no lenders that we're aware of in Canada of any particular size that want to fund the restoration of heritage properties even in a strong economy, let alone a weak one, because the costs are so high relative to the—

Mr. Massimo Pacetti: Would CMHC give you the backing if it was a residential heritage property?

Mr. Paul Oberman: If it met their residential lending criteria, presumably they would.

Mr. Massimo Pacetti: But this would be a proposal for non-residential?

Mr. Paul Oberman: This would include residential and non-residential properties. The key is to create an incentive, to use a carrot rather than a stick, and to make it desirable for people to restore properties.

Mr. Massimo Pacetti: Thank you.

I just want to ask a quick question of Mr. Rosenberg.

You talked about productivity. We all agree that productivity has not been productive, let's say. It hasn't been high, especially here in Canada. But you haven't really presented any solutions. Would you happen to have any solutions? Do your statistics say anything that can help us?

● (1440)

Mr. Michael Rosenberg: Canada isn't necessarily any worse than anywhere else; I think that's a bit of a myth. Basically, Canada is a very well-organized society where companies work, the government works, things get done. So in that sense, I don't think we're bad compared to other places, as some people would suggest.

To me it's more a question of what do we have to do to keep it that way, because I see certain things that could cause productivity to fall.

So I don't want to see—

Mr. Massimo Pacetti: What would you recommend to keep it that way?

Mr. Michael Rosenberg: —too much emphasis on spending money on innovation and technology. I think that kind of continual change is what leads to unproductive results. There's a lot of expenses involved in that: staff turnover, training, time, money, hardware. That's what's taking away from productivity.

There is another thing I wanted to say that I didn't really get to say too much about before. I think there's a real danger if we don't do something to stop the emissions of carbon dioxide and greenhouse gases. Once the effects start to occur it will seriously impact the economy in a negative way. So doing something about that is also part of being productive in the economy. We have to stop emitting carbon dioxide.

Mr. Massimo Pacetti: Okay, thank you.

The Chair: Thank you, Mr. Pacetti.

We'll go to Mr. Wallace.

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

Thank you for coming. I'm going to be very quick because I'm trying to hit most of you.

Just so the opera folks know, the same ask has come from a number of arts groups. I know you've kind of coordinated it. I'm sure CanDance, which is coming next, will ask for the same thing.

I'm interested in pursuing number two to see where that goes. I'm not sure asking for a $40-million increase this year in the Canada Council is realistic, but I can understand why you put it out there.

I have a question for Mr. Oberman on the designated homes...and I'm familiar with this chiefly because I was on LACAC in Burlington.

Is it designated homes only, or...? We tried to get a heritage district when I was on council and we basically got thrown out of the neighbourhood for trying to do a heritage district, which I was very much in favour of.

Who do you expect to be able to track that benefit that you're talking about?

Mr. Paul Oberman: I think you attract everyone who has a qualifying heritage property.

Mr. Mike Wallace: What is your definition of “qualified heritage property”? That's my question.

Mr. Paul Oberman: The current definition under the act is a property that has a heritage easement either at the municipal, provincial, or federal level. I think that's a good definition.

The problem is that you only need the easement. You don't actually have to restore the property or maintain it to any particular standard. The work that's typically done is lowered to the amount of rebate or subsidy that's available. So under a program of this nature, significant amounts of additional funds would be available.

Mr. Mike Wallace: I appreciate that.

I appreciate your comment on HST. I happen to be one of those defending the combination. It's very difficult with consumers, let me just put it that way, and constituents. As an organization, if you could do anything to help promote that it's a good thing for the economy in the long run, it would be helpful.

Mr. Galloway, it's nice to see you again. You didn't get to your final point, I don't think, in your presentation. Would you like to comment on what you would like to say?

Mr. Bill Galloway: Thank you.

We've been working well with government over the last six years on cap and trade legislation. We're well-positioned as a company and as a segment to work with government in reducing greenhouse gases.

We've seen significant reductions in NOx and SOx, as part of the Ontario regulation. We are looking forward to regulations that are not a patchwork, where there are different rules in the provinces, different rules federally, and different rules in the United States.

It's important that we're all on an integrated platform. I think it's important that we put a price on carbon, and that we use the process of cap and trade to lower emissions. I think that's a valuable thing.

We as a sector and as a company are ready to engage and we're ready to engage now.

Mr. Mike Wallace: I have a final question for the board of trade. I have also been a big proponent of a national transit strategy. I don't necessarily agree that it should all be gas tax, but that's a different issue.

I am in favour of a capital fund for capital use, not for use in operating. Does your board of trade have a position on whether some federal money should used for operating in the transit system, or is it strictly for capital acquisition?

● (1445)

Ms. Carol Wilding: The recommendation we're looking at here is mostly directed toward capital.

Mr. Mike Wallace: Thank you.

The Chair: Thank you, Mr. Wallace.

Mr. Pacetti.

Mr. Massimo Pacetti: The board of trade cited a study from RBC. You said that most native-born Canadians would earn more money than immigrants, correct?

Ms. Carol Wilding: Pardon?

Mr. Massimo Pacetti: Your experience has been that immigrants earn less money.

Ms. Carol Wilding: Correct.

Mr. Massimo Pacetti: Is that situation the result of a lack of skills, communication skills, schooling? What is your experience? Is there a reason we're not paying them as much as Canadian-born workers?

Ms. Carol Wilding: We attribute this to a lack of effective integration. We're not integrating them. It's taking a generation or two to integrate them fully.

There are also the challenges associated with the recognition of professional credentials. Members of a particular profession or trade may not be able to move directly into practice. So you see them having to take lower-paying jobs.

There's also a split in the patterns between males and females.

Mr. Massimo Pacetti: I'm asking because we've been getting a lot of comments. Companies are willing to do part of the job, but they're asking government to invest more in skills. I'm not sure how you view it. If it is a company's role, I would imagine it's your membership that would have to invest more in skills. Or is it up to the government to do that?

I'm not looking for a black-and-white answer. From your perspective, is it better for companies to train employees, or do they need the government to do that for them?

Ms. Carol Wilding: I don't think it's an either/or. If we're not even integrating, then the whole matter of skills development is a moot point. The first problem is to get them into the workforce, get them into the roles. Only then can we decide the proper public-private proportion of responsibility for training or retraining. Right now, we're just not getting them into the workforce with a strong skill set.

Mr. Massimo Pacetti: But how much should the government do to get them into the workforce?

Mr. Brian Zeiler-Kligman: What we're actually talking about is not government training. This is about ensuring that people who have come, and who are trained as lawyers, engineers, and doctors, are able to practise in their field. Both the private sector and the public sector are facing the difficulty of not being able to assess whether those credentials are equivalent to Canadian credentials. This assessment is fundamentally a governmental responsibility.

Mr. Massimo Pacetti: One of the suggestions I heard was that we evaluate their credentials before they even get here. Would that solve some of the problem?

Ms. Carol Wilding: Yes.

Mr. Massimo Pacetti: Thank you.

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

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

I'd like to ask a question of Mr. Galloway.

You mentioned extending the accelerated capital cost allowance. We've heard similar requests from other groups, and in one case, it was suggested that perhaps the classes of equipment the accelerated capital cost allowance currently applies to should be expanded. Do you have any comment on that? Is it too narrow?

Maybe the Tax Executives group has a comment on that as well.

Mr. Bill Galloway: Yes, I would prefer to delegate that one to the tax group. We're specifically interested in machinery and things that are—

Mr. Bob Dechert: So you're satisfied that the things you need are covered currently. You just want a longer run.

Ms. Pollock, maybe I can ask you, should we restrict it to certain classes of property, or should we make it any legitimate capital expenditure?

● (1450)

Ms. Sherrie Ann Pollock: I'm going to let Mr. Penney look after this one.

Mr. Bob Dechert: You passed the buck to Mr. Penney.

Mr. David Penney (Secretary, Tax Executives Institute): From the manufacturer's perspective, I think it's a broad enough classification. One of the issues related to it being temporary is that planning for capital expenditures just doesn't happen a month or two before you spend the money. So it would be very important to have it as a permanent fixture in the system.

Mr. Bob Dechert: Is five years a more reasonable timeframe?

Mr. David Penney: Yes; at least.

Mr. Bob Dechert: Can I ask the Tax Executives another question then?

You mentioned the corporate tax reductions that are being implemented now and that will continue to be rolled out to 2012. Obviously, a lot of organizations have actually asked us to raise corporate taxes and make our tax system more progressive.

Can you give us a sense of how you think this is going to continue to enhance the competitiveness of Canada's economy going forward, especially given that we know that the debt-to-GDP ratio, say, in the United States and other G-7 nations is much higher than in Canada? Where do you see Canada's corporate tax competitiveness going over the next five to ten years? How do you see that benefiting our economy?

Ms. Sherrie Ann Pollock: Providing we stay the course in the reductions that have already been announced and that hopefully will be implemented, we see marginal rates falling and the after-tax cash position of companies in Canada improving. Of course, at the end of the day, we want to ensure that we are an attractive country for investment, and we want to make sure that we keep people employed and productive. I think reversing capital tax reductions or slowing the announced reductions could send a negative or adverse message to the capital markets.

Mr. Bob Dechert: Do you anticipate corporate taxes in, say, the United States going higher?

We all know about the case of Tim Hortons choosing to come back to Canada. One of the reasons given was that our tax rates are now more competitive than they are in the state of Ohio.

Is that the type of thing you think we could expect to see more of if we continue to stay the course?

Ms. Sherrie Ann Pollock: I think our largest trading partner is the U.S., so we always have to monitor what's happening there. But we also have to recognize that we are trying to be more of a global player. So I think it's important to look at tax rates and tax competitiveness on a global scale and not just between Canada and the U.S.

Mr. Bob Dechert: How do we stack up against European countries, for example?

Ms. Sherrie Ann Pollock: In European countries, to a large extent, their tax rates have been falling as well.

Mr. Bob Dechert: So we have to continue.

Ms. Sherrie Ann Pollock: We have to make sure that we stay in line with our other G-7 partners.

Mr. Bob Dechert: Okay.

Mr. Penney, did you have a comment?

Mr. David Penney: I might just add that with respect to the U.S., I understand that they're really seriously looking at their tax system, their tax review. Without any doubt, it's going to be pointed out very clearly to the government that their corporate tax system is relatively uncompetitive and overly complex. So we're ahead of the game on that one, for sure.

Mr. Bob Dechert: Thank you very much.

The Chair: Thank you, Mr. Dechert.

I just want to follow up on a couple of items, first of all with Holcim and Mr. Galloway.

With respect to recommendation number one, I just echo the comments of my colleague. This is a constant debate, as you know, in Ottawa with departments and officials. Certainly, in your company or industry, if there are investments being made as a result of changes to the capital cost allowance, make us or officials in Ottawa aware of this. Certainly I take your point that if we made it permanent or extended it over a five-year period, groups like the chemical producers, who came to us, would obviously have a longer-term timeline to plan. So I certainly take that point.

I did want to address your third point, or perhaps have you address it. The committee stopped in Weyburn, and we saw the Encana facility there, where they capture carbon dioxide and use it for enhanced oil recovery.

My understanding is that with your industry, it is a big challenge. You go through the process of making cement and you produce CO_2. It is very tough to capture that CO_2. And if you can capture it, it's very tough to have the CO_2 in the type of purity you need for enhanced oil recovery.

I don't know if you want to comment on that, given that we did go to Weyburn and did have that experience as a committee.

● (1455)

Mr. Bill Galloway: I would say that 60% of our CO_2 comes from the heating process in the rock, and the other 40% comes from the actual fuel. We were following very closely all of the techniques, all of the technology, around capturing and sequestering CO_2, but our main focus today is to invest in other technologies and to try, in effect, to produce more with the same amount or less.

So we have invested in various scrubbing techniques. We invested in an $80-million vertical roller mill, which allows us to take all of our stack emissions and use them for heating of our process, and it scrubs out; in fact, some of the CO_2 ends up in the product. It is primarily a product called bran sand, which is from slag from the steel mills, and that becomes part of our process.

So that's what we are doing, in addition to all of the other technological things we can do. We have had a dramatic reduction in CO_2 over the last few years, and we are looking forward to this proposed 20% reduction—

The Chair: On an intensity basis or gross basis?

Mr. Bill Galloway: On an intensity basis today. We are actually one of the lowest emitters of CO_2 in the cement sector in Canada.

The Chair: Okay. I appreciate that.

I have time for one more question. I just want to follow up with Opera.ca.

I'm sorry I missed your presentation, but I was delayed.

You said on page 3 of the brief that, “The investment in the core operations of opera companies, as represented by support from the Canada Council for the Arts, has declined from 11% to 7% to 4%”.

Obviously you are asking for a general increase for the Canada Council for the Arts. I don't know much about it, but is the process fair to all players within the artistic community? You have a specialty within the opera field. Do you feel you get your fair share from the Canada Council for the Arts?

Maybe you could enlighten us on how that process works.

Mr. David Ferguson: I think we feel we are well represented in our submissions to the Canada Council and that we have received a reasonable share as an industry.

I think you would see, if you looked at arts organizations across this country, that all of them have seen a shrinking percentage of their revenue coming from the Canada Council, against the backdrop of increasing costs of operations and expansion of the scope of their activities. So this isn't so much about our piece of the pie.

Then within the opera world, there's always the debate about whether the big companies get more than their share, or the small companies aren't getting enough, etc. On behalf of our piece of the cultural sector, this is really about promoting the concept of bringing the government's support of the Canada Council for the Arts up to the level that was envisioned by that council in their strategic plan, which was a $300-million increase over a period of years.

The Chair: I am just out of time, but there has been a lot of discussion in the artistic community about ensuring that we fund programs so that when artists go overseas, they are well represented and well marketed. You also mentioned that on page 3 of your brief, but could you describe for the committee some of the activities that would be funded? My understanding is that the $25 million fund would fund both domestic and the foreign initiatives.

Mrs. Jane Hargraft: Yes, I can speak to that. Opera Atelier does a lot of international touring. Just before I started here, two years ago, the first thing I did before I came was cancel a tour. It wasn't because there wasn't the federal funding—it was in place at that time—but the numbers weren't working. It's enormously expensive.

So as to what this program would do, part of the money would restore funding to do international touring. The fact is that when we go to developing markets, which is where Canadian businesses generally are, and the demand for Canadian arts are, because they're very well represented in Europe, Asia...they cannot pay our full fees.

So we need to get support. We also need to bring the presenters here so that they can see what they have the potential to bring.

It also—

The Chair: So it's both marketing and operational costs?

Mrs. Jane Hargraft: Yes, it's marketing and.... These are all special projects, though, and not part of our operations. We do them when there is funding available. When there's not, we don't do it.

● (1500)

The Chair: Okay. I appreciate that.

I want to thank all of you for coming in this afternoon and for presenting to us and responding to our questions—and also for your briefs. We'll certainly take them into serious consideration.

We do have a panel right after you, so we are going to ask the next panel to come forward.

Members, we will take a break for two or three minutes.

Thank you.

●

(Pause)

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● (1505)

The Chair: We're very pleased to have our fourth of four panels here today on our second day in Toronto during our pre-budget consultations across Canada.

We're very pleased to have seven organizations for this panel. We have the Canadian Retail Building Supply Council; we have the Canadian Network of Dance Presenters Canada, CanDance; we have the Professional Writers Association of Canada; we have the Investment Funds Institute of Canada; we have the University of Toronto; we have the Green Vehicle Exchange Program; and lastly, we have Upper Lakes Marine and Industrial Inc.

Welcome to all of you. Thank you very much for being with us here this afternoon. We have five minutes for each organization for an opening statement. I will indicate to you when you have about one minute left for your statement, but we'll begin in that order and we'll proceed along with the organizations.

We will begin with Mr. Campbell, please.

Mr. David Campbell (Chair, Government Relations Committee, Canadian Retail Building Supply Council): Thank you, Mr. Chair.

I'm here today in my capacity as president of the Canadian Retail Building Supply Council, an umbrella organization comprising five of Canada's regional and provincial building supply associations. Our pre-budget submission is supported by the Canadian Hardware & Housewares Manufacturing Association. A letter to that effect is contained in our brief.

Together, the CRBSC and the CHHMA represent 2,300 companies that in 2008 employed 75,000 Canadians and generated some $83 billion in sales. Members include representatives of all major aspects of building materials, hardware, housewares, and lawn and garden product industries.

The contents of our submission reflect the views of 334 companies that participated in a survey in the summer. The prospects of the Canadian economy returning to growth this quarter or perhaps even in the third quarter are encouraging and would mean an end to the recession. The damage caused in the past year, however, will not soon fade away.

Within our sector of the economy, just consider these facts, all of which were obtained from current published Statistics Canada reports. Residential building permits for the first eight months of this year were worth almost $9.5 billion less than for the same period last year. Retail sales in building and outdoor home and supply stores in the first seven months of this year dropped $519 million from the same period last year. Wholesale sales of building materials were off almost $5.7 billion from the first seven months of 2008. There were 93,000 fewer construction employees in September 2009 than in September 2008, and 229,000 fewer manufacturing employees.

Budget 2009 announced four major programs to help Canadians acquire and improve their homes, all of which had a positive impact on the retail building supply sector. The home renovation tax credit was particularly beneficial. The standing committee asked what federal stimulus measures have been effective and the HRTC is definitely one of those ventures. Without it, the results for the housing market would have been significantly worse than those I pointed out to you.

Of our members, 86% of retailers and 87% of suppliers stated that the HRTC should be continued until the recession's impact on the Canadian business community has lessened significantly. Accordingly, we recommend that the home renovation tax credit be extended to February 1, 2011.

The standing committee asked what could be done to make stimulus measures more effective. EcoEnergy Retrofit and Energy Star are programs that are both designed to stimulate environmentally responsible behaviour. We've been struck this year with the contrast between the administrative burden placed on retail customers by the two environmental programs and the HRTC. That led CRBSC to ask whether retailers and suppliers felt the benefits under EcoEnergy Retrofit and Energy Star would be utilized more readily by consumers if they were offered a more user-friendly alternative, such as a tax credit modelled on the HRTC; 65% of retailers and 72% of their suppliers believe this would be the case, and that's what our brief recommends.

Our position paper reports that most respondents to our pre-budget survey favoured significant personal income tax relief to increased government spending. Therefore, our third recommendation advocates that the standing committee recognize the importance of broadly based and major personal income tax relief.

Thank you for the opportunity to appear before you today, and I look forward to your questions.

● (1510)

The Chair: Thank you very much for your presentation.

We'll now go to Ms. Holmes.

Mrs. Jeanne Holmes (Board Chair, Canadian Network of Dance Presenters CanDance): Thank you for inviting me to speak today. My name is Jeanne Holmes. I am the dance programmer at Harbourfront Centre here in Toronto, as well as the chair of the board of directors of the CanDance Network, which is a national association of specialized dance-presenting organizations.

There may be no greater reward than standing at the back of a darkened theatre and listening to the murmur of anticipation in those last few moments before a performance begins. At that moment, you know the people gathered in that room are about to forget their daily trials and tribulations and be transported to another place. As a group of people sharing an experience together, at one with each other and the artists on stage, they are truly a community.

Live performances are taking place in literally thousands of communities across the country, in theatres, community halls, clubs, restaurants, bookstores, libraries, and the list goes on. The people responsible for making those performances happen are as wide-ranging as the performances themselves.

In the non-profit world, they are usually called “presenters”. They are the bridge between the artist and the audience, and a crucial part of our collective cultural identity.

In order to bring arts programming to communities, presenters plan seasons, select artists, negotiate contracts to promote and market engagements, arrange residency space, and help with a wide range of fundraising efforts. They provide needed facilities, technical production, house management, audiences for work-in-progress showings, administrative guidance and support, and tour-planning assistance. Presenters also provide animation and community development for the general public, emerging artists, and students.

The CanDance Network is a national arts service organization that serves the needs of Canada's dance-presenting community, all of whom are pioneers in the presentation and distribution of Canadian contemporary dance. In the past two seasons alone, network members have presented dance to over 250,000 audience members, and almost 30,000 individuals have participated in our members' audience outreach and development activities.

We are united in the view that sustained public investment in the arts by the federal government is essential to Canada's continued economic vitality, prosperity, and quality of life. We believe that all Canadians will benefit from better access to the arts and that Canadian artists and arts organizations play a key role in enhancing Canada’s reputation at home and abroad.

The 34 members of the CanDance Network applaud the Government of Canada’s five-year commitment to arts and culture. Support from the provisionally titled “Canadian arts presentation fund” is particularly important to the Canadian dance series presenters and festivals that form the CanDance Network.

The network makes the following recommendations to the committee.

Our first recommendation is to increase the investment in the Canadian arts presentation fund by $10 million, and to raise the cap on contributions to specialized dance presenters and dance festivals to 50% from the current 25%.

Although specialized dance presenters and dance festivals work diligently to diversify revenues by securing grants from provincial and municipal arts councils, fundraising within the private sector, and by generating earned revenue through ticket sales and sponsorships, many fall short of meeting their revenue goals, particularly in these tight economic times. As a result, they may be unable to access the full 25% contribution from the Canadian arts presentation fund. An additional investment to raise the cap would provide stronger support to specialized dance presenters and festivals, allowing them to reach more Canadian audiences with enhanced programming. The arts presentation fund has recognized dance, along with theatre for young audiences, as one of the most challenging arts forms to present, thus the need for enhanced support. This increased investment could also attract additional presenters in underserved areas who currently cannot meet the funding criteria.

Our second recommendation is to increase the investment in the Canadian arts presentation fund by an additional $10 million in order to raise the ceiling for series presenters to $500,000.

Under the current arts presentation fund guidelines, the maximum contribution for a series is $200,000, while the maximum for festivals is $500,000. It's important to equalize the contribution between the festivals and series presenters. While most festivals offer an intensity of programming over a limited period of time, series presenters operate throughout the year, cultivating and educating audiences, investing in a community's quality of life, and employing staff and artists year-round. Many series presenters have added costs, as well, of running and maintaining venues year-round.

Our third recommendation is to invest an additional $25 million per year into the expansion of the capacity and mandate of the Canada Council for the Arts to invest in international market development.

The 2010 budget should include a comprehensive program to ensure that our cultural sector can cultivate markets abroad. This $25-million investment would fill the gap left by the elimination of the Trade Routes and PromArt programs. Funds distributed directly to individual artists and companies contribute significantly to sustainable growth and development for the dance sector, which is not connected to a major commercial cultural industry. These funds increase the ability of an artist or company to compete on the international stage and will have wide-reaching impacts economically, diplomatically, and to the advancement of Canada’s cultural identity.

● (1515)

The Chair: Thank you very much for your presentation.

We'll now hear from Ms. Gulliver, please.

Ms. Tanya Gulliver (President, Professional Writers Association of Canada): Thank you, Mr. Chair.

My name is Tanya Gulliver, and I'm the president of the Professional Writers Association of Canada.

PWAC was established in 1976 and represents over 650 freelance writers and journalists across Canada.

In 1982 the Applebaum-Hébert report said that “the largest subsidy to the cultural life of Canada comes not from governments, corporations or other patrons, but from the artists themselves, through their unpaid or under paid labour”. Wages and fees for self-employed, freelance writers have remained static for close to 30 years. Creators in Canada annually contribute over $40 billion in economic activity. Canadian writers and artists, on average, make just over $20,000 per year, without the benefit of the safety net that others enjoy, including EI, extended health benefits, and retirement savings plans.

The creative community drives innovation, generating concepts and ideas that spread well beyond the entertainment and media clusters to influence science, industry, and public policy, to name a few.

PWAC would ask that the committee recognize the risks and extraordinary sacrifices made by the creative sector and consider the following changes to the Canadian Income Tax Act.

Reintroduce an income tax averaging system that allows artists to spread their tax burden over a period of at least five years, recognizing the fluctuation and unpredictability of income generated from self-employment in the arts. Creators should not be punished for their commitment to their crafts and their successes. Prior to 1982, income averaging was an option for all self-employed workers and was introduced on a provincial level in Quebec in 2004, where artists could spread out their earned income over seven years.

We would also recommend an increase in the basic personal exemption to at least $30,000. Similar measures are in place in the province of Quebec and in Europe, most notably Ireland, where there is a €250,000 exemption on income derived from creative output and where vital and successful creative workforces thrive. In 1995 Quebec introduced an exemption on an artist's first $15,000 in copyright royalties where the artist's income is under $30,000.

Our third recommendation is to extend EI and CPP benefits to all self-employed artists, to add incentives similar to the RESP top-up to encourage contributions to RRSPs, and to allow artists to deduct payments for extended health plans from their income tax. These are merely the typical benefits that an enlightened and progressive employer routinely provides to their employees. Self-employed artists are denied these benefits and security. We urge the Government of Canada to take on the role of an enlightened employer and support Canadian innovation and creativity.

As a further recommendation, PWAC would request that the ministries of finance, industry, and heritage commission and fund an in-depth study of the benefits and costs of tax reform for artists, such as those proposed herein. Long-standing models for such initiatives exist throughout Europe and in Quebec, and could be used to provide reliable data. PWAC would be willing to take a lead role in overseeing such a study in partnership with representatives from all artistic disciplines.

We thank you for allowing us the opportunity to voice our concerns and express our ideas. If Canada is to remain a leader in sustainable new technologies, we must actively support the imagination and entrepreneurship in which our artists excel.

Thank you.

● (1520)

The Chair: Thank you very much for your presentation.

We now have the Investment Funds Institute of Canada.

Mrs. Debbie Pearl-Weinberg (Chair, Taxation Working Group, Investment Funds Institute of Canada): Thank you very much.

My name is Debbie Pearl-Weinberg, and I am chair of the taxation working group of the Investment Funds Institute of Canada, otherwise known as IFIC. I work for CIBC as a general tax counsel, but I'm here today representing IFIC. My comments do not necessarily reflect the views of my employer, CIBC.

IFIC is a trade association representing the investment fund industry. Investment funds are a particular type of pooled investment products, the largest of which are mutual funds. Canadians own approximately $600 billion in investment funds. They're widely held by Canadians and primarily owned by middle-income Canadians. Fifty-two percent of mutual funds are owned by people earning less than $100,000 per year, and 50% of mutual funds are owned either by those retired or those approaching retirement. They are the number one RRSP investment in Canada; 70% of RRSPs are invested in mutual funds.

IFIC's proposals to you are as follows. The first is equality for pension income-splitting. Allow RRIF holders the same opportunities to split income with their spouses as those with pension plans. The vast majority of Canadians will rely on their RRSP as their primary source of retirement income. But approximately two out of three Canadians are not members of a defined benefit or defined contribution registered pension plan. Currently those Canadians participating in a registered pension plan can split income with a spouse at the age of 55. But those holdings RRIFs, who represent 60% of Canadians, must wait until age 65 to similarly split income. This latter group includes those holding a RRIF, where the original funds were transferred from a registered pension plan to a locked-in RRIF, otherwise known as a LIF, or a life income fund.

The result is that some Canadians, who retire at a younger age with retirement savings held in RRIFs, will be left with lower household net income than their neighbours who retire at the same age but rely on registered pension plans to fund their retirement. IFIC recommends that income from a RRIF be eligible for income-splitting at age 55, similar to income from registered pension plans.

The second proposal is to adjust the dividend gross-up in means-tested net income. Currently the means test for determining whether a senior is subject to a clawback of both the guaranteed income supplement, GIS, and the old age security benefit, OAS, is based on the grossed-up amount of a dividend rather than the actual dividend amount received. That means income in determining whether a senior has met the clawback threshold uses the gross-up amount of a dividend rather than the actual amount of the dividend received.

For example, if somebody received a dividend in the amount of $10,000 for purposes of this means test, $14,500 would currently be included in their income. Because of this, seniors who earn dividend income, rather than other types of income such as salary or interest, may face a larger social benefits repayment. This encourages certain seniors to avoid earning dividend income altogether, which reduces the types of investments they'll hold on retirement. IFIC recommends that only the actual amount of the dividend be included in the means test for the clawback calculation of GIS and OAS.

Third, allow the application of capital losses against income. Many Canadians have experienced significant capital losses during the recent market downturn, which cannot be used to reduce their income from other sources. It would provide great relief to such investors if a portion of such losses were eligible to offset other types of income. Note that prior to 1985, Canadians were eligible to such an offset. IFIC recommends that up to $5,000 of capital losses be eligible to be applied against income from other sources.

Thank you very much.

● (1525)

The Chair: Thank you very much for your submission.

We'll now hear from the University of Toronto, please.

Ms. Judith Wolfson (Vice-President, University Relations, University of Toronto): Thank you very much, Chair.

I'm very pleased to be here to speak on behalf of the University of Toronto.

Today's economic circumstances are indeed challenging, as we all know. But Canada has been through tough times before. The difference today is that we're playing in a global world where we can no longer rely upon our natural resources alone as the foundation of a competitive economy. Our wealth now must focus on Canada's human resources: they must be nimble, globally aware, and innovative. This is where the contribution of Canada's universities makes a significant difference to our present and future competitiveness and prosperity—namely, by producing the talent that will lead our country and the economy.

Canada's universities are places where new ideas, new discoveries, and new innovations are generated. Canada's universities are the places that generate the basic and applied research that leads to the next big discoveries, the discoveries that bring significant economic benefits to all of us.

Examples are always helpful. A wonderful example of potentially world-altering, university-based research is that being led by U of T nanotechnologist Dr. Ted Sargent. Professor Sargent has developed a solar technology that can literally be woven into every aspect of daily life, from our clothes to our roads, using a spray-on solar cell. It's quite extraordinary, frankly. His research has led to the founding of a spinoff company that has raised venture capital and has created jobs. And they're not just any jobs. They are the jobs of the future.

Canada's universities are at the forefront of the economy. We are the eager partners with industry and governments in this task, but we need the necessary supports to maximize our contributions of talented human capital and world-changing research.

The Government of Canada has made important investments in knowledge creation and innovation, even in these current times of economic uncertainty. And I would like to register our appreciation for the sustained investment in research, science, and technology made by the Government of Canada over the past few years. At the same time, however, competitor jurisdictions have been aggressively investing in the full cost of research as well as in infrastructure support.

Canada's innovation economy depends on investing in the best minds and in the best research. The University of Toronto believes that competing to win on innovation means embracing and striving for excellence. It means ensuring that researchers have the support to achieve their full potential. It means internationally competitive levels of funding to support the full costs of research.

I am aware that you've heard from other presenters about the need for greater support from the government for the full cost of research being done at universities. These funds are necessary to support the grants to the researchers themselves. Canada provides its researchers, its universities, with 20¢ for each dollar of grant support. Suffice it to say that in competitive jurisdictions, the support is in excess of 40¢ for each dollar.

Canada is one of the most prosperous countries in the world. Our people are highly skilled. They represent a wide diversity of backgrounds and beliefs. The University of Toronto produces an inordinate share of Canada's graduates at both the undergraduate, graduate, and professional graduate levels. Each year we support 10% of Canada's new doctors. We produce 8% of Canada's new engineers. We produce 16% of Canada's new Ph.D.s.

Those are just a few examples. The most important part is that the quality of the human capital goes beyond the particular degrees awarded and the accreditations achieved.

Talented, nimble, creative human capital is critical to a robust innovation economy in Canada. In particular, the high-tech sector is critically dependent on broad creativity and business acumen. As President David Naylor—who unfortunately could not be here today—likes to boast, Research In Motion didn't really get the ball rolling until they brought in a guy named Jim Balsillie, a commerce graduate from the University of Toronto, to serve as co-CEO and take the BlackBerry to market in a serious way.

Technological innovation is relatively common, but management creativity and business acumen separates the winners from the losers in the global marketplace. We need to ensure that the innovation pipeline is supplied with young research talent that will generate the next big ideas. This talent resides in future graduate students, who are both domestic and international. However, universities do not have the financial resources to recruit and retain this international talent without increased graduate scholarship funding. A program like Vanier Canada graduate scholarships is so important to the next generation of Canada's leading researchers. Canada needs to develop and attract the best and brightest minds to contribute their energies to the economy. To achieve this, our research environment must be internationally competitive.

● (1530)

We need more supports like the Vanier scholarships for both domestic and international graduate students. We need support for students at the post-doctoral level who can make a huge contribution to the innovations agenda. Creating a new program to support 1,000 post-doctoral fellows at $60,000 each for two years, awarded on the basis of peer-reviewed excellence, will help make Canada a more attractive location for research. We believe Canada can best address the challenges ahead by playing to our incredible strengths in human capital innovation.

Thank you very much for your attention.

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

We'll now go to Mr. Young, please, with the Green Vehicle Exchange Program.

Mr. Fraser Young (Executive Director, Green Vehicle Exchange Program): Good afternoon. I'm Fraser Young. I'm with the Green Vehicle Exchange, a non-partisan, non-lobbied organization of my own that's spent two and a half years advancing a significant and profound system that I've developed and designed for rapidly extracting old cars and polluters from the roads, similar to the cash for clunkers program that we're all very well aware of.

Today I'm here to pitch and propose that a GST freeze should be implemented in the upcoming budget. I'm prepared to defend that case with 15 different ways in which it would pay for itself within the economy.

Basically, the proposal is that not only would you be provided that GST credit, but it would only be provided on the basis that one vehicle was retired from the fleet in excess of over 10 years of age, and also that one decent vehicle would be also passed down from a person with a seven-, eight-, nine-, or ten-year-old vehicle to somebody who also has a secondary badly performing vehicle but who can no longer afford to purchase a new vehicle. The benefit of that is you don't leave the poor behind and you allow the people who have the wealth and the means and the jobs to purchase a vehicle to do so.

The object here is to advance an industry that's in deep decline. In Canada alone we've seen it drop as the GDP's number one producer from 19% to 12.5%. We've seen jobs drop in DesRosiers report as of today, or yesterday I believe I received it, from 150,000 down to 100,000. So we have a one-third decline in our automotive industry. That's evident in the Ontario budget preamble today indicating the shortfalls in the economy.

One of the strongest pieces on advocating for such a proposal is that this would reduce the requirement for provincial transfer funds. The result of more people purchasing vehicles in other provinces where they have to have transfer funds is of course that they get more retail sales tax revenue. Retail sales tax revenue occurs at its highest point from vehicle sales. It's 20% of basic general revenues for the governments.

The proposal goes on to say that for 100,000 vehicles based on an average purchase price of $25,000, the cost to the government is $1,250 per vehicle, or $125 million. This is no staggering amount: it could stimulate the economy by $3 billion for every $125,000 given up.

I'll give you the rationale for why we want to propose this on an argumented position that it will be either revenue neutral or revenue positive to the government by doing so. I have 15 different examples of why this will be that way.

If you are only talking about a 5% give-up, what you're getting in these next 15 issues described... I could not do the algorithms. The math is very extensive to try to do 20, 30, 40 different equations to produce the true outcomes. But when you listen to these features, you will understand why, with the combination of these 15, returns in the economy will far outweigh the 5% give.

First of all, you would bring back 18,000 related jobs for every 100,000 vehicles produced.

Second, as I mentioned, the PST revenues produced would reduce the amount of transfer payments required from the federal government to the provinces.

Third, corporate and personal income tax revenues would immediately rise.

Fourth, Canadian government stock values in General Motors and Chrysler would be protected and preserved, and the likelihood of getting our money back would be greatly improved.

Fifth, the likelihood of repayment of these bailed-out companies would be more likely to occur.

Sixth, the GDP output across the entire economy resulting from the trickle-down of all of the car purchases, the car dealers, the car salespersons, and all the people in the related industries would also help to offset this.

● (1535)

Seventh, there would be reduced unemployment costs. We would have less employment insurance as people would be going back to work who have been laid off.

Eighth, we would have reduced retraining costs. Instead of spending money retraining people, let's put people back in jobs that already existed and should still be there.

Ninth, we would reduce our health care costs as a result of decreased pollution. We have a proven statement in Ontario that 6,000 people in this province die each year in direct relation to air pollution. That was published two years ago and again last week. It would also reduce accidents and health care cost demands.

Tenth, we would have less demand on the costly direct subsidies that are being given to the OEMs, and therefore less demand on these manufacturers to keep requesting more money—

The Chair: Mr. Young, we're running over our time here.

Mr. Fraser Young: I have two or three more points, and that's it.

The Chair: Very quickly.

Mr. Fraser Young: Eleventh, it mitigates our oil sands production and our pollution outputs.

Twelfth, it reduces our fuel consumption and lessens our import oil demands.

Thirteenth, it supports an industry with a heavy prior federal and provincial investment that is obviously not showing a return currently.

And fourteenth, it reduces the downside effect of further job losses and the severely lagging U.S. economy that will continue to occur.

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

We'll now go to Upper Lakes Marine and Industrial, to Mr. Dewar, please.

Mr. John Dewar (Vice-President, Strategic Services, Upper Lakes Marine and Industrial Inc.): Thank you for this opportunity to address the committee. In the interest of everybody, I will refer to a prepared text, and my topic is shipbuilding.

The Government of Canada is currently reviewing options for the renewal of the government fleets, based on a commitment to build in Canada, at a nominal cost of more than $40 billion for more than 50 ships over the next 20 years. It would be very good news indeed for the entire shipbuilding industry in Canada if at least some of these contracts for these vessels were awarded over that 20-year period, because it's been almost that long since the crown awarded any major contract for shipbuilding. If the crown wants and intends to build ships for the federal fleet in Canada, given the sporadic nature of the demand, steps must be taken to ensure that there is a sustainable commercial shipbuilding industry.

There have been no new ships built for the Canadian Great Lakes fleet since the shipbuilding subsidies were eliminated in the mid-1980s. At this time, the average age of a laker is 40 years; new ones are only 25 years old. The shipyards in Ontario survived on major repair and overhaul of existing ships, including the replacement of up to 80% of the hull structure in a process known as a forebody conversion, but this type of conversion work can be done only so many times.

There is a clear need to replace the Great Lakes fleet, which currently numbers some 60 Canadian-flagged ships, partly because of fair wear and tear, but mainly because of the need to meet modern environmental standards for ballast water management and emissions reductions.

At this time, a laker can be delivered FOB a shipyard in China for less than one-third of the price for the construction of a similar ship in Canada. This is no reflection on the productivity of Canadian workers. By any objective measure, such as man-hours per finished tonne of steel work, the productivity of our shipyards is first-rate. The shipyard in St. Catharines has set standards of less than 24 hours per tonne, which are unparalleled at even the most efficient overseas shipyards.

Asian shipyards in particular have obvious price advantages from subsistence-level wages. But just as important, these facilities are not subject to the same standards of occupational health, safety, and environment that are rightly required for Canadian workers.

As an illustration, by the regulations of the Ministry of Labour, a welder working in a confined space—and a ship is nothing more than a complex array of confined spaces—must be under constant observation by a sentry, the result being that two workers are required for the same job. Moreover, these overseas facilities derive benefit from a supply chain for equipment and material that operates under the same discount conditions, although everyone has seen some of the quality issues that emerge from such systems.

The federal government has several policies in place intended to encourage the construction of ships in Canada, including an import duty on vessels built overseas and entered into Canadian flag registration. The structured financing facility, an interest rate buy-down program for ships built in Canada, administered by Industry Canada, can reduce the overall cost of a ship by up to 15%. The accelerated capital cost allowance for ships permitted to Canadian owners by Finance Canada is also available.

It should be noted that the structured financing facility and the accelerated capital cost allowance are mutually exclusive. When building a ship in Canada, a Canadian owner must choose one or the other—although, interestingly, should a foreign owner elect to build a ship in Canada, in many of the flag-of-convenience countries, that owner would be able to benefit from the Canadian SFF, the structured financing facility, as well as capital cost allowance in the country of registration.

Every maritime nation, including our NATO allies, takes steps to preserve an indigenous shipbuilding capability, not just for commercial reasons but also in the interest of national security and sovereignty. In June 2007, Peter MacKay said, “Canada is a maritime nation, and a viable shipbuilding industry supports our security and our sovereignty”.

It is clear that the current policies are not sufficient to support this viable shipbuilding industry, and it should be made clear that we are in favour of free trade, certainly in our company. But we think it must also be fair trade. To insist on appropriate health and safety standards for Canadian workers, while permitting international competitors to avoid comparable standards and benefit from huge price advantages for goods sold in Canada, does not seem to suggest a fair trade practice.

So we suggest three things that we think would improve the conditions for Canadian shipbuilding. The first is to ensure that the structured financing facility is sufficiently funded rather than being subject to periodic and arbitrary top-ups. The second thing is to permit Canadian owners to combine the structured financing facility and the accelerated capital cost allowance for ships built in Canada. The third recommendation is to establish a tax credit program for direct investment in the marine industry.

● (1540)

Such programs have been previously established for the oil and gas industry, as well as for labour funds. In Germany the *kommanditgesellschaft* financing, more commonly known as KG financing, and more pronounceably—my apologies to any German speakers—is highly successful in promoting investment in the marine industry. It's actually one of the world's leading contributors to marine development.

I'll leave the rest there. I've got one other comment, if we have some time.

The Chair: I'm sure you'll get some questions. I know we have a former chair of the marine caucus here.

Mr. John Dewar: I'm well aware.

Mr. Mike Wallace: I'm still the chair—unless you found out something I don't know about.

The Chair: Oh, you're still the chair. Okay.

We'll start with questions from members.

Mr. Pacetti, please.

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

Thank you to the witnesses for appearing. It's an interesting panel. I'll try to get as many questions in as I can.

I guess I'll go in the same order.

From the Canadian Retail Building Supply Council, Mr. Campbell, you talked a little bit about EcoEnergy Retrofit and Energy Star. My understanding is that the problem with the program is that you have to get somebody to come in and evaluate whether you're eligible or not, so you need some cost outlays and then you have to wait to find out if you're actually eligible for the retrofit.

I'm not sure how that would fit into converting the program to the same as the home renovation program.

● (1545)

Mr. David Campbell: We certainly recognize that the home renovation program is very simple. That's one of the reasons consumers are taking advantage of it versus EcoEnergy Retrofit. All we're suggesting is to review the program. If there's an opportunity to offer that program, that inspection could be part of the tax credit and how it's designed similar to HRTC.

Mr. Massimo Pacetti: Do you have a suggestion on how we can simplify it? Would your members perhaps do the inspection?

Mr. David Campbell: They would have to be qualified to do that, and some are doing that. Some of our members are actually taking courses and training to go out and do the inspections. Once they've done that inspection, the cost of that inspection is built into the cost of the retrofit of the home. That could be applied as a tax credit, similar to the HRTC. That's what we're suggesting.

Mr. Massimo Pacetti: Great, thanks.

Turning to the Canadian Network of Dance Presenters, Ms. Holmes, in your brief you're asking for an additional $40 million to invest in international markets. With the money that the Canada Council for the Arts has right now, are you allowed to apply for any money for international performances?

Mrs. Jeanne Holmes: It's a very small amount.

Mr. Massimo Pacetti: There's an amount in there already?

Mrs. Jeanne Holmes: Yes, there is, but it's quite small and not in any way similar to what PromArt and Trade Routes offered.

Mr. Massimo Pacetti: The reason I'm asking is that I've asked this question of other arts groups. The $40 million, should it not be also done through the Canada Council for the Arts?

Mrs. Jeanne Holmes: Yes.

Mr. Massimo Pacetti: It should be a separate fund and not be grouped with all other funding. Is that what you're asking? That's the request, right?

Mrs. Jeanne Holmes: Yes, exactly.

Mr. Massimo Pacetti: Okay, thank you.

The next group is the Professional Writers Association of Canada, Mrs. Gulliver. The $30,000 you're asking for, you're saying it should be open to artists or people with artistic talent? What would your definition be? Who would decide who would be artistic?

There would be some accountants who would think they are artistic in how they prepare financial statements. I'm an accountant, by the way, by profession, so I regard myself as an artist sometimes. Politicians may regard themselves as artists as well.

Ms. Tanya Gulliver: As a former politician, I'd say there is an art to politics for sure.

I would say it's people who are deriving an income and a living from arts as opposed to those who are doing it on an amateur basis.

Mr. Massimo Pacetti: So you would set up a definition of what an artist would be?

Ms. Tanya Gulliver: Yes. It could be a standard that you need to be making a certain amount of money, or it could be that it's your primary source of income or your only source of income, but it would include visual artists, dance artists, musicians, actors.

Mr. Massimo Pacetti: Other self-employed people have asked for the same thing, but I'm just wondering how limited a focus you would put just on the artists. So you would stay away from amateur artists?

Ms. Tanya Gulliver: We're not opposed to it being extended to other self-employed people. I think there's a challenge that exists when you are a self-employed worker and trying to survive, especially in today's economy, looking at what's happening even with—

Mr. Massimo Pacetti: So your definition would be professional, you're saying?

Ms. Tanya Gulliver: Professional.

Mr. Massimo Pacetti: A professional, but not gaining enough to earn a living?

Ms. Tanya Gulliver: That would apply to almost all artists in Canada these days.

Mr. Massimo Pacetti: Interesting. Thank you.

Just turning quickly to the University of Toronto, Ms. Wolfson, we've heard this before, where you're asking for post-doctorate support. Other universities and higher educational institutions have asked for it, but how do you see it being administered? Would it be a separate fund?

The Conservative government just closed the millennium scholarship, so it couldn't be funded through that. Would it be through the universities? How would it be administered?

Ms. Judith Wolfson: There are a number of mechanisms that one could use—the Vanier scholarships, for example, or through the granting councils we have.

Frankly, I think the granting councils are probably the best bet. They already have processes in place for peer-reviewed, excellence-based. The Vanier scholarships were a tremendous new innovation, but they're pegged at a different level.

So I don't think the mechanism of delivery of the program would have to be new at all.

Mr. Massimo Pacetti: The granting councils would have the ability to do that?

Ms. Judith Wolfson: They do now.

Mr. Massimo Pacetti: Okay. Thank you.

Mr. Dewar, just quickly, we've had some other people from either marine or shipbuilding, but my understanding is that there's not much of a shipbuilding industry here in Canada. There is for some of the navy vessels, but nothing for commercial.

Am I missing something here?

Mr. John Dewar: No, commercial shipbuilding takes place. I think the successful ones are probably on the east coast, from Prince Edward Island. They've got a successful export for tugs, specialized purpose vessels. Offshore modules are also built and refitted and refurbished in Halifax. Irving Shipbuilding does those.

There is a demand, apparently a legitimate demand, for replacement of a large number of the vessels in the navy and the coast guard. It's been a long time since they were successfully able to get a marine project out, although they recently awarded a contract for coast guard vessels after the third try. If we have some time to comment on the cost of doing that bidding, and how that would be useful to companies, we can talk about that.

● (1550)

Mr. Massimo Pacetti: We saw that presentation, but in terms of commercial are there companies out there that are able to do it, or would it mean—

Mr. John Dewar: Yes.

Mr. Massimo Pacetti: —a whole revamping of an industry?

Mr. John Dewar: If we look at the shipyard in St. Catharines, which belongs to us, it has survived on doing these forebody conversions, where you replace up to 80% of the steelwork in the hull, preserving the mechanical and control system sections of the ship. Because these ships have a lifetime in fresh water, they can go quite a long time without being replaced. So that work has been done—although, right now, within the last two years, the cost of construction has fallen so low in Asia, particularly in China, and their costs have been brought down because they had huge capacity, they're willing to sell now that the demand for ocean-going ships has also fallen.

So we can't compete against a price of one-third. As I say, it's not a reflection of the productivity of being able to do it, in absolute terms —

Mr. Massimo Pacetti: So it's a question of being competitive.

Mr. John Dewar: —but it's a price of economics.

Mr. Massimo Pacetti: Thank you.

Thank you, Mr. Chairman.

The Chair: Thank you, Mr. Pacetti.

We'll now go to Monsieur Laforest.

[*Translation*]

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

Good morning to all the witnesses.

I have a first question for Fraser Young.

I find the project you refer to a little complex. It may be feasible, but abolishing the GST for a new vehicle, for a used vehicle, an exchange with a person who has a lower income for a used vehicle... Ultimately, the condition is that a vehicle over 15 years of age is retired.

Who will manage that kind of program? Don't you think the administration of that program will increase bureaucracy, which, eventually, could completely cancel out the savings achieved? I find it complex, but you've studied the model enough for it to be feasible. I'd like to hear what you have to say on that, please.

[*English*]

Mr. Fraser Young: Thank you for your question, Mr. Laforest.

There will always be some difficulty, and we've seen as evidence in the American example that they were crushed with 700,000 transactions that all had to be verified and confirmed, and also that the government was forced to issue cheques and funds directly to the car companies, which meant 20,000 registrations and 700,000 disbursements.

By using the GST specifically, you simplify it to a line transaction on the contract, where there's no GST appearing on the bill to the customer.

[*Translation*]

Mr. Jean-Yves Laforest: But according to your model, who will be responsible for finding a buyer for my used vehicle? Is it the dealer that sells new cars?

[*English*]

Mr. Fraser Young: There's a complete system underneath what I'm presenting here that I don't present or profess to everyone. I'm off to Washington next week to do the after-clunkers program for America. Hopefully Canada will benefit.

The idea there is that actually the car would remain. If there was a decent seven-, eight- or nine-year-old car brought to a dealership, it would remain at the dealership until somebody who was lesser-privileged who had a qualifying vehicle, 10 or 15 years old, regardless, or with high mileage or low fuel economy.... That car would be taken in and the other person would come back to the dealer with a voucher of verification.

That system is already in place with the Clean Air Foundation, Car Heaven, and the Canadian government. So the verification process could be accomplished.

● (1555)

[*Translation*]

Mr. Jean-Yves Laforest: That answers my questions in part. I have a lot more to ask, but we don't have much time.

I'd like to ask Ms. Gulliver a question.

You discussed some promising tax measures that Quebec was offering producers and creators. Ultimately, you're making a similar suggestion to the federal government. In your opinion, the Revenue Agency should adopt similar measures at the federal level.

Have you made a request to the Government of Ontario or to each of the provincial governments?

[*English*]

Ms. Tanya Gulliver: We reference the Quebec government as an ideal example of what's already happening.

As we are making budget submissions to each of the provinces in their annual budget cycle, these are issues we raise, and we again use the example of Quebec there.

[*Translation*]

Mr. Jean-Yves Laforest: All right. Thank you.

Now I'm going to turn to Ms. Wolfson, from the University of Toronto.

In one of your recommendations, you talk about doubling the number of discovery grants. You cited a figure of $120,000 over three years. You say this is a new program.

What is the difference between a discovery grant and a research grant?

[*English*]

Ms. Judith Wolfson: Thank you very much for the question.

The post-doctoral fellowships that we're talking about are really not different from a discovery grant, per se. What we're talking about is having the capacity for post-doctoral students, particularly focused at the international markets.

We don't have the capacity now to attract international students who will come, and the research will of course lead to discovery and in a wide variety of fields. That's why my response was that it be through the granting councils, which already direct research through peer-reviewed bases to a broad range of research. It's not particularly targeted to specific commercial innovation.

I used the example of the BlackBerry that we're all using here. These innovations come from discovery but not necessarily from a predetermined concept.

[*Translation*]

Mr. Jean-Yves Laforest: Thank you.

Thank you, Mr. Chairman.

The Chair: Thank you, Mr. Laforest.

[*English*]

We'll go to Mike Wallace, who considers himself a contemporary dance artist.

Voices: Oh, oh!

The Chair: Ms. Gulliver, I'm glad you clarified what a professional is versus an amateur.

Mr. Mike Wallace: I knew that was coming. I'm a contemporary dancer because of these guys. That's all I have to say.

I'm going to start with my friends from Upper Lakes Marine and Industrial.

First of all, with the combined ACCA and the SFF, what difference do you think that will make to your actual business? What bump do think that will drive?

Mr. John Dewar: Let's start with that one-third price that you pay in China for the same ship, because you have to build the equation.

Mr. Mike Wallace: You have to remind people here that if they buy a ship overseas, the second-highest tariff penalty in Canada is for a ship, and that's 25%.

Mr. John Dewar: Let me get to that.

Let's say you can purchase that ship in China for $24 million and it costs a little over $75 million to build that same ship here. On the $24 million, you add a 25% vessel import duty—to which you're referring—which is $6 million. Now you have the price up to $30 million, and frankly, it still looks pretty attractive compared to a price of $75 million. So that vessel import duty, by itself, is not enough, given the rest of the policies.

As it turns out, and I'm sure my colleagues in the shipowners association will say this, it's really just a fine to them for having the audacity to purchase overseas.

Mr. Mike Wallace: I agree.

Mr. John Dewar: The rest of this you can apply against that, and it actually decreases the price to the customer on the Canadian side.

The structured financing facility can buy down the total cost of that project by about 15%, and 15% of $75 million is going to be something in the order of $10 million. Now the difference is down to $65 million compared to $30 million. It's approaching the right direction.

The other is that the accelerated capital cost allowance to the owner is also worth about 15%, but you can only pick one or the other.

● (1600)

Mr. Mike Wallace: Right. If you combine them, that would make it a 30-point deduction in the price.

Mr. John Dewar: That's right, yes.

Mr. Mike Wallace: That's even though the price differential is relatively stiff, even after the 25% they have to pay as an import tax.

Mr. John Dewar: Today it is, yes. But if you look at the prices in 2006, the ship you can get in China for $25 million or $24 million today would have been about $40 million, because they weren't going to let that margin go. In those conditions, the difference actually came to a wash, or very close to it. The market price is not always going to be where it is. I think you'd be naive to think that. You have to put policies in place that are going to allow the playing field to be levelled out.

On the issue of occupational health and safety, I'll just give you an idea of the magnitude of that. When we looked at the cost of building that ship in China, applying our health and safety standards to that price would increase the price of that ship by about one-third. So there's a lot to this.

If you want to have a shipbuilding industry in Canada to build those built-in-Canada federal ships, something has to be done to improve the conditions now.

Mr. Mike Wallace: I don't disagree, and we're not here to argue about marine issues. But if the government of the day had made the decision 30 years ago, or longer, that we were going to be in the shipbuilding business—because a laker hasn't been produced in this country since about the mid-1980s—policy should have been developed then. Now we're kind of behind the eight ball this far out.

Would you not agree?

Mr. John Dewar: Yes, I think conditions are pretty desperate for building it. One of the things you have to bear in mind is that these old service shipyards that are capable of building ships are essential to the marine operators to maintain and repair the ships they have. So you have to find some way to preserve that capability, even if there's not shipbuilding available for new construction.

Mr. Mike Wallace: I'm going to ask two more questions.

First, I want a clarification from the investment group. Your brief has six items, I think, and your presentation today had three.

Are those three your priorities?

Mrs. Debbie Pearl-Weinberg: Those would be our top three priorities.

Mr. Mike Wallace: If I'm reading it right, you don't want the HST applied to investment brokers. Is that what you're saying in that last piece?

Mrs. Debbie Pearl-Weinberg: It was specific to the management piece.

Mr. Mike Wallace: You don't want it applied. It is not applied now, I don't believe. You don't attract PST at this particular moment, right?

Mrs. Debbie Pearl-Weinberg: No.

Mr. Mike Wallace: Thank you.

My last question is more philosophical. You brought it up, so I thought I'd ask.

I hear a lot from Canadians who ask how we can let a company go. Somebody else is buying it. Dofasco for example, which was a good, solid steel company in Canada, was bought by Belgians. We have other companies purchased by foreigners.

I often push back a little bit and say that maybe Canadian business leaders aren't aggressive enough. Why didn't Dofasco get out in front of the curve and start buying up other steel manufacturers around the world? Most companies see what's happening within their industry.

Do you believe there's something missing in the educational aspects of our business leaders so that we're not as aggressive as we should be as Canadians?

Mrs. Debbie Pearl-Weinberg: I'd love to have a long conversation with you about it. I will confess that in a previous life I was a deputy minister for economic development and trade for about 10 years or so in the Ontario government, so I'm obsessed with this issue.

Yes, I do think we have a problem in Canada. I do think we have a problem with being entrepreneurial. I do think we have a problem with management, with risk. I think we're risk-averse. I think we need to manage risk. I think we need to accept risk and I think we need to look at the levers.

One of the things I don't see is a lack of entrepreneurship in students. I don't see risk-aversion in students. You know, somehow they come in....

We want them to accept risk. And the creativity is amazing.

What we need is, firstly, the capacity to get them doing research. It's one of the things, by the way, that the University of Toronto—not being parochial for a minute—does extremely well. Because of the excellence of faculties, every student has an opportunity to do research.

So it's getting those juices going. That begins to do it, but you really need a better system of faculty-student engagement. You need to make sure that when they do research, it doesn't cost the institution.

I will take 40 seconds and just speak to that issue. It sounds odd when people say, “What are you talking about, the full cost of research?” What I will say is it's the research that will help us be competitive internationally. Researchers get grants, and those grants go to the research. What they don't get is all the overhead.

So it's like saying, “I'm going to give this to you, but I'm not going to give you the lights, I'm not going to give you the power, I'm not going to give you the chairs to sit on, and I'm not going to give you the desks.” This is real. Where does it come from? It comes from the operating grants to the university to support the research, and that's why “full cost of research” is what we're talking about.

Now, to be fair, the province does give 40¢ on the dollar. But the federal government gives 20¢ on the dollar. This has been a long problem: you get a grant, but it's on the backs of the undergraduate experience to pay for the research that's going on.

That's why it's a real problem. It's a serious problem. It's not a money grab here. It's a serious problem.

● (1605)

Mr. Mike Wallace: Okay.

Thank you.

The Chair: Thank you, Mr. Wallace.

We'll go to Mr. McCallum, please.

Hon. John McCallum: Thank you.

Thank you all for joining us. This is our last session in our last city across the country.

Ms. Wolfson, I notice you're very adept at turning a question around to advance your main cause.

Voices: Oh, oh!

Ms. Judith Wolfson: I learned it from you.

Voices: Oh, oh!

Hon. John McCallum: I'll raise a question with you to begin with.

As you know, or you may not know exactly, I have spent twice as many years in academia as in politics, so I'm naturally quite sold by the thrust of your argument. Mine is a more specific point, where you talk about removing commercialization activity from those entities that are not market-facing and never will be.

We had a person in here earlier today who was saying that to get a research grant, you should get extra points and be favoured if it led to commercialization. I kind of reacted against that.

What is your view, or the University of Toronto's view, on commercialization? Where does it fit? Should there be incentives to do more of it, versus what you might call pure research?

Ms. Judith Wolfson: We need to commercialize more in this country. There's no question. Our view is that the primary role of the university is not to commercialize, it's to create discovery, and then to help in getting that knowledge transferred. It's the private sector's job primarily to do the commercialization, but you have to have bridges.

So the more we can have technology-transfer bridges, the more we can have the MaRS discovery districts of our world, where you bring the folks together. That's the proper role. But it isn't the role of a professor; with the greatest of respect to academics, they're not primarily there as business people.

So I think what we need to do is ensure that they discover and they transfer knowledge and that we have receptors.

Hon. John McCallum: Okay. Thank you very much.

Ms. Gulliver, I am a strong supporter of income averaging. I don't know why they did away with it in 1982.

Yes, it was a Liberal government.

Voices: Oh, oh!

Hon. John McCallum: Well, I could just see the calculators going over there.

I would think it should be applied to all of the self-employed, not just artists. I assume you wouldn't object to that, would you?

Ms. Tanya Gulliver: We wouldn't object to it. I think artists specifically face a bit of a challenge, especially writers. We might write an article today and submit it, and it might not get published for six months or a year. Then we might not get paid for it for 30, 60, 90 days after publication.

Hon. John McCallum: There are other people who have volatile incomes. It just seems to me as a general principle that income smoothing ought to apply to all the self-employed, artists or not—apart from the fact that it's hard to define exactly what an artist is.

That would be a lot simpler and fairer, it seems to me.

Ms. Tanya Gulliver: And we would absolutely support that.

Hon. John McCallum: Okay.

About the green car thing, I have a problem with the clunkers thing applied in Canada. I'm not sure if it applies to your proposal, but approximately 80% of all the cars Canadians buy are imported and approximately 80% of the cars that we produce are exported.

Let's forget for a moment about the environmental side and assume that the object is to get more jobs for people making cars and related products. When we put a dollar in there, 80¢ of the benefit goes to the U.S., where 80% of the cars that we buy are produced. Canada gets way more benefit from the Obama clunkers program than we would from a Canadian program, because we export 80% of what we produce to the United States. So we might as well be free riders.

I don't know why we want to have a government program where 80% of the benefit goes to the United States. It's extraordinarily fiscally inefficient, other than for dealers. There is some benefit for dealers, and I don't minimize that. But in terms of jobs in manufacturing and related spinoff jobs, I would argue that this is extraordinarily inefficient.

● (1610)

Mr. Fraser Young: I had actually preconceived that this would be the next question, if it came up.

I want to turn you around on your ear on that. Four of the seven bestsellers in Canada are built in Canada. The Civic has been first for 10 years, and the Corolla is number two. The Sierra kicks in once in a while from Oshawa, and the Caravan manages to kick in around seven. The top 10 sellers in Canada sell at a rate of five to ten times that of all other models.

So you have 80 or 90 other models that are selling 4,000 or 8,000 or 10,000 units, and you have the Civic selling 100,000 and the Sierra selling 40,000 or 50,000.

Hon. John McCallum: It's still the case that a very high percentage of the cars that Canadians buy are imported, and a very high percentage of the cars Canadians produce are exported, which therefore makes the program inefficient.

Mr. Fraser Young: By the same token, if you look at the Canadian content levels of American-built cars, where Canadian parts have been shipped and put into American-built cars, these cars are also coming back after being produced and sold in this system. Anything that levers towards a better U.S. economy will lever towards a better Canadian economy. We have no doubt about that. Eighty percent of our exports go to the U.S. It's our number one export market.

Hon. John McCallum: Okay, I'll leave it at that.

The Chair: You'll have another opportunity.

Hon. John McCallum: We might as well send a cheque to the U. S.

The Chair: Thank you.

Mr. Dechert.

Mr. Bob Dechert: It's been a good day for me here. Both my alma maters have presented today: McMaster University this morning and the University of Toronto this afternoon.

I'm pleased not only as a graduate of the University of Toronto but also as a representative of Mississauga and the GTA to see that the University of Toronto received $155 million in the knowledge infrastructure program, including a $70-million building in Mississauga. It's unfortunate Mr. Pacetti had to leave a little early, because I wanted to point out to him that this building is well under construction. I was at the ground-breaking a few weeks ago, and there's a lot of work proceeding there. I hope the same is true in the buildings in Scarborough and downtown.

I was interested to see your presentation on post-doctoral scholarships. What percentage of international post-doctoral fellows remain in Canada after their term at university is finished? Attracting these people to Canada is one of the things that drives future development in our economy.

Maybe you could comment on that.

Ms. Judith Wolfson: I thank you for the comment. The UTM building is doing well. We're very pleased with it.

I don't have the number, but I can get it for you; most of the folks who come here to do work stay on. One of my responsibilities is the international relationships with the University of Toronto. I would say I'm just as happy if they don't remain, because we need the international connections they can offer.

Mr. Bob Dechert: Sure. That's important.

Ms. Judith Wolfson: So for every student we bring in here who goes back and creates work, we see it day after day that those connections, those research connections and markets, are going to be driven not by keeping people in here but by getting them out.

Mr. Bob Dechert: I take it international students are generally good for Canada, but I have heard from other universities that a high percentage of the doctoral students and post-graduate students stay in Canada.

Ms. Judith Wolfson: Oh, they do. And I want our students to go there and I want their students to come here. That's how we will—

● (1615)

Mr. Bob Dechert: With respect to your suggestion that we double the discovery accelerator supplements grants, what is the cost of that?

Ms. Judith Wolfson: I'm sorry; I don't have the specifics, but I can get them to you.

Mr. Bob Dechert: Fair enough. Thank you for your suggestions.

I have a quick question for Ms. Pearl-Weinberg. I found your presentation on income splitting to be quite interesting. What cost to the government would you suggest for your RRIF suggestion, making pension splitting available to RRIF holders?

Mrs. Debbie Pearl-Weinberg: We don't have that information available, but we can try to get it to you.

Mr. Bob Dechert: Certainly if it's in a reasonable ballpark, it's something that I think would be worthwhile suggesting, so I'd appreciate it if you could give us some guidance on that. That would be helpful.

Mrs. Debbie Pearl-Weinberg: We'll get back to you on that. Thank you.

Mr. Bob Dechert: With respect to the professional writers and Ms. Gulliver, I think my question is somewhat similar to Mr. Pacetti's.

First of all, let me ask you a question. You're suggesting that we increase the basic personal exemption to $30,000. Is that for everyone or just for artists?

Ms. Tanya Gulliver: We're speaking on behalf of our members and artists, but we would not object to that happening generally.

Mr. Bob Dechert: Okay. It sounds like it could be an expensive proposal. I'd like to know what that would cost.

If it were restricted to artists, as I think you mentioned in your brief, other countries have done similar things and they restrict it to people who produce creative output. So where do you draw the line? As a lawyer in private practice, I've had clients in the computer game and video game industry who are artists who produce.... It's a viable business and they've done quite well, but wouldn't they also fall into that category, for example?

Ms. Tanya Gulliver: Sure, and I think that's a bit of a challenge for us, even, when we're trying to define our membership and that kind of thing.

One of the suggestions we have is a study that would look at the benefits and the costs of tax reform, and I think one of the criteria set for that is to create a definition of artist in this country. Under the Canada Council, there are certain people who get grants and there are people who don't get grants. So that could be part of the definition, starting there.

Mr. Bob Dechert: Let me ask you about EI. Would you support extending parental leave benefits to self-employed individuals?

Ms. Tanya Gulliver: Absolutely.

Mr. Bob Dechert: Thank you.

Am I out of time?

The Chair: You have 30 seconds.

Mr. Bob Dechert: To Ms. Holmes, one of your suggestions was to increase Canada Council funding by $40 million. I think other arts groups have suggested $120 million, so you're quite a bit more reasonable.

Mrs. Jeanne Holmes: It depends on what part of the Canada Council—

Mr. Bob Dechert: Okay.

So is it the same as the other groups?

Mrs. Jeanne Holmes: This is specifically for international market development, for taking Canadian artwork and presentations outside of Canada.

Mr. Bob Dechert: Thank you for that clarification. I appreciate it.

The Chair: Thank you, Mr. Dechert.

We're going to go to Mr. Menzies.

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

Thank you to all of our witnesses here. I'm just going to pursue one step further with Ms. Pearl-Weinberg.

When you're getting us the cost, can you give us an idea how many people this would impact? Is it a big amount of the population that this RRIF change would impact?

Mrs. Debbie Pearl-Weinberg: I believe it would be. We can try to get those numbers as well of individuals drawing down from RRIFs before the age of 65.

Mr. Ted Menzies: We'd appreciate that.

I have sort of a similar question on your second one, recommending that only the actual amount of the dividend received be included. How many people does that impact and what would your projected cost for that be?

Mrs. Debbie Pearl-Weinberg: Again, we don't have the numbers here, but I will try to get them for you.

Mr. Ted Menzies: That would sure be helpful for us.

And on your last one as well, what's the cost?

Mrs. Debbie Pearl-Weinberg: We'll get those numbers for you.

Mr. Ted Menzies: Yes, show us the numbers.

Thank you. I appreciate that.

Mr. Campbell, we had a representative of the cement industry in our previous session, and I asked him if he felt that the stimulus money—the taxpayers' dollars we put in to kick-start the economy—has been a primer for the pump. Do you think your industry has simply just pulled sales forward? With the home renovation tax credit, some people have suggested that all that has done is pull sales forward. Or has it actually primed the pump and got people spending again?

What are your projections?

Mr. David Campbell: I would categorically say it has increased the stimulus for our members.

I can tell you that back in the spring of this year, our members were reporting negative sales growth. Things were tough at the retail level. I can tell you that when the marketing packages were shipped out to the retail sector—the packages similar to this type of package—the consumers grabbed onto it. Unfortunately, almost six months of the year had passed before they got out there, but I can tell you that based on my conversations with many of our members in the past several weeks, they're starting to report double-digit sales growth. A lot of them are telling me they're coming in, and the consumer is in looking for these packages.

So I would have to say yes, it is a definite stimulus for our economy, this HRTC.

● (1620)

Mr. Ted Menzies: You see, you can hold that piece of prop up. We can't on this side of the House. We get in trouble for that.

I do appreciate that. Seriously, it's a concern for us. What we put in were taxpayers' dollars.

Mr. David Campbell: Absolutely.

Mr. Ted Menzies: We want to make sure that they're working and that they were just a primer. They were not an expectation to continue in the following years.

I see your first request is that the home renovation tax credit be extended for one more year. You're not the first one to ask for that.

Mr. David Campbell: I would point out to you one thing that became apparent in the last couple of weeks. It's not only through the normal sales process that we are seeing the HRTC increasing activity at the retail level. We're all aware there is an underground economy, and an underground economy certainly affects the income of the government as far as lost tax revenues go. What's being reported back to us is that a lot of the cash transaction that was happening isn't quite happening to the same extent anymore, because people want receipts. So there's a benefit there.

Mr. Ted Menzies: An unintended consequence?

Mr. David Campbell: There you go.

Mr. Ted Menzies: And a happy one, too.

Mr. David Campbell: Yes, absolutely.

Mr. Ted Menzies: I would imagine you know Annette Verschuren very well.

Mr. David Campbell: I know of her, yes.

Mr. Ted Menzies: She has relayed some of those same comments to us and we do appreciate them.

That's all I have.

The Chair: Okay, thank you very much, Mr. Menzies.

I'm going to ask a couple of questions here just to clarify.

I wanted to ask Ms. Pearl-Weinberg about her third recommendation, allowing application of capital losses against income.

A number of us have received representations from Nortel employees. There are two issues there. One issue is with their pension and the bankruptcy. One issue is with respect to those people who received equities over the course of working there, and then obviously with the drop in the stock price, they lost all value there, but now they're being assessed that as income.

Mrs. Debbie Pearl-Weinberg: Are you talking about the deferred stock option?

The Chair: That's right. Is this intended to deal with that part? They would like to see it fully equalized so that it's not considered income at all. But is this intended to deal partly with those types of situations?

Mrs. Debbie Pearl-Weinberg: To be honest, that was not our intention, but certainly I think it would alleviate, to a certain extent, those issues as well.

The Chair: Has your organization looked at their issues, or looked at their recommendations or their challenges specifically? Do you have any comments on that?

Mrs. Debbie Pearl-Weinberg: I'm not sure if IFIC has looked at it. Personally, I have looked at it, but I don't think it's something that IFIC looked at, per se, because of the nature of how people invest in our funds.

The Chair: Okay, I appreciate that.

Ms. Wolfson, you raised some very big issues here and I wanted to quote you back. You said, in particular, that you wanted to register your appreciation for the sustained investment in research, science, and technology made by the Government of Canada over the past few years.

I'd like to bronze this and give this to my good friend John McCallum. He won't accept it from me, so perhaps he will from the University of Toronto.

I take your point, especially about the investment in human resources, the indirect costs of research. Those points have been made very well by other institutions, and by the AUCC as well.

I wanted to ask a question, which you can use to boast, but it's a bit of a challenging question as well. As you mentioned, the BlackBerry is a real game-changing technology in Canada. Name one to three other game-changing innovations from the University of Toronto over the last five years.

Ms. Judith Wolfson: I wish I had the notes for when my presentation was 10 minutes long, because I had a couple of examples.

The first is stem cells and the work that's been done in terms of discovery. Tony Pawson, who just won the Kyoto prize for $10 million, looked at how you use stem cells to create “life-altering” in its best sense. That's a discovery.

Marny can speak to another one.

● (1625)

Ms. Marny Scully (Executive Director, Policy and Analysis, Office of Government, Institutional and Community Relations, University of Toronto): Some of you may have recently seen in the paper that Ted Sargent and his research team developed a device the size of a BlackBerry that detects prostate cancer in 30 minutes. That's the most recent example of a huge innovation.

Ms. Judith Wolfson: Shana Kelley was the other person.

In terms of the environment, the most extraordinary invention has just been done at the University of Toronto in our engineering faculty using nanotechnology—the University of Toronto is Canada's strongest university for nanotechnology—using nanofibres to create auto parts. A guy named Mohini Sain develops auto parts essentially out of vegetable fibre. That will change radically how we work.

The second most interesting piece is.... You'll forgive me for not knowing parts of a car. It's the big thing inside the motor, the case or whatever it is; I'm a lawyer, not a car mechanic. This you can pick up with your hands. I can pick it up. Just the weight: all the parts, developed in that big thing that the battery goes in and everything else—this is a major embarrassment—can be picked up. So the cost to run a car and the energy efficiency and the need for the use of carbon fuels is astronomically different.

We could go through this and I could give you thousands more.

The Chair: The reason I ask about research, especially of universities, is that those are the stories that have to be told to us and to Canadians to say this is why we invest in research. When we talk about granting councils and we talk about indirect costs of research, when we talk about funding buildings, frankly Canadians' eyes glaze over and they ask what it's all for. So we're funding people in lab coats in universities; that's interesting, but what are they doing and how is it affecting my life?

We were at the University of Alberta, and Lorne Tyrrell took us around and said the investments in hepatitis research means this. So I would encourage you to do that.

I'm out of time, but I would also say that I wouldn't differentiate between a new economy and a natural resources economy. Coming from Alberta, I think they're very much married. I have a friend who just developed his own robot that makes screw piles both for the energy industry and for the solar farms being built here in Ontario, and he decided he needed a robot that he takes around the world with his team to build them all over. Often in those kinds of industries you're forced to make technological and innovative things as well.

But I am out of time, and this is our final panel here.

We thank you very much. It was a very interesting, diverse panel, and very good discussion. We thank you for your thoughts and your presentations. We look forward to our report at the end of November.

Thank you, colleagues, for our cross-Canada tour.

The meeting is adjourned.

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