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# Standing Committee on Finance

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**EVIDENCE**

## Monday, November 2, 2009

## Chair

**Mr. James Rajotte**

# Standing Committee on Finance

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● (1530)

[*English*]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** I call this meeting to order, the 60th meeting of the Standing Committee on Finance.

Our committee is continuing our pre-budget consultations. We have two panels from 3:30 to 6:30, panels of an hour and a half each. We have eight organizations in this panel. I'll read them in order of presentation. We have the Canadian Association of Petroleum Producers, the Philanthropic Foundations Canada, the Association of Canadian Community Colleges, the Canadian Caregiver Coalition, the Canadian Federation of Students (Newfoundland and Labrador), Barrett Xplore, the Royal College of Physicians and Surgeons of Canada, and Action Canada for Population and Development. So we have a lot of organizations in quite a short time period.

I will ask each of you to have an opening statement for a maximum of five minutes. We'll go down the line and then we'll go to questions from members.

We'll start with the Canadian Association of Petroleum Producers.

**Mr. David Collyer (President, Canadian Association of Petroleum Producers):** Good afternoon, Mr. Chairman and members of the committee.

Thank you for inviting us to appear and to share our proposals with respect to the next budget as it pertains to the oil and gas sector.

I'm David Collyer. I am president of the Canadian Association of Petroleum Producers, or CAPP.

Appearing with me today is Don Herring, president of the Canadian Association of Oilwell Drilling Contractors, or CAODC. Don.

**Mr. Don Herring (President, Canadian Association of Oilwell Drilling Contractors, Canadian Association of Petroleum Producers):** For my part, what I would like to do is explain just a little bit about the CAODC.

The Canadian Association of Oilwell Drilling Contractors is a voice for Canada's drilling and service rig industry and one of the country's oldest petroleum associations. We represent 100% of the drilling contractors, 48 companies running 863 drilling rigs. We have four drilling contractors operating in Atlantic Canada and another 73 service rig contractors that run about 1,200 rigs across western Canada.

When investors put us to work we employ 25 technicians and about 50 other skilled service workers for each rig that is running. Right now, 75% of our equipment is idle, and another 65% of the service rigs are parked. That means on our equipment alone, more than 11,000 more people are without work this year compared to the same time last year. And some 23,000 people are at home if we compare it with just three years ago.

**Mr. David Collyer:** In our written submission to the committee this year we made three recommendations, and I'll speak to each of those in turn.

The first recommendation was that the federal government help stimulate job creation in the oil and gas sector by implementing immediate tax deductibility for oil and gas development expenditures, and that would be for a time-limited period.

Second: that the scheduled phase-out of the accelerated capital cost allowance for oil sands be deferred.

Third: that the federal government address ongoing issues of eligibility for the scientific research and experimental development, or SR&ED, tax credit.

The first two of those proposals are meant to address the current and near-term economic environment, while the third will have a medium- to longer-term effect on the sustainability of our industry.

I'd like to spend a moment discussing each of those proposals.

First, on the jobs recovery proposal, we all know that our economy has been through some tough times lately, including the oil and gas sector. While the Bank of Canada and others have had some promising news of late with respect to economic recovery, there is, I think, still some uncertainty about the timing and strength of that recovery. The conventional oil and gas sector, particularly the natural gas business, is undergoing significant structural change that is compounding the effects of the economic downturn.

Development of large supplies of shale gas in the United States, in particular at very competitive costs, is a new source of supply that was not part of the picture even a couple of years ago, and is changing the competitive environment in which we operate. We're confident the Canadian producers will adapt, but it will take time to do so. This means that the 25,000 jobs we've seen lost in the sector will not bounce back so quickly and may continue to be part of a much talked about jobless recovery.

CAPP and its sister associations in the oil and gas industy, like the CAODC, are proposing that the federal government encourage development and job creation by allowing immediate tax deduction of oil and gas development expenses. This is similar to a mechanism that has already been put in place for machinery and equipment purchases for manufacturers and processors. This is a deferral, rather than a reduction of taxes, and requires no direct cash outlay by any level of government.

The proposal is for a limited 30-month period, ideally starting this fall or winter, and it is in sync with how long we estimate it will take for industry to respond to both the recession and some fundamental structural changes that are occurring. There is obviously the option to shorten that period, if it were necessary to do so and should the economic outlook improve sooner. There's a significant amount of detail in our submission with respect to that proposal.

Let me talk very quickly about the other two items we included in our proposal. The first is a deferral of the phase-out of ACCA, our accelerated capital cost allowance for the oil sands business. In a manner similar to what we're seeing in the conventional part of the business, we believe that deferral—not elimination, but deferral—of the phase-out of ACCA would have the effect of stimulating near-term investment in oil sands and creating jobs as well.

Finally, with respect to the eligibility for scientific research and experimental development tax credit, we believe very strongly that technology is a critical lever for reducing costs, increasing supply, and improving environmental performance of our industry. We've had a longstanding discussion around eligibility for the tax credit, and we think one of the means by which to fundamentally encourage investment and technology and stimulate that investment in the near term would be to broaden the eligibility for the tax credit, thereby encouraging companies to invest incremental dollars in technology.

I'll leave it at that in terms of my opening remarks. That's a very brief overview of our submission, and we're happy to take any questions later in the program.

Thank you.

● (1535)

**The Chair:** Thank you very much, Mr. Collyer.

We'll now hear from Ms. Pearson please.

[*Translation*]

**Ms. Hilary Pearson (President , Philanthropic Foundations Canada):** Mr. Chairman, honourable members, thank you for this opportunity to speak to you today on behalf of my members.

[*English*]

I represent Canadian charitable foundations and grant-makers from across the country. Collectively my members manage more than $7.5 billion in charitable assets and disburse around $270 million annually into the community to support all types of charitable activity.

Canadian foundations of all kinds contribute up to $1 billion of charitable funding every year. Our focus and our purpose is to support the work of the close to 80,000 charities that contribute essential services to Canadian communities.

We have watched the negative impacts of the financial crisis and the recession over the past year with great concern. These negative consequences are worsening as charities exhaust their reserves and their traditional sources of funding become restricted, and as those who make grants, whether governments or private funders, unavoidably reduce their commitments and donors reduce or postpone their gifts. Charities are also facing reductions in earned income. Their budgets for 2010 will almost certainly be smaller, leading to cutbacks in services or layoffs in personnel. In other words, they are facing a perfect storm in finance. This situation points to the serious structural difficulties faced by charities in accessing capital.

Our first recommendation to you addresses the problem of the unmet need for investment capital by charities. Such capital is used as it would be by any small business to finance facilities, bridge-finance the acquisition of equipment, invest in soft capital, such as business plans, and otherwise finance organizational growth. Capital is not accessed easily by Canadian charities, particularly the smallest ones. We believe there is a gap in the market not adequately filled by commercial financial institutions, even credit unions.

While Canadian foundations can do more to provide loans and investments out of their own capital, they must work within the limitations of the federal Income Tax Act, which makes a strict distinction between charity and business. We need more creative, more innovative solutions to the urgent financing needs of charities, especially in light of the worsening outlook for traditional funding.

We recommend that the federal government undertake a comprehensive review of the regulatory structures and vehicles that could promote more access to finance by the community sector and more flexibility for charitable foundations. There are many models. For example, the community development financial institutions fund set up by the U.S. Treasury in 1994 is government action to encourage non-profit capital market development. It has been responsible for channelling more than $1 billion into community development organizations and financial institutions serving the community, and has leveraged more than $26 billion in private sector investments. And in the U.K. the government is moving ahead with all-party political support to create a social investment wholesale bank designed to enable third-sector organizations to access the finance they need to grow and become more sustainable. We have a similar opportunity for creative public policy in Canada, and we urge the committee to examine it seriously.

Our second and third recommendations support those made by other groups that have submitted briefs and have appeared before this committee. The first is the recommendation for the stretch tax credit for charitable donations, led by Imagine Canada. This measure would partly address the funding situation of charities that I referred to at the beginning of these comments.

We know that individual giving has decreased as a result of the recession. We also know that individual giving responds to tax incentives. Therefore, we support the recommendation made by Imagine Canada for a stretch tax credit for new charitable giving. We believe that increasing the federal tax credit from 29% to 39% on all new giving over $200 will encourage Canadians to give more and will benefit all charities.

We also endorse the recommendation made by Imagine Canada and the Canadian Bar Association for an urgent review of the so-called "80-20 rule", or the disbursal quota for charities. We think this regime under the Income Tax Act imposes a complex administrative obligation, especially on smaller charities.

My members wish to underline that we are not asking for a change to the current requirement to disburse 3.5% of assets annually. We believe it is our responsibility and mission to use our charitable assets to support Canadian communities every way we can. But we believe the 80-20 rule is arbitrary and its application unclear, and we urge the committee to recommend a review of the quota regime to the minister as soon as possible.

Thank you for your attention.

● (1540)

[*Translation*]

Thank you. It will be a pleasure to answer your questions.

[*English*]

**The Chair:** Merci, Madame Pearson.

We'll now go to the Association of Canadian Community Colleges.

[*Translation*]

**Mr. James Knight (President and Chief Executive Officer, Association of Canadian Community Colleges):** Thank you, Mr. Chairman, and honourable committee members.

[*English*]

I am joined by our vice-president of public affairs, Terry Anne Boyles, this afternoon.

First, I want to congratulate the committee on the extraordinary work it has undertaken across Canada over the past few weeks. You really have travelled a lot. You have met so many Canadians. I commend you for your energy and your commitment to this process.

We represent 155 institutions of higher education that stretch into every part of Canada. Remarkably, these institutions operate 1,000 campuses in communities across the country. Although we're called the Association of Canadian Community Colleges, in fact there are only three community colleges in Canada. Polytechnics, CÉGEPs, institutes of technology, and universities with a college mandate also comprise our membership.

We have limited our presentation and our brief to three issues only. The first is Canada's lagging productivity. Over the past 50 years, Canada has dropped from third position in the OECD to 17th position in terms of per capita output. Our response seems to have been very large investments in discovery and pure research, primarily in universities, the thinking being that this would somehow increase productivity. In fact, we're not winning at this game. We think that we have to talk more about applied research and the role of colleges in supporting that aspect.

In 2008-2009, no fewer than 3,481 companies, primarily SMEs, turned to colleges for help with applied research, product and process innovation, commercialization, and technology transfer. That is six times more than we reported in 2006. Rather than bury you with explanations, statistics, and details, we have provided a summary, a sampling, of many of these types of relationships, defining in very few words the nature of the technologies and the comments of our private sector partners. Please take a few minutes to read this. If you were ever doubtful about the college role in supporting the innovation economy, you will be persuaded by this short document.

We seek a modest 5% of federal investment in research to support this work. There is some very modest support currently, but it's less than one-half of 1% of the federal investment in research overall.

I'll talk about advanced skills as well as about the challenges of our institutions in this recessionary period. We had long wait lists of students before the recession hit, before hundreds of thousands of Canadians literally turned to colleges for upgrading and new careers. We thank you so much for the knowledge infrastructure program. It really made a difference. Colleges got about 30% of the $2 billion in federal dollars, cost shared with the provinces. It has made a difference, but we still face an enormous challenge.

We have a recommendation. I know that you will say that the cupboard is bare, and it is bare. But college graduates get employment, even in this economy. There's been no decrease in the take-up of college graduates for employment. If we can get more students through the system and out the other end, we'll contribute greatly to Canada's economy.

A remarkable phenomenon in this period is the enrollment of university graduates in colleges. The colleges' success in getting their graduates into employment is recognized by many university graduates, and increasingly large numbers go to colleges for the advanced skills employers need to keep the economy going.

Our final recommendation pertains to Indian and Inuit post-secondary education and the support programs for that. I'm not sure that there's not enough money here. But there are so many programs and so many confused and conflicting criteria and so much control of the spending seemingly in uncertain places that the outcomes just aren't being realized.

We're producing more high school graduates that could enter post-secondary education, but there are funding challenges, and we urge you to consider that.

Mr. Chairman, thank you so much. There are many details in our brief.

● (1545)

**The Chair:** Thank you, Mr. Knight.

We'll go now to the Canadian Caregiver Coalition, please.

**Ms. Marg McAlister (Policy Analyst, Canadian Caregiver Coalition):** Thank you.

We're pleased to be here to express the concerns and wishes of the million Canadian caregivers across the country. Actually, we estimate that to be five million individuals who are providing care for families every year. We also speak on behalf of employers and the number of associations that are trying to be responsive and supportive to Canadian caregivers.

Family caregiver tasks include wound dressings and injections delegated by health care professionals, personal care, support activities such as preparing meals, household management, managing medication or attending to finances, and a myriad of other activities that are necessary to keep care recipients at home. Clearly, family care-giving is a health care issue, but it's more than that. It's an issue of compassion and caring and respect, values that Canadians hold dear. In addition to supporting the care delivered in busy institutions and to being available so that people can be discharged quickly and stay at home longer, family caregivers are vital to our social network.

A family caregiver's effort, understanding, and compassion enables care recipients to live with dignity and to participate more fully in society. Every Canadian will be a caregiver at some point in their life. It's not a matter of “if”; it's a matter of “when”. We recognize this can be daunting and be concerning to those of you who are trying to set policy and provide support to these individuals, and it's for that reason that one of our recommendations in our briefing note is the establishment of a Canadian caregiver strategy. We don't see it as prescriptive to the provinces, territories, employers, and all aspects of society but rather declarative on the part of the federal government to indicate support and recognition and value for the contribution that family caregivers make. Family caregivers provide their care out of love. They want to be there. They want to be providing support, but they do need help when the caregiving responsibilities compromise their health and their financial situation.

There are good federal measures in place. The caregiver credit and the infirm credit are modest credits that help family caregivers, and we believe the time is now to start to begin enhancing those credits. An increase of $1,000 per year of each of those credits we estimate would cost about $20 million, if we just ratio up the current utilization. We also call for a panel of experts to really examine these recommendations in terms of the nature of the credits, the phase-out of the dependant's income so that the right recommendation can be made. And we can achieve that spot where Canadians can go to work and where they can continue to do what is typically Canadian, and that is, provide care for their loved ones.

We also believe it's time to introduce a refundable credit. There are many Canadians, about two-thirds of them with annual incomes of less than $40,000 per year, who are declining promotions and taking time away from work in an effort to provide care for their loved ones. They need some relief from some of those additional expenses that are incurred, be that extraordinary travel in order to visit someone in an institution and to provide that supportive care, or be that to acquire the additional medications and equipment and supplies in order to deliver care and keep people at home for as long as possible.

Finally, our aging population is actually a reflection of our success as a society. Our seniors are living longer and they're healthier, but with age come chronic conditions, and chronic conditions are accompanied by episodes of acute exacerbation and then periods of stability and independence, so it would be wrong to institutionalize these people prematurely. What families need is an opportunity to provide care intermittently when it's needed for those with chronic conditions. So we suggest that you use the compassionate care benefit and introduce some measures that would allow flexibility and allow that benefit to be used for conditions other than palliative care and allow the hours to be spread over the course of a year.

Thank you for inviting us to present to you in person. We appreciate your interest in the plight of caregivers in Canada.

● (1550)

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

We'll now go to the Canadian Federation of Students, please.

**Mr. Cameron Campbell (Campaign Coordinator, Canadian Federation of Students (Newfoundland and Labrador)):** Good afternoon. My name is Cameron Campbell and I'm the campaign coordinator for the Canadian Federation of Students, Newfoundland and Labrador. I'm joined by Keith Dunne, who is our provincial organizer for the federation.

The federation represents every public university and college student in Newfoundland and Labrador. On behalf of our members we would like to thank the committee for the opportunity to provide input today.

Our recommendations to this committee will focus on how the next federal budget can enhance access to post-secondary education and reduce student debt.

Over the last few years the federal government has made some progress in increasing access to post-secondary education. This progress has been wholeheartedly welcomed by our federation. In particular, the increase to the Canada social transfer and the introduction of a national grants program have been applauded by students. However, I think many will agree that there is much more work to be done in making post-secondary education more affordable and accessible. At a time when over 70% of new jobs require a post-secondary degree or diploma, it is crucial that the country have a national strategy for post-secondary education.

Although education is a provincial jurisdiction, not unlike in health care the federal government has a clear role to play in providing funding for post-secondary education as well as student financial assistance. In order to achieve this worthwhile goal the federal government should work together with the provinces to implement a national post-secondary education act.

Similar to the Canada Health Act, a national piece of legislation would clarify the roles and ensure accountability for the billions of federal dollars transferred to the provinces each year.

The recent implementation of the national grants program is helping thousands of students attend school while also reducing their debt loads upon graduation; however, we must do more to increase funding to our national student financial assistance portfolio. As we have outlined in our written brief, increasing funding to the grants program can be done without new budgetary expenditures.

Each year the federal government allocates more than one billion dollars in education-related tax credits. That's almost triple the budget of the Canada student grants program.

We recommend refocusing these funds to those who need the dollars by reallocating funding from the tax credits to the new Canada student grants program. In doing so the federal government can triple the size of the new grants, increasing accessibility for post-secondary education for those from lower socio-economic backgrounds while also very significantly reducing student debt.

Let's be clear: investing in student grants, especially during the current economic circumstances, is a necessity. Students spend grants almost immediately in the local economy while developing broader skills that add to the labour force's overall flexibility.

I would now like to take the opportunity to discuss the recent experience in our home province of Newfoundland and Labrador as it relates to increased funding for post-secondary education and student financial assistance.

On the education front, successive provincial governments have invested heavily in post-secondary education, and the results are becoming quite evident. Tuition fee reductions and freezes, progressive changes to student financial assistance, and increases in core funding to our public post-secondary institutions have paid huge dividends in our province while saving students and their families millions of much-needed dollars. As a result, the province now boasts what is fast becoming, if it's not already, the most accessible system of post-secondary education and student financial assistance in Canada.

The work is clearly paying off. Not only has student debt decreased, but enrolment has gone up, college and university campuses are thriving, and the province has been attracting a growing number students from across Canada and around the world.

Many economists argue that the best way to weather the current economic downturn is to invest in social programs, particularly education, research and development, and training.

A 2004 study quantified the benefits derived by government investment in our public college system, the College of the North Atlantic. The study demonstrated that a direct and indirect benefit from funding post-secondary education is extended to society as a whole, including job creation and expansion of the tax base, improved economic productivity and health, declining crime, and greater participation in civil society. The study found that from a broad investment perspective, it was estimated that the College of the North Atlantic provided an impressive cost-benefit ratio of $11.50 for every dollar invested.

Investing in education is clearly a proven economic stimulus package. Action must be taken in the next federal budget to establish a concrete and stable framework to increase funding to our post-secondary system and reduce student debt.

● (1555)

I'll end there. I can perhaps go into more depth during the question period.

Again, I thank you for the opportunity to present our ideas here today.

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

We'll go to Mr. Maduri, please.

**Mr. John Maduri (Chief Executive Officer, Barrett Xplore Inc.):** Thank you for this opportunity.

Our company, Barrett Xplore, is singularly focused on bringing broadband high-speed Internet to rural Canada. We have grown from basically few or no customers almost four years ago to more than 115,000 rural homes and businesses.

Ours is a “made in rural Canada” story. Our head office is in Woodstock, New Brunswick. More than 90% of our employees are located in New Brunswick and rural Canada.

We make a bold and confident prediction that over the next three years, Canada will see 100% availability across urban and rural areas, 100% availability of cost-effective, reliable broadband.

We believe we will get to that point, one, through the efforts of private operators—like Barrett—an emerging category of rural broadband service providers. As an example, our company has raised and invested $170 million in private capital to fund this activity.

Second, we continue to see very thoughtful efforts, in addition to those private sector efforts, in government at all levels to invest in P3, public-private partnerships.

Finally, we're seeing acceptance, growing acceptance and understanding, of new technologies: fibre backbone models, wireless technology, and satellite broadband technologies.

With these three elements, again, we're confident in making that bold prediction that our country will be among the first in the world to have 100% availability of broadband.

We believe there are a number of government points of impact in this area. The first is to eliminate the rural-urban digital divide to get 100% coverage or availability of broadband, of cost-effective, high-capacity, quality broadband. The second is to encourage private entities, private operators, to invest their own capital alongside any public sector capital. The final area is to use broadband or digital strategy as a means to renew and grow our rural economies and our rural communities.

We make three proposals. I'll cover two of them very quickly.

First and foremost, we make a proposal that the government look to and consider differential approaches to how they licence spectrum for application in the rural marketplace. Radio spectrum is the lifeblood of wireless and rural broadband. In particular, there's an upcoming process around 700-megahertz spectrum. This spectrum, and I won't get into all the details, is exceptionally important to rural operators.

Today licences combine urban and rural areas together, which means that rural operators like Barrett, and literally hundreds of operators, have to purchase urban spectrum in order to access their rural marketplace. That adds to the cost structure of an already challenging business in terms of serving markets such as ours that have low population density. We make some simple proposals that we believe will have significant cost impact—one, to separate the urban and rural licences based on population density; and two, to look at auctioning rural spectrum separately, or perhaps considering alternative award processes for spectrum.

Our second proposal—perhaps the most important, I believe—is that the government, to use a hockey statement, “skates to where the puck is going to be”. If in fact there is confidence that Canada will get to 100% availability of cost-effective broadband across this country, I think the real effort, the goal, has to be to focus on how this broadband will be used to create economic opportunity.

There are so many countries across the globe that are focusing on broadband as a means to drive growth. We believe there are low-cost methods to encourage and to drive the adoption of broadband, including such simple things as encouraging and fostering volunteer and community outreach programs that are focused on driving digital literacy and encouraging various groups to utilize broadband. There are tax incentives and other incentives that would encourage Canadian homes and businesses to purchase up-to-date computer hardware and software so that homes and businesses can make the most of the Internet experience. There are ways that the government, in “e-enabling” their own activities and the way they provide services to their constituents, will have an impact on those actions.

Finally, we believe there's much evidence on how broadband can drive economic benefit. We believe our company, in its own right, is an example. We've created 400 jobs, predominantly in rural Canada.

I'll make reference to a statement, a fact, that was in the *Globe and Mail* today—namely, a World Bank study says that for every 10% increase in broadband adoption, there is a follow-on 1.2% increase in GDP.

Thank you.

● (1600)

**The Chair:** Thank you very much.

We'll go to the Royal College of Physicians and Surgeons of Canada, please.

**Dr. Andrew Padmos (Chief Executive Officer, Royal College of Physicians and Surgeons of Canada):** Thank you, Mr. Chair.

My name is Andrew Padmos. I am a physician, a specialist in hematology, and the CEO of the Royal College of Physicians and Surgeons of Canada, an organization created in 1929 by an act of Parliament to regulate and set standards for the education, training, and certification of specialists, physicians, and surgeons. We now have 42,000 members, of whom 30,000 are active specialists in practice in Canada. I myself continue to practise hematology, although I go to Halifax once a month to do so.

We are here because of concern about the health of the health system. It is in trouble. The health system does not have the capacity to address all of Canada's needs. If you feel it does, it's probably because you're well educated, affluent, and influential. There are many people in large sectors of Canada, both geographically and socio-economically, who are suffering on a regular basis because of the inability of our system to deliver what we expect and what we promise our own family and our close working relations.

We have three recommendations. Canada self-evidently needs a stable, high-quality, and sufficient supply of physicians and other health care professionals. Specialist physicians are in short supply in many areas because of deficits in production, difficulty in retention, poor distribution, and inadequate deployments. Half of the internal medicine specialists in this country are over 55 years of age. More than half of the general pathologists in this country are also ageing rapidly, and our production is not replenishing the ranks of those important specialists. We're counting on making up these deficits by stripping human resources from less developed countries, bringing people in through shorter and shorter routes to certification and recognition.

Our first recommendation, therefore, is to invest in health human resources. This means improving the capacity to produce. It also means improving our analytic capacity. We don't actually know where the physician resources are in this country, where they're going, and what will become of them.

Our second recommendation has to do with the fundamental role of research. It is fundamental to health care quality and patient safety, and it is beneficial to the economy. Every dollar invested in research produces six dollars of local economic benefit. In my lifetime in practice, which is now just over 30 years, we've seen important advances in patient care and the cure of diseases. We didn't have Gleevec in 1972 when I graduated from medicine. It now cures chronic myeloid leukemia. We didn't have Herceptin, which has given hundreds of thousands of women extra years of life and sometimes the opportunity of a cure. You have to have sufficient pathology resources to do estrogen-progesterone receptor tests accurately and in a timely fashion. We didn't have PET scanning in those days to do accurate diagnostics. We had to open your belly to take your gall bladder out, because we didn't have laparoscopes.

In order to address this, we think we should expand and sustain the percentage of GDP invested in research, ideally targeting the 3% of GDP figure that our neighbours to the south have been able to maintain to the benefit of patients in that territory.

Our third recommendation centres on the use of electronic medical records. This is the fastest route to quality, safety, and cost containment. Canada has struggles, both locally and nationally, in the delivery of the promise of electronic connection. But there are many examples of success in this area.

In summary, the system is in trouble. We think focused effort, federal leadership, and sufficient investment is needed to make a difference.

Thank you.

● (1605)

**The Chair:** Thank you.

We'll now finish with Action Canada for Population and Development.

**Ms. Katherine McDonald (Executive Director, Action Canada for Population and Development):** Good afternoon. Thank you for the opportunity to appear before you this afternoon on your last day of hearings.

I'd like to join with other colleagues to commend you on the broad consultation process that has taken place this year during the pre-budget consultations. Wearing various hats, I have been making these presentations to the Standing Committee on Finance for longer than I care to remember, and I'm glad to see a fulsome and robust consultation process back in place.

I have two or three points to make. First, I'm issuing a plea to this committee to urge our government to take advantage of the unprecedented opportunity that's posed by Canada's hosting of the G-8 and G-20 meetings in June 2010. The Muskoka summit should be used as an opportunity for Canada to regain its position as an international leader on human rights and health. It's also an opportunity for Canada to take a strong position and finally put together a timetable to reach its often-pledged commitment to apply 0.7% of GNI—gross national income—to official development assistance. Someone earlier talked about the perfect storm. Well, there's a convergence of opportunities here.

This year alone, we've seen the aid accountability act covered. We are looking at providing all official development assistance focused on poverty reduction in a manner that's consistent with international human rights standards. I nod to the Honourable John McKay, who shepherded this remarkable piece of legislation through the House.

We have also seen pledges over and over again to commit 0.7% of GNI. It's time to set a timetable. We are one of six development assistance committee member countries that have not committed to a timetable to reach 0.7%. We are going to host what is probably the most important leaders summit in history, where the G-20 and the G-8 will have meetings together in Canada, which will be co-hosted by Canada and South Korea, in an attempt to reshape the structures that are making important decisions about global development in the midst of this economic crisis.

As well as Canada's commitment to increasing aid, I want to talk about Canada taking a leadership position on an issue that is shameful for the international community; that is, the neglect of women in the developing world who die or are badly injured due to pregnancy complications. Fifteen hundred women die each and every day due to preventable maternal mortality from causes that we well know how to address. As I'm sure my colleagues can tell you, in Canada there is a very low rate of women who die during pregnancy and childbirth. This year in June the international community condemned preventable maternal mortality as a human rights violation, and declared that women have the right to life, to health, and to equality, as well as the right to receive and impart information. It is unconscionable that it has taken fifteen years for the international human rights mechanisms to take this on as an issue.

● (1610)

Canada could take a lead on this issue during the G-8 and G-20. It gained some attraction during the last G-8 meeting in Italy in June, and it could be a way to reach that millennium development goal number five in a way that was unimaginable even two or three years ago. So I would ask that the finance committee take this on board, make these financial and policy recommendations to the government, and see Canada regain its position as a leader in the international community.

Thank you.

**The Chair:** Thank you.

Thank you for your presentations.

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

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

Thank you to all of you for being here this afternoon. We'll do our best to get to all of you, but it's a bit of a task.

My first question is for Hilary Pearson. We heard someone else on this idea of social corporate structure to allow charities to raise capital and the U.K. experience. Personally, I think it's a very good idea. Are you saying this could be done relatively straightforwardly, in that the U.K. experience is something that works well and we could just copy? Or are you saying a lot more work needs to be done? Or are you saying something in between?

**Ms. Hilary Pearson:** Thank you, Mr. McCallum, for the question.

I would not say it was a cookie-cutter model. I'm afraid it would require a certain amount of study. The U.K. actually has now been at it for almost a decade. They started in 2000 with a commission that reviewed various aspects of social finance and of access to capital by charities. That commission laid out a menu of ideas, which the government has been working from ever since.

What I think has been interesting is that the political consensus in the U.K. around this set of measures has progressed quite far. The Conservative Party is as interested in developing these new vehicles as the Labour government. The social investment bank, the wholesale bank, which they are now discussing, is one that's been endorsed by both parties. It's a financial intermediary, which I think is also badly needed in Canada. So I think that's a good model.

Thank you.

**Hon. John McCallum:** Thank you.

To the Canadian Caregiver Coalition, this is not direct experience, but I've heard it said of the compassionate care benefit that to say it's administered without a great deal of empathy or compassion would be overstating it. Is it the case, for example, that people have to sign documents asserting that some relative will die in a certain space of time, and that this might deter people from using it?

**Ms. Marg McAlister:** Yes, that would be my knowledge as well. A doctor's certificate is required indicating that the individual in question has approximately six weeks of life left. This becomes really problematic for children who have a parent dying at a very young age or for parents with children dying, who don't want to face that final step. That does limit its uptake.

**Hon. John McCallum:** So maybe without changing too much in the program, it would be used more and be more successful if it were simply administered more flexibly. Is that your view?

**Ms. Marg McAlister:** That would be our view, yes. We see it as an opportunity just to leverage a piece of legislation and allow it to be used in a more flexible manner.

**Hon. John McCallum:** Okay, thank you very much.

Dr. Padmos, you have two recommendations. The first costs $10 million a year. It's a Conservative promise to create more residency spots. So this is something they have not yet done. Is that right?

**Dr. Andrew Padmos:** That's correct. Residencies are funded by provincial departments and ministries of health ordinarily. There are 2,500 new residents taken into the system each year in Canada. This represents a very small additional commitment by the federal authorities.

● (1615)

**Hon. John McCallum:** Well, to go from small to big, your recommendation number two talks about 3% of GDP for research. My back-of-the-envelope calculation says that's about $45 billion per year. Where does this number come from, and approximately what do we spend now?

**Dr. Andrew Padmos:** Just under 2% of GDP is spent on all forms of health research—bio, psycho, social—at the present time. The U. S. targets 3% and generally achieves it.

**Hon. John McCallum:** But that's not just by the federal government.

**Dr. Andrew Padmos:** No.

**Hon. John McCallum:** Okay, thank you very much.

For the students, I certainly agree with your idea of getting rid of most of the tax credits—certainly the ones for textbooks are pretty useless—and instead increasing basic grants to students. I agree with you on that. However, if you're talking about giving more money to provincial governments for post-secondary education, I'm not sure I wouldn't think it might be better to put that same money directly into the pockets of students. You're never quite sure what will happen once another level of government gets its hands on the money. I'm suggesting it might be better to put it in the students' pockets. You're students. Do you disagree with me on that or do you agree?

**Mr. Cameron Campbell:** I wouldn't say that we totally disagree. I think that there needs to be a balanced approach. We need more money in student financial assistance, but we also need core funding for the provinces to put into post-secondary education. But again, I would stress that we're not looking for a blank cheque to go to the provinces for just anything. That's where this post-secondary education act comes into play. We would like moneys that are accountable and can clearly be defined as going into post-secondary education.

**Hon. John McCallum:** Thank you very much.

I have another question for Hilary Pearson. We've heard from Don Johnson on his charitable giving proposal, which amounts to letting individuals give land without having to pay the capital gain on that. We've also heard the one that you are proposing about the stretch tax credit. By the fact that you've presented one and not the other, am I to infer that you prefer the stretch tax credit to the Don Johnson proposal?

**Ms. Hilary Pearson:** We're very conscious of the fact that you can't recommend everything and that there have to be priorities. Given the impact of the recession and the urgency of promoting more giving by Canadians, we think that the stretch tax credit would have a greater impact for the average Canadian and for the small donor, yes.

**Hon. John McCallum:** One could do both, but one might not have enough money to do both.

Thank you very much.

**Ms. Hilary Pearson:** Exactly.

**The Chair:** Thank you very much, Mr. McCallum.

[*Translation*]

We'll now go to Mr. Laforest.

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

Good afternoon and welcome to all the witnesses.

My first question is for Mr. Collyer, from the Canadian Association of Petroleum Producers.

In your first recommendation to the federal government, you in a way asked that a new tax program be created to allow larger investments, to support oil companies' research and development. You say this: "For a 30-month period, the federal government will give development and completion expenditures the same tax treatment as that afforded exploration wells."

In the context of that request, you talk, among other things, about a program that was implemented in 1974, the accelerated capital cost allowance tax provision. However, you make no reference to environmental issues, which are considered by Quebec and Canadian society as an important issue that concerns you directly as representative of the oil companies.

You're asking the federal government for financial support, but you make no reference to the fact that you must increasingly protect the environment, particularly in the area of oil sands exploration. In 1974, the prevailing tax provision recognized the high costs and long pre-production investment periods, the high risk of volatile oil prices, financing risks and the future flow of government revenues. There was very little talk of environmental protection at that time. On the other hand, it's a major issue now, a fact of which you are not unaware.

Why do you not even talk about it in the context of this request?

● (1620)

[*English*]

**Mr. David Collyer:** Let me just make a couple of observations in response to your question. The first is just to clarify the proposal that we've made. On the scientific research and experimental development program, it is to broaden the eligibility. So we're not asking for the introduction of a new program; it's simply to broaden the scope of expenditures on technological innovation that would be eligible for that program. And some, and I think in fairness a large part, of those expenditures would be directed to environmental issues. So it is a way to stimulate an incremental investment. It is not the introduction of a new program.

With respect to oil sands, let me just make a couple of observations. I would first say that oil sands is a key part of the Canadian economy. It does create a significant value across the country. It creates significant employment across the country, and we think that tax measures that can help to stimulate investment in oil sands would be a positive measure. I would also say, on environmental performance, the industry clearly understands that it needs to improve its environmental performance, and in no way in our representations to the committee do we suggest that is not the case. We're simply saying that there is an opportunity for the government, through tax measures, to encourage incremental investment in technology, which we think is a key lever for environmental performance, for cost reduction and improving recovery. So environmental performance is absolutely a key part of what underpins our proposal.

[*Translation*]

**Mr. Jean-Yves Laforest:** You say this is one of your concerns, but can you tell us there has indeed been an improvement in greenhouse gas reduction compared to the very start, when you began producing oil from the oil sands? Can you tell us what percentage improvement there has been? Do you have any figures on that subject?

[*English*]

**Mr. David Collyer:** Perhaps I can refer specifically to greenhouse gas performance. This is Environment Canada data. Since 1990, we have improved the greenhouse gas intensity of the oilsands production by 33%. So there has been a very significant improvement in the overall greenhouse gas performance of our industry.

I would also point you to some recent work that's been done by a couple of different independent bodies that have compared the greenhouse gas emissions full life cycle from oil sands to that of other crudes used in the United States. What they show is that oil sands greenhouse gas performance falls within the band of production from almost all other sources that the U.S. has for crude oil that it consumes in the United States. So if you look at full life cycle, our position is that oil sands falls within the range of supplies that are available to the U.S. market.

[*Translation*]

**Mr. Jean-Yves Laforest:** The United States is still the best benchmark.

[*English*]

**Mr. David Collyer:** And as I referred to in my earlier response, 33% improvement in greenhouse gas intensity is significant.

[*Translation*]

**Mr. Jean-Yves Laforest:** Thank you.

I'd like to ask Mr. Maduri, from Barrett Xplore, a question.

Your project is to hook up the vast majority of rural regions in Quebec and Canada. Do you have any specific objectives? What are the limits for a small municipality in northern Ontario or Quebec? Do you think that, one day, even with federal government assistance, you'll really be able to hook up a municipality of 300 inhabitants that is completely remote, 500 km from anything?

[*English*]

**The Chair:** Just briefly, Mr. Maduri, please. Just very briefly if we can.

**Mr. John Maduri:** I think the key message is that we use two technologies.

One of the key technologies to reach these communities, the small remote communities, is satellite. In essence, with the capability we have today, we can reach any community anywhere in Canada. The key objective that we have as a company is to bring more capacity on satellite, with the goal of being able to reach more Canadians. So we have the footprint, we have the coverage. The next goal is to get more capacity to deliver to all rural Canadians, and also to be able to bring the prices down to make it affordable to all rural Canadians.

● (1625)

**The Chair:** Thank you.

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

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

Thank you to all of our witnesses appearing here today.

I will echo Mr. McCallum's comment that we wish we could ask all of you questions. We have heard some very compelling arguments from all of you—not enough on how to save money, but I guess that's our problem, not yours.

Mr. Collyer, you've already had a fair bit of air time today, but I do want to expand a little bit, and I think the story doesn't get told often enough of how large a contribution to this country's economy your folks, the Canadian Association of Petroleum Producers, actually represent. Just to expand on that, perhaps you could just quickly explain a bit of your proposal about treating development and completion expenditures with the same tax treatment as exploration.

The concern I take out of this is what happens if we stay with the low gas prices and then our expertise, our knowledge, our educated individuals who know how to do this—a very specialized industry—leave the country? If you could, please expand on that.

**Mr. David Collyer:** I'd be happy to.

First of all, in terms of the economic contribution, there are just a couple of statistics that might be helpful. Indirect and direct employment from the oil and gas sector across the country is about half a million people, so there's a very significant contribution to jobs across Canada. The companies that comprise our industry are about 25% of the value of the TSX—again just another metric that would give you a sense of the economic contribution we make.

In terms of the tax treatment we're suggesting, what we're asking is that rather than a 30% declining balance—which is the normal tax treatment for development expenditures—for a time-constrained period those expenditures are allowed full deductibility. So it effectively changes the phasing of tax deductions for those particular expenditures.

Maybe I'll just ask Mr. Herring to say a few words in response to your question about employment and how our proposal would impact employment in the industry.

**Mr. Don Herring:** Thank you, David.

Importantly, what we're seeing right now is that a huge percentage of very skilled people are without work. We in Canada have the only recognized trade that exists in any drilling community anywhere in the world. It's a red seal program. It works across this country. We have put a significant investment into it, and we're very concerned that if we continue to operate at the virtual sub-economic levels we're experiencing today, we will begin to lose these people permanently.

**Mr. Ted Menzies:** Okay, thank you. I do appreciate that.

Moving on quickly to Mr. Knight, thank you for your comments and also for stepping up in January last year when the finance minister and I put you on the spot and asked what you need to be able to catch up and be prepared for this wave of students coming who weren't going to be able to get a job and who are going to go back to colleges and universities. We do appreciate the fact that you did step up and put forward some good jobs, some good construction projects and infrastructure that we've been able to answer.

You commented about first nations education and colleges. I was just at one of my first nations in southern Alberta, where they have what I guess is an apprenticeship program, a pretty nice welding shop where they're teaching students how to weld. Referring back to Don Herring, those sorts of things are what we need in Alberta.

What are we missing in those pieces of our first nations' further education?

**Mr. James Knight:** The reality is that many aboriginal graduates from high school are not getting the financial support they need to take those programs. There is a program that's intended to do that for these learners, but it was capped in 1996 at a 2% growth rate, which is less than inflation. So while we are in fact graduating more aboriginal learners from high school, which is marvellous—albeit we still have a distance to go—the support programs to help them transition into post-secondary education, including for an advanced skill like welding, are not keeping up with the demand.

● (1630)

**Mr. Ted Menzies:** Thank you.

To Barrett Xplore, I like your first suggestion, because it doesn't seem to cost anything, so let's expand on that. I think the spectrum auction is a little confusing to those of us who weren't involved in it. I think those of us who represent rural regions in this country understand the role you play. That's what I deal with. Our family and most of my constituents deal with rural broadband-delivered entertainment, and much of our communications. It's not as if we necessarily live in remote areas, as Monsieur Laforest said. I would argue that I don't live in a remote area, but a rural area.

Can you elaborate on the spectrum auction and what we need to change in that to be able to have an impact on some of our rural constituents?

**Mr. John Maduri:** Yes. I think the first point to make is that there is an emerging category of providers, most of whom, I'd say, are local in their communities and who create employment there. These are not the big names we're usually familiar with; these are the folks who are working hard to bring broadband to your community.

Spectrum is the lifeblood of the industry; you need spectrum to execute. So to use the Calgary example, if I could, to acquire spectrum for the rural areas sitting around the city of Calgary, an operator today would have to bid on spectrum in an auction for let's say a population of one million, when in fact all they really needed and wanted was to get access to 100,000 rural homes and businesses in and around the city proper.

So if there's one challenge to broadband for rural Canadians, it's that with lower population density, it's just much more costly to reach them. Can you imagine now if we, as an operator, have to get access to those 100,000 people in the rural boundaries around the city and have to bid on the city of Calgary to do so, and to which we have no intention of providing delivery? That, in my mind, is just one simple way in which the rules need to change.

**The Chair:** Okay, thank you.

Thank you, Mr. Menzies.

We'll go to Mr. Martin, please.

**Mr. Pat Martin (Winnipeg Centre, NDP):** Thank you, Mr. Chair and witnesses.

While Mr. Menzies was speaking, I just got an e-mail. The parliamentary budget officer now estimates that the structural deficit will be $167 billion over the next five years. That's better than his original prediction, which explains the tone of Mr. Menzies' voice as he tries to figure out how he's going to pay for all of these very worthy proposals we hear of. I guess it sharpens the pencil to the point where there has to be a business case for some of these things that we're putting forward today.

In that light, I want to start with the College of Physicians and Surgeons. I think every province now spends about 40% of its budget on health care, if not more, and I'm absolutely shocked to see that we're nowhere near having our medical records available electronically, when other counties did this years ago—to a level of 98% in the Netherlands, according to your figures, and 95% in comparable countries like New Zealand.

What possible reason could there be holding us back, above and beyond the $500 million you're talking about? What's the holdup here? Because electronic records will save us a fortune, never mind patient safety.

**Dr. Andrew Padmos:** Well, thank you. I don't want to be facetious, but I think human nature is probably at the root of it, and the causes would be subdivided into political, bureaucratic, and economic.

There's no question that getting people to sign on to electronic medical records has been somewhat difficult, but the systems they've been asked to sign on to are really very difficult and unattractive to operate. Even at this late stage, in my own tiny practice, it is impossible to go to one screen and be able to navigate through the records of one patient and be able to access narrative reports, laboratory reports, and diagnostic reports. This requires multiple exits of and re-entries to different programs and applications, and that's in a centre that's supposed to be advanced.

I think we have a lot of work to do. It's highly technical. Some of it is system-related, and some of it is related to the fact that our medical system operates as a bunch of entrepreneurial individuals hooked together by a common commitment to patient care but not by a system that supports them.

● (1635)

**Mr. Pat Martin:** Well, that's a very thorough answer, but it still really bothers me to hear you say that only 12% of family doctors are using electronic records, and the rest are still using paper charts. I just can't imagine why. Surely there are best practices in other countries we can draw from. We should use the program the U.K. or Australia used, or some place where it works.

**Dr. Andrew Padmos:** That's correct.

**Mr. Pat Martin:** I'm not saying this in any critical way; I'm just baffle-gabbed by it. I'll move on, though.

On the charitable tax credit, it does bug me somewhat that if you donate $100 to me, you get $75 back, but if you donate $100 to a charity, I think it's 15% back for the first $200. It seems to be upside down. The first $400 that you give me is 75% tax-deductible, and then it diminishes from there on to the maximum allowed donation. With charities, the first $200 you give is at 15%, and then the remainder is at 29%.

There is a movement for tax parity for charities. There's a private member's bill and a bit of a campaign in Parliament currently to give charities the same tax credit as political parties and politicians. Does your organization have a view on that initiative for tax parity for charities?

**Ms. Hilary Pearson:** No, I don't think we have an articulated view on that. I represent private funders' foundations, and we are concerned about the overall trend in giving in Canada. The data certainly suggests there are fewer individual givers to charities. Charitable giving in absolute terms is larger, but the number of people giving is lower, which means there are fewer people giving larger dollar amounts.

**Mr. Pat Martin:** Yes, but you want to crack that person who's giving $100 or $200. Surely, we want more of them. And it seems the tax credit is upside down now: we reward the bigger donors more. Most donations are $200 or less.

**Ms. Hilary Pearson:** The median is about $250.

**Mr. Pat Martin:** So even if you reverse the existing tax credits, it's 15% for the first $200 and 29% for the remainder. Even if you flip those, I think you get a lot more ordinary working people considering another donation.

**Ms. Hilary Pearson:** I guess the challenge is to try to figure out how to get that average up across the country, to get everybody to give a bit more. We would like to have more people giving and we'd like to have more people giving more. The stretch tax credit idea is one that we felt had some possibility of consideration by the Department of Finance. It's not creating a new system. It's adding on to the existing system and adding an incentive to what is already there.

I take your point. I think it's probably worth reviewing the whole system.

**The Chair:** You have 45 seconds.

**Mr. Pat Martin:** Community colleges.... One of the irritants—I'm a carpenter by trade—in going to community college is when you do the school portion of your apprenticeship, you get a two-week penalty, a two-week waiting period, as if you've been laid off. You haven't been laid off; it's part of your apprenticeship. Do you think that waiting period should be eliminated so we don't lose apprentices due to an interruption of income maintenance when they do their school component?

**Ms. Terry Anne Boyles (Vice-President, Public Affairs, Association of Canadian Community Colleges):** The association has actually spoken for the elimination of that two-week waiting period because we find that the financial implications for the family units as a whole have been detrimental to the completion of apprenticeships until perhaps a later time in life. The impact on the carpentry and construction industry is quite significant.

**The Chair:** Thank you, Mr. Martin.

We'll go to Mr. Pacetti, please.

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

Thank you to the witnesses for appearing. It's very interesting, but it's a tough job for us, as you can tell, to get questions in due to a limited time period.

My curiosity piques me, and I have to ask a question to the Canadian Association of Petroleum Producers. It's fine if we separate the environmental aspects of your sector and just look at it from a purely business perspective and ask, “Do you really need to be looking at tax incentives”—I'm not going to call it corporate tax handouts, or whatever it's been labelled—“for your industry, for your sector?”

● (1640)

**Mr. David Collyer:** Perhaps I can start by responding to that and I'll invite Don Herring to add his comments to it.

As I said in my remarks, it's certainly not for us to judge how, across the country, you choose to make your decisions. We can only speak to our industry. Certainly in the last 12 to 18 months we have seen a very significant downturn. It's a combination of factors. Certainly the economic recession and the effect of commodity markets in the last period have led to significant unemployment. It's not as much in Calgary and Edmonton as it is in rural areas. It's the services sector that's being impacted. It's people outside the major centres who are feeling the brunt of the downturn. That's probably felt more so in the services sector than it is in the operating sector, and for that reason I invite Don to make a couple of comments.

**Mr. Don Herring:** Certainly.

This year we were running an average of 200 drilling rigs in western Canada, as David indicated, from those operations in the rural areas of western Canada and in parts of Atlantic Canada and in the north. We also run rigs in Ontario and Quebec. A year previous to that, we ran 350, and two years before that, 500.

**Mr. Massimo Pacetti:** I understand, but my time is limited. I understand the statistics. The statistics are very similar to other sectors, other areas and other regions of the country.

The question is this. At what point in time does business take corporate responsibility for the actions they've taken in the past? Shouldn't they be planning for the future? I'm okay with the accelerated capital cost, with perhaps your asking that your sector be eligible for the accelerated capital cost, because everybody is getting that. But to come to government now to ask for specific incentives just for your sector I find a little bit excessive. It's the same thing with asking for money for research and development. Everybody is asking, but to increase and to lay out more money for specific sectors is what I find a little bit uncomfortable in suggesting. So if you could be more specific, I would be more comfortable if more people would benefit from a certain program. When we're doing industry-specific or sector-specific, it becomes more uncomfortable for me.

I just want to ask Ms. McAlister a question for the caregivers. In your first recommendation, it's quite extensive. You're asking for money for equipment to extend the definition of what someone could deduct for a caregiver, but we're just going to make it more complex and more difficult—or easier, actually, for Revenue Canada to say no for people eligible. Shouldn't we just increase the amount, once you're eligible, to receive a caregiver amount? What would you see that amount increasing to?

**Ms. Marg McAlister:** Yes, I think we agree.

I was giving an example of some of the expenses that might qualify for claiming a caregiver credit. A very simple and easy step would be to enhance those two credits that are already in place, by increasing—

**Mr. Massimo Pacetti:** When we talk about enhancing, what would that be?

**Ms. Marg McAlister:** By $1,000 a year.

**Mr. Massimo Pacetti:** Would all that be refundable?

**Ms. Marg McAlister:** We would suggest the next step would be to make those credits refundable as well.

**Mr. Massimo Pacetti:** Would you have a total amount of how much that would cost?

**Ms. Marg McAlister:** No, we don't have that number.

**Mr. Massimo Pacetti:** Okay.

I have a quick question for Mr. Maduri in terms of when the next spectrum would come up for the next bidding.

**Mr. John Maduri:** I believe the expectation is somewhere around 2011 or 2012.

**Mr. Massimo Pacetti:** Wouldn't that be too late? Everybody has been making promises that rural broadband should be available everywhere. Wouldn't that be too late? Isn't there something that could be done in the next little while?

**Mr. John Maduri:** Like any business, we have a lot of work to get done in the next three years. But we also have to be looking forward as to how we bring more and more capacity. That is the challenge of broadband. It's not only getting the subscription to the customer, but over time giving them more and more capability.

● (1645)

**The Chair:** Thank you, Mr. Pacetti.

We'll go to Monsieur Laforest.

[*Translation*]

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

My question is for Mr. Padmos, from the Royal College of Physicians and Surgeons of Canada.

You made two or three recommendations. Among other things, you would like the federal government to increase research funding for biomedicine, health and the psychosocial sciences.

Could you explain to us in greater detail what the psychosocial sciences are?

[*English*]

**Dr. Andrew Padmos:** Thank you.

The support referred to in the psycho-social environment refers to those factors that determine health, often referred to as the social environment and the determinants of health. The psychic part of that has to do with the mental health and the psychological diagnoses and conditions. This makes all health matters more significant, more difficult to treat, and more expensive.

Research in these areas has often lagged behind molecular or basic science research, often directed at new drugs or new technologies used to treat. We recommend a balanced approach to research, because it's not only the medication or the procedure, it's the environment, the caregivers, and the system that often make an important difference to the outcome of treatment and care.

[*Translation*]

**Mr. Jean-Yves Laforest:** Many groups have come to ask the federal government to implement measures or programs to combat poverty. They've told us they've observed a fairly significant correlation in certain segments of the population between increased poverty and the number of psychosocial, even psychiatric illnesses.

Have you also made that observation?

[*English*]

**Dr. Andrew Padmos:** Yes, we do confirm and would endorse the view that there's a direct and linear relationship between poverty, mental health challenges, and the degree of physical health impediments people have.

[*Translation*]

**Mr. Jean-Yves Laforest:** Thank you.

That's all, Mr. Chairman. Thank you.

[*English*]

**The Chair:** Merci.

We'll go to Mr. Kramp, please.

**Mr. Daryl Kramp (Prince Edward—Hastings, CPC):** I have four questions, if I can get around to them.

I have one quick statement, actually, for the representative from Barrett. I totally agree with you on the broadband, of course. It's absolutely imperative. The days of not having it are gone.

I took a look at my area of eastern Ontario, where we are significantly under-serviced—a $170-million proposal just to prove we're finally going to have some service. It's essential, obviously, for delivering health care right up to a competitive economy.

The one point you made that I take a little bit of issue with is the concept of tax credits to consumers to adopt or buy in—in other words, basically an incentive to participate. Wouldn't that penalize those who are already online?

**Mr. John Maduri:** Just quickly, with the example of health records, ultimately we have to get to 100% broadband availability, and I think we're already well down that path.

One hundred percent of Canadians having access to cost-effective and up-to-date computer technology, and one hundred percent of government services online—there are a bunch of one hundred percents we have to get to as a country, if we're going to support things like e-health and medical records online.

I can't speak to the inequity of what it means if somebody bought a computer.... That's not my business. Ultimately we have to be working towards those 400% or 500% that then encourage and make it possible for us, as a country, to have medical records, e-health programs and initiatives, all those sorts of things that make us leaders in the digital world and strengthen economic and social development.

**Mr. Daryl Kramp:** Thank you.

My next question will be to the Association of Canadian Community Colleges. Under the knowledge infrastructure program, we addressed some of the past efficiencies when we went with 70-30 funding, and for the first time dedicated funds to the college system, which we're pleased to see. Traditionally most of the universities have handled the direct R and D. Now you're suggesting that a number of the colleges could participate both in R and D and in incubation, even leading towards commercialization. What gives you the confidence in that statement?

● (1650)

**Mr. James Knight:** Thank you for the question.

It's already happening. In our search this year we found almost 3,500 college and private sector partnerships on applied research themes of the nature you just described. This receives almost no support from the Government of Canada. We think it's an important part of the innovation economy.

We have a problem getting our innovations out the door. Colleges are there to help do that, and they are doing it. It's happening spontaneously and with increasing frequency.

By the way, we have done important work on national electronic health records. It's in your document.

Also by the way, it didn't turn out to be 70-30; it was more like 38-62, simply because the demand in colleges is so great. The provinces recognized that, and they twisted your arms to give more to colleges than you expected to.

Thank you.

**Mr. Daryl Kramp:** Thank you.

Ms. McDonald, I appreciate the timing on the Muskoka summit. In your statement you noted that you want us to utilize our G-8 presidency at that time to take concerted and coordinated actions on reproductive, maternal, newborn health. What actions do you have in mind specifically?

**Ms. Katherine McDonald:** Specifically, to work with the other leaders of the G-8 and G-20 to put in a framework that would allow them to reach millenium development goal five, which is to reduce the rate of maternal mortality by three quarters between 1990 and 2015. There would have to be immediate accelerated action to fund efforts to eradicate maternal mortality.

**Mr. Daryl Kramp:** Okay, thank you.

I have a quick question to Ms. Pearson. Following up on the theoretical stretch tax credit led by Imagine, what makes you believe the middle class would be more inclined to contribute, when they've been hardest hit by this recession?

**Ms. Hilary Pearson:** I think what is extraordinary about the data on charitable giving is that it's actually the lowest-income people who proportionately give the most of their income. We have every expectation that middle-income Canadians would be generous. They certainly do respond to tax incentives, and they've told us that, so we expect there would be a significant impact from this.

**The Chair:** Thank you.

Thank you very much, Mr. Kramp.

I want to thank all of you for being with us this afternoon, for your presentations, and for your responses to our questions.

Colleagues, we are going to suspend for three to five minutes and then we'll bring the next panel forward.

Thank you all.

• (Pause)

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• (1655)

**The Chair:** Colleagues, we ask you to find your seats, please. We do have votes at 6:45, so we will hear the bells at 6:30. We'll try to finish just before that.

We have another eight organizations before us in the second panel: the Canadian Construction Association, the Canadian Federation of Medical Students, the Assembly of First Nations, Fédération des chambres de commerce du Québec, Financial Executives International Canada, Retail Council of Canada, Visual Arts Alliance, and Jory Capital Incorporated.

Welcome to all of you, and thank you for being with us.

You each have up to a maximum of five minutes for an opening statement, and we'll start with Mr. Ferreira, please.

• (1700)

**Mr. Bill Ferreira (Director, Government Relations and Public Affairs, Canadian Construction Association):** Thank you, Mr. Chair.

Good afternoon. On behalf of the more than 16,000 member companies of the Canadian Construction Association, I'd like to thank you for this opportunity to be here with you today and share our views in this year's pre-budget consultations. With so many worthy submissions before you, we know the task before you will be challenging, and we greatly appreciate your efforts.

I'm here today because we believe three things are paramount to the future of our nation's success: quality infrastructure, a skilled workforce, and a healthier environment that can be achieved by changes to existing tax policies that encourage businesses to adopt cleaner and more efficient machinery more quickly than standard turnover rates would dictate. With regard to infrastructure, this has been a concern of ours for more than 25 years. Since the mid-1980s, we have noticed the steady decline in the condition of these critical assets as a result of government efforts to tame budget deficits. While we are not advocating that governments run deficits—quite the contrary, we feel deficits are a drag on our economy—we do not want to see a return to policies of the past that reduced government deficits at the expense of our infrastructure.

To illustrate the impact of this decline on our economy, I'd like to highlight a 2008 study by the University of Waterloo with regard to manufacturing productivity. It found that Canadian and U.S. levels were essentially identical in the mid-1990s. By 2006, U.S. levels were more than 20% higher than those of Canada. During this period infrastructure investment in Canada declined by about 3.5%, whereas in the United States it increased by 24%. While these declines in spending were driven by the need to balance budgets, they were also a function of a dramatic transfer in ownership to local governments that has occurred essentially over the last 50 years.

In the early 1960s infrastructure development was a shared responsibility among governments. Since then, municipal infrastructure spending has increased from 30% to 55% today. At the same time, federal spending since the 1960s has declined from about 27% to just over 5% today. Since municipalities rely primarily on property taxes to pay for infrastructure, most of them are struggling to keep pace with demand.

While federal programs introduced since 2004 have been a particular help, especially the Building Canada plan in the most recent stimulus programs, we're very concerned about what happens when these programs lapse. Given infrastructure's impact on the quality of life of Canadians, the efficiency of our economy, and contribution to manufacturing productivity, it is critical that governments across Canada find a more permanent and sustainable means of funding infrastructure to meet the pressing demands of today as well as the anticipated demands of tomorrow.

To help address this problem, CCA recommends that the federal government consider doubling the gas tax fund transfers to municipalities, and in cooperation with provincial governments consider the development of new financial mechanisms for municipalities to help pay for future infrastructure development. One thing you could possibly consider is some sort of municipal bond or issuing a bond much like the Government of Alberta is now considering.

Our second recommendation is aimed at training capacity at our community colleges and polytechnics, which is where most of our skilled workers come from. Canada is facing a significant skilled worker shortage. In our industry alone, we estimate a shortage of more than 316,000 skilled workers by 2017. While immigration is part of the solution, these efforts will fail if community colleges are unable to provide new immigrants with the language skills, retraining, or skills upgrading they require upon arrival. To overcome this challenge and provide colleges with the estimated $6 billion they require to deal with these capacity issues, CCA recommends an extension to the current knowledge infrastructure program for a further five years at an annual funding level of $1 billion.

Finally, we recommend a change to existing capital cost allowance rates to encourage large fleet owners to accelerate equipment turnover and obtain the environmental and productivity benefits of cleaner and newer machinery. The new tier three and soon to be released tier four diesel engines are not only more efficient, but they reduce particulate matter and smog-causing emissions dramatically. Tier fours will reduce PM emissions by as much as 90%. However, since much of our industry operates on a 10- to 15-year return on investment cycle, they simply cannot afford to accelerate the uptake of this equipment without government incentives.

Consequently, we recommend that the federal government consider increasing CCA rates for classes 10, 16, and 38 on a time-limited basis and permit these purchases to be accelerated using a straight-line depreciation method.

With that, I will conclude. I look forward to your questions.

Thank you.

● (1705)

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

We'll have the Canadian Federation of Medical Students.

**Mr. Tyler Johnston (President, Canadian Federation of Medical Students):** Thank you, Mr. Chair and honourable members of the committee, for the opportunity to speak with you today.

Before we get into the specifics of our submission, I'd like to briefly comment on what the Canadian Federation of Medical Students is and why we're here before you today.

The Canadian Federation of Medical Students, or CFMS, is a national organization that represents over 7,000 medical students who are pursuing their education at 14 medical schools from coast to coast. We represent students in national medical organizations such as the Association of Faculties of Medicine of Canada, the Canadian Medical Association, and other groups. Additionally, we communicate national medical education issues to students, facilitate communication between schools, and provide services that support the needs of medical students. Mr. Mondoux and I are here today as the senior elected representatives of the CFMS.

The issue we're here to talk with you about today is the high debt load incurred as a result of pursuing medical education in Canada and the toll this debt load has on medical learners and their ability to function as front line health care workers. We'll close with a discussion of the solutions we propose to alleviate some of the stress and societal problems associated with these debt loads.

There's one more bit of context I have to provide before proceeding with our discussion. Becoming a fully certified medical doctor in Canada is a process that takes approximately 13 years. Most students must obtain a bachelor's degree of four years' duration, then complete a medical degree of four years' duration, then undertake a mandatory period of supervised practice, known as residency, which takes approximately two to seven years, during which they develop competency for independent practice.

The level of education-related debt learners incur over this 13-year period is $158,000, on average. This is a significant figure when you consider that the $2,000 in monthly payments required to service this debt can represent more than half a resident's take-home pay. This debt load is largely the result of the deregulation of medical student tuition in many provinces that has resulted in a tripling of the average Canadian medical school tuition. Tuition fees for medical students are three times higher than they are for other undergraduates. Tuition at some medical schools now exceeds $20,000 per annum, a figure that exceeds the maximum allowable government student loan for most Canadians. The additional costs of equipment, books, and living expenses must be covered through expensive private bank loans that accrue interest while a student is studying. They can easily exceed $100,000 by the time of residency.

This debt load is very stressful for trainees who are providing front line health care to Canadians. The monthly interest payments may be difficult to comply with and may hamper the ability of a trainee to start a family or buy a home. Ultimately, many residents only incur further debt during their training, despite having completed two university degrees and having provided thousands of hours of care to Canadians.

The cost of medical education may also be having a negative impact on the demographics in Canadian medical schools. The proportion of students from low- and middle-income backgrounds has decreased by over 20% since tuition deregulation, and students from low-income backgrounds are now severely under-represented in Canadian medical schools. Significant tuition fees and debt loads may also influence a student's specialty choice. Most studies suggest that higher costs push students away from primary care and produce fewer physicians who are willing to work in underserviced areas.

All these things considered, it has become clear to us that the government's new repayment assistance program doesn't help Canadian medical trainees.

So what do we propose? We propose that the federal government postpone repayment of principal and defer or provide relief from interest accrual on Canada student loans to medical trainees until after completion of their residency training. Interest relief programs already exist in at least five provinces—Alberta, Ontario, Nova Scotia, Newfoundland, and Saskatchewan. We're thankful for these programs, but unfortunately, these programs could actually negatively influence physician distribution in Canada by preferentially attracting students to provinces with interest relief.

Starting this fall, a student from British Columbia who chooses to do a residency in Ontario rather than in British Columbia could save tens of thousands of dollars by choosing to train in Ontario, because Ontario has an interest deferral program that defers payments on all government student loans in exchange for a five-year return-of-service agreement. Once a trainee has completed five years of residency and an additional five years of return-of-service, that trainee will likely have strong ties to Ontario and will be unlikely to relocate.

A national program of interest deferral could ensure that trainees practice in their province of choice, most often their home province, and not in the province with the most attractive incentive package. The potential for unequal physician distribution as a result of unequal interest relief is one reason we believe the government should adopt our second recommendation: a unified national strategy for debt relief for medical residents.

● (1710)

Our last recommendation is that the federal government increase the yearly limit on student loans for medical students, given that tuition fees alone often exceed maximum medical student loan amounts available, which forces students to seek even more expensive loans from private financial institutions.

It's our belief that a national program that provides interest relief to medical trainees and provides increased government funding to help them pay for their education will decrease medical training stress, help prevent an unequal distribution of physicians across the country, and ultimately will help improve the care that Canadians receive from this important group of health care providers.

Thanks very much. I look forward to your questions.

**The Chair:** Thank you for your presentation.

We'll now hear from the Assembly of First Nations, please.

**Chief Shawn A-in-chut Atleo (National Chief, Assembly of First Nations):** Thank you, Mr. Chair.

I really appreciate the opportunity to make a submission today, and we will build on a previous pre-budget submission that we've made. Thank you to the members for having me here.

The Assembly of First Nations advocates for and supports over 600 first nations governments across the country, over 800,000 citizens, and I was honoured by having been put in the office of national chief just over three months ago.

I want to cover some areas we've touched on in the past. Really, it's about advocating on behalf of first nations governments for fair and equitable treatment when it comes to funding. What people are looking for is that it would be on par with the kind of access that other Canadians enjoy.

Historically, especially over the last decade or so, first nations have been faced with a 2% funding cap that's created some significant shortfalls in critical areas, and we've spoken about this in the past. Since 1996 the 2% figure has been either equal to or below the average inflation rate. At the same time, of course, first nations are the fastest-growing population in Canada.

So this is one of the major areas that we want to highlight and put forward to the committee. I know it's a blurring assembly of presentations that you're facing, but particularly in an era that follows on the apology by the Prime Minister that occurred in the House of Commons, reflecting on the past policy of the residential schools, never again should we have such an effort undertaken. It should never have happened. In that spirit, we would suggest that it's time to invest in first nations communities.

Firstly, stop the chronic underfunding of first nations. Secondly, commit to annual investments in first nations education, infrastructure, and skills development in order to increase productivity and participation in economic opportunities. Thirdly, we must shift from this notion of always being bound up in conflicts and in crises when it comes to issues in our communities, and move to a sustainable, predictable, and non-discretionary funding regime like those enjoyed by provinces and territories.

Speaking specifically about economic participation, we suggest very strongly that education and skills development are key to building first nations economies and adding to Canada's productivity. There is an inordinate amount of work that must be done in this area. In the short time that I've been national chief, I've been reaching out to the education establishment, the full spectrum of those who provide education. I know, in having travelled to many communities, particularly those isolated at this time, that there are still communities where kids have not gone to school in the last two or three years because of the need for infrastructure in communities.

First nations students definitely need the physical and cultural supports to be successful learners. This is evidenced not only anecdotally by the Assembly of First Nations, but it's been demonstrated in report after report. We should build on the good work of the Canadian economic action plan. There were commitments made in 2009 under this plan that we move to an annual dedicated allocation to new schools, build on the work that's been done. Over 60 schools are required in first nations communities across this country as I speak.

The provision of culturally grounded key education supports would build on the spirit and intent of what was expressed by the Prime Minister in the apology. If residential schools, under the guise of education, removed children from family, land, culture, and language, shouldn't, in addition to the development of human capital for a market economy, the education system be one to reconnect learners with land, language, culture, and family? We would suggest strongly, and it's backed up by a good number of reports that have been authored in recent years, that this will make for much more productive and healthy communities.

We should have education support systems in place, and libraries. There's a need for books and for supporting increased literacy in our communities, for special education, for technology, and we know the value of sports initiatives in our communities. There should be increased investment in skills development that links to opportunities and first nations' economic goals.

On the structural side, we should look to recognize that first nations aren't the only governments in Canada whose budgets for core and essential services are discretionary. To that effect, I would like to specifically recommend that Canada needs to work with first nations to strike a joint senior officials task force to examine the mechanisms for sustainable funding and shared accountability.

● (1715)

We need to move away from lurching from conflict to conflict and crisis to crisis. We need to apply the principles of the Royal Commission on Aboriginal Peoples, move to stable and predictable transfers with built-in escalators that are related to real need—population and inflation—and these are of course used by other governments.

Thank you, Mr. Chair.

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

This is your first time before us as national chief, and I think we should certainly recognize your election three months ago. So welcome to the committee. I'm sure we'll see you back here again.

**Chief Shawn A-in-chut Atleo:** Thank you.

[*Translation*]

**The Chair:** The next testimony will come from the Fédération des chambres de commerce du Québec, please.

**Mr. Stéphane Duguay (Senior Economist, Fédération des chambres de commerce du Québec):** Thank you, Mr. Chairman and committee members. The Fédération des chambres de commerce du Québec wishes to thank the Standing Committee on Finance of the Government of Canada for this opportunity to speak today and is pleased to take part in the 2009 pre-budget consultations.

Over the past 100 years, the Fédération des chambres de commerce du Québec has represented the interests of business people with respect to public policy. The FCCQ network extends to 158 chambers of commerce throughout Quebec and represents more than 40,000 businesses and 100,000 business people.

The financial crisis and recession have tested Quebec's economy and its private sector. Since the start of the fourth quarter of 2008, many jobs have disappeared, exports have decreased, profit margins have shrunk and government finances have deteriorated. However, the rest of the recession seems to be behind us, and economists are confident enough to talk about a recovery. As the most recent economic growth figures show, the recovery will be slow and gradual since the U.S. economy is still shaky and the Canadian dollar is gaining strength.

However, with economic conditions improving, the FCCQ no longer feels it is necessary to develop mechanisms to stimulate the economy. Instead, it encourages the government to refocus its attention on the structural problems threatening the Canadian economy. These problems include an aging population, slowdowns in productivity, uncertain government finances and reducing greenhouse gases.

One of the first ways to attack these major challenges is to use a tax system that promotes competitiveness among businesses and attracts foreign investors. Governments have seen a dramatic drop in revenue because of the recession and increased debt owing to recovery plan spending. The public and the business community anticipate that taxes and other sources of government revenue will increase in the coming months.

**The Chair:** Mr. Duguay, can you speak more slowly?

**Mr. Stéphane Duguay:** The FCCQ urges the government to resist the temptation to increase corporate taxes in its next budget. Canada has the characteristics of a small economy with a very large international component. The intensity of business competition suggests that it should rely instead on investment growth.

The FCCQ therefore urges the government of Canada to seize the opportunity afforded by its next budget to equip Canada with a smart taxation system that makes businesses more competitive and attracts foreign investors. Another objective that should be pursued is to promote a business climate that improves productivity through investment and innovation. Productivity growth, which relies in large part on innovation, has for many years been one of the main priorities of the governments of Quebec and Canada.

Unfortunately, despite their efforts, Canada and Quebec continue to lag far behind the United States and other industrialized nations in terms of productivity. One of the main reasons for the productivity gap is the relatively low level of private investment. The FCCQ therefore recommends, in particular, that the Government of Canada increase investment tax credits and enhance investment loan programs for Canadian businesses, particularly small and medium-sized businesses, and make R and D tax credits refundable to enable businesses that are making little or no profit to continue to innovate.

Third, Canada's aging population will have a negative impact on consumer spending in Canada. Domestic demand will not increase as quickly in the future and, consequently, the Canadian economy will have to focus more on exports in order to grow. International sales, the diversification of exporters and Canadian business activity abroad bring very significant benefits. The FCCQ recommends that the government accelerate the negotiation of trade agreements, particularly those leading to a Canadian exemption from the "Buy American" clause and to accelerate negotiations on a free trade agreement with the European Union.

On the issue of greenhouse gas reductions, the FCCQ wishes to emphasize that, if the government wishes to invest in sustainability, without slowing business development, it will have to emphasize the use of various green technologies to achieve its objectives.

In Quebec, 40% of GHG emissions are related to transportation. We therefore ask that this aspect be taken into consideration in GHG reduction objectives. Investments promoting the greater use of public transit or electric transportation would definitely be promising.

In conclusion, government intervention in the economy has two main objectives: to create wealth and to redistribute it. The two should not be confused. The government must ensure that its actions do not thwart the creation of wealth, the entrepreneurial spirit or efforts to become more efficient. In other words, the government must ensure that its intervention supports the growth of its economy.

Thank you.

● (1720)

[*English*]

**The Chair:** Okay. *Merci beaucoup pour votre présentation.*

We will now go to Financial Executives International Canada.

**Mr. Michael Conway (Chief Executive and National President, Financial Executives International Canada):** Good afternoon, Mr. Chairman and committee members. It's a pleasure to be appearing back before your committee.

I'm Michael Conway, and I'm pleased to present Financial Executives International Canada's views on the forthcoming federal budget.

FEI Canada is a voluntary professional association organized into 11 chapters across Canada. Our 2,000 members represent a broad cross-section of Canada's most senior financial executives. Our recommendations are the result of the collective effort of our tax committee, represented today by Grant Smith, senior manager, taxation, at Ernst & Young's Ottawa office.

Our submission focuses on three key recommendations that will protect Canadians' quality of life: one, stimulate economic growth and job creation; two, increase access to capital and cashflow, especially for entrepreneurial initiatives; and three, monitor government spending and restrain deficit growth.

Canada faces serious economic challenges, and the solutions to these problems must be prudent and fiscally responsible. The budget must be rebalanced before major non-recovery initiatives are contemplated. We believe our recommendations encourage competitiveness, savings, and investment; foster innovation, productivity, and initiative; and enhance the economic and social well-being of all Canadians.

To stimulate economic growth and employment, economic initiatives should be timely, targeted, and temporary. They should be designed to achieve the desired results. The focus should change from short- to medium-term policies, designed to alleviate the immediate negative impacts of the recession, to catalyst-type investments, which will stimulate self-perpetuating growth.

In addition to needed physical infrastructure spending, recovery investments should also focus on knowledge-based infrastructure, technology incubators, and public-private partnerships, all of which create an environment that will unlock entrepreneurial initiative and ingenuity. Government should encourage the creation of Canadian research and development champions, the corporations recognized worldwide for creative and innovative approaches to employee skills development. We need to create more technology leaders that become tomorrow's employers, like Research In Motion, Open Text, WestJet, and Porter. We encourage your committee to recommend that the government balance spending between infrastructure and the knowledge economy.

Two other critical issues facing the Canadian corporate sector are decreased availability of affordable credit and declining cash flows. An FEI Canada survey earlier this year indicated that about half of respondents felt there had been a significant decrease in the availability of both working capital and long-term financing. While credit availability has improved somewhat since then for larger issuers, smaller businesses continue to face challenges.

Capital formation is critical to economic development and growth. Whereas government can create employment and sustain the economy for a short time, the private sector will generate long-term economic growth and increased employment. Action is required on several fronts. A national securities regulator is imperative, and we are pleased to see the creation of the Canadian securities transition office to further this important initiative.

Start-up funding is required for Canadian technology companies, especially those engaged in innovative R and D. Government-sponsored lending agencies should increase existing loan limits, streamline the application process, and create new types of loans that tailor terms to recession-plagued corporations. Corporate cash flow could be improved if the time limit for funding defined-benefit plan solvency deficits were extended from five to fifteen years.

Because many Canadians have suffered steep declines in their pension plans and must now consider working beyond their expected retirement date, we urge your committee to recommend measures to encourage Canadians to save more for their retirement. We have included various suggestions in our recommendations summary, including providing a 125% super-deduction on the first $5,000 of RRSP contributions and expanding the tax-free savings account annual limit.

Finally, on the issue of government spending, we recognize government had to take action on the recession; a temporary deficit was therefore inevitable. Having said that, there are two critical questions of concern to our members: who will pay for the current spending and when the payment will occur. Government must ensure we do not slide down the slippery slope to a permanent structural deficit.

Due to our aging population, the health and retirement benefits Canadians enjoy will consume an increasingly greater percentage of government spending in future years. To ensure Canadians continue to receive the benefits they are accustomed to, we must reduce expenditures in other areas.

● (1725)

Our concern is simple. Will repayment of today's government spending happen within the medium term, and more specifically before the next economic downturn, or will our children and grandchildren bear the burden of this debt? FEI Canada believes now is the time for prudent and fiscally responsible action.

**The Chair:** Thank you very much, Mr. Conway.

We'll now go to the Retail Council of Canada, please.

**Ms. Diane Brisebois (President and Chief Executive Officer, Retail Council of Canada):** Thank you, Mr. Chairman.

I want to first thank all members for the opportunity to provide retailers' views on the government's future economic direction.

The last time the Retail Council was at this committee, we presented on the several credit and debit issues facing merchants. Today I want to focus in on debit issues, to no one's surprise. I would be happy to field questions about the broader economy and its impact on merchants, but I can assure you that the single biggest issue for retailers is the entry of the multinational credit card companies into the Canadian debit market.

Canada has a globally recognized and emulated made in Canada debit system that is in serious jeopardy, although we are hopeful that some relief may be on the way. I am here today as president of the Retail Council of Canada but I'm also voicing the views of more than 30 associations representing over 250,000 Canadian businesses and two million employees. Members of all parties have played a role in raising the profile of this issue and we are grateful for the many discussions and interventions over the past year. It is to the government's credit that it has understood the need for a code that will promote a made in Canada debit system. We are cautiously hopeful that the code will incorporate values that retailers have been advocating for some time.

In that light I must emphasize that big debit market changes are already under way. Tens of thousands of merchants are already enabled for Visa or MasterCard debit, many of them unknowingly, as they were quietly equipped for the new debit products at the same time that their processors switched them to chip and PIN. Millions of new cards have been issued to the consumers—possibly as many as 2.5 million cards from one bank—equipped for both Interact and Maestro, the MasterCard debit brand.

Without prompt action we may have a larger group of merchants and consumers whose arrangements precede the code's release than to whom the code would apply. In short, this moment is the crossroads for public policy on whether to protect and enhance some of the best consumer safeguards in the world. We want a transparent, accountable, market-based solution to which all industry players are committed, one led by the Canadian government.

As to the specific elements, allow me to speak to four principles.

First, merchants must be allowed complete choice of which system and cards to accept in their stores and any such choice must be by express written consent, not by negative option. All too often, negative option is paired with the provision of little or no information and can hardly be said to be much of a choice at all. Express consent ensures that an informed decision was made.

Second, the presentation of options for the routing of transactions at the PIN pad or website should be within the control of merchants. Merchants are surely entitled to determine the order in which goods and services are presented to consumers in their stores. This is as true for the sequencing of payment options as it is for the placement of goods on a merchant's shelves.

Third, merchants should not bear additional charges or fees simply for exercising their rights. Otherwise the big institutions can set a price barrier to keep merchants from exercising those rights.

Fourth, debit transactions should be treated as equivalent to cash, as with Interact today, without any chargebacks to merchants or requirements for reserve accounts.

Last, but by no means least, debit transactions should be priced to the merchant on a flat fee basis only. There is simply no excuse for taking a percentage fee on a transaction that simply withdraws a customer's own funds from his or her account. No credit is being extended and the cost to the bank is exactly the same whether the transaction is for $10 or $1,000.

We are looking for major steps towards a made-in-Canada solution, one that supports a strong and competitive retail sector. On behalf of all those merchants who can't be here today because they are preparing for the make-or-break season of the year, I want to thank this committee for taking the lead on this issue and for the opportunity to speak today.

*Merci.*

● (1730)

**The Chair:** Thank you, Madame Brisebois.

We will now hear from the Visual Arts Alliance, please.

[*Translation*]

**Ms. Lise Leblanc (Chair, Visual Arts Alliance):** Ladies and gentlemen, members of the Standing Committee on Finance, thank you for welcoming us here today.

The Visual Arts Alliance is a consortium of 12 national visual, media and craft arts service organizations. Representatives of some of those organizations, CARFAC and the Canadian Museums Association in particular, have previously appeared before the committee. The Visual Arts Alliance joins with them and the Canadian Conference of the Arts in asking the Standing Committee on Finance to take into consideration the value of Canada's cultural economy.

The Conference Board of Canada released a study in the summer of 2008 entitled "Valuing Culture: Measuring and Understanding Canada's Creative Economy." This expansive study estimated that the culture sector generated about $46 billion in real added GDP in 2007, which constituted 3.8% of Canada's real GDP. The study also revealed that Canada's cultural sector employed about 616,000 persons in 2003, representing 3.9% of national employment. The figures from the Conference Board of Canada's study underlined the importance of the cultural industries in Canada, industries of which the visual arts are an essential part.

The recommendations of the Visual Arts Alliance are as follows. We first recommend sustainable long-term investments in programs that encourage the production, presentation and distribution of Canadian art. As we state in our brief, the Visual Arts Alliance supports the recommendations of the Canadian Conference of the Arts related to market development and cultural diplomacy, investing in the creative economy and in cultural infrastructures, people and places.

Beyond our support for the CCA's recommendations, the Visual Arts Alliance makes the following three recommendations specifically to the Standing Committee on Finance. First, it would like to see an increase in support for Canadian artists and arts organizations' international programming. In recent years, significant funding has been cut from programs geared towards touring Canadian art. Support from the federal government allows both public and private galleries to promote Canadian art abroad, affording artists opportunities to travel and educate the world about what they do. Commercial galleries are able to open the Canadian art market to a wider international audience through foreign sales and exhibitions. It is estimated that, in 2006, exports of Canadian visual art amounted to $73 million. The Visual Arts Alliance therefore recommends additional funding for international programs.

The second recommendation is that attention be urgently given to Canada's museums and galleries, which play a vital role in disseminating Canadian artwork in the regions and internationally. The Museums Assistance Program, MAP, currently delivered by the Department of Canadian Heritage, supports traveling exhibitions, outreach programs, improvements in museum management and aboriginal heritage initiatives. MAP provides approximately $6.7 million per year, which is below its inaugural 1972 level. The funding is primarily available only for one-year projects. MAP is currently undergoing a thorough review. The Visual Arts Alliance recommends that the Museums Assistance Program be revised and updated to meet the needs of today's museums with new funding and a new approach.

Third, we would like to see a system of tax incentives and interest-free loans put in place to encourage the purchase of art by living Canadian artists. Private investment in visual arts has increased and surpassed government spending on culture in recent years. In 2005, $25 billion was spent on cultural goods and services, or $821 per person. Of that amount. $830 million was spent on purchases of artworks, demonstrating that Canadians have interest in purchasing original works of art. Despite this impressive figure, the Canadian art market is far smaller than in other countries of similar or smaller size. There are few incentives in place to encourage it to grow.

For models of fiscal measures to promote acquisitions of artists' works by individuals and private enterprises, we suggest looking to the U.K., the Netherlands and France. For example, the Own Art system in the U.K. is designed to make it easy and affordable for anyone to purchase contemporary works of art and craft. Individuals may borrow up to £2,000 or as little as £100 and pay back the loan in 10 monthly instalments. In the Netherlands, Kunstkoop, the National Art Purchase System, offers individuals interest-free loans for the purchase of art. This loan allows buyers to purchase work with no interest fees, and the purchase may be made in up to 36 monthly payments.

In 2008, the French government announced that it would offer interest-free loans to allow individuals to purchase art.

● (1735)

Under the proposed system, any member of the public is eligible to receive an interest-free loan of up to €10,000. Financial institutions providing the loans will be compensated through tax breaks for corporate art patronage.

The schemes in place in these countries allow individuals who may not otherwise be able to purchase a work to do it so that they can live with art that they love in their everyday environments. The measures also help artists earn a living from their art and support galleries that promote and sell artworks.

In conclusion, we acknowledge that the decisions the government has to make are not easy ones to tackle in these times of financial turbulence and economic difficulties worldwide.

We believe, however, that creative industries, which include the visual arts, are integral to,and have an important place in, the national labour market and encourage Canada's international trade relations.

We are also convinced that increased federal investments in the arts in general, and in visual arts in particular, will ensure sustainable economic growth and improve Canada's economic performance in all sectors.

My colleague Robert Labossière and I will be pleased to answer your questions.

Thank you.

[*English*]

**The Chair:** Thank you.

We will now finish with Jory Capital Incorporated.

**Mr. Patrick Cooney (President and Chief Executive Officer, Jory Capital Inc.):** Thank you, Mr. Chairman.

I think our presentation is going to encompass and touch on what everybody has presented here.

Clearly, we're going through epic volatility in world equity markets, and what has happened in the United States and in Europe is going to continue. We've had this pregnant pause, and my concern going forward is threefold. One is that defined benefit plans as they exist today will have to cease to exist because the asset allocation models are too heavily weighted to equities and the average investor's expectations about rates of return on asset classes are going to be a lot lower than they think.

My third point, Mr. Chair, and my biggest concern, is that we have $593 trillion off balance sheet. What does that mean to us? Global GDP is $45 trillion. It's an enormous undertaking. In 1987 we had $852 billion off balance sheet. So I'll clarify it. A million dollars of thousand-dollar bills is six inches. A trillion dollars of thousand-dollar bills is 500,000 feet. We can't grasp the enormity of the off balance sheet exposure the financial institutions have today.

When you're analyzing stocks or bonds and looking at pension plans, to ignore the biggest asset class in the world is foolhardy. Today in the *Financial Times* of London there's an article on systemic risk in derivatives, and the Senate is currently taking a look at that. As we go forward, the Canadian banks and insurance companies have exposure to this systemic risk and it's going to impact us dramatically.

Currently in the United States, what they're recommending is that the U.S. banks start putting up money, collateral for their off balance sheet leverage, and we're going to have to do the same thing here. The long-term consequences for the capital ratios of the banks are very, very important and we're going to have to do two things. The federal government, in its budget, is going to have to increase capital for the banks, raise money, and give the banks more money to improve their balance sheet, or they will have to go to market and dilute dramatically their common equity and preferred shares.

We've never seen anything like this in the history of finance. It's very, very serious and it's going to impact everybody around the table on a serious level. I think it's important, when we're looking at the budget, that we demand transparency in derivative markets generally, and specifically as they apply to our financial institutions.

Thanks for your time, Mr. Chair.

● (1740)

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

We'll now go to questions from members. We'll start with Mr. McKay for seven minutes.

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

Starting with Mr. Conway, your first recommendation is to monitor government spending and encourage spending restraint in light of the increasing deficit, and support for the parliamentary budget officer. This government shows no great enthusiasm for spending restraint, and certainly their support for the parliamentary budget officer is tepid at best. I think that's probably the best way to say it.

You probably know that this committee heard representations from Nortel employees and the executives. The concern arises that you're asking the government for spending restraint, but there doesn't seem to be any corollary spending restraint on the part of executives running large financial institutions and large companies in this country. I was wondering, in light of the Nortel debacle, in light of the huge pension meltdown, in light of the devastating circumstances in which many Canadians find themselves, whether your organization of Financial Executives International has actually addressed the issue of restraint on the part of executives and their salaries.

**Mr. Michael Conway:** FEI Canada has long come forward to talk about transparency and accountability as one of the basics of our organization. We brought in a code of conduct about a decade ago. Actually, our sister organization in the U.S. had it incorporated into the Sarbanes-Oxley Act, and we have a similar act. We view transparency and accountability very strongly.

**Hon. John McKay:** I don't know whether you caught *60 Minutes* last night on CBS, but the piece had to do with Wall Street in particular, and to a lesser extent Bay Street. Basically, the good times are back, as well as the time for running amok for salaries, mergers, acquisitions, and things of that nature. I think the point of the article was, have these people learned nothing?

What's your observation on that?

**Mr. Michael Conway:** Our organization has a capital markets committee that has supported transparency and worked with the Ontario Securities Commission on the executive compensation disclosure requirements. The public has the right to know. The recommendations we put forward for the recovery spending and the government spending to be transparent is the same standard we hold the corporate issuers to, and should be transparent as well.

**Hon. John McKay:** Thank you, Mr. Conway.

Mr. Cooney, is it your view that the folks who created this financial debacle in the first place have actually learned their lessons?

**Mr. Patrick Cooney:** I can answer that in two ways.

First, on the people who created the debacle, it's kind of like you and I starting a fire and leaving the room and then showing up in half an hour in firemen suits and getting paid to put it out. Clearly, compensation and greed has caused the problem. We should eliminate stock options. The people who created the problem are extending the problem.

I alluded earlier to the article in the *Financial Times*, and Nouriel Roubini is in there again saying that what they're doing today is worse than what they were doing before the credit crunch. So they haven't learned their lesson. Clearly, Goldman hasn't, because the average American citizen is going through a tough time and they're taking out huge bonuses again.

The cause of the whole problem is the moral hazard that would have existed in the Roaring Twenties, and that's the greed in the compensation. I think the brokerage firms and the banks have forgotten about ratios to the normal Canadian citizen. We can't have 30-year-old guys trading bonds and making $30 million a year, because everybody around the table is paying a piece for that. So clearly, the compensation at the top has to be restricted.

Reducing or eliminating stock options would go a long way to causing the executives and leaders of these organizations to look longer term, and not quarterly enhancing profits and earnings so that their stock options become more valuable and they all enrich themselves at the expense of the average investor, citizen, and shareholder.

● (1745)

**Hon. John McKay:** Thank you for that. I'd dearly love to pursue that line of questioning, but I have a couple of others as well.

Monsieur Duguay, in your recommendation you say, “Reduce the corporate tax burden, even if this means increasing the consumption tax”. Are you advocating an increase in the goods and services tax?

[*Translation*]

**Mr. Stéphane Duguay:** Our message is that you must not sacrifice business competitiveness and innovation in order to return to a balanced budget. If there has to be a revenue increase, you should favour consumption taxes rather than corporate taxes, which could undermine competitiveness, productivity and, ultimately, wealth creation and greater long-term economic stability.

[*English*]

**Hon. John McKay:** Thank you.

Finally, to the physicians, I was struck by the fact that it's four years for an undergraduate, four years for a medical degree, and then effectively five years of exploitation in residence, where you're run off your feet.

You and your successors will continue to appear before this committee and its successor committees until the physicians, in particular, and the medical system fixes itself.

**The Chair:** Is there a question?

**Hon. John McKay:** Thirteen years of education is some level of absurdity. You could educate a rocket scientist in a lot less time than it takes for a physician. How are you going to address this issue?

**The Chair:** Just a very brief response, please, Mr. Johnston.

**Mr. Tyler Johnston:** I think we have to look at a couple of things. One is getting people into medical school earlier, and the other is looking at competencies, as opposed to time limit—look at training in terms of what you're able to do, rather than at the time limit we've set for you to be in school before you meet a certain criterion or standard for certification.

**The Chair:** Thank you, Mr. McKay.

Monsieur Laforest, *s'il vous plaît.*

[*Translation*]

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

Good afternoon to all the witnesses.

Ms. Leblanc, in your second recommendation, you say the federal government should pay urgent attention to Canada's museums and galleries. You refer, in particular, to the dissemination of artwork in the regions. In my riding, in Shawinigan, there is a place for the dissemination of touring exhibits, and I know that, despite great initial success, they are having a great deal of difficulty securing recurring funding. It's consistent with what you say.

You say that funding is available only for one year and that it is often deferred as a result of the administrative structure. What are the problems related to the administrative structure?

**Ms. Lise Leblanc:** I'm going to ask my expert on that question, Mr. Labossière, to answer you.

[*English*]

**Mr. Robert Labossière (Member and Director of Canadian Art Museum Directors' Organization, Visual Arts Alliance):** I'm sorry, I'm going to respond in English.

My understanding of the museum assistance program is that it's a one-year program. It has suffered reductions, so it really hasn't even kept up with inflation. The problem is also complicated by the fact that there are more applicants now. We have approximately 2,500 museums in Canada, a remarkable infrastructure, which is in a way being starved. My members basically report that it's almost a random process now because of the number of applicants there are and the limited amount of money available for things like touring exhibitions. Those aren't the only kinds of projects that are eligible for funding, but they cannot any longer rely on developing a very strong exhibition, even having interests across the country in taking that exhibition, and then getting the project funding that they need.

● (1750)

[*Translation*]

**Mr. Jean-Yves Laforest:** Thank you, Mr. Labossière.

Mr. Duguay, in your recommendations, you talk about developing a tax credit for businesses' sales and marketing expenses outside Canada. I've also heard business representatives complain about appearing in other countries when they attended a fair in the United States or Europe.

There are some fairly large pleasure boat producers in my riding. When they attend fairs in Europe—that's where the U.S. buyers often are—they get no federal government assistance. They've looked through various programs and there's absolutely nothing to help them, unlike what other countries like the United States, France or Germany offer. These producers even sell in Russia, but they have no assistance to go and sell even more. They could do it if they had more help because they could take part in more marketing activities outside the country.

Is that the gist of your recommendation?

**Mr. Stéphane Duguay:** Absolutely. The purpose of that recommendation is to further diversify the markets. One of the lessons of the recession is that, when you have a single partner whose economy is not doing that well, you're harder hit. This is one of the measures we favour to encourage greater market diversification, to go international and to ensure that our economy is ultimately more diversified and in a better position to respond to economic shocks, as we have recently experienced.

**Mr. Jean-Yves Laforest:** At least I can speak out in favour of this kind of measure. You can be sure that I will support it because I'm in a position to observe that this business could produce a lot more, employ a lot more people and stop laying them off, if it were supported in its foreign marketing efforts. For a business like that, the market is located more outside Quebec and Canada than strictly in Quebec. And I'm convinced that's the case of a number of other businesses.

**Mr. Stéphane Duguay:** Absolutely.

**Mr. Jean-Yves Laforest:** I have a question for the representative of the Assembly of First Nations. I'm naming you this way because it's harder to say your name. I'm nevertheless going to try: Shawn A-in-chut Atleo.

You talked about the 2% ceiling on essential services. Can you tell us what that limit is with regard to essential services and how long it has been in place? Every year, there is a maximum 2% limit on budgets allocated to the first nations for certain services. Is that correct?

[*English*]

**Chief Shawn A-in-chut Atleo:** Yes, that cap was implemented externally and arbitrarily back in 1996, and that's a cap on spending increases on all core services. As I mentioned, that 2% figure has been either equal to or below the average inflation rate, but at the same time, our community has been the fastest-growing population among the Canadian demographic. Since 1996 our population has grown 21%. It's just an incredibly booming population. So when adjusted for inflation and population increases, the total budget for INAC is shown to have decreased by 7.4% since 1995-96.

Now, when I share these figures, I connected to the commitment in Canada's economic action plan, where there was $200 million over two years to build 20 schools, but I also said that we need over 60 schools. I finished with that notion of striking a joint senior officials task force, because we have to move away from this external and arbitrary manner of determining funding levels, and also to bring in not only the sustainable funding notion, but the shared and mutual accountability aspect as well.

● (1755)

[*Translation*]

**Mr. Jean-Yves Laforest:** When we talk about essential services for aboriginal people, these are really health and education services that, unlike in the provinces, have devolved upon each of the first nations in the aboriginal communities.

Is that in fact what we're talking about?

[*English*]

**Chief Shawn A-in-chut Atleo:** Absolutely, and it's across the full, complete, broad policy spectrum that this 2% cap applies. I'm focused in on one area—education—which has a lot to do with potential for economic development. Economic development, because of the 2% cap, is completely stifled right now.

If I can just add one other piece, if we were to close that gap, the contribution to the Canadian economy up to 2026, so just over 15 years, would be $160 billion contribution of first nations' participation in the mainstream economy, if we were able to eliminate that gap. So it's significant that we consider this as an investment and a stimulus to the national economy.

**The Chair:** Thank you.

We'll go to Mr. Wallace, please.

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

I'm going to share my time with Ms. Block, so at three minutes and 30 seconds left, yell at me, would you? I'd appreciate that.

I have just a few questions. I can't get to everybody, of course.

My first question is for the Canadian Construction Association. I appreciate your presentation, and I would be surprised if the accelerated issue isn't looked at during this piece in terms of what this committee comes up with.

We've heard from a number of organizations that are in similar business as you, who are looking for funding for the National Round Table on Sustainable Infrastructure. Are you aware of that, and does your organization have a position on that?

**Mr. Bill Ferreira:** Thank you for the question.

We were with a number of other national organizations in the infrastructure round table, but that exercise at this point is a little bit dormant, in part because there are a number of other projects that are ongoing with the department of Infrastructure Canada, which is looking at this whole question. So to my knowledge at this point, there is no real mandate for the round table.

**Mr. Mike Wallace:** Would it be worth while?

**Mr. Bill Ferreira:** Absolutely.

**Mr. Mike Wallace:** We've had four organizations come to us, whether engineers or consulting engineers, advocating for us to help fund a five-year program to get that going. I'm just wondering about your association's position.

My next question is for the medical students. I'm assuming you are still students.

**Mr. Tyler Johnston:** Yes.

**Mr. Mike Wallace:** I want to first of all congratulate you on putting up with 13 years of education to become doctors. The more doctors we have, the better.

I want to clarify one thing. I have been supportive in the past of your ask, and I continue to be supportive of your ask. You're really looking for a deferral of your requirements to pay this money back. You are not looking for it to be written off—is that correct?

**Mr. Tyler Johnston:** The deferral is one option. What they're doing in Ontario now is forgiving both the federal and provincial portions—

**Mr. Mike Wallace:** Are they actually forgiving it completely?

**Mr. Tyler Johnston:** It's during your residency training only. This is about getting trainees through a time of financial stress and ensuring that the financial stress doesn't influence their decisions about where to practise and what to practise.

**Mr. Mike Wallace:** I have heard the argument about residency before, that the bill shouldn't start until after that is over. It was always the understanding that you would still end up having to pay those costs. Is that still your position or not?

**Mr. Tyler Johnston:** That's absolutely still our position. It is about getting us through a time of financial stress and personal stress, about training 80 to 100 hours a week, and looking after Canadians.

**Mr. Mike Wallace:** Okay, I have one more question for you.

Your predecessors, the physicians organization to which you will eventually belong, were here. They are asking for money for 50 more residencies. Should those only go to Canadians, or should anybody be able to apply for them? How does that work?

**Mr. Tyler Johnston:** The thing that has to be looked at is we've increased enrolment in medical school by over 50% over the last ten years, and the increase in residency spaces hasn't kept pace with that. So we would have to look at those residency spaces going to fill the spots for the increased number of Canadians being trained.

**Mr. Mike Wallace:** Thank you.

Thank you, Mr. Chair.

**The Chair:** Thank you.

We'll go to Ms. Block. You have three and a half minutes.

**Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC):** Thank you very much, Mr. Chair.

Thank you to all of our presenters. I did find your presentations very interesting and did read through your submissions.

My first question is for Mr. Conway. Of course we all know that Canada is the only major industrialized country without a common or national securities regulator, and our Conservative government has been clear that this is unacceptable. This has been borne out by the current market turmoil, which has clearly highlighted the need for improved securities regulation.

I was interested in hearing from you, in your opening remarks, that the creation of a Canadian securities regulator is imperative. I'm wondering if you would explain why we should continue on that path.

● (1800)

**Mr. Michael Conway:** Thank you, Mrs. Block.

FEI Canada did participate in the Hockin panel and currently is participating in round tables, just last week with the Canadian securities transition office, to move this initiative forward.

FEI Canada is all about efficiency and capital markets that work well. Just intuitively, one national securities regulator has to be more efficient that thirteen different securities regulators. There are issues that need to be discussed among the various participating and not-yet-participating provinces, which Mr. Menzies is smiling about. We've written to your provincial finance minister in that regard, encouraging her to come to the table and voice some of her very legitimate concerns about access, particularly for small issuers, about not creating a longer bureaucracy but to be all about efficiency, the speed of the capital market, because that equates to a lower cost of capital for Canadian business, and ultimately for consumers.

**Mrs. Kelly Block:** Okay, thank you.

Mr. Duguay, we recognize that strong productivity is key to growth, and I believe our action plan builds on a longstanding agenda to improve productivity on multiple fronts. From the perspective of your organization, I wonder if you could quickly share with the committee the importance of the aggressive actions our government is taking in lowering business taxes.

[*Translation*]

**Mr. Stéphane Duguay:** Of course, the measures that the provincial and federal governments have put in place in terms of infrastructure have greatly assisted in the economic recovery and in performing better than our neighbours to the South. In that sense, infrastructure investment has helped. With its diversified economy, which is focused much less on the automotive industry, Quebec has not been hit as hard. On the whole, it has had relatively good growth compared to others.

In addition, the financial markets were relatively balanced and had good liquidity levels, which has made it possible to support the current recovery.

[*English*]

**The Chair:** Thank you, Ms. Block.

We'll go to Mr. Martin, please.

**Mr. Pat Martin:** Thank you, Chair.

My first question is to the National Chief of the Assembly of First Nations.

Chief Atleo, we had a fairly compelling presentation from the B. C. Treaty Commission; some of the commissioners presented to us. I think a lot of members of the committee, and perhaps ordinary Canadians, don't understand what a barrier to economic development it is for first nations communities to be without the ability to develop or exploit natural resources, etc., on their traditional territories, and that the Indian Act itself doesn't allow it until such time as a modern-day treaty is ratified.

Could you perhaps expand on what this finance committee might do to recommend enhancement of that process so that more communities can participate in meaningful economic development with lands and resources?

**Chief Shawn A-in-chut Atleo:** Thank you.

I think that speaks in large part to why we would suggest the striking of a joint senior officials task group to examine these issues and the relationship between the negotiations that have been happening in places like British Columbia, but not isolated to B.C. We can include the Atlantic and other areas of the country that negotiate under a comprehensive claims policy that dates back to 1986. The strong view of first nations is that it needs to be brought up to date, needs to reflect the developments that have occurred in common law. And the point of entry for all of us should be, in large part, the economic imperative to move our peoples out from conditions of poverty. Over the last three months in particular, I've travelled extensively. There are significant barriers that hold us back.

Now, speaking to this committee about issues around finance, first nations are not able to get their feet underneath them because of the arbitrariness of the fiscal transfers. It's a year-to-year basis. The 2% cap has been there for well over ten years and adversely impacts the entire policy spectrum of first nations, so that they're really unable.... It stifles, as I said earlier, entrepreneurship and economic development. It's linked with significant barriers that exist in the Indian Act that hold first nations back from economic development initiatives.

And to this committee, it's not like we're starting afresh. We've had the Royal Commission on Aboriginal Peoples. In 2005, in my former role as B.C. regional chief, we came to a national report called “The Recognition and Implementation of First Nation Governments”. We've also done considerable work with the Attorney General's office and the Treasury Board Secretariat around models of mutual accountability, because we always get this issue, and it's been raised with others around this table: what are you doing about your areas?

Well, we have mechanisms that have been tabled. What's required is the political will, and perhaps for this committee to see that the point of entry should be around fiscal transfers, around economic self-sufficiency for communities, and addressing the fact that there are significant barriers to achieving economic success for first nations.

● (1805)

**Mr. Pat Martin:** Thank you.

I was struck by the fact that under the Indian Act a first nations community can't get involved in any kind of economic development. Even if they struck oil on their land, essentially it isn't theirs to develop, the trees are not theirs to harvest, etc., until such time as a treaty is put in place and people can do their own economic development in their own communities.

Something has frustrated me for years, though. The Canadian Construction Association has been talking about skill shortages. We just built a new airport in Winnipeg using temporary foreign workers. Lebanese crews that came from Latvia, which was their last job, came to Winnipeg to build our airport. And my riding has the second-highest aboriginal population, with huge numbers of marginally employed, underemployed, or unemployed aboriginal youth. Somehow we haven't made the connection between the skill shortages and the human resource surpluses to make that natural match. Not that every young aboriginal kid wants to become a tradesperson, but there are jobs out there. We're bringing in 250,000 foreign workers a year, and we haven't put to work a generation of young aboriginal people.

Do either of you have any comment on how we might make that labour market match?

**Mr. Bill Ferreira:** We at the CCA couldn't agree more. That is in part why we're asking for an extension to the knowledge infrastructure program, which is trying to address the capacity crunch that many of our colleges have. The biggest problem a lot of the marginally employed face is that when they turn to the college system, they're told it's going to be about three years for them to get into their program. Anyone who has to wait three years to get into a college program is not going to wait, and they fall through the cracks and disappear off the radar.

I know the Association of Canadian Community Colleges was here before us, but they estimate they need about $7.4 billion of additional investment just to get their capacity up to what it needs to be to address these current shortages we're facing in Canada, let alone the shortfall we anticipate we're going to be facing in our economy in about five to seven years. So something has to be done.

I recognize everyone is coming here with recommendations, and they're all worthy recommendations, but this is something that is far too important to the future of our economy to just be ignored. We really need to do something at this point to address skill shortages or we are going to see labour costs go through the roof; we are going to see scarcity of labour in the next 10 to 15 years. This has to be addressed.

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

**Mr. Pat Martin:** I wonder if we could have the national chief address the same issue.

**The Chair:** Yes.

**Chief Shawn A-in-chut Atleo:** I think it's absolutely critical. I've been reaching out to universities, to civil society, and will want to reach out to the associations of the likes we're sitting with here to suggest, as the member is, that we do need to work together to address this for this committee and the government. Previously in the pre-budget submission we identified a $2 billion investment that's required. In the area of education funding, this points to about a $1.2 billion deficit in education since the 2% cap.

So we're going to do our reach-out to suggest strongly that the growing aboriginal population has the potential to make a significant contribution to the labour force, but we've got to match these people with skills, with training, with education, and of course we're going to be looking to the government to support that. Right now we've got lists of people who would like to go to school and pursue these opportunities, but they're unable to. We hit a height of 30,000 in post-secondary in 2005, but it's declining dramatically. It makes no sense to have a significant decline occurring since 2005—it's 2009 now—when we've got the kinds of labour market needs that exist out there. So I agree with what the member was suggesting on this, that there needs to be a better match between first nation citizens and the needs of the economy.

● (1810)

**The Chair:** Thank you.

Thank you, Mr. Martin.

We'll go to Mr. Pacetti, please.

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

It's always difficult to get to all the witnesses, so thank you for appearing and thank you for your presentation.

I'd like to start with the Canadian Federation of Medical Students. In your brief, you were talking about the internal competition, if I can refer to the fact that Ontario is encouraging medical students to take up residency there. What will happen if all the provinces do the same thing? What are other countries doing? Is there a competition internally, or is there an international competition going on for medical students?

**Mr. Tyler Johnston:** It's more of an internal competition. Our net outflow is going down, but what we are seeing is these incentives....

Sorry?

**Mr. Massimo Pacetti:** Sorry...enrolment is going down?

**Mr. Tyler Johnston:** No, our net outflow of physicians is going down, so more are staying here in Canada, but it is creating a bit of an internal competition among provinces, particularly in provinces that are resource-rich in terms of medical schools located in those provinces and their being able to attract more people. Once you establish a life in a particular area, you often don't leave, whereas in most cases, when there aren't financial incentives in play, students often go back to where they're from to practice, so they go home.

**Mr. Massimo Pacetti:** Thank you.

In terms of international, I guess if you can get into a medical school, whether it be in Canada or outside, you jump at the opportunity, but is there competition internationally in terms of Canadians wanting to go overseas to study medicine?

**Mr. Tyler Johnston:** I'll let Mr. Mondoux answer this one.

**Mr. Shawn Mondoux (Vice-President, Education, Canadian Federation of Medical Students):** I think we definitely don't have a lack of applicants in Canadian medical schools. Sadly, we don't have the positions for all the people who are applying, so we're selectively accepting people probably in the top 10 to 15 percentile of those applying to be future Canadian physicians, which means that those in the 2% to 3% below these students, who are still good candidates, tend to leave Canada to study somewhere else in this beautiful world of ours and pay significant sums of money to do so.

The problem is that after their training most of them seek to come back to Canada for clerkship positions and residency positions that don't exist, and that's the problem we see with that.

[*Translation*]

**Mr. Massimo Pacetti:** Ms. Leblanc, I'd simply like to ask you a question about your second recommendation, which concerns the Museums Assistance Program. No specific amount is indicated. Is there one?

**Ms. Lise Leblanc:** I think there is a specific amount, but, once again, I'm going to ask Mr. Labossière, who is the expert from the Canadian Art Museum Directors Organization, to answer.

[*English*]

**Mr. Robert Labossière:** On September 29 I had the pleasure of participating in a "Hill Day", when many museum directors visited Parliament Hill—

**Mr. Massimo Pacetti:** I understand, but I'm looking for a specific amount.

**Mr. Robert Labossière:** Part of the ask was $20 million a year for the MAP.

[*Translation*]

**Mr. Massimo Pacetti:** Ms. Leblanc, with regard to the third recommendation, according to your study, what would be the need for loans to purchase artworks?

**Ms. Lise Leblanc:** How much should be lent?

**Mr. Massimo Pacetti:** Yes, what amount should be made available to individuals in the form of loans, according to your third recommendation?

● (1815)

**Ms. Lise Leblanc:** My third recommendation is that the possibilities should be studied. The French say €10,000, which is how much, $2,000?

**Mr. Massimo Pacetti:** How many artworks could people be encouraged to buy with that amount?

**Ms. Lise Leblanc:** How many artworks?

**Mr. Massimo Pacetti:** Yes.

**Ms. Lise Leblanc:** That depends on what they buy.

**Mr. Massimo Pacetti:** So you don't know what the demand is.

**Ms. Lise Leblanc:** No, I believe I don't understand the question.

**Mr. Massimo Pacetti:** For the tax system, to know more or less the cost of the work, there has to be a corresponding value.

**Ms. Lise Leblanc:** Do you understand, Mr. Labossière?

**Mr. Massimo Pacetti:** I don't need the answer immediately, but you could perhaps think about it and give it to me later.

**Ms. Lise Leblanc:** Yes, but I...

All right.

[*English*]

**Mr. Massimo Pacetti:** Madame Brisebois, I think the Liberals made a statement today about our position on debit cards. What has been your association's discussions with government since the preliminary hearings we had on debit and credit cards?

**Ms. Diane Brisebois:** There have not been any major changes to our position.

**Mr. Massimo Pacetti:** I was asking about your discussions with the government, not your positions.

**Ms. Diane Brisebois:** Discussions with government have centred on a code. This was discussed openly with different organizations. Our position was similar. We said that the only way this could work was if the code had meat on the bone. We will continue to advocate for a flat fee, and for the elimination of "honour all cards" and priority routing. These are the same issues that were addressed before the Senate banking committee.

**Mr. Massimo Pacetti:** Is the government listening? Is the government going to react?

**Ms. Diane Brisebois:** The reason I'm here today is that we are concerned. If the government is listening, it's not acting as quickly as our merchants are telling us it must. We've estimated that the new fees will cost merchants more than $300 million, with no changes to the system. That's difficult to deal with in fragile economic times.

**Mr. Massimo Pacetti:** I agree.

Thank you.

**The Chair:** Thank you, Mr. Pacetti.

Monsieur Laforest.

[*Translation*]

**Mr. Jean-Yves Laforest:** I have a question for Ms. Brisebois.

This spring, we talked a lot about the increase in credit card fees for merchants. Today, you told us more about the entry of MasterCard and Visa in the debit card purchase sector.

In your brief, you also talked about the management of residual materials by merchants. You said there were disparities among the provinces, among the municipalities. In concrete terms, how do you see the solution to that problem?

**Ms. Diane Brisebois:** In concrete terms, it would be a harmonization of environmental costs across Canada, on the understanding that every province and program can have different costs. It isn't the amount specifically; it's the way the amount is calculated, how you determine the amount of the sale of the product, that is to say that certain provinces want it to be internalized, while other provinces realize that this isn't a good idea from a competitive standpoint.

What we really want is a harmonization of the regulations and the manner in which environmental costs are calculated.

**Mr. Jean-Yves Laforest:** Thank you. That's concrete.

**Ms. Diane Brisebois:** Thank you.

**Mr. Jean-Yves Laforest:** Thank you.

Mr. Duguay, you proposed that there be an expanded free trade agreement with the European Union. In the light of our experience with the Free Trade Agreement of the Americas in the past few years, are there any sectors that should be excluded from such an agreement or warnings that should be made for the negotiation of an agreement with the European Union?

**Mr. Stéphane Duguay:** As I explained earlier, the purpose in promoting a free trade agreement with the European Union is really to diversify markets and ensure we keep in mind the lessons of this recession. NAFTA has also shown that more open markets bring definite benefits. There is a very broad consensus on the economic and trade benefits that NAFTA provides, in terms of openness to the European markets. We advocate the free movement of goods so that resources are allocated to the best places and the best performing businesses can innovate and conquer new markets.

● (1820)

**Mr. Jean-Yves Laforest:** You believe that would stimulate innovation in particular?

**Mr. Stéphane Duguay:** Absolutely, because, by doing business with a country in western Europe or central Europe, for example, you're selling a product, but you're going to be looking for expertise and you'll be communicating with people. That's definitely beneficial for the Quebec and Canadian economy.

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

[*English*]

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

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

Thank you, ladies and gentlemen, for your presentations.

My first question is for the Fédération des chambres de commerce du Québec.

Monsieur Duguay, you mentioned in your brief the effect of the reduction in corporate tax rates being rolled out by the government over several years, that it will result in Canada having one of the most favourable corporate tax rates in the OECD by 2012.

I note today that the parliamentary budget officer has made very favourable statements with regard to Canada's comparative debt-to-GDP ratio with respect to other nations, other OECD and G-20 nations, and with respect to the situation that existed in the recessions of the 1980s and 1990s.

Can you give us your view on how important those planned corporate tax rate reductions are to Canada's competitiveness over the next five years? Can you also tell us how you see the comparisons between Canadian corporate tax rates and those of, say, the United States and other major competitive nations, given that our debt-to-GDP ratio is so much better than in those other countries?

[*Translation*]

**Mr. Stéphane Duguay:** To promote greater long-term productivity, long-term economic growth, we have to rely on business productivity, innovation and competitiveness. There are a number of factors that will promote that, such as education levels and geographical position, but also, in large part, general taxation rates. The government set a clear direction. It was its intention to lower the marginal rates in order to promote business competitiveness.

We are asking the government to continue in that vein and not to sacrifice that in order to return to a balanced budget because the short-term economic benefits would be offset by slightly more negative long-term effects on productivity, economic growth and wealth creation. So we're asking the government to retain its intention to lower marginal rates by 2012.

[*English*]

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

I was very interested in the suggestion in your brief that the government exempt from taxes in Canada the royalties on Canadian-developed patents. Can you tell us what you think the cost of that program might be on an annual basis?

[*Translation*]

**Mr. Stéphane Duguay:** The idea of proposing certain measures as promoting innovation is mainly to send a clear message, which is not to sacrifice business productivity and competitiveness in order to return to fiscal balance.

With regard to the patent royalties exemption, the figure isn't available, but the goal is really to get a clear message, that is to say that the government will support innovation and productivity. So that's an idea that we're proposing to the government.

[*English*]

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

I have a question for Financial Executives International Canada. You mentioned earlier your general support for the national securities regulator. For 25 years I was a lawyer involved in corporate finance, and I can tell you many stories about deals that didn't come to Canada when international clients found out they had to file 13 times and go through that cost. It's good work for lawyers and auditors, but it's not very good for the investing public.

Can you give us a sense of how important you think a national securities regulator is to enable Canadian businesses to attract international investment, and what impact it might have on establishing Canada as a world leader in corporate finance?

● (1825)

**Mr. Michael Conway:** Thank you, Mr. Dechert.

It's really important, as I said to Ms. Block. It's a big competitive world out there, and Canada is a relatively small capital market versus the entire world. So the ease of access for the capital markets is critical. Things are better than they used to be. There is the passport system, but a single regulator with one security act instead of 13 securities acts.... Some of my best friends are recovering lawyers—

**Voices:** Oh, oh!

**Mr. Bob Dechert:** I resemble that comment.

**Mr. Michael Conway:** —and they don't want to see their fees go away, but a single securities act and a single set of regulations, improved enforcement, a lot of the things that are currently being looked at at the securities regulator just make sense.

I might add, while we're at it, Mr. Menzies, if we look at the 13 pension regulators in the country, it might be time for your group to consider that consolidation and single simplicity just make sense.

**Mr. Bob Dechert:** Do I have time for one quick question?

**The Chair:** Very briefly, if you want to put the question.

**Mr. Bob Dechert:** Ms. Brisebois, many have mentioned that we should allow merchants to advertise and mark an “all in one” price for products including the HST, so long as it's shown on the invoice. What do you think of that suggestion?

**Ms. Diane Brisebois:** For HST specifically?

**Mr. Bob Dechert:** Yes, HST or for GST and PST.

**Ms. Diane Brisebois:** Or for a harmonized tax?

**Mr. Bob Dechert:** Yes, for the harmonized tax.

**Ms. Diane Brisebois:** First of all, the merchants are supportive of a harmonized tax. The challenge with internalizing the tax is that the tax is not the same right across the country. There is one province specifically that has no provincial sales tax, so this makes it very difficult for national retailers wanting to advertise a single price because in fact they could not if you force the combined tax to be hidden in the price of the goods.

**Mr. Bob Dechert:** But for local retailers—

**The Chair:** I'm sorry, we'll have to carry on that discussion after.

Mr. McKay has one question, I believe?

**Hon. John McKay:** Well, I've been sitting here for six years, Mr. Chair, and I did not know that this committee was here to protect lawyers' fees.

**Voices:** Oh, oh!

**The Chair:** Order.

**Hon. John McKay:** This has been a bit of a revelation to me.

I wanted to address my question to Chief Shawn A-in-chut Atleo. Congratulations on your win. It was really quite dramatic. I rather hope they didn't have a write-in ballot. That could be a bit of a challenge with your name.

Testimony we heard earlier had to do with a transfer of title out of the crown to either bands or individuals. The argument put forward was that it would increase the value of property by about 90% and people would take out loans, fix up their houses, fix up their businesses, sell off the property. I'd be interested in your views on that matter.

**Chief Shawn A-in-chut Atleo:** Well, that again is a good example of why I'm recommending that we strike a senior officials task force to examine some of the mechanisms that would unleash some of the economic potential, but not to do it in isolation of what Mr. Martin was alluding to, and that is, the relationship between the crown and first nations more broadly. Specifically, he was talking about the negotiations in British Columbia, which have cost over $300 million. I think we're hitting 16 years or so in that jurisdiction. Other examples can be brought out that are comparable throughout the entire country.

Really, you have the treaties, Treaties 1 to 11. They encompass over 300 first nations of the 633 across the country. They're not the only ones with treaties that have been signed over the years. They're throughout the Atlantic. They're in B.C., at the Douglas Treaty. There are modern-day treaty agreements in the Yukon and elsewhere and then there are those who are negotiating treaties.

To talk about specific examples you're referring to, to generate economic activity around a property or property ownership in isolation is not something we should be doing separately. These things need to be contemplated together. It's about honouring and implementing the treaties. The original treaties were always about economic arrangements. What we haven't done and what treaty first nations are looking to do is to work them out in a joint manner.

That's the reason I am coming here, not just with specific suggestions to make, but to recommend that we establish a joint task force to look at new mechanisms that smash the status quo.

● (1830)

**The Chair:** Okay, thank you very much, Mr. McKay.

I want to thank all of you for your presentations here this afternoon and for responding to our questions. It was a very interesting panel. Thank you all for participating.

Colleagues, just as a reminder, we are meeting at nine o'clock tomorrow morning in 269 West Block. We have a meeting with the parliamentary budget officer, also concerning the budget implementation bill, and we have a subcommittee in the afternoon.

We'll see you tomorrow.

The meeting is adjourned.

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