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Chair

Mr. James Rajotte

Standing Committee on Finance

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● (1535)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I declare the 65th meeting of the Standing Committee on Finance called to order.

Our order of the day, pursuant to the order of reference of Wednesday, May 27, 2009, is Bill C-288, an act to amend the Income Tax Act—tax credit for new graduates working in designated regions.

Colleagues, we have two panels today of an hour each. In the first panel we're very pleased to have our colleague, Madame Deschamps.

[*Translation*]

Welcome to the Committee.

Ms. Deschamps is the member of Parliament for Laurentides—Labelle. She is accompanied by Mr. Jean-David Beaulieu, a researcher for the Bloc Québécois.

I would also like to welcome Ms. Lysiane Boucher and Mr. Mathias Boulianne from the Fédération étudiante universitaire du Québec.

[*English*]

Welcome to the committee.

We will give each of you time for opening statements. You have an hour for questions and opening statements.

We'll start with Madame Deschamps for your opening statement. You may proceed at any time.

[*Translation*]

Ms. Johanne Deschamps (Laurentides—Labelle, BQ): Thank you very much.

First of all, I would like to thank committee members for inviting me to appear today to discuss Bill C-288, which is intended to create a tax credit for new graduates working in remote areas.

The main objective of the bill is to attract young graduates to remote areas. It is also intended to mitigate two problems affecting these regions—an exodus of young people and a serious labour shortage. It is important to encourage young graduates to move to the regions to take up their professional activities and ensure, in the best interest of the regions, that they are able to recruit skilled workers.

As mentioned, the youth exodus is a growing problem in terms of the economic vitality of regions located some distance from the major urban centres. They need the contribution of young graduates to stimulate regional development and increase their capacity for innovation. There is no doubt that providing a $3,000 annual tax credit, up to a maximum of $8,000 over a three-year period, to new graduates working in the regions would help to revive the local economy and meet labour requirements.

Many students leave their home region to pursue post-secondary studies in the major urban centres. Young people who leave their regions to study in these centres establish ties there, develop friendships and build networks. It is thus more likely that, when they complete their studies, they will have many more reasons and opportunities to establish themselves in their new environment, as opposed to returning to their home area. According to Statistics Canada, people with the highest educational attainment generally migrate to the major urban centres. The tax credit proposed under Bill C-288 would give young graduates an incentive to go back to the regions and establish themselves there.

The youth exodus has negative consequences both socially and economically. There is an acceleration of population aging and a decrease in average educational attainment among those who remain, which undermines the capacity for innovation. The most remote regions are those losing the most people. Often, they depend on a particular type of industry—the so-called single industry regions. Often there is little room for skilled jobs in the traditional economic base of these regions, which tends to be extraction or primary processing of natural resources. The time when resource regions could rely solely, for their prosperity, on the extraction of natural resources intended to be processed elsewhere, has come and gone. In order for the regions to develop, they must make the technology shift and further develop their processing industry.

My riding of Laurentides—Labelle clearly illustrates the disparity between a remote region and one close to an urban centre, as well as the impact of a resource crisis in a single-industry region. I am referring here to the crisis in the forest industry. The most southerly part of the Laurentians region has, for some years, seen an increase in its population because of quite significant interregional migration, primarily from Montreal and Laval. However, in the RCM of Antoine-Labelle, which includes the municipalities north of the Municipality of Labelle, the population is experiencing considerable decline. The forest industry crisis has hit that RCM with full force. Although its decreased population cannot be attributed to the forest industry crisis alone, many young people have had to leave the area due to inadequate job opportunities following the closure of forest companies and related businesses.

Of the 17 forestry companies in my riding, 14 have been forced to shut down their operations. More than 1,250 jobs have been lost. Heavy machinery operators, engineers, technicians and truckers are the ones most affected by these job losses. The people with the most education, with skills or with special expertise—engineers, for example—have been forced to leave this beautiful region in order to seek employment in their field elsewhere.

As for the Government of Quebec, it believes that diversifying the economies of these regions will mean developing new business activity in other areas.

This is a significant brake on development of secondary processing activities and high-tech industries in the region.

In all the studies that have been done, many entrepreneurs have said that they could only keep their business operating in the region if they were willing not to expand. As long as the business remains small, they can handle anything requiring professional or technical expertise. However, if the business expands, they have no choice but to hire skilled personnel. The problem associated with finding that kind of personnel in their region could mean they might have to move their business to urban centres, where they would be more likely to find skilled labour.

Bill C-288 would be a beneficial tax measure for all eligible young Canadian graduates. The youth exodus phenomenon does not only affect Quebec. All across Canada, economic activity has gradually been moving from the so-called rural areas to the major urban centres. Some provinces, including Quebec, Saskatchewan, Nova Scotia, New Brunswick and Manitoba, have developed a tax credit for young graduates. The government of Quebec created its own such tax credit in 2003. It was subsequently amended and now resembles the one proposed in the bill I am discussing with you today.

Many young graduates have taken advantage of this tax credit and, according to the most recent available statistics, more than 16,000 people used it in 2007. In the Saguenay—Lac-Saint-Jean region alone, as of April 2009, 22,074 individuals had claimed it since it was first introduced. So, the tax credit is enjoying tremendous success. In Saskatchewan, the government introduced a tax credit to encourage graduates with a post-secondary degree to remain in the province. The provincial government also created a tax exemption of up to $20,000 for graduates, depending on their educational level.

Bill C-288 has received support from many different groups and generations across Quebec, including the Fédération étudiante collégiale du Québec, or FECQ, and the Fédération étudiante universitaire du Québec, or FEUQ, which represent 40,000 and 125,000 students, respectively, all across Quebec. The FADOQ network, with 255,000 members, as well as the Fédération québécoise des municipalités, representing 972 municipalities across Quebec, have voiced their full support for this bill. In addition, the bill is supported by many RCMs, chambers of commerce and Carrefours Jeunesse.

When we toured Quebec to promote Bill C-288, people expressed strong support for this bill. The youth exodus is only too real for the people of Abitibi-Témiscamingue, Saguenay—Lac-Saint-Jean, the North Shore, Gaspésie, the Magdalen Islands, the Lower St. Lawrence region and northern Quebec.

According to the reference scenario used by the Institut de la Statistique du Québec in its most recent publication on population prospects from 2006 to 2031, there could be slightly negative growth by the end of that timeframe, one of the factors behind the decline being higher levels of regional migration in the later years.

The federal tax credit for young graduates could prove to be an effective means of countering too significant a population decline in the regions. The challenge today is to keep our young people in the regions and encourage others to establish themselves there.

I am therefore calling on the finance committee to help the regions of Quebec and Canada and support our young people. We must put a stop to population decline and the youth exodus, which are far more significant in the regions than in the urban centres.

What is at stake here, gentlemen, is the future of our young people and our regions.

● (1540)

The Chair: Thank you very much for your presentation, Ms. Deschamps.

Ms. Boucher, please proceed.

Mrs. Lysiane Boucher (Coordinator, Federal and International Affairs, Fédération étudiante universitaire du Québec): Good afternoon, Mr. Chairman, ladies and gentlemen. First of all, allow me to express my thanks for this opportunity to take part in your work on Bill C-288.

My name is Lysiane Boucher, and I am the coordinator, Federal and International Affairs, for the FEUQ, or Fédération étudiante universitaire du Québec. Mathias Boulianne, our policy assistant, is with me today.

The FEUQ represents more than 16 member associations. Today we are speaking for more than 125 000 university students in Quebec, almost half of whom are in the regions. Twenty years after this organization was first created, we continue to defend the rights and interests of university students before, during and after their studies through our interaction with the appropriate government and educational authorities.

The exodus of young people from the regions is a very real problem, the effects of which are deeply felt. Our member associations see students leaving to study in major urban centres, but not often returning there to live, for a variety of reasons. For example, the perception of greater job potential, relationships that have built over time, and so on. Migration to the urban centres is very much a reality. The effects of negative migration and prospects for population growth are now being felt. An example from Quebec would be Abitibi-Témiscamingue, which had negative net migration and population prospects, in 2006 and 2007, of minus 12.9% over the longer term. Studies have shown that people's propensity to migrate to the urban centres or other regions increases with age and over time. The number of people returning is not adequate to completely compensate for that progressive migration. As a result, the net population of some regions has declined.

That is the reality in Quebec, but also in the rest of Canada. At relatively comparable levels, all the provinces are experiencing an aging population, decreased birthrates and youth out-migration to the larger urban centres. Some examples of that would be the maritime provinces or northern Ontario.

Bill C-288, which is now at second reading, is an excellent way of encouraging new graduates to go and live in the designated regions, in order to slow the youth exodus while at the same time fostering economic development in those regions. Some might say that this is only a stopgap measure. However, this incentive should be seen as an immediate solution in terms of lifting barriers to student mobility —one which, in particular, will complement regional revitalization measures. When they are fresh out of school, young graduates or couples don't necessarily have the money to pay back their student debts or purchase a home, for example. It should be noted that students in the regions generally have higher debt levels, because of the fact that they are required to be far more mobile in order to continue their studies. This tax credit would lower their tax burden, once graduates had established themselves in a region, enabling them to invest directly in the new life they are beginning.

Once the tax credit is exhausted, the graduates will finally be established and more comfortable financially, having the assurance of a stable salary. The idea of spreading the tax credit over three years is excellent, as it will encourage people to stay. After three years spent in a region, graduates are far more likely to establish themselves there—for example, by starting a family, buying their first home or setting up their own business—all of which serve to anchor them to the community.

In Quebec, a similar form of tax credit is already in place. It is yielding concrete, positive and—most importantly—irrefutable results. In the first year of operation, 4,578 students or new graduates returned to work in the regions. And, four years later, in 2007, 15,991 new graduates went back to the regions. So, every year, more and more new graduates are contributing to the revitalization of a designated resource region, by stimulating the local economy and providing skilled labour.

Certainly, in times of economic crisis, where political action is focused on economic recovery plans, it may seem ambitious to propose depriving the government of tax revenues. Most of the steps taken recently are intended to stimulate the economy by creating new jobs. But what happens if no potential candidate is interested in taking the position because of its geographic location? As a means of keeping young people in the regions, stopping the demographic hemorrhaging and fostering the development of processing industries, by giving entrepreneurs the ability to access the skilled labour they require, this investment is relatively small—not to mention the fact that the economic stimulus plan focuses on short-term measures.

The problem of the youth exodus can be seen in connection with the current economic crisis. However, this was an issue long before the crisis emerged and it probably will not diminish over time, if we don't act now. And, it is important to remember that Quebec's society will, sooner or later, be confronted with the obvious problem of an aging population. Now is the time to take action through legislation that will provide a stable, long-term solution to the problem of moving the necessary skilled labour to the regions.

The days when resource regions could rely on natural resource extraction are gone. Development of the processing sector and an ongoing concern for innovation are an absolute must in order to stimulate regional economies. Only with skilled labour can this challenge be met. And the first step is to attract and retain new graduates.

● (1545)

In a word, the FEUQ has always felt strongly about regional development, as we see it as a necessary ingredient for a prosperous Canadian economy. We believe that it is by responding to the youth exodus that we will be in a position to meet this societal goal. The introduction of skilled labour, thereby revitalizing the targeted regions at multiple levels, will serve to guarantee our long-term economic prosperity and competitiveness.

For all these reasons, the FEUQ is strongly recommending that Bill C-288 be passed. Thank you very much.

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

We will now open it up for questions from members.

Mr. McCallum, for seven minutes.

● (1550)

Hon. John McCallum (Markham—Unionville, Lib.): Thank you for being here today.

First of all, I want to say that I support this bill. I believe the Liberal Party also supports it in principle.

I have two questions. First of all, this bill creates a deduction, not a tax credit. If I am reading this correctly, this is a deduction, not a credit. Am I right?

Ms. Johanne Deschamps: I do not claim to be a tax expert, but in my opinion, it is a non-refundable deduction.

Hon. John McCallum: This is an important point. If it is a non-refundable tax credit, that is fine. This is important if you want to see this bill passed. If this is actually a refundable tax credit, the bill will not receive royal assent and will not pass. Can you confirm that?

Ms. Johanne Deschamps: Yes.

Hon. John McCallum: All right.

I have proposed an amendment. I have discussed this with your colleagues, Mr. Bouchard et Mr. Laforest, and I would like to ask you this: would you agree to this amendment? I am suggesting that the regions be defined as proposed in the bill, but that metropolitan areas with a population of 200,000 or more be excluded.

There are two reasons for this. Under the current definition, the provinces of Saskatchewan and Manitoba and almost all the Maritime provinces would be deemed to be regions. That means that if you live in Halifax, Saint John, Regina or certain cities in Quebec as well, you will be eligible. So, if the goal is to encourage people to return to the small cities and towns, it would not be a good idea to subsidize people living in large cities.

Also, if cities with a population of over 200,000 are excluded, the cost will be lower. Would you agree to such an amendment?

Ms. Johanne Deschamps: I feel like saying: your offer is accepted.

Hon. John McCallum: Thank you very much.

That completes my questions.

The Chair: Thank you.

Mr. Bouchard, please.

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Thank you, Mr. Chairman. Ms. Deschamps, Ms. Boucher et Mr. Boulianne, thank you all for appearing today.

We know that this is the second try for Bill C-288. The first bill was supported by the Liberal Party and the NDP, and even reached the Senate during the last Parliament. This bill—the same one—is currently being reviewed in this Parliament.

Ms. Deschamps, I know you held consultations and met with a lot of people in the regions, so I'd like to know what you have heard from the people you talked to.

Ms. Johanne Deschamps: We visited every region of Quebec affected by this bill, Mr. Bouchard—the person I love to refer to as the « father » of the bill. We heard the same arguments in every one of the regions. Young people are leaving. There are very few, if any, opportunities to find employment, because there is no market. Also, the unemployment rate is very high. There have been a number of attempts to try and set up secondary and tertiary processing plants, but it's kind of a vicious circle: if we cannot keep young people in the regions and give them jobs, unfortunately, they have to leave their home area to settle in one of the larger centres.

● (1555)

Mr. Robert Bouchard: Thank you.

My second question is addressed to one of the two witnesses from the FEUQ—either Ms. Boucher or Mr. Beaulieu-Mathurin. Bill C-288 is aimed at people living in remote and rural areas in Quebec and across Canada.

Could you tell me why you support this bill, which is intended to help mainly rural and remote areas, but which does not do anything for the major urban centres?

Mrs. Lysiane Boucher: Getting people back into the regions is important. A successful economy generally depends on the sum of all its parts. As a federation, we look after students before, during and after their studies. There is a large cohort of students from the regions who pursue their studies in more urban centres, but who want to go back to their home area, either because they have family or friends there, or because they like the pace of life. However, they are waiting for incentives.

We see Bill C-288 as an additional measure to complement other incentives already available in the regions. In Quebec, there are a lot of initiatives in place that promote tourist and other attractions in the regions. However, there is a lack of capital. And this is the type of support which will make all the difference for people.

We have some actual examples, in our respective circles, of people buying houses and starting a family. We look at this from a longer term perspective, but the fact is that more families in the regions mean economic stimulation. That means jobs can be created. For example, physicians are needed to provide medical care to families and they then become local consumers. For us, providing stimulus to the regions is a way to ensure the whole province is on a sound footing.

I don't know whether my colleague, Mathias, has anything to add.

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): I am going to pick up from here, Mr. Chairman. There are two minutes remaining.

I may ask a question at the end, but first I would like to make the point to you, Ms. Deschamps, that the bill you are proposing responds to what people have been calling for, obviously, and also reflects the program introduced in Quebec, where it has had a very positive impact. It also meets the needs of many regions outside Quebec.

The Standing Committee on Finance has just completed a cross-Canada tour as part of its pre-budget consultations. I was present for almost all the meetings. Very often we heard from groups who came to talk about problems that your bill will correct. Many other regions of Canada are experiencing a youth exodus. We need help similar to the arguments you are making, to highlight the benefits of your bill. This bill would help the resource regions, that really need young people born there to go back home, so that they can benefit from their newly acquired knowledge and skills. This bill would make it possible for them to settle there, thereby ending the exodus. That would stimulate economic development, which is an important factor.

I don't necessarily have a question, but I do want to congratulate you. I want you to know that what you are doing is very important to all young people, not only in Quebec, but across Canada.

Ms. Johanne Deschamps: Thank you, but I am not doing the work by myself. We are working as a team. There is a desire in the communities and the regions to see this happen. And there currently exists a similar program in Quebec. In my opinion, it cannot be seen as anything but a success. The last reference year was 2007, and 16,000 people availed themselves of the program in that year. It is an incentive to young people.

● (1600)

Mr. Jean-Yves Laforest: I was saying earlier that witnesses had come from across Canada. There were people from British Columbia, northern Alberta, northern Ontario and the Maritimes, in particular. I think the rural communities are facing the same problem.

Thank you.

[*English*]

The Chair: Merci, Monsieur Laforest.

We'll go to Mr. Wallace, please.

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

Ms. Deschamps, thank you very much. I'm sorry, but I will have to ask my question in English, so it might take a little longer. In this particular round, I have some specific questions on the bill, and hopefully I will get another round.

I just want to be clear on this. In the bill you're proposing, you must have been from the area to qualify to go back to the area as of December 1 of the calendar year before you do your income tax. Is that correct?

[*Translation*]

Ms. Johanne Deschamps: Perhaps I should put it a different way. Once the student graduates, he or she has 24 months to settle somewhere or find a job.

I don't know whether that answers your question.

[*English*]

Mr. Mike Wallace: No, it does not.

Let me simplify it a little. If my daughter, who is at the University of Ottawa, graduates from the University of Ottawa and moves to a rural area in Quebec, can she qualify if she hasn't lived there the year before?

[*Translation*]

Ms. Johanne Deschamps: Yes.

[*English*]

Mr. Mike Wallace: So in fact in your presentation you were discussing how it was important to get young people who are from rural areas to move back to rural areas, but this bill doesn't necessarily apply to them. It applies to absolutely everyone. Is that correct? It applies to every student regardless of where they live.

[*Translation*]

Ms. Johanne Deschamps: Yes.

[*English*]

Mr. Mike Wallace: So why do you have this deemed residence piece in the last segment of your bill?

[*Translation*]

Ms. Johanne Deschamps: One of the goals of the legislation is to avoid out migration by young people to the urban centres. This is an incentive designed to enable young people to return to the regions designated under the legislation.

[*English*]

Mr. Mike Wallace: As you know, I only have a short period of time.

So yes, it applies to all people, all students, which is what I wanted to know. Do they have to find a job in the field of their study, or can it be any employment?

[*Translation*]

Ms. Johanne Deschamps: They have to find work in their area of study.

[*English*]

Mr. Mike Wallace: I'll give you my own example. I graduate with a political science degree and I go back to a rural area of Ontario and I work as a salesperson. Does that qualify or not?

[*Translation*]

Ms. Johanne Deschamps: No.

[*English*]

Mr. Mike Wallace: It has to be within their field, so you expect CRA, the revenue agency, to be able to determine whether the job the individual has applies to the degree the individual has.

So they'll have to list on their tax form what degree they have to be able to qualify for that tax return. Is that correct?

[*Translation*]

Ms. Johanne Deschamps: Yes.

Let me give you a specific example, Mr. Wallace. I have a son living in a region of Quebec who has received training. There is a detention facility—a penitentiary—where a large number of correctional officers are retiring from their jobs. So, they have to be replaced. These young people have pursued their studies and come back to the region. They secured employment at the regional detention centre, where they are entitled…

[*English*]

Mr. Mike Wallace: Did they come back to that region because the job was available or because of the tax deduction?

[*Translation*]

Ms. Johanne Deschamps: First of all, they returned because most of them were originally from the area and felt they had a strong connection to it. They wanted to stay there. Secondly, being able to take advantage of a tax credit, up to a maximum of $8,000, is a fairly attractive incentive for young people who have just completed their studies. These youths will remain in the area. Also, they are participating in the economic life of the community. Fourteen of them were hired last May, and have been able to buy a car, a house, and services. That is what it's all about.

● (1605)

[*English*]

Mr. Mike Wallace: I don't disagree, Madame.

Obviously I'm not going to be supporting this bill, because I don't think it's the tax incentive. I believe in the mobility of labour. People should go where the jobs and the opportunities are. The tax system should be used to get people to move around, but to bring them home where there might not be the same opportunities is not it.

I want to ask you more specific questions before I get to some others.

In clause 2 you have “40% of the aggregate of all amounts” of each salary. Let's assume they get one salary of $30,000, and 40% of that is $12,000. You're telling me today that if your bill passed they'd automatically get a $3,000 deduction from their tax bill as it figures through from the gross amount of their salary. Is that correct?

[*Translation*]

Ms. Johanne Deschamps: Mr. Wallace, if you don't mind, I would like to let Mr. Beaulieu answer you, but first, I want to add something.

You said that you would vote against this bill because you are in favour of labour mobility. You believe that people should be able to go where there is work. What I find sad about that attitude is that young people are abandoning the regions to go and work in large urban centres where there is work. The negative impact of that is that our communities are dying out.

[*English*]

Mr. Mike Wallace: Why should the taxpayer pay for someone to go back to a region where there are no jobs? That is my issue.

An hon. member: They wouldn't go back if there wasn't....

Mr. Mike Wallace: Then we don't need the tax system to do it.

An hon. member: They'll have to get a tax credit.

The Chair: Order.

Mr. Mike Wallace: We don't need to do a tax credit, John— which you voted against last time.

The Chair: Order.

John, you're not on the witness list here.

Mr. Wallace.

Mr. Mike Wallace: I'd like to hear Jean-David.

[*Translation*]

Mr. Jean-David Beaulieu (Researcher, Bloc Québécois Research Bureau, Bloc Québécois): Actually, it is quite simple. If someone earns $30,000, he can deduct $3,000 from his federal tax payable the first year, $3,000 the second year, and $2,000 the third year.

[*English*]

Mr. Mike Wallace: Is that before other deductions? Is it off their gross or off their net? What does this bill do in terms of their income?

[*Translation*]

Mr. Jean-David Beaulieu: It's off gross salary.

[*English*]

Mr. Mike Wallace: Then their tax rate isn't based on $30,000; it's automatically based on $27,000.

[*Translation*]

Mr. Jean-David Beaulieu: That is correct.

[*English*]

The Chair: Thank you, Mr. Wallace.

We'll go to Mr. Rafferty, please.

Mr. John Rafferty (Thunder Bay—Rainy River, NDP): Thank you very much.

Thank you for appearing here.

We in the NDP do support this bill, but I do have some questions. Anyone can answer, or whoever can answer it best.

The first question deals with some of the terminology used in the bill: “designated educational institution” and a “recognized diploma”. What types of institutions and programs would be included in these definitions? Do you have an example of some?

[*Translation*]

Ms. Johanne Deschamps: I have a note here that answers your question. Because education falls within the jurisdiction of Quebec and the provinces, the diplomas that are recognized by designated educational institutions differ from one province to the next. In Quebec, for example, there are technical diplomas. The youth could have studied at a CEGEP. It could also be a B.A. or another university post-secondary degree. In the rest of Canada, it could be a college or university diploma, for example.

Ultimately, eligible institutions will be on the Master List of Designated Educational Institutions under the Canada Student Loans Program.

[*English*]

Mr. John Rafferty: Thanks.

That leads to the next part of my question. In my part of northern Ontario there is a very big shortage of tradespeople. I'm thinking of, for example, drywallers, and all sorts of tradespeople who need some incentive to go north. If they're in an apprenticeship program, that doesn't really lead to what I think you're talking about with a recognized diploma, but it does lead to a journeyman's status or something like that. Would that qualify?

● (1610)

[*Translation*]

Mrs. Lysiane Boucher: I'd like to give you an example of how it works in Quebec. Through technical training programs, electricians, plumbers and others receive the necessary training. That training is provided by an institution that is recognized by the Quebec government. If my analysis of the situation is correct, the diploma they receive is also a recognized diploma, making them eligible to receive the tax credit in future.

A voice: —eligible for loans and grants.

[*English*]

Mr. John Rafferty: Would the proposed tax credit interact favourably or unfavourably with other income eligibility rules for graduates, such as student loan interest relief and those sorts of things? How would that mesh with other programs that are available already?

[*Translation*]

Ms. Johanne Deschamps: In any case, the idea is not to use this credit to replace incentives that are already in place. I would say it is intended to complement what already exists, in order to ensure that young people will return to the regions.

[*English*]

Mr. John Rafferty: So for the example I gave of student loan interest relief, they may not be eligible if they receive a $3,000 credit. Are you saying that relief in that particular case would be separate from the $3,000 credit?

[*Translation*]

Ms. Johanne Deschamps: It is complementary. I don't know whether—

Mr. Robert Bouchard: You have to pay income taxes in order to benefit from it. So, if an individual pays $2,300 in taxes the first year, he will receive $2,300 back. If he pays $3,000, he will receive that same amount. That's clear.

[*English*]

Mr. John Rafferty: Let's say this bill comes into effect. For the 24 months prior to the bill coming into effect, are graduates who are already in the region eligible for this tax credit?

[*Translation*]

Ms. Johanne Deschamps: Yes.

[*English*]

Mr. John Rafferty: They are. So is there a concern that there would be a cash windfall for people who have already chosen to return to the region that's underserviced, but they've done it up to 24 months before the bill comes into effect?

[*Translation*]

Mr. Jean-David Beaulieu: Because the annual maximum is $3,000, we are not talking about large sums of money being paid out that have been accumulated over time. The bill clearly states that the maximum is $3,000 a year. So, if someone has been studying for three years, and has only one year of eligibility left, that person will only be entitled to $3,000. What is nice about this measure is that it provides an incentive to people who, after a year or two, may be in the process of assessing what the big city has to offer and may decide they want to improve their situation. So, it is an additional incentive for them to stay in the region.

The Chair: Fine. Thank you.

[*English*]

Point of order, Mr. Laforest.

[*Translation*]

Mr. Jean-Yves Laforest: Mr. McCallum asked me a question about the terminology, or a paragraph, that appear in the French version but not in the English version. Now I have a better understanding of the questions that both the Conservatives and the Liberals have been asking about the scope or definition of the regions. In the French version of the bill, in an explanatory paragraph, it says:

> *« région désignée » S'entend au sens de l'article 3 de la Loi sur les subventions au développement régional.*

Do you have the definition in English?

● (1615)

[*English*]

Mr. Mike Wallace: “Designated region” has a meaning assigned under section 3 of the Regional Development Incentives Act, which includes provinces, if you read the act.

[*Translation*]

Mr. Jean-Yves Laforest: In which version is that found? Where is it? Can you read it to me?

[*English*]

Mr. Mike Wallace: The act has Saskatchewan as a region....

The Chair: Monsieur Laforest, can I suggest that we look at it? Mr. Rafferty has one minute left of his time, and then we'll go to Mr. Pacetti.

[*Translation*]

Mr. Jean-Yves Laforest: Mr. Chairman, he has answered my question. It's just that the two paragraphs are not opposite one another in the text, which makes things a little more complicated.

[*English*]

The Chair: Okay.

Mr. John Rafferty: Would this proposed tax credit be better or worse than any other incentives that could be available—for example, offering higher salaries to get people to move to an area?

[*Translation*]

Ms. Johanne Deschamps: It looks as though it will be higher. That may be the responsibility of the company concerned. You cannot force a company to offer a salary that is higher than the norm or average. On the other hand, an incentive is given to an individual, who can then decide on his own to go and settle in a specific region because he is being given the chance to access this tax credit. Also, if you look at how it is currently working in Quebec, I'd say it has been very successful.

[*English*]

Mr. John Rafferty: So higher salaries would be one example. But would a northern residents tax deduction that everyone in the whole region got, as opposed to a special one for graduates, be more or less effective? I don't know. I just want your thoughts on that.

[*Translation*]

Mr. Jean-David Beaulieu: Unlike some other Committee members, members of the Bloc Québécois believe there should be full population coverage and that it is important that there be quality jobs available in the regions.

It is important to understand that a company operating in a remote area faces higher costs, particularly transportation costs. Consequently, it is often difficult for that company to compete with the salaries being offered in the large cities.

That is why we think that, by providing a tax credit to young graduates living in the regions, we can compensate in part for the company's limited ability to pay, while at the same time fostering full population coverage and allowing our young people to live in the regions.

[*English*]

The Chair: Thank you, Mr. Rafferty.

Mr. Pacetti please.

[*Translation*]

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): I want to thank our witnesses for being here today.

I just have a few questions. If I'm not mistaken, you said that 16,000 people had availed themselves of the tax credit in Quebec. Are the criteria the same as in Quebec? Are they not more restrictive?

Mr. Jean-David Beaulieu: The criteria are the same in Quebec. One point that should be made about this tax credit is that, when it was introduced in Quebec, it was refundable. Therefore, you were not required to pay taxes in order to be eligible, which resulted in exploding costs. The government of Quebec wanted to correct that and therefore changed to rule so that the credit would no longer be refundable.

Mr. Massimo Pacetti: So the 16,000 people who benefited from the tax credit were students. Is that what the statistics tell us? Do we know how many of them did it because they wanted to work in the city? Did this initiative really serve to keep young people in the regions?

Ms. Johanne Deschamps: In 2003, 4,578 people benefited. I referred to a total of 16,000 people. In other words, in 2007, almost 16,000 graduates availed themselves of the tax credit. So, we are seeing that year over year, there are more and more people using it.

Mr. Massimo Pacetti: Thank you. I have two other quick questions, and I also have a couple of comments.

My view is that the bill should not be too restrictive. Sometimes a B.A. covers a very wide area of study. We could cite a lot of examples, even in medicine; but let's take the example of a Bachelor of Commerce Degree, which gives you expertise in accounting, finance, marketing or management. Supposing someone has expertise in finance but holds an accounting job. That person should not be deprived of a deduction. So, I don't think the definition should be too restrictive. It's not written in the bill, but I don't want it to be too restrictive.

I don't mean to exaggerate. I am not talking about a doctor who goes to work at McDonald's; however, if the person's degree is in political science and he or she wants to work in a business, then to me, that is problematic. Does it have to be that restrictive?

● (1620)

Ms. Johanne Deschamps: The purpose of the bill is to attract skilled labour in order to deal with labour shortages. They are a reality in the regions of Quebec. We want to bring in qualified young graduates to take jobs in their area of expertise.

Mr. Massimo Pacetti: Exactly, and sometimes there are job transfers—which is why I want to be sure the bill is not too restrictive. Private members' bills are not always properly drafted, because of our limited resources. So I just want to be sure that the conditions are not too restrictive and that someone with a diploma will not be forced to get in a job in only one area. I can already anticipate that we will have a lot of problems with the Canada Revenue Agency.

Also, if a graduate decides to work in a large city like Montreal, Quebec City or somewhere else, and returns to his home area after the second or third year, how will it work with the deduction?

Ms. Johanne Deschamps: The bill provides that, from the date of graduation, a person has 24 months to move or find a job there. So, we are talking about two years. If, in the year following his graduation, the individual decides to work one year in a larger urban centre and, following that year, decides to return to his region because he found a job in his field, he will then be in a position to take advantage of the new measures.

Mr. Massimo Pacetti: But if it's three years, he won't be able to.

Ms. Johanne Deschamps: He has 24 months. You have to draw the line somewhere.

The Chair: Thank you, Mr. Pacetti.

Mr. Bouchard, please.

Mr. Robert Bouchard: I am going to ask one question, and my colleague will pick up from me after that.

My question is for Ms. Boucher from the FEUQ. We know that an identical program is currently in place in Quebec. Bill C-288 is very similar to it. Also, you have received a lot of support in Quebec and from your members, who are in Quebec.

Can you tell us whether you know of groups outside Quebec who are or would be supportive? Can you tell us which groups outside Quebec would have an interest in supporting this bill?

Mrs. Lysiane Boucher: Our student federation is provincial, but we do deal with two national federations that defend the same interests, sometimes based on a different approach or adopting different positions. However, the Canadian Alliance of Student Associations represents 300,000 students across Canada. Having discussed this with representatives of CASA, they are supportive insofar as they have also noticed that there is a problem in the regions. They are very much alive to the fact that there is a problem, and that young people are gravitating towards the large urban centres. They also come from the regions or represent people who do. They are experiencing the same difficulties that we are in Quebec; so, we share the same viewpoint on this. Also, our two organizations are trying to find solutions. We support Bill C-288, although I cannot speak for my colleagues all across Canada. However, I do know they have been seeing the same thing happening in their areas.

Mr. Jean-Yves Laforest: At the time this bill was first proposed, by Mr. Bouchard who was then the sponsor, figures were presented showing that the cost associated with the bill would be $180 million for Canada. That calculation was based on what the tax credit had cost the Quebec Treasury. Subsequently, Conservative MPs tabled an estimate showing that the cost would be $600 million. As a result, we asked the Parliamentary Budget Officer to give us his opinion on these two estimates. There was a significant gap of $400 million between the two. The answer, even though it was not entirely clear, was that the cost of the measure would be about $180 million and possibly a little less. It could also be $600 million, but that depended on how the regions were defined.

In your opinion, does this bill propose a more restrictive definition, for a cost of $180 million, or a definition that is more likely to cost $600 million?

● (1625)

Ms. Johanne Deschamps: Based on the estimates prepared by the Bloc Québécois, one eighth of Canada's population lives in an eligible region. That is how we came up with the amount of $180 million. There are two assumptions underlying the cost estimates, which have to do with the number and size of the regions to be designated and the take-up rate among eligible individuals.

Mr. Jean-Yves Laforest: A little earlier, we were talking about eligibility. However, the Parliamentary Budget Officer, who will be appearing later, talked about the importance of applying fairly specific criteria in terms of determining which regions will be eligible. In Quebec, all the regions are not necessarily designated—for example, the region I represent, which is Saint-Maurice—Champlain. It is in Mauricie. Now Mauricie was a designated region, but only some municipalities were designated.

Do you think this bill should apply in the same way? Ultimately we are talking about sub-regions where the unemployment rate, even compared to the rest of the region, is much higher. Is that what you have in mind in proposing this bill?

Ms. Johanne Deschamps: Quebec set three criteria. It must be a single-industry region with a weakening economy, one where there has been a significant exodus of young people—in other words, lower population—and also a high unemployment rate. Those are the three factors that the government of Quebec relied on to designate resource regions in Quebec. It will probably be up to the Governor in Council to designate the regions, in cooperation with the provinces.

[*English*]

The Chair: Thank you, Mr. Laforest.

On a point of order, Mr. Wallace.

Mr. Mike Wallace: I'd like a quick clarification. Mr. Beaulieu has provided me with different information from what was in his answer. It's not $3,000 off the gross—

Mr. Jean-David Beaulieu: Would you like me to give an example to all the committee, or do you want to do it?

Mr. Mike Wallace: If you would like to clarify that I would appreciate it.

The Chair: Next is the Conservative round, so we'll do it right now as the Conservative round.

[*Translation*]

Mr. Jean-David Beaulieu: Mr. Wallace, I got a little lost in the translation earlier, and I would like to go back to the example we were discussing. For a gross salary of $30,000, the federal tax bill would be approximately $4,000. The tax credit is equal to 40% of total earnings—$12,000 in this example—which is too high. So, we fall back on the $3,000 amount and that is the amount deducted from federal tax payable.

[*English*]

Mr. Mike Wallace: So his net tax would be $1,000.

[*Translation*]

Mr. Jean-David Beaulieu: Exactly. The amount of tax payable would be $1,000, in that case.

Is that clear, Mr. Wallace?

[*English*]

Mr. Mike Wallace: It's a grand off the tax payable.

[*Translation*]

Mr. Jean-David Beaulieu: Is that clear, Mr. Wallace?

[*English*]

Mr. Mike Wallace: It is clear if this is accurate. I think we need to have you back.

The Chair: I need clarification as the chair.

Mr. McCallum asked the question I asked about whether it's refundable or non-refundable. I thought you said it was a deduction, but the bill amends section 118, which deals with tax credits in our Income Tax Act. Why are we amending section 118, which deals with tax credits, if it's a tax deduction?

● (1630)

[*Translation*]

Mr. Jean-David Beaulieu: On page 16 of the English version of the paper prepared by the Parliamentary Budget Officer, who analyzed this bill, it clearly states, with respect to this credit, that 40% of earnings from qualifying employment could be claimed. So, we are talking about $3,000, or a maximum of $8,000 over three years. That is what both the Bloc Québécois and the government used as a formula for calculating the costs associated with this bill.

[*English*]

The Chair: Perhaps I'm not hearing this correctly. My understanding is that if it's a deduction it should be in section 63 of the Income Tax Act, not section 118. I'd like clarification on why this section, which deals with tax credits, is being amended. The way it's worded you could actually make this a refundable tax credit if the bill were passed into law, according to how I read it. I may be reading it incorrectly.

So why is section 118 being amended?

[*Translation*]

Mr. Jean-David Beaulieu: It is clear that it is a non-refundable credit. That has been confirmed by legal experts.

[*English*]

Mr. Mike Wallace: That's not what you told him; you told him it was a deduction. This is why we need more witnesses, my friend.

The Chair: I thought in response to Mr. McCallum he said it was a tax deduction. There's a difference between a tax deduction and a non-refundable tax credit.

[*Translation*]

Mr. Jean-David Beaulieu: It may be the case in English, but in French, we generally use the same term, it's like the words “*taxe*” and “*impôts*”.

[*English*]

The Chair: On a point of order, Mr. Wallace.

Mr. Mike Wallace: I don't want to put these people on the spot. They obviously don't have the answers on the tax issue.

I have a motion to ask for more witnesses. Having the tax department in to talk about what the different sections do and what they have is something I am interested in.

I'd like to have these people back. They're only here for an hour, and we have a lot more questions from our side.

I have a motion, whenever you deem it appropriate, that we would ask for an extension and have more meetings on this item of this bill.

The Chair: You can introduce a motion, because it's on the topic.

We do have the Parliamentary Budget Officer—

Mr. Mike Wallace: It would be after we talk to the Parliamentary Budget Officer.

The Chair: Do you want to introduce the motion after?

Mr. Mike Wallace: I'd be happy to put the motion on the table whenever you deem it correct. If you want to do it right now, I can do it right now.

The Chair: The first hour is up, so we will have the Parliamentary Budget Officer. But perhaps we'll have you read the motion.

Mr. Mike Wallace: Right.

> Pursuant to Standing Order 97.1, the Committee requests an extension of thirty days to consider Bill C-288, An Act to amend the Income Tax Act (tax credit for new graduates working in designated regions), thereby providing the Committee with a total of ninety sitting days during which to complete its study of the bill. The Committee finds it necessary to consult further in order to give the Bill the consideration it requires. Therefore, it requests an extension of thirty sitting days.

Briefly, we've heard there's some confusion on what action is in the text of the bill as it applies to the tax area. I have further questions for the mover of this bill, which is fine, and I think there are some people we need to see before we make up our mind on it.

The Chair: I'm proposing, as the chair, that we ask the Parliamentary Budget Officer to present, because he is waiting.

I'll have Madame Deschamps give a final statement to the committee at this point. This motion may or may not pass, so this may be your final opportunity before the committee. But we will give you this opportunity to speak to this bill.

[*Translation*]

Ms. Johanne Deschamps: Thank you very much for giving me a chance to make some final comments, which will be very brief and very simple, Mr. Chairman.

I imagine that, if the Conservative government is prepared to shower the auto sector, concentrated mainly in Ontario, with billions of dollars, it should be able to find tax credits to encourage young people to return to the regions. I think this is a reasonable incentive, considering that we are talking about the very survival of the regions, the future of our young people and the future of areas facing serious economic problems. I am referring to my own region of the Saguenay, but also to those of all the colleagues we have met with on our tour. This is not an imaginary problem; it is real.

Thank you.

● (1635)

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

[*English*]

Mr. Mike Wallace: Point of order, Mr. Chair. Could you ask whether they are willing to come back to talk to us more about the bill? I'd like to have them back.

The Chair: That's not a point of order, Mr. Wallace. Obviously if the bill continues in its study, I'm sure they'd be willing to come back.

Thank you.

We will suspend for a minute or so, and then we'll have the Parliamentary Budget Officer. Merci.

●

(Pause)

●

The Chair: I'll call the meeting to order. I would ask that any conversations be taken outside the room.

We are continuing our discussion of Bill C-288.

We have before us for the next hour, from the Library of Parliament, the Parliamentary Budget Officer. Welcome back to the committee, Mr. Page.

With Mr. Page are Mr. Khan, the assistant parliamentary budget officer; and Mr. Jacques, the financial advisor on expenditure and revenue analysis. Thank you all for being with us today.

Mr. Page, I understand you have an opening statement with respect to your report on this bill, so we will ask you to present your opening statement. Thank you.

Mr. Kevin Page (Parliamentary Budget Officer, Library of Parliament): Thank you, Chair.

My staff and I appreciate the opportunity to appear before the committee today to answer your questions regarding our cost assessment of Bill C-288, which is intended to provide a non-refundable tax credit to new graduates who settle in certain regions of the country.

Before we begin with questions, I wanted to first take the chance to provide members with some context regarding the terms of reference of our assessment, the key findings, and future analysis that may be warranted.

[*Translation*]

We prepared the terms of reference in consultation with committee members shortly after receiving the committee's request in September of 2009. This is a standard aspect of our work, intended to ensure that there is a common set of expectations between the requester and my staff regarding the scope of work, depth of analysis and timelines for delivering. The terms of reference are attached as Annex A to our cost assessment. At the time, there was a general consensus among members of the committee that the most useful contribution I could make to your deliberations would be to analyze the cost estimates that had been presented to this committee and to the House of Commons.

In addition, there was also interest expressed in determining the regional impacts of the proposed legislative amendments, if possible. A key aspect of the terms of reference was agreement among members to share the substantial work that had been completed to date and underpin the $180 million and $600 million cost estimates. By building on these earlier efforts, I ensured that I could avoid duplicating work already completed by others and respond to the committee's request in a more timely manner. With this in mind, my work focused on two key activities: reproducing each of the two estimates and determining their implicit assumptions; and, building a framework to assess if the assumptions' corresponding results appeared to be reasonable. I want to thank officials from Finance Canada and Statistics Canada, in particular, for their timely and patient help in preparation of my assessment.

● (1640)

[*English*]

Over the past seven weeks I have drawn on the expertise and experience of provincial governments, academics, and government executives to assess the reasonableness of the cost assessments presented to the committee. As I outlined in my note, the two cost estimates are based on different assumptions regarding the size of the regions that would be designated as eligible for the proposed tax credit and the propensity of new graduates to take up the new tax credit.

The lower estimate of $180 million is based on actual data from the Province of Quebec. The Quebec tax credit that has been available since 2006 is generally consistent with the proposal in Bill C-288. It is available in regions that comprise approximately 14% of the provincial population and has an actual take-up rate of roughly 7% of total graduates.

The higher estimate of $600 million is based on a model developed by Finance Canada. It assumes that the tax credit would be available in regions of the country that were originally designated under the Regional Development Incentives Act in 1974, including urban centres such as Winnipeg and Halifax, comprising closer to 28% of the national population. It also assumes a take-up rate that would be closer to 20% of annual graduates.

Relying on data from Statistics Canada, I have also prepared an objective assessment of costs using sub-provincial census and labour market data. This analysis generally corroborates the low and high-cost estimates for the proposed tax credit, depending on the size and the number of the regions, as well as the take-up rate among new graduates.

ln general, the data suggest that the larger the coverage of the designated regions, the greater the take-up rate among new graduates and the higher the cost of the tax credit. The bottom line is that both estimates appear reasonable given their respective assumptions. ln effect, I conclude that the question posed by the committee is not really a costing issue, but rather a policy issue that is best left to you for further deliberation.

As committee members are aware, the proposed legislation would use the statutory authority of the Regional Development Incentives Act to establish designated regions. While there are regions that were designated at the time the act was brought into force in 1974, these expired in the mid-1980s.

Given the sensitivity of the tax credit's estimated cost to the size and number of the designated regions, members may wish to further refine this proposal to determine how many regions should be designated, and are these regions intended to cover an eighth of the population, as in the $180 million estimate, or a third of the population, as in the $600 million estimate? Members should also consider whether designated areas should include urban areas. Finally, there is the issue of prescriptive selection criteria for designated regions, such as the unemployment rate or some other factor.

After this additional policy work is completed, I am certain that I could calculate a more precise estimate of the potential forgone revenues that would arise as a result of this tax credit.

Thank you for the opportunity to make an opening statement. I look forward to your questions.

The Chair: Thank you, Mr. Page, for your opening statement.

We'll start with members' questions, with Mr. McCallum, for seven minutes.

Hon. John McCallum: Thank you, Mr. Chair. I'll share my time with John McKay.

Thank you for being here.

I want to ask you a question. Unknown to you—because it just happened a little while ago—I announced that we would propose an amendment, and the Bloc members agreed, that the definition of “regions” would exclude metropolitan areas with population over either 150,000 or 200,000. So that would, I think, bring it closer to the Quebec situation, because if you exclude cities like Winnipeg, Regina, Saskatoon, Halifax, and no doubt many others, then you make the percentage of the population closer to the Quebec model, and you would bring the costs closer to the Quebec number, as compared with the federal finance number.

Certainly one could calculate the impact by looking at which cities and towns would be involved. Perhaps you don't know that off the top of your head, but can you give some sense of how big an impact this might have if we excluded all cities with population in excess of 150,000?

● (1645)

Mr. Kevin Page: Sir, what we have done for today's presentation—we assumed that we might get a question like that—is extend the rural assumptions to all provinces. In this case, you would be reducing the total of steady-state mature costs, by our own estimate, by about 43%. So you would get down to a number in the range of $350 million to $370 million a year. So from $600 million—or in our full costing of the finance department estimate it would be probably closer to $650 million—you would reduce the cost by 43% if you just looked at the rural population, if you excluded the big cities. You'd get a number more in the neighbourhood of $350 million, $370 million.

Hon. John McCallum: So this is only—

Mr. Sahir Khan (Assistant Parliamentary Budget Officer, Expenditure and Revenue Analysis, Office of the Parliamentary Budget Officer, Library of Parliament): I just want to add that this reduction is based on the Finance Canada model. We'd have to look at the eligible population under that scenario to then calculate whether the appropriate take-up rate and assumptions—

Hon. John McCallum: Presumably the take-up rate would go down too, so it would cost less than what you just said, if the definition of the region is narrower.

Mr. Sahir Khan: Yes, sir, but in this case, one of the things that we've noted is that the costing is quite sensitive to that definition, so a more precise definition would.... We'd be able to provide you—

Hon. John McCallum: Just as a point of information, when you say “limited to the rural population”, what's the definition of “rural”?

Mr. Kevin Page: I'll ask Jason.

Mr. Jason Jacques (Financial Advisor, Expenditure and Revenue Analysis, Office of the Parliamentary Budget Officer, Library of Parliament): Actually, the figures Mr. Page was referring to are taken directly from the Finance Canada model. For those numbers, we used the definition used by Finance Canada, the rural ratio used by Finance Canada, where the proportion of the population between the ages of 30 and 44 with post-secondary education that is participating in the labour force of a province is compared to the rural proportion of the population.

Hon. John McCallum: But I'm just asking you what the definition of the word “rural” is.

Mr. Jason Jacques: We've tried to use a definition consistent with Finance Canada's. We actually used several other measures of rural, and whether it's a Statistics Canada definition or looking at other segments of labour force, for the most part, you come out to a similar number as that used by Finance Canada within their model.

Hon. John McCallum: You didn't really answer my question, but never mind.

I'll pass it on to John McKay.

Mr. Kevin Page: Mr. McCallum, I'll get back to you on the precise definition of “rural” used by the Department of Finance.

Hon. John McKay (Scarborough—Guildwood, Lib.): The conversation before you arrived had to do with whether this is a tax credit or a tax deduction or a refundable tax credit, and things of that nature. At the top of the bill it says that this is a tax credit, and then it amends a certain section of the Income Tax Act, which may or may not be the section that needs to be amended, and then in the guts of the bill it says it's a deduction, or that “there may be deducted an amount equal to”.

So I'm not quite sure what our working assumption in here is. Is it a tax credit? Is it a refundable tax credit? Or is it a deduction?

Mr. Kevin Page: We're assuming it's a non-refundable tax credit.

Hon. John McKay: A non-refundable tax credit.

Mr. Kevin Page: I see here it is set at the 100% level, as opposed to the lower bracket.

Hon. John McKay: So for your purposes, at least, we can eliminate the notion that it's a deduction or refundable tax credit.

Mr. Kevin Page: I think we could also add, Mr. McKay, that was the working assumption used by the member from Chicoutimi as well as the Department of Finance.

Hon. John McKay: Well, when we were listening to the member from Chicoutimi, the supporting folks were a little confused as to what it was they actually meant. So there may or may not have to be amendments to be consistent with your working assumption.

The second question has to do with the hard data, and the only hard data you have in the area has to do with the Quebec experience which was roughly a take-up of 7% of the graduates. The working assumption of the bill is that if there is this tax credit, then there will be a flow of people back to the regions. In your analysis of the Quebec data, is that a provable assumption?

Mr. Kevin Page: It is based on actual experience. But maybe I'll get Jason to answer, as he has had conversations with the folks in the Government of Quebec as well as the professor from the University of Ottawa on any incentive effects of people moving to take advantage of a credit.

● (1650)

Mr. Jason Jacques: We didn't specifically look at the inducement issues, so the question of incrementality, how many people would receive the benefit who were currently living there versus how many people you would convince who otherwise wouldn't have moved back, wasn't directly addressed. In speaking with the Province of Quebec and the Ministry of Finance, they indicated that they planned an evaluation in the near future to specifically assess that issue and the effectiveness.

There are several working paper and peer-reviewed academic papers that specifically look at that issue of inducement with respect to graduate migration and location decisions. They would seem to indicate that for the amount of money currently on the table, there could be inducement effects. Actually, the Canadian expert in this area is at the University of Ottawa, Dr. Ross Finnie. He was quite generous with his time on this issue.

The Chair: Thank you.

[*Translation*]

Mr. Laforest, please.

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

Mr. Page, Mr. Khan and Mr. Jacques, thank you for the work you have done, this is an interesting analysis.

It says in your report that this bill takes its inspiration from the Quebec legislation dealing with regional development and encouraging young people to return to the regions. You say that it is available in 11 designated regions in Quebec. A little earlier, we heard from Ms. Deschamps, who is proposing this bill. I asked her whether this bill more closely reflects the model which yields an estimate of $180 million, like the bill Mr. Bouchard—who is actually here today—sponsored, or whether it was more in line with the $600 million estimate, as presented by the Conservatives.

You say that there are 11 designated regions in Quebec, even within these designations, the region as a whole is not included. I gave the example of my own region. There are 50 different municipalities there, but not all municipalities are eligible under the legislation, based on what is in place in Quebec. In the presentation made by Ms. Deschamps, those same criteria were reflected. It is the same municipalities that need to see young people come back to the regions, because they have a high unemployment rate.

In doing your assessment of the other regions of Canada, did you apply the Quebec model? Can you, as is the case in Quebec, measure differences within a single region? Are you able to do that for the other regions of Canada?

Mr. Kevin Page: Unfortunately, Mr. Laforest, it really isn't possible to do the same type of analysis.

[*English*]

What we did in our reasonableness test at PBO, using Statistics Canada data, using what we call health regions—there are 90 health regions defined by provinces across the country—was something similar. We basically looked at the long-term unemployment rates in each of these regions. We did an analysis compared to an average long-term unemployment rate. One of the scenarios, when we looked at health regions that have long-term unemployment rates at 2% or higher above the national average, resulted in numbers very similar to those in the province of Quebec overall, in terms of $145 million per year as opposed to $180 million per year.

● (1655)

[*Translation*]

Mr. Jean-Yves Laforest: That was my second question. If we decided that the rule would be to restrict this to regions or sub-regions with an unemployment rate that is 2% or 2.5% higher than elsewhere, that would limit both the cost and the number of participants. Furthermore, it would act as a real incentive for the regions that are in difficulty.

Mr. Kevin Page: That's possible. I think the decision to be made will be whether we want to consider health regions or economic regions based on the census.

Mr. Jean-Yves Laforest: I see. Thank you.

The Chair: Mr. Bouchard, please.

Mr. Robert Bouchard: Thank you, Mr. Chairman.

I would like to thank you for being with us this afternoon.

I understand, from reading your document, that Bill C-288 is similar to the program put in place by the Quebec government. We know that the government of Quebec's budget estimate for 2009 is $45 million. The population of Quebec represents 23% of Canada's overall population. If we do a mathematical projection, we arrive at about $195 million for Canada.

Do you think that $195 million figure is more realistic than the $600 million figure put forward by the Conservative Party?

Mr. Kevin Page: Mr. Bouchard, as I indicated in my introductory remarks, the size of the regions and the number of residents are the main factors that will determine the cost of this proposal. That explains the significant gap between the two existing cost estimates. In order to arrive at a more precise estimate, the regions have to be defined. It would be possible to create a type of region similar to the one used by the government of Quebec and to come up with an estimate of about $180 million a year.

Mr. Robert Bouchard: In your statement, you asked how many regions should be designated. You also are wondering whether the designated regions are intended to cover an eighth of the population, as in the $180 million estimate. When you established that assumption, which you then deconstructed, was your analysis primarily mathematical? For example, would we be able to see which specific areas would be included in a specific province? If we take one eighth of the population, are we talking about specific areas in a province? Does your study go into that much detail?

Mr. Kevin Page: Yes, we did do that analysis. It is possible to use the health regions and identify exactly the level of the regions using numbers such as long-term unemployment, and then compare that to the average. So, it is possible to identify specific regions that way.

Mr. Robert Bouchard: Is the one-eighth that you referred to similar to the regions covered under the Quebec program?

Mr. Kevin Page: The criteria are different in Quebec. They use what are called resource regions, whereas we are using what we call health regions. We specifically looked at labour market criteria and compared unemployment rates.

The Chair: Thank you, Mr. Page.

Thank you, Mr. Bouchard.

Mr. Wallace, please.

[*English*]

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

Thank you for the work that your office has done. I was one of the ones pushing for this work to be done, and I really appreciate it. You got it done in a relatively quick period of time, and I thank you for that.

I have some questions, and then I want to ask you about a further study that you have indicated here.

First of all, the regions you used are based on the wording in the actual bill. Is that not correct? The bill says,

> "designated region" has the meaning assigned by section 3 of the Regional Development Incentives Act.

You just used the wording that's already in that legal document. Is that correct?

● (1700)

Mr. Kevin Page: Correct, sir. As we've indicated, effectively that definition under the regulations no longer really exists, but we did use those regions. We deconstructed the finance estimates. We've calculated them, and they're in the annex.

Mr. Mike Wallace: But that's what you used, right?

Mr. Kevin Page: Correct.

Mr. Mike Wallace: If the committee saw fit for you to do further work on regionalizing or taking urban sections out, or deciding that the unemployment overlay should be there too—Fort McMurray is a rural area, and it may not have that high an unemployment rate—you could do that work if we gave you time to do that. Is that correct?

Mr. Kevin Page: Yes, and thanks to you, sir, because we developed the work in terms of developing a cost methodology as a relation with Statistics Canada, we could do it quite quickly now.

Mr. Mike Wallace: Okay, I appreciate that.

Now, I have another question for you. There was some confusion in my mind. I want to be frank. I know the mover of the motion is still here. I believe in the mobility of labour and that we use the levers of government to get individuals to move to where the jobs are. An effective tax system, or whatever, I don't disagree with. I think it's a bigger strategy than this piece of legislation, but I do believe in that. My in-laws came over from Italy for opportunity. My father moved nine hours away from his family for opportunity. I've moved for opportunity, and I believe in mobility of labour and that we should be supporting this.

So on the issue of whether an individual qualifies for, in this case, the credit, as you call it, there was confusion on whether they had to be educated in the field they got the job in. So let's say, to use a wild example, I got my engineering degree from Ottawa, or from the Université de Montréal, wherever. I go back, though, to my region and I get a job in a field other than engineering, maybe plant management. Who knows what it is, right? Does that count in your numbers as somebody who would qualify for that tax credit or not?

Mr. Kevin Page: We made no accounting for that, sir, whether they got a job in a different field from what they had studied in, or in fact whether they were educated in a different part of the country.

Mr. Mike Wallace: So if the bill were clear, and somehow CRA were able to do it—I don't know how they would do it—if you had to list your occupation and what you did for education in your CRA form, in your tax form, that could reduce the take-up on that actual credit. Is that correct?

Mr. Kevin Page: That makes sense, sir.

Mr. Mike Wallace: Then there was some confusion about whether this was a credit or a deduction, and I used the example of some young individual in a first job making $30,000. So based on the bill, 40% of that is $12,000 and they are allowed to deduct $3,000. So they deducted $3,000 from their gross, because it says gross salary here, so now they are taxed on $27,000 instead of $30,000. This is a credit, which means that after all the deductions, including the $9,000 you get as a personal exemption.... Let's say they owed $4,000 in federal tax. So $3,000 of that could be deducted and they actually owed $1,000. That's what you mean by a credit. Is that not correct?

Mr. Kevin Page: That's correct, sir. That's assuming, again, that they have the space within their $8,000.

Mr. Mike Wallace: Okay. So it would be, from a tax perspective, I don't want to say "cheaper", but if it was treated as a personal deduction, like our personal exemption that we already have, our $9,000, whatever it is—I don't even know what it is any more, but I know we keep moving it up—then the balance of their income would attract all the other deductions they have. That would be actually less expensive. Is that not correct?

● (1705)

Mr. Kevin Page: Yes.

Mr. Mike Wallace: The Speaker of the House rules these things like this. Because we're reducing taxes for individuals, they're votable, but in actual fact this is a cost to the government, whoever the government of the day is. Is that not right? The treasury will be getting less money if this credit gets passed and put into law. If we wanted to balance that, we would have to find revenue from other sources to make up the deduction that people would get from this credit. Is that not correct?

Mr. Kevin Page: Well, sir, yes, we're talking about forgone revenues, so there would be a cost to the fiscal framework. If we wanted to keep things neutral, we'd have to find other measures, certainly.

Mr. Mike Wallace: There's nowhere in the bill.... This takes it in isolation. We've heard that provinces have some sort of regional credits and so on. There's no sense this is replacing that. This would be for a young person in addition to what they're getting now. Am I not correct, that when you looked at this, you didn't look at what they're getting elsewhere?

Mr. Kevin Page: Yes, we did, sir.

In one of the annexes, Jason Jacques, the author, spent time talking to the different provinces. Five provinces have graduate retention types of programs. I think Quebec's is the only one that has a regional dimension. We provided you with an analysis of what's available in the different provinces and to what amount.

Mr. Mike Wallace: But they're viewing this bill as an addition to that. Did you get any response from the provinces on how they felt about this?

The Chair: Very briefly, Mr. Khan.

Mr. Sahir Khan: In general, the discussions with the provinces were of a technical nature.

Mr. Mike Wallace: Thank you very much.

The Chair: Thank you, Mr. Wallace.

We'll go to Mr. Rafferty, please, for seven minutes.

Mr. John Rafferty: Thank you very much, Chair.

Thank you for being here, Mr. Page.

To continue with what Mr. Wallace was talking about, I'd like to ask you more opinion questions rather than technical money questions. In your discussion with the provinces, was there any indication the provinces would be the ones who would designate these areas? That they're not going to buy into it unless they have an opportunity to designate those areas themselves?

Mr. Kevin Page: We really didn't have that type of conversation with them. In the analysis that Jason and Sahir undertook we looked at health regions. Those health regions were designated by the provinces. We have 90 of them across the country, and Statistics Canada can match up economic and socio-economic information for those health regions.

Mr. John Rafferty: Can we reasonably assume the provinces will have a hand in the designated areas? The reason I ask that is of course because in my province of Ontario, as far as health care and doctors in underserviced areas are concerned, places like St. Catharines became underserviced areas. I would be concerned that's going to be a problem in the overall figuring out of this.

Mr. Kevin Page: I would just add to that. Given that there may be a need if we were to move forward with this in a policy context in terms of using the Regional Development Incentives Act, you'd have to update the regulations in those regions anyway. It would be for you to decide in a policy sense how you would want to involve the provinces, but I think you'd have to do it anyway.

Mr. John Rafferty: I want to ask your opinion about this particular bill and the benefits of it. I agree there are benefits in this bill to underserviced areas of the country. Would another mechanism be more effective—for example, a remote area tax deduction for everyone in the area? This is not a dollar question, but an opinion question.

Mr. Kevin Page: We haven't looked at that. I'd be more comfortable if you asked us to look at other instruments from a cost perspective, which is generally the way we look at these things. We'd have to undertake the analysis. I'm not comfortable providing an opinion without doing the analysis

Mr. John Rafferty: Okay.

In the figures you looked at, and this bill specifically talks about young workers, new graduates, younger people, in terms of mobility and getting people into remote areas, would you think older workers would also be part of this? Particularly considering the unemployment changes that happened in the last couple of years, and people being more mobile and needing to go to other areas, was there anything in your undertakings that showed that older workers are also being more and more mobile?

Mr. Kevin Page: We spent a lot of time with a professor from the University of Ottawa, looking at his studies. He spent many years looking at mobility and education.

Mr. Sahir Khan: In the information the Ministry of Finance in Quebec provided, they also provided demographic information. The bulk of the take-up was in the demographic group 20 to 24, and the balance, 25 to 29. So it gives you some sense of a situation with their specific program or tax credit in terms of where the propensity to take up this credit was greatest.

● (1710)

Mr. John Rafferty: Thank you.

One other thing that was clarified for me earlier in the hour was that not just universities and colleges but apprentices and tradespeople would qualify for this and the answer was, yes, they would under this bill. Were those sorts of numbers taken into account when you were doing your calculations?

Mr. Kevin Page: That's correct.

Mr. John Rafferty: They were, okay.

Mr. Wallace is concerned about the effect it has on the treasury. I don't want to get into it—

Mr. Daryl Kramp (Prince Edward—Hastings, CPC): But you will.

Mr. John Rafferty: I don't want to get into a percentage point of GST disappearing, $6 billion leaves the treasury. I don't want to get into that kind of argument with Mr. Wallace.

How do you balance that? Well, you have HST in Ontario, and I don't want talk about that either. I'm finished here. Thank you.

Some hon. members: Oh, oh!

The Chair: Thank you, Mr. Rafferty.

We'll go to Mr. Pacetti, please.

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

Just quickly, Mr. Page, are you happy with the extra money you got on the supplementary?

Mr. Kevin Page: I understand there's a joint committee of the Library of Parliament—I think it's tomorrow—so hopefully we'll hear more. Our big issue, again, is what the funding levels will be for 2010-11. We're hoping that it will be at the original planned amount. Again, we're also hoping that it will be clear that we can hire the people who we have seconded.

Mr. Massimo Pacetti: Will you keep us posted?

Mr. Kevin Page: Will do. Thank you.

The Chair: Do you have a relevant question?

Mr. Massimo Pacetti: Yes. This is relevant. I want to know how long he's going to be around. It's very relevant.

Mr. Ted Menzies: I would suggest that he's done pretty good work—

Mr. Massimo Pacetti: Yes, exactly, so I want him to continue to do it.

If we're going to talk between us—

The Chair: Order.

Mr. Pacetti, we're here to discuss Bill C-288.

Mr. Massimo Pacetti: Yes, so can I get going?

The Chair: Yes, absolutely.

Mr. Massimo Pacetti: I have a quick question on your estimates. You have a lower estimate and a higher estimate. On the lower estimate—I think in replying to Mr. Bouchard's question—you said it's an extrapolation of the Quebec numbers. Is it based on extrapolating from the national numbers, or is it from Quebec's? I'm not clear. In your presentation you say:

> The lower estimate of $180 million is based on actual data from the Province of Quebec. The Quebec tax credit that has been available.... It is available in regions that comprise approximately 14% of the provincial population....

What is that 14% based on?

Mr. Kevin Page: That's based on an extrapolation of the number of people who are available to utilize this credit in the province of Quebec. We've extrapolated that across the country. You're quite correct: the lower estimate is based on the Quebec experience.

Mr. Massimo Pacetti: But if you were to extrapolate it on a national level, considering the regional effects of Canada, would the lower estimate be closer to the $195 million? Did I understand correctly?

Mr. Kevin Page: One thing we're not allowed to do with the Quebec experience is actually model the exact regions, because they're not available to us for the rest of the country. We did some PBO analysis because the committee wanted us to look at regional analyses. We worked with Statistics Canada and we came up with the regions. We kind of created our own sort of economic region and tried to make it similar to what Quebec was trying to get at.

Mr. Massimo Pacetti: But your number of $195 million, are you comfortable with that? Is that not what you came up with as a lower end?

Mr. Kevin Page: Well, we're comfortable in terms of.... We think the assumptions that were used and the extrapolation of the Quebec model is a reasonable estimate for that. However, if you try to build something more from the bottom up and you have to create regions.... We worked with Statistics Canada. We looked at creating a model. We came up with estimates that would have a cost to the treasury that's not that different from that of the province of Quebec.

Mr. Massimo Pacetti: Okay. Now, just to clarify the confusion, there are three types of credits or deductions. You have a deduction that's similar to an RRSP or the northern tax deduction, which is a direct deduction against your gross. So you have a deduction of $3,000, let's say, and then you have what is called a non-refundable tax credit, which would be, as examples, your basic deduction and your deductions for medical expenses, charities, and disability. That would be $3,000 times 17% and that would be a non-refundable tax credit.

Then, on the last page of your tax return, you have a tax credit. For example, in Quebec, we have the Quebec tax abatement, but there's not very much there. The political tax credit is a tax credit. That would be direct money off your taxes payable.

What are we looking at here? Is it a deduction, a non-refundable tax credit, or a tax credit?

Mr. Sahir Khan: Sir, in this case, the particular nature of this tax credit is that, unlike a tax credit assessed at a 17% value, this is a tax credit at 100%.

● (1715)

Mr. Massimo Pacetti: Well, how is 17%...? It has a name. It's called a non-refundable tax credit.

Mr. Sahir Khan: It's a non-refundable tax credit, but it's at 100%. It was a common assumption that we had with the Department of Finance as well, and in consultation with—

Mr. Massimo Pacetti: How do you calculate that 100% non-refundable tax?

Mr. Sahir Khan: It's against the tax payable.

Mr. Massimo Pacetti: So that would be treated like a political donation as a tax credit, but it's not refundable....

Mr. Sahir Khan: Yes, and in the Quebec form, it has its own line.

Mr. Massimo Pacetti: So that's how it's calculated?

Mr. Sahir Khan: Yes. It was our consistent view that we also shared with the Department of Finance in further consultations.

Mr. Massimo Pacetti: Thank you.

The Chair: Thank you, Mr. Pacetti.

Monsieur Laforest.

[*Translation*]

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

On page 7 of your paper, you say in a sidebar:

> Based on consultations with members of the House of Commons Standing Committee on Finance, it is assumed that the federal government will have an effective oversight mechanism to control access to the proposed tax credit through existing Canada Revenue Agency administration.

What exactly does that mean?

Mr. Kevin Page: It means that it is always complex to administer a credit, or a system. We are assuming there will be no problem administering this. The fact is that the province of Quebec is already doing so; therefore, it is possible to administer something similar.

Mr. Jean-Yves Laforest: You say that the Canada Revenue Agency has an effective mechanism for carrying out that oversight.

Mr. Kevin Page: Yes.

Mr. Jean-Yves Laforest: The idea, ultimately, is to know whether people who receive the credit or claim it are really graduates, meet all the criteria and actually found a job in one of the regions. What you mean is that the Canada Revenue Agency will be able to very appropriately ensure that no one is abusing the system or not just claiming the credit without necessarily being eligible.

Mr. Sahir Khan: In that case, it is important to limit the assumption for calculation purposes. There is enough evidence available from the government of Quebec, which has managed the program appropriately with reasonable results, based on our analysis.

Mr. Jean-Yves Laforest: I want to come back to a question I asked you earlier. I was talking about the fact that the entire region is not covered or included in designated regions. I always believed that this bill had been modelled on the one in Quebec. You told me you weren't sure whether you would be able to do exactly the same thing in the other regions of Canada. Could you tell me why? Is it because of their administrative setup? In Quebec, for example, the regions are subdivided into regional county municipalities or RCMs. A lot of socio-demographic studies are carried out based on the population of a specific RCM, and that really relates to the rural areas. When we talk about regional county municipalities, we're talking about a number of municipalities that have been grouped together. Is there a similar model in the other provinces that would facilitate implementation of a tax credit which would operate based on the model currently in place in Quebec, and which also does not cost that much?

[*English*]

Mr. Kevin Page: I'm not aware that other provinces have a regional distinction the way it was set up in the province of Quebec. I know in the province of Quebec they do have census economic regions and health regions, as exist in other provinces.

It would be a policy decision that I'm reasonably sure the Canada Revenue Agency could administer, but they would need to know precisely the definition of the regions. Quebec can perhaps maintain their regions, and we can use other regions in other parts of the country, and we can neutralize it. I'm sure there are different options. I'm sure once that was clarified, the quite capable people at the Canada Revenue Agency could administer it.

[*Translation*]

Mr. Jean-Yves Laforest: So, it is possible.

Mr. Bouchard, there is one minute left.

Mr. Robert Bouchard: One of your analyses is based on the Regional Development Incentives Act, and the choice of designated regions is based on the 1974 order in council. The 1974 data yield an estimate of $600 million. Do you think the 1974 order in council designating regions eligible for regional development incentives, that was used to select designated regions, can still be used today?

● (1720)

Mr. Kevin Page: Yes, but again, it is a question of policy. In my opinion, it may be time to review the definition of regions and update the type of regions, particularly in relation to this kind of program.

Mr. Robert Bouchard: I have a very brief question. Supposing the bill passes, successfully completes all the steps in the legislative process and the Senate also approves it. Just for greater clarity, would the federal government have to issue a regulation? Is this the actual measure that would be introduced subsequently?

Mr. Sahir Khan: In this case, a regulation would be needed to establish regular definitions of regions.

The Chair: Thank you, Mr. Bouchard.

Mr. Wallace.

[*English*]

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

I'd like to move my motion that I announced earlier, on the extension.

Mr. Massimo Pacetti: We have a witness here.

The Chair: Mr. Wallace has the floor, and he can move the motion because he has the floor.

Can you read your motion?

Mr. Mike Wallace: You actually have it, so maybe you could read it.

The Chair: Okay.

> Pursuant to Standing Order 97.1, the Committee requests an extension of thirty days to consider Bill C-288, An Act to amend the Income Tax Act (tax credit for new graduates working in designated regions), thereby providing the Committee with a total of ninety sitting days during which to complete its study of the bill. The Committee finds it necessary to consult further in order to give the Bill the consideration it requires. Therefore, it requests an extension of thirty sitting days.

The motion is in order.

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

Very briefly, we've already heard today that there's a potential amendment coming line by line by the Liberal Party of Canada, and I would like the PBO to look at that amendment and cost that out for us. It may make a major reduction in the cost of this. So I think the PBO should be further consulted on this.

I think the Department of Finance should be consulted on this. I'd like to invite them. Mr. Pacetti just talked about the difference between a 100% tax credit, which is the full amount, or other tax credits at around 17% that you are able to bring forward and deduct from your tax payable. And let's make sure the mover of the bill understands what we're doing.

I'd like to see the mover of the bill again, because I think there are some more questions that I certainly didn't get to. And based on the testimony that we heard today by the PBO, I think we should be calling Professor Finnie from the University of Ottawa to come over and talk to us about mobility of labour and what the real effect of this bill could be. That's why I'm in favour of the extension.

I think more work needs to be done to make this a more palatable bill.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Wallace.

I have Mr. Laforest.

[*Translation*]

Mr. Jean-Yves Laforest: Mr. Chairman, unlike my colleague, I think this motion—

[*English*]

Mr. Massimo Pacetti: Point of order, Mr. Chair.

The Chair: Point of order, Mr. Pacetti.

Mr. Massimo Pacetti: We have a witness here who we haven't finished questioning, and now we're on a motion.

The Chair: Mr. Pacetti, it's my wish as chair that we not interrupt witnesses with motions, but Mr. Wallace's motion is entirely in order. So as the chair, I'm obliged to follow that rule.

Mr. Massimo Pacetti: Well, we have a witness here, so the point of order is that we have to deal with the witness. If there's other questioning, we have to deal with the witness first and then we go to the motion.

The Chair: As a former chair, you know very well that is not the rule. The rule is if someone has the floor, they can move a motion on the topic of the day. Those are the rules that the chair has to follow.

Mr. Massimo Pacetti: As a former chair, Mr. Chairman, with all due respect, the point of order is that we bring order back to the meeting. To bring order back to the meeting is to go back to the orders of the day, and I believe the orders of the day are that between 3:30 and 4:30 we've summoned the Library of Parliament and Mr. Page has been the witness. If the committee chooses to relieve Mr. Page of his duties, then I have no problem with that. But out of respect for the witnesses....

The Chair: Mr. Pacetti, the fact of the matter is that if a member has the floor, they can move a motion on the topic of the day. That is what Mr. Wallace has done.

The preference of having a witness dealt with and then having a motion afterwards is my preference as a chair. But in fact Mr. Wallace is entirely within his rules as a member. I've checked this with the clerk, and he's checked it with the head clerk, so that is in fact the way we're operating.

● (1725)

Mr. Massimo Pacetti: It's your committee.

The Chair: It's not my committee, it's our committee, but I have to operate according to the rules.

Mr. Laforest.

[*Translation*]

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

I was saying that I disagree with Mr. Wallace's motion for the following reason: this motion requesting a 30-day extension to complete the study of the bill is unnecessary—at least, at this point, because the deadline for referring the bill back to the House is December 2—next Tuesday. Between now and then, we have two more Committee meetings. I know that our agendas are full, but there is no urgency at this time.

Mr. Wallace was saying, in support of his own motion, that he would like to review the amendments proposed by the Liberal Party. However, at those two meetings we will have an opportunity to look at those amendments carefully, and others as well, if there are any. We'll see. So, we have to look at them carefully and then move to clause-by-clause consideration. In fact, I would like to suggest that we do that next Tuesday, on December 1, which is the deadline.

It would be better to wait until we have reached the deadline to ask for an extension or additional time, rather than doing that now. It seems to me that would be a more reasonable course of action.

[*English*]

The Chair: Merci, Monsieur Laforest.

Mr. McCallum, go ahead, please.

Hon. John McCallum: Well, I would also vote no to the motion from Mike Wallace. I think it is not necessary. I think there are a couple of issues—in terms of drafting—that can be changed and clarified quite easily in time for a clause-by-clause vote next week.

The Chair: Okay. Thank you.

Mr. Menzies, go ahead, please.

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

Of course I will be supporting Mr. Wallace's motion, because I think it is the only responsible thing we can do. To rush a private member's bill through without giving it due diligence when we've just heard from the Parliamentary Budget Officer.... He's begging us for an opportunity to further analyze what the actual costs are.

Mr. Massimo Pacetti: Begging? We have him here. Why don't you ask him a question?

Mr. Ted Menzies: This is the first time we've ever heard him beg for anything, so we recognize that.

The Chair: Order.

Mr. Menzies has the floor.

Mr. Ted Menzies: Thank you.

I think it behoves us as parliamentarians who are going to.... Some seem to actually want to accept somewhere between $180 million and $600 million a year in cost.

Mr. Massimo Pacetti: I heard $195 million.

Mr. Ted Menzies: Pick a number, Massimo. You've just blurred the lines even deeper. We have no idea what the cost is.

Mr. Massimo Pacetti: Again, it is $195 million.

Mr. Ted Menzies: It would be very reckless of us to suggest we move forward with this.

Mr. Chair, do you not also have a deadline to report back our pre-budget consultation process to the House?

The Chair: The deadline for Bill C-288 is December 2, and the deadline for the pre-budget report is December 9.

Mr. Ted Menzies: So we're facing deadlines. We face holding back the work we've done in hearing 400 witnesses, when we have ample opportunity to extend this.

I don't think there is any reason to rush this through, especially considering the uncertainty. We don't even know whether it is a tax credit or a tax deduction. No one has given us an answer. It's irresponsible.

I would suggest we all support Mr. Wallace's motion.

The Chair: Okay. I have Mr. Dechert, Mr. Kramp, and then Mr. Pacetti.

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

I also support Mr. Wallace's motion, and I think it's a reasonable one. I really think there are a lot of unanswered questions about the impact of this proposed bill that we haven't heard any testimony on. For example, I'm very concerned about how this would incentivize businesses to create jobs in these regions and what the impact would be on salaries and wages for students and recent graduates in these regions. We haven't heard any testimony on what it might do to wages and salaries. My gut feeling is that it would probably suppress salaries and wages for new workers, and I'm not sure that's something—

● (1730)

The Chair: Mr. Dechert, I just want to point out that there will be a vote. There will be bells at 5:30. As a committee, we cannot keep going unless there is unanimous consent.

If you want a vote on this—

Mr. Jean-Yves Laforest: Can we vote now?

The Chair: I'm just trying to tell you why I don't think—

Mr. Bob Dechert: I understand that. Can I make one other point? I think it's important. We need to hear from witnesses on what impact this bill might have on older workers, and we haven't heard anything on that.

The Chair: The bells are ringing, so I cannot proceed unless there's unanimous consent of the committee to continue.

Is there unanimous consent to have—

An hon. member: No.

The Chair: There's not unanimous consent, so the meeting's adjourned.

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