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Chair

Mr. James Rajotte

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● (0900)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): Good morning, everyone. I call this meeting to order.

This is the 35th meeting of the Standing Committee on Finance. We are continuing our pre-budget consultations for 2010 for the 2011 federal budget.

I want to welcome you all here this morning. We have on our first panel seven organizations to present to us. First of all we have Philanthropic Foundations Canada; then we have the Ontario-Quebec Grain Farmers' Coalition, the Juvenile Diabetes Research Foundation Canada, the Sarnia Lambton Chamber of Commerce, the RCMP Heritage Centre, the Canadian Association of Agri-Retailers, and the St. Catharines-Thorold Chamber of Commerce.

Thank you all for being with us here this morning. You each have five minutes for an opening statement, and we'll proceed in the order mentioned. Then we'll proceed to questions from members.

I believe we'll start with Ms. Pearson.

Ms. Hilary Pearson (President, Philanthropic Foundations Canada): Thank you very much.

Honourable Chair, honourable members, thank you for the opportunity to speak to you on behalf of my members. This is about the sixth time I've come to the committee. I noticed Donald Johnson was saying a couple of weeks ago that he was going to keep on coming back until you did what he said—so, check.

I represent Canadian charitable foundations and grant-makers from across the country. Collectively my members manage over $6 billion in charitable assets and disperse around $290 million into the community annually to support all types of charitable activity. As private funders, we remain concerned about the lingering impacts of the recession on Canadian charities. The endowments of most foundations decreased in value by up to 20% in 2009, and generally, grants to charitable organizations have not increased over the past year, although funders have worked hard to avoid reductions.

These restrictions, combined with continuing reductions in government funding as well as reductions in our own endowment and business income, are confronting Canadian charities with difficult budget realities for 2011.

We have two recommendations to address the problem of financing charities. The first is to examine regulatory options to foster more access to capital by charities, and the second is to promote new charitable giving through a stretch tax credit. I'll just speak briefly about both of those, although more details are obviously in our brief.

Private funders are important catalysts for social innovation and entrepreneurial activity in the non-profit sector. In a business context, innovation or growth is often financed through a loan or investment, but in a charitable context there are fewer financing options. Canada's charities remain undiversified in their financing structures and models. Operating capital is obtained year to year from a range of funding sources, such as fees and gifts, and investment capital is practically non-existent. Capital accumulation is discouraged by the federal regulators. There are few funding intermediaries that can provide both loans and financial capacity training to charities and non-profits, although such intermediaries flourish in the U.S. and the United Kingdom.

Foundations can make loans below market rate to registered charities, but the Income Tax Act does not allow them to provide this type of finance to non-profits such as housing corporations or other social enterprises. Even a non-profit loan fund structured as an incorporated non-profit cannot access foundation capital at less than market rate, because it is not a qualified donee. This has limited the establishment and growth of non-profit intermediaries, which cannot register as charities under the Income Tax Act.

On the investment side, federal and provincial laws only allow investments prudently made with a secure expectation of return. Federal regulators have ruled that even passive investments in limited partnerships by private foundations are not permitted, because under the law of partnerships these investments could mean that the foundation is engaged in running a business.

The attempt to maintain a strict dividing line between charity and business has meant in practice that private funders remain confined to a funding paradigm focused on grants. This has not encouraged the full deployment of the approximately $34 billion or more held in foundation endowments across Canada. Charities benefit from the 3.5% to maybe 5% of endowment dispersed in grants, but typically don't access the 95% of assets held in endowments.

The federal government could adopt a regulatory framework that encourages more philanthropic investment. We urge the committee and the government to be pro-active in examining all regulatory options, including clarifying CRA guidance on program-related investments by foundations, reviewing CRA's position on investments in limited partnerships, qualifying specific social investment projects as qualified donees, and clarifying CRA's guidance on the relationship between mission investment activities and business activities.

● (0905)

[*Translation*]

We believe that an in-depth review of federal policies is long overdue in order to improve access to growth capital, whether by way of loans or private equity investments in organizations within Canada's charitable sector. In that regard, the recommendations put forward by Imagine Canada are worth considering. They would allow non-profit organizations to access the current federal programs in support of small business.

[*English*]

Secondly and finally, Philanthropic Foundations Canada supports the recommendation made by Imagine Canada and others for a stretch tax credit to stimulate new charitable giving. Imagine's proposed credit would apply to donated amounts that exceed a donor's previous highest giving level—using 2009 as a baseline—up to a ceiling of $10,000.

We support this measure because of its potential to attract newer and younger donors of smaller amounts. We need to draw more new donors into the diminishing pool of donors in Canada. This measure would have the merit of benefiting charities of every size in every region and should over time broaden the base and increase the giving levels of Canadians across the country.

Merci. Thank you for your consideration

The Chair: Thank you, Ms. Pearson.

Now the Ontario-Quebec Grain Farmers' Coalition.

Mr. William Van Tassel (President, Ontario-Quebec Grain Farmers' Coalition): Mr. Chair, honourable members, thank you for the opportunity to talk to you today.

My name is William Van Tassel. I'm president of the Ontario-Quebec Grain Farmers' Coalition. I am joined by Leo Guilbeault. He is my Ontario counterpart. He is chair of the Ontario grains and oilseeds committee.

In 2007 we joined forces to address some the market challenges that we face. The Ontario-Quebec Grains and Oilseeds Farmers' Coalition represents 41,000 Ontario and Quebec farmers from one end of the province to the other end of Quebec. Our members produce every kind of grain you can think of that's growing out here, and we represent the backbone of rural communities throughout Ontario and Quebec. Our work is to feed Canadian cities—more than that, to feed the world.

I am here today to address some of the challenges that eastern Canadian grain farmers face. In particular, I am here to ask the committee to consider a new approach to agricultural business risk management.

As farmers, there are some elements of risk that we cannot control, such as the BSE crisis—mad cow—or the recent flooding out in the prairie provinces. These risks are partially managed through the current crop insurance programs. But these programs cannot help us manage the chaos and volatility of market prices, constantly distorted by international agricultural subsidies and international currency fluctuations.

As a result of these global economic pressures, eastern family farms have struggled in recent years to keep their businesses healthy and sustainable in the long term. Year over year, we suffer from a lack of certainty and reliability: we do not know what price we will get for our crops from year to year. But we have a solution that we believe can bring some reliability and certainty—as much as possible anyways—back into farming in eastern Canada.

Mr. Leo Guilbeault (Chair (Ontario), Ontario-Quebec Grain Farmers' Coalition): Our coalition, in collaboration with the Canadian Federation of Agriculture, has designed a program that will meet the needs of flexible regional programming and fit seamlessly into the Growing Forward initiative.

We are here today to urge the government to implement a regional flexibility program, which includes funding for provincial business risk management, in the Growing Forward policy framework as administered by Agriculture Canada. Our solution is a federal funding envelope that is designed to allow specific regions of Canada to address unique challenges specific to their region.

Our proposal achieves two goals. For the federal government, it's a more efficient use of money it already spends. For the farmer, it provides long-term predictability for important regional programs. This is done by bolstering regional programs and investing funds where they will do the most good. These regional funds will reach producers who need them the most.

Mr. William Van Tassel: For example, in Quebec, regional flexible funds can be used to shore up ASRA—*Le Programme d'assurance stabilisation des revenus agricoles*—which is a critical element in keeping many different sectors on a sustainable path in times of low world prices. In other regions that might not be facing significant income support challenges, regional funds can be unlocked to invest in research and development to help future generations.

Mr. Leo Guilbeault: And in Ontario, it could be used to fund a very successful grains and oilseeds risk management program. This program has been used by over 12,000 farms of all sizes in a successful way to ensure against price volatility in the grain markets.

Recently, at the end of July 2010, Ontario Premier Dalton McGuinty and Agriculture Minister Carol Mitchell recognized that the program is working as a risk management tool for Ontario grain farmers and renewed the risk management program. This was welcome news to all farmers. We hope the federal government follows the lead of Ontario.

● (0910)

Mr. William Van Tassel: Quebec has also recently renewed its commitment to the ASRA program, while addressing some of the program's shortcomings. Grain farmers are grateful that they have such supportive partners in the Ontario and Quebec governments for these needed programs. However, the federal component is still missing from both programs and is a critical component to making RMP, ASRA, and other regional programs work effectively. Like all long-term farm programs, we need the participation of the federal government to be truly effective.

Mr. Leo Guilbeault: So by becoming a full partner in flexible, regional-focused programs like Ontario's RMP and Quebec's ASRA, we can help the federal government save money it currently spends on ad hoc emergency aid—about $1 billion a year. Farmers across Canada continue to be extremely frustrated by the Growing Forward suite of programs, Ottawa's one-size-fits-all program, and specifically the AgriStability program.

At our last four meetings of federal and provincial agriculture ministers, the minister agreed to review the federal farm programs, yet little if any progress has been made. It's clear that the system needs to be improved, and it's also clear that improvements will save everybody money.

Mr. William Van Tassel: Farmers are not asking the federal government for a bailout program. As is the case with Ontario's RMP program and also Quebec's ASRA program, it is a cost-shared insurance-style program where farmers contribute premiums to protect them against pricing collapses caused by international subsidies. If commodity prices are healthy and sustained, the government can actually make money. Wouldn't that be something?

The Chair: Thank you very much for your presentation.

We'll now go to the Juvenile Diabetes Research Foundation Canada.

Mr. Andrew McKee (President and Chief Executive Officer, Juvenile Diabetes Research Foundation Canada): Thank you, Mr. Chair.

On behalf of the Juveniles Diabetes Research Foundation, I'd like to thank the committee for the opportunity to present this morning. My name is Andrew McKee, and I'm the president and the CEO of JDRF Canada.

The Juvenile Diabetes Research Foundation is the leading charitable funder and advocate for type 1 diabetes research worldwide. Our mission is to find a cure for diabetes and its complications through the support of research. As such, we have been a strong voice for innovation, commercialization, and increased funding for research and development—all areas of Canadian pride and excellence.

In the last ten years, JDRF has funded over $95 million worth of diabetes research here in Canada. On behalf of our entire organization, the families who live with the burden of diabetes, I'd like to express our sincere appreciation of this committee's continued interest in and support for our cause. In 2008 this committee recommended that the federal government create a specialized fund for medical research for children's health and that in this regard priority should be given to the establishment of a partnership with the Juveniles Diabetes Research Foundation of Canada.

We're pleased to be able to report to this committee that on November 23 of last year, JDRF Canada, along with the Federal Economic Development Agency for Southern Ontario, launched the government's first partnership to benefit diabetes and the diabetes research community. The Government of Canada has committed $20 million as part of a $33.9-million partnership with JDRF to support the development of the Canadian Clinical Trial Network. The network's aim is to accelerate research advances for type 1 diabetes by capitalizing on southern Ontario's well-established leadership in medical research and innovation.

This initiative marks a pivotal achievement of our organization and is the significant first step in positioning Canada as the premier hub and home for international, cutting-edge diabetes research. Since last year's announcement, we are pleased to report that significant progress has been made in achieving our goal. In March 2010 we announced that the University of Waterloo, in alliance with McMaster University, and additionally since then the Robarts Research Institute at the University of Western Ontario, would act as the coordinating centre for our Canadian Clinical Trial Network.

The infrastructure of this network is currently being established, and future investment will go directly into breakthrough clinical trial research. Already, there are many shortlisted trials under the CCTN that have been designed to enable commercialization within the near to medium term. The network has also succeeded in attracting global interest in conducting research at Canadian hospitals and universities. As an example, the Immune Tolerance Network, a non-profit, government-funded alliance of researchers working to establish new treatments for diseases of the immune system and based in the United States, has partnered with the CCTN to conduct trials here in Canada.

The CCTN has also received proposals for the expansion of a number of clinical trials started abroad, trials that would not have been conducted in Canada without the leadership of the CCTN. It's important to note that the Clinical Trial Network is not disease-specific; the platform serves as a template that is accessible by other disease researchers, organizations, and funders, and promotes other disease research through commercialization.

Companies and organizations around the world have already recognized Canada's leadership and expressed an interest in using the Clinical Trial Network as a model for clinical trial work abroad. The CCTN model has attracted the attention of JDRF Canada's global counterparts. JDRF Australia has been granted $5 million from the Australian government to emulate the CCTN. An interest in adopting similar networks has also been expressed by the JDRF in Europe, India, and Israel. In addition to attracting global interest and conducting research at our hospitals and universities, the CCTN is creating highly skilled jobs in Canada and contributing to the shift towards a knowledge-based economy.

JDRF's partnership with the Federal Economic Development Agency for Southern Ontario, and the federal government more broadly, is a concrete example of the important role that research excellence and scientific success plays in improving the competitiveness and productivity of our economy while also serving as a means to achieve a better standard of living for all Canadians. It also emphasizes the importance of direct government investment in research and development and commitment to public-private partnerships that lead to real societal gains and economic gains.

This is why this year JDRF is urging the committee to recommend that the federal government continue supporting our science and technology industries through a significant and sustained commitment to partnerships between private and public sectors that promote cutting-edge research, innovation, and commercialization. New treatments and scientific discoveries for diabetes is a proud Canadian legacy, and through JDRF's historic partnership with the government we will continue to work to bring it to new heights.

We are very pleased with what we have achieved today and hope that success for our unique funding partnership with the federal government will prompt the continuation of support and growth of Canadian science and technology industries through significant and sustained commitment to partnerships between the public and private sectors.

Thank you for your time today, and I'd be happy to answer any questions you may have.

● (0915)

The Chair: Thank you, Mr. McKee.

We'll now hear from the Sarnia Lambton Chamber of Commerce.

Ms. Katherine Walker (Chair, Board of Directors, Sarnia Lambton Chamber of Commerce): Thank you for the opportunity to present the concerns most important to businesses in Sarnia Lambton and the Canadian economy. We offer solutions to improving the business environment in Canada in order to allow for growth and to attract business investment to this country. Our submission was developed with input made by Sarnia Lambton's commercial, industrial, and small-business communities, representing over 19,000 jobs.

First, we would like to congratulate Parliament on the actions taken to date assisting in the economic recovery. When the depth of the financial crisis became apparent, our members understood quick and drastic measures were needed to lessen the impact of the economic decline and that managed short-term debt would be tolerated. A great amount of uncertainty still lies ahead, however, and it is vitally important that this government get it right going forward.

Mr. Garry McDonald (President, Sarnia Lambton Chamber of Commerce): With respect to our submission and the area of tax and duties, achieving competitive rates in order to maintain and improve Canada's ability to attract capital investments and jobs is an important step. It must continue to ensure global competitiveness and attract investment. We urge you to continue the reduction of the federal corporate income tax rate, as scheduled in the current legislation, to 15% by 2012 and to continue the staged reduction of the most favoured nation import duties.

Further, we believe the GST/HST threshold is too low. It's remained unchanged at $30,000 since inception in the early 1990s. Other nation thresholds are $80,000 to $125,000, and we ask you to support our resolution to increase the threshold to $75,000 effective January 2011. This would result in allowing for real growth and a solid financial base before adding the additional burden of red tape for both government and SME start-ups. Your long-term strategy should ensure that the debt-to-GDP ratio falls below 30% by 2015.

Program spending should be limited to about 1.6% per year, returning to a balanced budget by 2015. I believe these are supported by the Canadian Chamber of Commerce in their submission as well.

Reducing red tape is important to business. Changes are needed to the Income Tax Act permitting the consolidation of owned company tax returns. Further, reducing the administration burden that ineligible versus eligible dividend tracking creates should also occur. Standardized T-forms and box locations are needed to reduce filing errors in a lot of forms, our accountant members tell us. Creating a standard charitable donation T-form would go a long way in reducing red tape as well for many existing charities that create their own forms.

When completing program reviews we urge the government to ask basic and fundamental questions when reviewing spending beyond direct program expenses. A full-scale review of all programs should include a cause and effect analysis.

Border crossing support.... In southwestern Ontario, manufacturers have proximate and strategic access to over 50% of United States markets and supplies as measured in terms of GDP economic activity. These Canadian businesses are vulnerable to increasing complexity and costs of crossing the border between Canada and the United States. Presently, importers and exporters must apply to both the Canadian partners in production program and customs self-assessment programs to gain benefits such as FAST. If the programs were harmonized with the American customs-trade partnership against terrorism program, then there would only be one application, like NEXUS, thereby reducing the red tape and burden on business to comply with both programs. Right now there is a mutual recognition of these programs by both countries.

Canada Border Services Agency is in the process of establishing service delivery standards. The elimination of summer student programs means inspection lanes during the busy summer season are not being staffed during peak times. CBSA has done a very good job this past summer by adjusting some schedules, but budgetary pressures still leave the busiest ports—such as ours in Sarnia-Point Edward, at the Blue Water Bridge—inadequately maintained, affecting trade and tourism with our largest trading partner, the United States.

Environmentally, Sarnia industries responsibly manage hundreds of chemicals as raw materials, process intermediates, and products. The overlap between federal and provincial chemical management and inventory programs creates unnecessary costs and inefficiency. We urge the federal government to work with the Province of Ontario to harmonize their new Toxics Reduction Act requirements with Environment Canada's more established chemical management plan.

Under next-generation sustainable industries, there are significant gaps in the design and application of programs supporting Canada’s vision to be a leader in new technologies, including biotechnology. A more comprehensive scope is required to accomplish this vision. The federal government should work with other levels of government, private sector lenders, innovator companies, and venture capital firms to develop an action plan to promote and finance the development and commercialization of new technologies, as possible grant programs are declining in the future.

● (0920)

The Chair: Thank you, Mr. McDonald. Sorry, I'm trying to keep everyone to time just to be fair to everyone.

We'll go to the RCMP Heritage Centre, please.

Ms. Robin Etherington (President and Chief Executive Officer, RCMP Heritage Centre): Mr. Chair, ladies and gentlemen of the Standing Committee on Finance, fellow colleagues and presenters, I am Robin Etherington and I have the honour of serving as president and CEO of the RCMP Heritage Centre, Canada's cultural flagship for heritage. The RCMP Heritage Centre was designed by Arthur Erickson, a renowned Canadian architect, who infused his respect and admiration for the RCMP into a unique and innovative design that represents the Royal Canadian Mounted Police's rich history and proactive future.

The RCMP Heritage Centre was opened in May 2007, so it's three years old. The federal government contributed $25 million in capital funding, the Province of Saskatchewan contributed $3 million, and there was a $2 million community fundraising campaign. However, no operating funding model was developed, and the RCMP Heritage Centre is singular in Canada as a museum that does not receive operational funding from any level of government. Museums of this stature in Canada receive 65% to 67% of their operating budgets from a combination of three levels of government.

The RCMP Heritage Centre is not owned or operated by the Royal Canadian Mounted Police. Rather, it is a cultural organization completely separate from the RCMP. It is a registered charity, a not-for-profit organization that I repeat does not receive any funding from the federal, provincial, or municipal governments.

The turndown in tourism over the last two years has had a dramatic and negative effect on admissions and retail revenues. The Heritage Centre responded by tightening operations, including staff reductions and reductions in hours. This is not sustainable or beneficial for a world-class museum and its mandate to promote Canada's national police force across Canada and around the world.

The RCMP Heritage Centre is in critical need of operational funding to maintain the Heritage Centre to the standard befitting a national cultural centre and cultural flagship for Canada. Without the appropriate level of government operating funding, the Heritage Centre is not going to be able to do justice to the story of the Mounties or the community of Regina forever. All energies will have to go toward fundraising rather than to program and exhibition and visitor services development. Without this assistance the Heritage Centre will be restricted to offering only minimal availability to the public, and its programming and exhibition renewal will be inconsistent with the standards befitting the representation of Canada's iconic police force.

Between 1996 and 2007 the federal government funding to not-for-profit museums and art galleries in Canada increased by 27%. The RCMP Heritage Centre is asking for $600,000, or approximately 25% of operating revenue per year below the comparative national level. Federal funding will leverage the Heritage Centre's ability to receive provincial and municipal operating funding as well as leveraging the ability to put in place sponsorships and other funding opportunities. It will stabilize the operations. It will provide necessary resources to strengthen operations to be consistent with national museum standards, and it will be able to increase its marketing and communications activities to broaden its national and international reach and in turn bolster admission, retail, and other revenue streams.

● (0925)

In addition, it will allow us to renovate or renew our exhibitions and our programming at a level consistent with museum standards. That includes web-based education and using technology such as the SMART Board. We have innovative programming in treaty, aboriginal, and Métis that is curriculum-based.

Thank you very much.

The Chair: Thank you for your presentation.

We'll now hear from the Canadian Association of Agri-Retailers.

Mr. David MacKay (President and Chief Executive Officer, Canadian Association of Agri-Retailers): Good morning, Mr. Chair and members of the committee. Thanks for the opportunity to present today.

Canadian agri-retailers are the stewards of critically important crop input products like fertilizers and chemicals that are responsible for boosting yields and protecting crops while they grow. We are the suppliers to Canadian farmers, and our sector contributes nearly $10 billion in trade towards the Canadian economy. But we are struggling with an unforeseen burden that has nothing to do with crop production. It's the prohibitive costs of securing crop inputs within the current regulatory scheme.

For four years the Canadian Association of Agri-Retailers has been asking for one thing: government assistance to help us secure agricultural inputs that are essential for modern crop production, sustaining Canada's food supply and enabling a multi-billion dollar grain and oilseeds worldwide export market. We are not asking for the government to pay for our business expenses. We are asking for it to help implement a proactive security plan in the interest of public safety so we can prevent malicious diversion of our products.

Our sector has never regarded crop inputs as a threat to public safety, but the reality of today's world necessitates renewed vigilance and preparedness. Some products carry more inherent risk than others, but only if they are misappropriated by those who have intent to cause harm. Fertilizers like ammonium nitrate, which can be used as explosive precursors, have received the greatest amount of media and regulatory attention recently. Explosive precursors have been regulated under the Explosives Act for two years.

CAAR members both support and comply with all existing federal regulations pertaining to these products. We are not here to object to the content of any one regulation as it relates to the product that it governs. However, we are here to inform you that the cumulative effect of a product-by-product, piecemeal approach to regulating crop input security is both impractical and cost-prohibitive, and diminishes the agri-retailer sector's ability to stay competitive. Inevitably our costs will have to be passed on to our customers, the farmers, and the only other alternative for agri-retailers would be to stop offering the products altogether, and that is already becoming a more common outcome in our industry. For example, ammonium nitrate is no longer sold west of Ontario.

I'm sure all of you have heard the expression that death by 1,000 cuts can be just as lethal. That is exactly the experience that is unfolding at over 1,500 crop input dealerships across Canada. Although no single regulation is prohibitive in and of itself, it's the cumulative effect of having to endure a separate set of rules for each and every product that becomes unreasonable and unworkable. Whether these rules are developed as part of an industry code or a government regulation, the net result is a myriad of unharmonized requirements that are either redundant or conflicting and therefore inefficient when considered from the perspective of an agri-business owner.

So it should come as no surprise that the desired solution for this impractical scenario would be to harmonize and integrate all high-risk crop inputs into a single comprehensive security protocol. Because there is no single regulation that currently regulates such a protocol, CAAR is being criticized by government officials as advocating for funding for something that is not mandatory. But that's the whole point: we're trying to do the right thing to prevent an incident and avoid having to deal with it in hindsight, and with its consequences. Just because something is voluntary does not mean it is not a good idea or in the best interest of public safety and the Canadian economy. Suggesting we should not invest in sensible programs until it becomes mandatory is a ridiculous circular logic, obviously generated to be argumentative rather than open-minded and genuinely considerate of real solutions. Our industry has several examples of very useful voluntary programs that save taxpayer dollars, including training events, educational seminars, and the implementation of best management practices.

But the key difference about implementing an integrated crop input security protocol as a voluntary program is that we cannot afford to do it alone. We believe it has all the merits of being a small investment now to avoid a much bigger problem later. But the impediment is that it is too costly for our sector to bear alone. If the ultimate objective of the program is to enhance public safety, then it makes sense that the federal government partner with us to meet the objective. When it comes to securing crop inputs, CAAR and its members want to do our part, but we're asking for your assistance to help us do it once and do it right, versus the current piecemeal approach that is both inefficient and cost-prohibitive for agri-retailers.

In closing, the specific details of our proposal have been included in our original submission to the committee. We would like to point out that it's been officially supported by recommendations from both the House and Senate Standing Committees on Agriculture as well as several trade associations, including the Grain Growers of Canada, the Canadian Federation of Agriculture, Western Canadian Wheat Growers Association, the Canadian Fertilizer Institute, the Canadian Federation of Independent Business, and the Saskatchewan Association of Rural Municipalities.

We're pleased to answer any questions you may have.

● (0930)

The Chair: Thank you very much for your presentation.

Our final presenter is from the St. Catharines-Thorold Chamber of Commerce. You have a five-minute-maximum opening statement.

Mr. Kithio Mwanzia (Policy Coordinator, St. Catharines - Thorold Chamber of Commerce): Good morning.

The St. Catharines-Thorold Chamber of Commerce is located in the heart of Niagara, for a bit of geographical reference, in Ontario's wine country. It's one of the largest chambers in southern Ontario and represents a large breadth of businesses of different sizes.

The key this morning to our presentation, the salient point, concerns removing interprovincial trade barriers for Canadian VQA wine delivery as a critical piece in the future of this industry and the future of Niagara.

As a bit of background, in Canada it is illegal to “direct deliver” alcohol across provincial borders to an individual or to a business not affiliated with the provincial liquor board or approved seller. Since 1928, the Importation of Intoxicating Liquors Act has prevented the direct sale of liquor across provincial boundaries. Some wineries ignore the rule, even using Canada Post to transport their products; others will not “direct deliver” beyond provincial borders. In addition, the law actually prohibits individuals from taking even one bottle across provincial boundaries. In Canada, where we have 100% world-class VQA wines, there is a certain opportunity here to take away a competitive barrier that exists within the industry.

The growth of the B.C. and Ontario wine industry is extremely beneficial to Canada. Not only does the domestic wine industry create jobs, preserve valuable agricultural land, and create vibrant tourism destinations; it also adds value to the economy in many other ways. A 2002 study of KPMG commissioned by the Wine Council of Ontario found that the sale of a litre of wine adds $4.20 in value to the Ontario economy, compared with $0.56 in value from the sale of imported wines, demonstrating the higher value associated with the wine produced locally in Canada.

With strong wine markets in B.C. and Ontario as well as emerging markets in Quebec, Nova Scotia, New Brunswick, and Prince Edward Island, the issue is particularly salient. Similarly, the Ontario Chamber of Commerce, the British Columbia Chamber of Commerce, and the Canadian Chamber of Commerce, as well as the Canadian Vintners Association, have all passed resolutions that the provinces and the federal government work together to eliminate the barriers associated with the wine industry in interprovincial trade. This demonstrates that there is a real grassroots impetus from the business community to see this law changed.

You have seen the additional comments that were provided in the submission from the St. Catharines-Thorold Chamber of Commerce. We are urging that, similar to the case in 2007, when the throne speech was used to begin an important process of eliminating interprovincial trade barriers related to this industry, the 2011 budget process be used as a starting point to begin working with the federal and provincial governments to eliminate this particular interprovincial trade barrier.

Last, but certainly not least, I'm pleased this morning to have our member of Parliament, Mr. Rick Dykstra in the room and as part of the Standing Committee on Finance. He has been working with the St. Catharines-Thorold Chamber of Commerce on this particular issue.

I'm happy to take any questions as proceedings continue.

● (0935)

The Chair: Thank you for your presentation.

We'll start with Mr. Szabo for questions.

Mr. Paul Szabo (Mississauga South, Lib.): I want to speak to Ms. Pearson from Philanthropic Foundations Canada. I am very supportive of the stretch tax credit. Yesterday I flew in with the head of the Arthritis Society, Steve McNair by name, and we talked quite a bit about the challenges facing the charitable sector. I think the move within philanthropic giving and strategies supports this idea.

I have a question, though, with regard to communicating this to those who probably aren't accustomed to giving. There's a little bit of complication to it. On top of that, under the Income Tax Act, one or the other spouse can take the credit for both, and as you can see there may be the opportunity for a double benefit by one, depending whether they manage their affairs properly: with one claiming all of the deductions or credits in one year, there might be a double bump, for a family as opposed to a single giver.

Is there any way to deal with that? Could you explain to the committee why it wouldn't have been just as simple to enhance the credit itself totally, other than the reason that it would encourage new giving?

Ms. Hilary Pearson: Let me preface my reply by saying that I am not a tax policy expert, thank God. It's necessary, but it's not the kind of thing you want to perhaps spend your career doing—designing tax policy. But it is very important. And on the record I want to say thank you very much for your support for the idea of the stretch tax credit.

The fundamental concept here is that it's a stretch credit. The idea is that rather than simply topping up the credit we wanted to.... And I am speaking here on behalf of our membership, which supports the recommendation that is actually led by Imagine Canada. I believe you'll hear from Marcel Lauzière in a week or so, and you will hear a lot more about the stretch tax credit from Marcel. That being said, we thought it was important to support this because we do think it is something that might encourage donors who give small amounts—because this is meant to apply only to smaller amounts—to give a little more. This would be a good thing. We're trying to enlarge the base of donors. As you know, the base of donors is decreasing.

Mr. Paul Szabo: All right. Are you aware if there is anybody who is actually doing this now?

Ms. Hilary Pearson: No, I think this is unique.

Mr. Paul Szabo: All right, fair enough.

I want to move on to the Sarnia Lambton Chamber of Commerce, who made a large number of recommendations. On two points, certainly on the taxes and duties side, and more specifically the GST limit, I don't think you're going to get much disagreement that the $30,000 threshold is long overdue for changes up to maybe something close to $100,000, the cost of the administration.

As far as a question goes, I'd like you to address the employment insurance reform. The way the system works now under the changed regime, this has to be a self-sustaining fund. And to the extent that there is a deficit, the government has to fund that and it will be charged to the deficit for the year. I'm not sure why you thought the details of balancing it over a ten-year period.... There seems to be some specificity here in the number of hours for qualifying. This is a very sensitive area, and there is a mechanism established. Do you have a problem with the mechanism that has just been established by the government?

● (0940)

Mr. Garry McDonald: Well, I think the changes that were supported in the last couple of weeks by the government are good, and it didn't raise the rates quite as drastically as was possible.

The recovery of the program one year after a big deficit is perhaps going to be too much of a tax burden—because that's what these premiums really are, a tax burden on payroll—for business to support and continue to employ people. The suggestion is thrown forward that there be a longer-term cycle in order to recover from a big change that has obviously been causing.... The recession has caused a lot more draw on the program in the last year or 18 months. To try to recover that in a one-year period is too drastic.

Mr. Paul Szabo: Okay.

And finally for Mr. Mwanzia, on interprovincial trade. Thank you for bringing it up. You had one recommendation. You put some focus on it and I think it's important.

Take the rest of the time to tell us why we need to address this, not only with regard to the wine industry but the need for enhancing interprovincial trade.

The Chair: Very briefly, sir.

Mr. Kithio Mwanzia: Certainly. There are multiple elements to interprovincial trade barriers. From the perspective of the Niagara community, the B.C. wine community, and the emerging markets out there, it's important that this become one of the key steps forward as far as interprovincial trade barriers go. There is direct correlative data that can be associated with this singular change. Looking across the border at our friends in the United States, with their striking down their interstate barriers related to the wine industry, they saw a 31% increase in trade.

The Chair: Thank you.

We'll go to Monsieur Paillé.

[*Translation*]

Mr. Daniel Paillé (Hochelaga, BQ): Good morning.

Ms. Pearson, I do hope you have nothing against tax experts, because they are of great help to philanthropic organizations.

There was an issue that was raised a few weeks ago with other stakeholders. This is not something you raised, but it concerns the proposal by the Government of Canada to impose a compensation cap on people working within foundations. Foundations that would employ, directly or indirectly, executives earning $250,000 and more would not be authorized to issue tax receipts.

Is that something of interest to you? Have many of your organizations spoken to you about that?

Ms. Hilary Pearson: Yes, absolutely. That is a very important issue, and I can assure you that the chair of our board signed the letter prepared by Imagine Canada and sent to Mr. Duceppe, as well as to the other federal party leaders.

We are opposed to the bill's proposal to limit executives' remuneration. It is important to say, however, that we are all for transparency. Community organizations that receive public funds must be transparent and provide their donors with the requisite wage information.

That said, I think that it must be left up to the boards of directors of those organizations to decide how to compensate their executives, especially their team leaders.

● (0945)

[*English*]

Mr. Mike Wallace (Burlington, CPC): Point of order.

[*Translation*]

Mr. Daniel Paillé: Why is that?

[*English*]

The Chair: Point of order, Mr. Wallace.

Mr. Mike Wallace: Yes, the member opposite has been calling it a Conservative.... It's a Liberal private member's bill, not a Conservative bill. He said it last time and he said it again today. I just want to make it clear that it's a Liberal private member's bill that's recommending the cap, not a government bill.

Thank you.

The Chair: It's not a point of order, but you've made your point.

Monsieur Paillé, continue.

[*Translation*]

Mr. Daniel Paillé: We can then talk about the Liberal-Conservative coalition, but let's leave it at that.

Some voices: Oh, oh!

Mr. Daniel Paillé: If Mr. Wallace could allow us to come back to more serious matters...

Madam, you indicate on pages 2 and 3 that the Department of Finance has imposed a complex and costly administrative obligation on you.

Further down, in the same document, we read that, too often, grassroots efforts are hobbled by red tape, and you end by stating that capital accumulation is discouraged by the federal regulators.

There are three of your recommendations on page 4 that call for clarifying CRA guidance and reviewing the CRA's position on investments.

At the end of the day, would you not agree that the bloody problems that you face—I apologize—are due to the fact that the Canada Revenue Agency is trying to track some of the things that you could do, rather than help you do your work?

Ms. Hilary Pearson: Indeed, that was well put. I understand that the agency does not prepare the policies. It is—

Mr. Daniel Paillé: The Department of Revenue.

Ms. Hilary Pearson: The Department of Finance.

Mr. Daniel Paillé: The Department of Finance, indeed.

Ms. Hilary Pearson: That is correct. Basically, it is up to the Minister of Finance... We have asked the minister to review the regulatory structure and rationale, particularly with regard to foundations, but also charities. The problem is that, in the 21st century, we should not be maintaining such a clear demarcation between the business and charity sectors.

There are social enterprises with both business and community organization components. Foundations simply cannot finance those enterprises.

Mr. Daniel Paillé: Was the Minister of Finance receptive?

Ms. Hilary Pearson: No. He had a guarded response. He said that he might consider that at some point in time. This does not appear to be one of the government's priorities.

Mr. Daniel Paillé: I am sure that his parliamentary secretary will be much more gracious in his response.

Ms. Hilary Pearson: I do hope so.

Mr. Daniel Paillé: On page 5, you raised a number of very significant points with regard to the U.K., where they are looking to establish a Big Society Bank. You are quite correct in noting that this is an achievement of the coalition government. That might inspire others.

As Mr. Wallace took some of my time, allow me, Mr. Chair, to ask this lady another question.

I wanted to refer to the U.K., but I am out of time. You said that the Obama government launched a fund in the U.S. Do you have any indication of the amount of money contained in that fund to help community organizations?

Ms. Hilary Pearson: Yes. It is a $50 million fund. That is not much, but it is leveraged because the amounts that are now allocated to charities are matched by the government. As a result, $100 million will go to the Social Innovation Fund. Some 50 million will be provided by the government.

● (0950)

The Chair: Thank you, Ms. Pearson.

[*English*]

I'll clarify for members that when there is a point of order the clerk stops the time. So points of orders do not take any time from members' questioning.

We will go now to Ms. Block, please.

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

Good morning, everyone. I've really appreciated hearing your presentations today.

My first question goes to the Ontario-Quebec Grain Farmers' Coalition. The federal government already has an agricultural flexibility fund called AgriFlexibility. It is a $500-million, five-year fund ending in 2014. Are you proposing a new envelope of money, or are you suggesting a re-profiling of the moneys that are already designated through that existing fund?

Mr. Leo Guilbeault: We're suggesting a re-profiling. That $500-million fund is geared toward new technology and innovative ideas. It doesn't include any business risk management type of programming. Our proposal the year before the last election included a business risk management component in that fund. When the flexibility fund was announced, it lacked that component. I guess we're looking to include a business risk management component in the Growing Forward initiative.

We hear from our friends in the agriculture sector, the agri-retailers, that costs are going up all the time, and they are for the farms also. We're losing the next generation of farmers today because there's no stability in agriculture any more. We seem to rely more and more on inputs, and less and less on our own domestic products. Today one farmer feeds 150 families; 10 years ago one farmer fed fewer than 100 families. So we are getting more efficient, but at what cost? That cost is the next generation. We're losing our sons and daughters to other industries because of the unstable environment the farm community offers.

There are increasing costs due to global competition. Fertilizer is being exported all over the world instead of being kept in Canada. Saskatchewan potash is heading overseas, and we're paying more here in Canada for our own potash. We're trying to bring phosphate from the Carolinas, but it's going overseas instead of staying in North America because of global demand. So we're being asked to feed more and more people with the same number of acres, at cost to the farmer.

We're not looking for bailout money; we're just looking for the current dollars the government is spending to be spent on a more proactive program that would benefit the growers in a positive way, because right now ad hoc programming.... We know the Growing Forward suite of programs is due for a review in 2013, but we can't wait until 2013 to review it.

At the federal-provincial meeting this summer, the agriculture minister admitted that the Growing Forward programs probably are not working as well as they should. So if they're not, let's fix them now. Let's not wait until 2013. That's what we're asking for. Let's sit down and fix them now so we can bring some stability and spend the government's dollars more wisely.

Mrs. Kelly Block: Thank you. I appreciate your response.

My next question will be for the RCMP Heritage Centre. Back in 2007, or earlier, when the plan was created to build this heritage centre, I'm wondering if there was a business plan that contemplated ongoing operations. If yes, what has gone wrong in terms of meeting that plan? And if no, why not?

Ms. Robin Etherington: Thank you for the question.

There was a business plan that indicated 200,000 visitors would come to the heritage centre annually. All of Regina is only 200,000. It didn't take into consideration a number of factors, such as the decrease in tourism, and it also didn't take into consideration that, comparatively, most museums across Canada do receive 65% to 67% of their operating budget from three levels of government.

To answer your question, yes, there was a business plan. It was not detailed. We are building a business plan. We've also developed a fund development plan because we're aware that we need to enhance our own internal revenue streams, to the point where we've recently launched a new fundraising campaign naming rights of the facility rooms, etc. But as you know, fundraising does take about a year for those programs to mature.

I want you to know that there are a couple of other things happening. This meeting alone has allowed me to leverage a meeting with the province and a meeting with the municipality because of some joint responsibility for this magnificent facility and cultural flagship for Canada. The other thing is I'm going to put this into a return on investment, or economics, because it always comes down to money. Cultural tourism is the fastest-growing segment of tourism globally. That means that people really do...yes, they still want to see the lakes and the trees and our wonderful—

● (0955)

The Chair: Okay, perhaps you could wrap up very briefly.

Ms. Robin Etherington: Thank you very much.

Cultural tourism—people want to come to museums, art galleries, theatres, etc., have a good bottle of wine, have a very comprehensive experience, and the heritage centre can contribute to that, not only for Saskatchewan but for Canada.

The Chair: Thank you very much.

We'll go to Mr. Pacetti, please.

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

Thank you to the witnesses for appearing.

As an easterner, Ms. Etherington, I was at the museum and it's a beautiful museum. I went with the family. The kids really appreciated it. And when I was there, you could tell you have a problem with the critical mass in terms of getting enough people out there. It's a shame you don't have enough people coming out there.

A quick question, and I think I know what the answer is. I guess you wouldn't be able to sell some of those...not sell, but rent out some of those exhibitions that you have to try to take in some money. Would that be an option?

Ms. Robin Etherington: The exhibitions.... This is a very interesting museum model. The collections themselves are owned by the RCMP. They're housed in the heritage centre. You can't sell the artifacts and you can't rotate the exhibits. Again, it would take money for travelling exhibitions. We would love to do it. In actual fact, I'm also here partnering up with the Bank of Canada and working on some travelling exhibitions with them.

Mr. Massimo Pacetti: But that wouldn't generate money, it would just be an offset of expenses.

Ms. Robin Etherington: Yes, that is correct. So the money we're asking for operating-wise is to enhance our internal resources and allow for that marketing to increase so that we can then plug into the China market, which is a huge tourism market that's on the verge of taking off.

Mr. Massimo Pacetti: Quickly, because our time's limited, is the heritage centre the responsibility of federal or provincial...? It's really independent, is that right? It doesn't really matter where you get the money from, is that correct?

Ms. Robin Etherington: We would like it to be a joint responsibility with all three levels of government.

But to answer your question, sir, no, we are not owned or operated by any level of government but are a stand-alone not-for-profit, and the governance is by a board of directors.

Mr. Massimo Pacetti: Okay, great.

I have a quick question also for the Juvenile Diabetes Research Foundation Canada.

Mr. McKee, in your first recommendation you propose that the Government of Canada continue to support partnerships between private and public sectors that promote cutting-edge research. Do you have any reason that the government would not support this type of partnership? Why would this not be important?

Mr. Andrew McKee: No, we're here and we've had the benefit of presenting to this committee before and have received tremendous support from it. We see the moves the government is making right now as very favourable towards enhancing jobs and supporting research going forward. We're just one shining example of how that's been given effect, and we'd like to see more of that going forward.

Mr. Massimo Pacetti: So how would you see this continuing? Would that be additional moneys, or just...?

Mr. Andrew McKee: It would be additional moneys invested in the research sector, yes.

● (1000)

Mr. Massimo Pacetti: And in the research sector, would that be through a foundation, or through the Juvenile Diabetes Research Foundation?

Mr. Andrew McKee: From the JDRF's standpoint, we'd like to see it targeted at diabetes research, obviously. That's our prime interest. But in designing this program or platform, right from the start we said this platform would be available to anyone out there who's prepared to put up matching funds to work in partnership with the government, and we made a very significant matching funds commitment to this partnership.

Mr. Massimo Pacetti: Who would be matching funds? Who would be your partners?

Mr. Andrew McKee: Well, in our case, JDRF Canada is the matching partner in this, so we've provided $13.9 million and the government's provided $20 million.

Mr. Massimo Pacetti: So it would be matching the government and JDRF?

Mr. Andrew McKee: And JDRF, yes.

Mr. Massimo Pacetti: Okay, great, thank you.

Now to the folks from the Sarnia Lambton Chamber of Commerce.

Mr. McDonald, in your brief you spoke a little bit about the cross-border situation. In Quebec we're having some difficulties where some border crossings are being closed. Is that happening in your area? Are there enough resources for the border crossings, or....?

Mr. Garry McDonald: If you're referring to lack of manpower, we haven't seen that at this point. There's a real slowdown at the border crossings, but they're not being closed.

Mr. Massimo Pacetti: A slowdown in what sense?

Mr. Garry McDonald: There's a slowdown in being able to enter, particularly to the United States. It's a very slow process going in that direction.

Mr. Massimo Pacetti: Is that a problem on the U.S. side or on the Canadian side? Would that be a problem on the U.S. side when one is coming from Canada?

Mr. Garry McDonald: That's correct, for our citizens and for their citizens and for commercial vehicles with their security clearances.

Mr. Massimo Pacetti: Is that from a lack of resources, or is it just because of more vigilance on their side?

Mr. Garry McDonald: There's speculation that it could be a lack of resources, but it's purely speculation on my part.

Mr. Massimo Pacetti: Okay.

Would there be a recommendation to try to make that more efficient?

Mr. Garry McDonald: Absolutely.

Mr. Massimo Pacetti: What would the recommendation be: combining resources, or....?

Mr. Garry McDonald: From our standpoint, it would be to ensure that our border service agency work closely with the Department of Homeland Security to ensure there's adequate funding through their federal budget, where most of that is controlled, to ensure they have sufficient funds to operate their border crossings and to really bring together a lot of the security clearance programs, which are full of a lot of red tape and slow down the vehicle crossings.

The Chair: Okay, thank you.

Monsieur Carrier, *s'il vous plâit*.

[*Translation*]

Mr. Robert Carrier (Alfred-Pellan, BQ): Thank you, Mr. Chair.

Good morning, ladies and gentlemen.

Yesterday, we heard from the Fédération des communautés francophones et acadienne du Canada. Today, I was expecting to hear at least one presentation in French, perhaps from Mr. Guilbeault. That would have been a nice opportunity to highlight the presence of the francophone community.

My first question will be to the representatives of the Ontario-Quebec Grain Farmers Coalition. The Bloc Québécois is well aware of the significance of the well-known AgriFlex program. Since the program is intended for both Ontario and Quebec, what is the percentage that is allocated to both?

Mr. William Van Tassel: Before answering that, I would like to apologize for the fact that we did not give at least part of our presentation in French. Our regular translator has found another job; and so we had no one to translate for us. I apologize.

Mr. Robert Carrier: Oh well, maybe next time.

Mr. William Van Tassel: Agristability fund serves Canada as a whole. The minister decides how the funds will be allocated.

We have always called for an AgriFlex fund that could also provide income security. The fund would be based on the volume of agriculture in each province. It would be a pan-Canadian fund, but funding levels would be correlated to farm production in each province. For example, Quebec would receive approximately 13%.

Mr. Robert Carrier: Why do you state in your brief that the federal government is reluctant to discuss or establish flexible, regional programs? That is something you indicated.

Mr. Leo Guilbeault: The federal programs are national programs. Farming out west, where Mr. Menzies comes from, is very different from that in Ontario, Quebec, Saskatchewan or Nova Scotia.

Canada is such a vast country that a single farm program cannot respond to the needs of all provinces. With regard to the AgriFlex fund, we are saying that the provinces have a better understanding of what works for them.

If we were to take the federal dollars and invest them more in regional programs, by province, that would improve the farming situation because the needs in Canada are very different owing to our country's agricultural diversity.

● (1005)

Mr. Robert Carrier: However, it seems to me that the normal thing to do would be to adapt programs to regional particularities because, as you have said, Canada is a huge country with circumstances that differ greatly from one region to another.

Earlier, you answered that the program serves the entire country. Are Quebec and Ontario the largest beneficiaries? Where is the program implemented?

Mr. William Van Tassel: You have to understand that we had asked for the program we had talked about a little earlier, i.e., the AgriFlex fund, but it does not work as we had envisaged. However, it is a pan-Canadian program.

There are provincial programs that could function more effectively with federal funding, such as the Risk Management Program (RMP) in Ontario and the ASRA Program in Quebec, i.e., the Farm Income Stabilization Insurance program. The AgriFlex fund would be the appropriate vehicle to fund those programs.

Mr. Robert Carrier: Would you agree then that the federal government transfer funds to the provinces that want to improve how those programs operate?

Mr. William Van Tassel: Yes.

Mr. Robert Carrier: That is aligning with the Bloc's vision: the closer you are to the end users, the better you understand their needs.

Mr. William Van Tassel: There had already been a program in 2005 called the Transition Fund, with funding percentages established for each province, and the provinces used it as they saw fit in order to run their own programs.

Mr. Robert Carrier: Very well, thank you.

How much time do I have left?

The Chair: You have another 20 seconds.

Mr. Robert Carrier: I wanted to put a question to Ms. Pearson concerning philanthropic foundations. You have a proposal to attract new donors.

Now, the bill that is currently the subject of discussions and which was introduced by the Liberals is intended to improve people's perception.

Do you really think that we need to improve people's perception rather than to simply increase tax credits?

The Chair: I would ask you to give a very brief response, please.

Ms. Hilary Pearson: Could we not do the two things at the same time?

We need to increase donations in Canada as well as improving people's perception of charities. However, that is an issue of governance and management in the charitable sector. There needs to be enhanced management and transparency so that perceptions can improve and people increase their donations.

The Chair: Thank you.

[*English*]

I have Mr. Dykstra next, but I need the consent of the committee because he's not a permanent member.

Some hon. members: Agreed.

The Chair: Agreed, *ça va, d'accord*.

Okay, Mr. Dykstra, for a five-minute round, please.

Mr. Rick Dykstra (St. Catharines, CPC): Well, Mr. Pacetti may remember that in B.C. when I was on the finance committee, it was just the two of us out there for budget consultations.

Thanks very much, Mr. Chair, for the opportunity to ask a couple of questions this morning.

I did listen with interest to both Mr. Van Tassel and Mr. Guilbeault on the difficulties they face with respect to the size of our country and the different needs and issues they need to deal with from an agricultural perspective. This relates, I think, quite a bit to what Kithio was speaking about in terms of breaking down provincial barriers. So this may be a question for both of you.

I did want to ask Kithio this. One of the things you spoke about was process, and perhaps I can get a response from both of you on this: what do you think are the first two or three steps the federal government can take in working with the provincial governments to break down the barriers we're speaking about, especially with respect to working relationships and trade?

Mr. Kithio Mwanzia: Our first recommendation, as we already talked about, is the feasibility of a permit and reporting system. One of the biggest challenges that's been raised, particularly by the provincial liquor boards, is how there will be some monitoring and tracking of the interprovincial trade of wine, of alcohol.

The recommendation is to talk about a permit and reporting system: can there be something specifically geared towards the wine industry and working directly with the wineries, and the provincial liquor boards, to facilitate this process so there's some sort of tracking.

● (1010)

Mr. Leo Guilbeault: Each province has its own agriculture minister. Federally, we have Minister Ritz, but each province has its own agricultural minister. At the federal-provincial meeting, which has just passed, each province brought its own unique set of issues to the federal government. I think there needs to be a way for the agriculture ministers to work closer together on federal programming.

Right now, the Growing Forward suite of programs is pretty much set in stone, and the federal government says that will be until 2013. That frustrates a lot of these provincial agriculture ministers, who have their own unique needs. I think there has to be a way we can facilitate a more flexible way for provincial agriculture ministers to access federal dollars for their own needs within their own provinces.

As we mentioned, Canada is a big country. Agriculture in British Columbia is a whole lot different from what it is in Quebec, which is a whole lot different from Saskatchewan. I think we have to be sensitive to those different issues. If we look at what happened out west this summer with the floods, and then in my end of the world with the drought—we didn't get a drop of rain through the whole month of August.

Every day we all need to eat breakfast, lunch, and dinner, and we're being asked, as farmers, to do that for more and more people on the same amount of land.

Mr. Rick Dykstra: Speaking of breakfast, lunch, and dinner, I know one of the main aspects the finance committee struggles with in terms of making recommendations—and certainly a number of you alluded to the issues with respect to tight budgets and fiscal restraints.... I wonder about the breaking down of the barriers between provinces across our country.

Most folks come to budget committee to ask for money. I wonder if Kithio could speak to the fact that this may actually generate revenue for the federal government.

Mr. Kithio Mwanzia: That's correct. The CMA, the Canadian Manufacturers' Association, pegs the total cost of interprovincial trade barriers at about $6.5 billion a year, of which the interprovincial trade barriers related to wine and agriculture take up approximately $1.5 billion.

As far as the opportunity to expand private sector opportunities and generate revenue for the federal government, those are the numbers that could be a fundamental change for the Canadian economy: the generation of jobs and the creation of industry.

Mr. Rick Dykstra: Ms. Walker, you're obviously from a different part of the province of Ontario, but you are a member of the chamber. I wonder if you could comment a little on the issues you face and whether the businesses in Sarnia face some of the same issues in agriculture as they do in St. Catharines.

The Chair: Very briefly, Ms. Walker.

Ms. Katherine Walker: As far as agriculture and the requirement to do more with less, I don't think there's any difference between one geographic area and another. We have a vast county, and a large part of it is agriculture, so we certainly hear from our farmers.

The Chair: Thank you.

We'll go to Mr. Brison, please.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you to all of you for your interventions.

Ms. Pearson, we've had philanthropic organizations propose the elimination of capital gains tax on gifts of land or private company holdings. In the past it was commenced by a Liberal government; we cut the capital gains tax on gifts of publicly listed securities. The Conservatives continued and further reduced the capital gains tax on gifts of publicly listed securities.

There's a lot of interest on this committee in unleashing a lot of potential contributions to a number of your organizations, whether you're talking about medical research or museums—the cultural sector. I'd really appreciate your thoughts on the proposal to make it easier to give, or at least not to tax people when they're giving significant contributions.

● (1015)

Ms. Hilary Pearson: Thank you, Mr. Brison, and thank you for your support in previous years. Thank you to the current government for cutting the capital gains tax on donations of public securities.

We do support in principle any measure that will support more giving to charities in this country. My members have asked me to tell you that we support the stretch tax credit proposal of Imagine Canada. It's not that we don't support the idea of eliminating capital gains tax on donations of private company shares; we do. But we know that the government has choices to make. We know that you can't do everything, much as we would like that. So we chose this year to support the stretch tax credit proposal because we would like to see more giving by smaller donors. We want to enlarge the base of donors in the country. I think that's a very important thing to do for the future.

Hon. Scott Brison: Thank you very much.

I'm delighted that interprovincial trade barriers have come into this discussion. And while it's not a direct fiscal issue, in terms of the budget, it's a very important economic issue. The Macdonald Laurier Institute estimates that interprovincial trade barriers cost $8 billion per year. Put another way, getting rid of interprovincial trade barriers would put $1,000 into the pockets of each and every family of four in Canada.

What's kind of crazy is that it's something we're doing to ourselves. The international financial crisis or global economy.... Sometimes we get hit with crises that are not of our own making, but this is something we're doing to ourselves. So even though it's not a direct fiscal hit, Mr. Chair, I think it's something we ought to consider having as part of our report.

On the issue of wines, and your region, the Niagara region, my region, the Annapolis Valley of Nova Scotia, in fact has seven new wineries in the last two years. I hear from our producers on an ongoing basis that they can't sell in New Brunswick. They may be able to sell some wines in Quebec and others in France or Germany, but not in a place like New Brunswick. It just shows you the absolute abject stupidity of some of these regulations.

I would urge you to continue your campaign on this. It's something that affects every province, and takes away jobs and money directly out of the pockets of hard-working Canadian families. I think it's something we ought to as a Parliament, if not specific to this committee, take on with renewed vigour.

I wanted to thank you for your interventions today.

The Chair: Thank you, Mr. Brison.

We'll go to Mr. Menzies, please.

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

I would like to echo Mr. Brison's comment, of which I always am supportive, except for yesterday's comments.

Alberta and British Columbia have put in place a trade, investment, and labour mobility agreement, TILMA. I'm certainly a proponent of encouraging its promotion all across the country. It's not perfect, but it's a step in the right direction.

So each one of the associations here that has mentioned that issue, I would encourage you, when you're speaking to our provincial counterparts, to encourage them to take a close look at that and see if that won't work. Just a comment there.

To the Juvenile Diabetes Research Foundation, Mr. McKee, I'm a big supporter of your organization, probably one of the ones I funnel most of my donations through. It certainly touched our family, and I'm sure everyone around here has someone that diabetes has touched.

Talking about research and development, just recently Minister Goodyear announced for next year $11.7 billion, certainly not just for juvenile diabetes, but for overall research. So your comments about it are encouraging, that we need to keep funding research. It's probably the highest investment Canada has made to date in R and D.

We still agree with your comment that commercialization is what's missing. Is that what is missing in diabetes research as well, bringing it to commercial development?

● (1020)

Mr. Andrew McKee: It is. The very nature of this partnership that we struck with the government was targeted entirely at commercialization. JDRF has a long history of good basic research here in Canada. Diabetes has actually been cured in animal models many times over. There are 174 ways to cure diabetes in mice. There are 76 ways to cure diabetes in rats. But we have not moved that into a human model as yet. So the commercialization process, the clinical trials process, is the mechanism by which we're going to get that there, and this is a foundation for commercializing some of those technologies here in Canada.

Mr. Ted Menzies: How coordinated is the effort with other countries?

Mr. Andrew McKee: JDRF is a global organization, so all research funding decisions we make are made on a global basis. We don't ever want to be funding the same research in Israel, for example, as we are here in Canada. We like to fund complementary elements of research.

You do run into circumstances outside the JDRF realm where organizations defined by territorial boundaries may have duplicate efforts going on, but one of the things central to what we do is to make sure we're funding the best global research anywhere in the world. It so happens that Canada has a long history of excellence in diabetes research, from the discovery of insulin to the Edmonton protocol to all sorts of other good things. JDRF actually funds more research here in Canada than we raise funds for.

Mr. Ted Menzies: Thank you.

Mr. MacKay, is this basically the same request your association has made for three years now, or has it been just two years?

Mr. David MacKay: You can make that four and a half, actually.

Mr. Ted Menzies: It's been four and a half. I'm sorry. Is it virtually the same?

Mr. David MacKay: It's absolutely identical.

Mr. Ted Menzies: That's what I was afraid of. I guess I share your concern, but if the finance committee puts this forward as a recommendation, we're going to be asked why we should be funding a commercial enterprise to do the right thing. I'm not trying to be critical. I'm just telling you what we would be asked.

Mr. David MacKay: You're not. You're actually helping us all together do the right thing in a project that would benefit everybody, including farmers, because if they have difficulty and issues now, can you imagine the outcry they're going to have when they have to pay for all of the security requirements on top of the input costs they currently have? If the entire United States of America can deem this project to be appropriate to undertake—and they have the same security threats we have, and maybe we actually harbour more terrorist cells than they do—then I think we are obliged as Canadians to actually act to make sure we prevent the potential for an incident.

We don't want to incur these costs either. Just like the security costs for the G-20, they're unfortunately a reality you have to deal with. That's the point, though. We won't deal with these security costs, because they have nothing to do with crop production and agriculture. They're currently a voluntary expense. So we're not coming here asking you to pay for our operating expenses. We're saying we have an opportunity here to have the public and private sectors come together for the greater good of public safety and to put a proactive program in place that will protect Canadians and ensure that our industry stays competitive and that the farmers can stay internationally competitive. If we don't do that, we risk far greater consequences.

Mr. Ted Menzies: Thank you.

The Chair: Thank you.

Mr. Pacetti, go ahead, please.

Mr. Massimo Pacetti: Thank you.

Continuing on that, Mr. MacKay, as a city slicker, I'm just trying to understand the process in terms of where the security risk would be, and making sure that my food costs do not go up. Wouldn't it also be a problem with the producers? Would it just be the retailers who hold the products?

Mr. David MacKay: The producers would not typically carry the amounts of inputs that our agri-retailers would carry. They tend to take what's necessary to apply to the soil. Some, however, will warehouse or store larger quantities. That's been known to happen, but it's more sporadic. We are the keepers and the stewards of large quantities of crop inputs because some products—

Mr. Massimo Pacetti: Because you store them and warehouse them? Is that it?

Mr. David MacKay: They'd be in bins. They could be inside warehouse-type buildings. They can be in bulk or in bags and are often in bins.

Mr. Massimo Pacetti: I think in your option number one you're recommending that the agri-business security contribution program be jointly administered by Transport Canada and the Department of Public Safety. Wouldn't that cause more problems and headaches because you're now going to have to deal with two departments?

Mr. David MacKay: I'd frankly love to deal with one department, but I can't seem to get the government to agree to which department that should be. I have two letters in front of me dated within a week of each other. One is from the Minister of Agriculture and one from the Minister of Public Safety, who both tell me to go and see the other guy. They were within a week of each other. I'd love to enter them into the record.

● (1025)

Mr. Massimo Pacetti: So now you're even trying to get Transport Canada on the hook?

Mr. David MacKay: Transport Canada is about to implement a number of security regulations under the Transportation of Dangerous Goods Act.

Mr. Massimo Pacetti: When the goods are being transferred.

Mr. David MacKay: We didn't want to have five jurisdictions covering us. Trust me; it would be a lot easier if we could just have one jurisdiction to talk to. Due to our products coming under the Department of Natural Resources if they're an explosive, under the Department of Agriculture because that's what we do, or under the Department of Public Safety because of the consequences of misappropriation of these products, it makes it a real nightmare for us to even sit down and talk to an appropriate government entity.

Mr. Massimo Pacetti: Thank you.

My final comment is again with this interprovincial barrier. Mr. Mwanzia, what I'm trying to understand is, as a Quebecker, I have friends who buy wine at the LCBO—I'm not going to say I do it—and now there are people from Ontario coming to Quebec, buying wines. You're telling me that's illegal.

Mr. Kithio Mwanzia: Yes, that would be.

Mr. Massimo Pacetti: Nobody's ever been arrested, so that's not the issue, correct?

Mr. Kithio Mwanzia: Technically, yes, but that's not the issue.

It becomes difficult for SMEs or firms of any size—typically wineries are considered within the SME category—to develop a business model that could effectively leverage the opportunity for direct delivery wine sales. The Importation of Intoxicating Liquors Act was introduced in 1928, before we had the ability to have that ordering—It was not yet a reality—

Mr. Massimo Pacetti: Where's the problem with the interprovincial barriers? Is it trying to get the actual producers to sell the wine into other provinces, as Scott just mentioned?

Mr. Kithio Mwanzia: That's right. If consumers in Quebec wanted to order Ontario wine online, for instance, and went on the winery's website and asked to order it, they wouldn't be able to have that wine delivered to them, because—

Mr. Massimo Pacetti: He can buy it through LCBO, can he not?

Mr. Kithio Mwanzia: No, he can't buy it through the LCBO and take it to Quebec, because that would technically be considered illegal. It is a technicality, but it does become difficult for a business to say that although it's technically illegal, they're going to design it so that—

Mr. Massimo Pacetti: If my favourite wine comes from Ontario, the winery cannot sell it to the SAQ. They could, technically, sell it through the SAQ, could they not?

Mr. Kithio Mwanzia: That's right. They can sell it through the SAQ, but the issue becomes the markups associated with it. Certainly that might be one venue that a winery might decide to go with, either through the SAQ or the LCBO, but the concern has been the markups associated with it when they do put it through that process. That's one element of their business model, but what we're trying to do is make sure they can fully leverage the opportunity available to them in Canada by having this ability to direct deliver wine to consumers.

Mr. Massimo Pacetti: Are other products in the same vein? I thought there was a restriction on beer, but I thought that was removed. Are you aware of that?

Mr. Kithio Mwanzia: I'm not aware of any of the exemptions that exist, associated with the act.

My understanding was that the existence of the act covered all sectors. The beer industry hasn't necessarily indicated one way or the other, but I know that from a SME perspective, it's—

Mr. Massimo Pacetti: Have you spoken to any of the provincial people on this? Is there a will to change this?

Mr. Kithio Mwanzia: Absolutely. As I mentioned—

Mr. Massimo Pacetti: Is there a problem at the federal level then?

Mr. Kithio Mwanzia: It's more of a coordination piece. The Intoxicating Liquors Act is a federal piece of legislation, while the provincial boards, the points of sale, are provincial bodies. There is an impetus from the business community—as Mr. Brison mentioned, as I mentioned, and as Mr. Dykstra mentioned—with all these chambers of commerce at the provincial level that are urging their provincial governments. Then there's this piece we're presenting today as the Canadian Chamber of Commerce has done, which talks about the need for federal coordination with the provinces to work through this.

The legislation, the Intoxicating Liquors Act, is federal legislation.

● (1030)

The Chair: Thank you.

Colleagues, we are pushing up against time. I do have a request from Monsieur Paillé for a brief question. It's not his round, so what I propose is that if the committee agrees to it, we have a Conservative round and then a Bloc round. I know it's out of order. We have seven organizations for this panel, and we have five in the next.

We do have more time for questions in the next panel, so that's one option. I'm just putting it to the committee. We can do a Conservative round and then a Bloc round.

Ça va? Okay. We'll go to Monsieur Paillé and then we'll do a Conservative round.

Monsieur Paillé.

[*Translation*]

Mr. Daniel Paillé: I simply want to make sure that what was just said does not mean that Mr. Pacetti's friends are doing anything illegal.

[*English*]

The Chair: Order.

Is that it? You should know that I was one of those friends who brought something back for him.

I just have a clarification. I was going to ask the Sarnia Lambton Chamber to talk about their point on extending small-business tax bracket consideration to related companies. Do you want to expand on that? You can do it now, or if you want to submit something further to the committee, I'd appreciate that.

Mr. Garry McDonald: It's been mentioned before that being a tax expert is not really all of our strength, but we are under the impression that related companies at this time face an additional red-tape burden with the many different tax forms they have to create.

The Chair: If there's anything further you have on it, I'd certainly appreciate it.

My final point is for Ms. Pearson. As two of our colleagues mentioned, private member's Bill C-470 deals with the charitable sector. We hope to deal with that at the end of November, beginning of December. I know we have a lot of witnesses who want to appear on that bill, but I just want to highlight that for you. We have to report it back to the House on December 17.

Ms. Hilary Pearson: We'll come to speak again on that, among many other organizations.

The Chair: Okay.

I want to thank all of you for being here this morning, for your presentations, and for responding to our questions.

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

● (1030)

(Pause)

● (1035)

The Chair: We will resume our pre-budget consultations. I will ask members and witnesses to find their seats, please.

We have five organizations in the second panel: the Saskatchewan Association of Rural Municipalities; the Edmonton Chamber of Commerce; the Federation of Saskatchewan Indian Nations; the Canadian Federation of Apartment Associations; and the Saskatchewan Rental Housing Industry Association.

You each have a maximum of five minutes for an opening statement and we'll proceed in that order.

Mr. Marit, I believe you'll be presenting for the Saskatchewan Association of Rural Municipalities.

Mr. David Marit (President, Saskatchewan Association of Rural Municipalities): Thank you very much, Mr. Chair.

It is indeed a pleasure for me to be here today. I want to take this opportunity to thank the standing committee for inviting us here to share our federal budget priorities with you today.

SARM represents all 296 rural municipalities in Saskatchewan and acts as the common voice of rural Saskatchewan. All members belong to our association on a voluntary basis. In addition, we are mandated by our act of incorporation to act on behalf of Saskatchewan's agricultural producers.

I would now like to outline two areas of greatest need for federal support in rural Saskatchewan, those being both local roads and bridge infrastructure, and the agriculture industry.

Local road and bridge infrastructure is vital to Saskatchewan’s commerce and industry as a landlocked province. We have very few transportation options. Rail line abandonment and elevator consolidation over the past 15 years means thousands more trucks use our road and highway system. Our rural road bridge system continues to deteriorate as more trucks travel more miles to access markets. Associated Engineering reported in 2008 that approximately $567 million over the next 15 years would be required to replace and repair the rural bridge system. In 2009 AECOM reported that approximately $225 million per year would be required to maintain and replace 130,000 kilometres of rural gravel roads. It is estimated that in order for RMs to fully fund only roads and bridges, an additional $389 million would have to be levied from the rural municipal tax base annually. Because the tax base of most RMs is predominantly agriculture and because the present agriculture economy is struggling and therefore unable to carry these increased costs, SARM has asked for support from both our provincial and federal governments. The province has provided us with $47 million in 2009 and $23 million in 2010, but unfortunately this falls short of the total investment required. Today we ask that the federal government consider introducing a new and expanded rural bridge and road infrastructure program to address the special needs of rural Saskatchewan.

I would like to highlight our second priority, agriculture programing. The Saskatchewan agriculture and agrifood sector accounted for nearly 13% of the provincial gross domestic product in 2008 and contributes 12.7% to the total Canadian agriculture and agrifood processing sector. Over the last several years SARM has noted the obvious dramatic swings in prairie weather patterns that have greatly impacted our agriculture industry. Many parts of the Saskatchewan grain belt are feeling the effects of two to three times the normal yearly rainfall in only a few short months. This has put many farms in small rural communities in peril. At this time we believe there are approximately 12 million acres of land in the province that are either unseeded or have been flooded after being seeded. Some economists believe this could result in a $12 billion shortfall due to the excessive moisture.

SARM understands the intent of the federal AgriRecovery program is to provide disaster relief when disasters strike, filling gaps that are not covered by existing programs. That should mean that if a producer triggers a payment from the AgriStability program, then AgriRecovery funding should be above and beyond that. It also means that AgriRecovery payments should not be included in a producer's income when determining eligibility for the programs. SARM understands this is currently not the case.

SARM asks that immediate adjustment be made to the current excess moisture program and that funding provided to producers from the AgriRecovery program not take away from payments received from any other business risk management programs. In addition, SARM also asks that municipal government associations, such as SARM, be included in negotiations surrounding federal-provincial disaster assistance programs. Municipal government is the level of government that is closest to the people, and as such has a greater understanding and can provide a different perspective around circumstances affecting them.

Thank you again for this opportunity to present. I'm happy to respond to any questions.

Thank you.

● (1040)

The Chair: Thank you very much for your presentation.

We will now go to the Edmonton Chamber of Commerce, please.

Mr. Robin Bobocel (Vice-President, Public Affairs, Edmonton Chamber of Commerce): Thank you, Mr. Chairman, for inviting the Edmonton Chamber of Commerce, the nation's largest local chamber, to provide input at the committee's hearings today.

My name is Robin Bobocel, vice-president for public affairs, and I'm here with Rick Hersack, our chief economist.

We realize the difficult job you, as a committee, have in balancing the many and diverse requests for the federal government to provide financial incentives and support expenditures while at the same time you try to provide fiscal recommendations that will ensure that our economy is not saddled with debilitating debt. We are mindful of that challenge. And we were pleased when the federal government reiterated its commitment to balance the books by winding down fiscal stimulus measures as the economy recovers, by reducing the growth rate of direct program spending, and by undertaking a comprehensive review of government administrative functions and overhead costs in order to identify opportunities for additional savings and improved service delivery. These plans are entirely aligned with our chamber's priorities.

Today we would like to bring to your attention recommendations in a variety of areas, including a call for the deferral of capital gains taxation and the implementation of consolidated joint filing for corporate tax returns. In the interest of time, we have provided written briefs to the clerk on both of these recommendations.

Our intention this morning is to highlight three key priorities related to the upcoming budget and Canada's economic recovery.

First, we offer support for the government's stated budget direction through our own fiscal policy. We will promote a no-cost stimulus to economic growth with accelerated capital cost allowance recommendations. And we will recommend strategic investments to support economic drivers of the economy with policies on northern infrastructure development.

Budget 2010 answered the chamber's call to stay the course on the recovery plan, to lay out a strategy to return to balanced budgets over the medium term without raising taxes, and to focus on making Canada more competitive in the international marketplace. It is our hope that the government continues its efforts to act in a responsible, reasonable, and realistic manner. As such, we have four recommendations for this upcoming budget from our current fiscal policy: continue to work to ensure that the debt-to-GDP ratio falls below 30% by 2015; refrain from hiking taxes or reneging on promised corporate tax-rate reductions to return to balanced budgets by 2015; restrain program spending growth to balance the budget over the next five years; and broaden the scope of spending review beyond direct program expenses.

Similarly, with respect to our position on applying the accelerated capital cost allowance, or ACCA, to all mining and resource processing investments, we recommend that the federal government retain ACCA for oil sands and mining projects in Canada and that it extend ACCA to resource-processing investments, including upgraders and other high-conversion capacity investments and shared processing infrastructure.

ACCA rules specify the rate at which capital assets can be expensed annually. They allow the normal costs of capital to be deducted as fast as income from the project will allow rather than having the deductions deferred over time. As corporations recover their initial investments sooner, ACCA reduces the investment risk associated with the mine or project, thus improving the overall economics of the project.

It is also worth noting that ACCA is not a subsidy. Rather, it is simply a deferral of tax revenues to government that might otherwise not have accrued, because productive investments are less likely to occur in the absence of this accelerated writeoff, especially when these projects face enormous amounts of risk, such as cost of capital, global commodity prices, and uncertainty around mitigating climate change, all in tenuous economic environments. Strong evidence of this risk can be seen in the number of upgrader projects recently cancelled in Alberta.

Finally, we would like to discuss the need for strategic northern infrastructure investments. Recent news attests to the importance of Canada's northern resources as a significant driver of our economy and to the importance of the need for government action to support private development. According to NRCan, investment for mineral exploration in Canada's Northwest Territories is expected to more than double this year to $99 million. Nunavut is forecast to see a 50% increase in exploration budgets, to $280 million.

In our opinion, the Government of Canada, in its budget, must be strategic in converting stimulus dollars to investment in northern infrastructure that leverages private-sector spending and that will result in accelerated long-term growth that drives economic activity throughout the country. In addition to it being a long-term economic investment, northern infrastructure development will also enhance our northern presence and sovereignty.

With this in mind, the Chamber of Commerce would like to recommend that budget 2011 allow for funding required for the completion of an all-weather, north-south trans-Canada highway through the Mackenzie Valley. In addition, we believe that it is vital to move ahead with this project immediately as a means of improving the economics of the Mackenzie gas project by reducing logistical challenges related to construction of the proposed pipeline.

With respect to the Mackenzie gas project, we urge that through budget 2011, the federal government ensure that the Mackenzie gas project is not placed at a competitive disadvantage in relation to other large-scale North American energy projects. This may include mechanisms such as direct investment, tax breaks, loan guarantees, or a combination of all three, including programs to ensure that sufficient workforce development and training opportunities occur to maximize first nations and Inuit involvement.

● (1045)

As part of any future stimulus and clean energy initiatives, the Edmonton chamber would like to recommend that budget 2011 allow for strategic investments in hydro developments in the Northwest Territories. Just as an east-west power grid is a national priority, the federal government should look for ways to fund a north-south grid to facilitate the export of clean northern hydro-electric power to southern markets.

The Chair: Thank you very much for your presentation.

We'll now go to the Federation of Saskatchewan Indian Nations, please.

Chief Guy Lonechild (Federation of Saskatchewan Indian Nations): Thank you very much, Mr. Chair.

Good morning to all members and of course a special recognition for MP Kelly Block from Saskatoon-Rosetown-Biggar. Good morning.

She got us here. She invited us. So thank you very much.

I'm joined by Chief Marie-Anne Day Walker-Pelletier. My name is Chief Guy Lonechild, from the Federation of Saskatchewan Indian Nations. As chief of the FSIN I represent 74 first nations in Saskatchewan. Our organization is committed to honouring the spirit and intent of the treaties. This means promoting, protecting, and implementing our rights under treaty.

It has been almost a decade since the FSIN last presented to this committee during a pre-budget submission consultation. The last time was October 30, 2001. Unfortunately, not a whole lot has changed from ten years ago. Although some gains have been made, the disparity between first nations and other Canadians remains virtually unchanged in many areas. I'm going to highlight only the most important priority areas where all levels of government should focus their resources to effect positive change.

First nations education is a prerequisite to all other issues on the agenda. It is key to improving the overall economic and social wellbeing of first nations. However, a majority of first nations people in Saskatchewan are failing to utilize education as a foundation for building better lives for themselves, their families, and communities.

Only about one-half of the aboriginal adult population in Saskatchewan has a high school diploma, at 51% compared to 72% of the non-aboriginal population in the province. The situation is worse on reserve, where only 46% of residents have graduated from high school.

Saskatchewan first nations have outstanding capacity for delivering improved education services to first nations. There's no other region in Canada that can clearly demonstrate a more comprehensive educational infrastructure, which has been built over the last 30 years of experience and capacity. The FSIN is committed to addressing the issues preventing first nations living on and off reserve in Saskatchewan from achieving a level of education comparable to the rest of Canadians.

What is required for us to tackle these longstanding issues is a new partnership with the federal and provincial governments in the area of education. What happens in Saskatchewan can be a model for the rest of Canada.

The federal government is cognizant of the need to collaborate on education. In the 2010 Speech from the Throne, a commitment was made by the federal government to work hand in hand with aboriginal communities and provinces and territories to reform and strengthen education, and to support student success and provide greater hope and opportunity. I expect a similar commitment from the throne this year, accompanied by financial support.

Currently the FSIN is advancing two important initiatives targeted at significantly improving the substance and quantity of the first nations educational attainment. These include a trilateral task force and a youth action plan with the FSIN as an equal partner in the development, design, and delivery of first nations education in Saskatchewan. It will address major issues such as comparable funding and incorporating language and curriculum into the education system, both on and off reserve.

As mentioned in our written brief, we urge you to provide support for first nations education by providing capacity funding for the urgent work of the education task force and providing a level of funding for first nations schools comparable to that of the province.

Although we couldn't go into detail in this verbal briefing, we also need support for an aboriginal youth employment strategy in Saskatchewan and additional financial support for the restructuring of First Nations University of Canada. Increasing funding for the post-secondary student support program is also necessary.

On March 3, 2010, the Minister of Indian Affairs introduced Bill C-3, an act to promote gender equity in Indian registration by responding to the Court of Appeal for British Columbia decision in McIvor v. Canada. Bill C-3 proposes to make the grandchildren of women who lost status as a result of marrying non-Indian men eligible for registration for Indian status in accordance with the Indian Act. The proposed amendments do not extend to other situations. Approximately 40,000 people nationwide would become eligible. Additional funding will need to be provided to first nations for this increase to the population, as this will affect housing, health, education, and social assistance for first nations.

In July 2009 the FSIN created the chiefs' task force on citizenship to develop a first nations citizenship framework to support the first nations legislating their own citizenship act. The treaty governance office and the chiefs' task force on citizenship developed a proposal to which INAC has not yet responded. The work of the task force must continue, so we are asking for support on this.

Finally, INAC is not consulting on Bill C-3, promising only to provide an engagement process after Bill C-3 is passed.

● (1050)

Chief Marie-Anne Day Walker-Pelletier insists that first nations have a right to self-government. A fundamental part of this is determining the criteria of their own citizens. INAC has established a financial impacts working group to analyze and make recommendations on how to address the financial requirements and the impact of additional registrations on first nations and the department.

We have not had full disclosure from this committee. We will file an access to information request to get full disclosure. Canada and INAC should not be setting our Indian governments up for failure. On a matter of citizenship, the first nations' agenda is far ahead of INAC's, which is simply to plug one more small hole in a sinking ship called the Indian Act.

● (1055)

The Chair: Thank you for your presentation.

We'll now go to the Canadian Federation of Apartment Associations.

Mr. John Dickie (President, Canadian Federation of Apartment Associations): Good morning. My name is John Dickie.

The CFAA represents the owners and managers of close to one million rental homes across Canada through seventeen local and provincial associations. One of our members is the Saskatchewan Rental Housing Industry Association, which you'll hear from shortly, but they are an independent entity and are located, as the name indicates, in the west, whereas our head office is here in Ottawa and my personal experience is in Ontario and Quebec, where I've spent my life.

The submission that CFAA gave to you is still one we would advance. In addition, I provided some documentation to the clerk this morning, which has the French version after the tab. The reason for providing this extract, this new documentation, is that this is from a report we commissioned and which was just issued a few short weeks after the deadline for submissions to the committee. So I'm going to be referring to extracts from a report prepared by Frank Clayton, PhD and urban and real estate economist, who addresses government subsidies to homeowners versus renters in Ontario and Canada. The extracts simply relate to Canada, since this is a federal committee. I want to point out to you the different way in which the tax system deals with homeowners as opposed to renters.

Dr. Clayton looks at both direct spending and tax expenditures. His key finding, which I found fairly startling, and I think you may find it startling as well, is that through the tax system and program spending the federal government delivers subsidies to homeowners on average of $1,823 a year, while to private renters the average is $308 a year, so one-sixth as much. This is despite the fact that homeowners have roughly twice the income of renters on average. We allege that we have a progressive income tax system. In this regard, the tax system is not particularly progressive. If anything, it works in a regressive manner. The CFAA would like to address that.

What is included in these subsidies that Dr. Clayton has studied? He has included direct spending, but also tax expenditures. A tax expenditure, I'm sure you all know, is a tax provision that deviates from a normative or a benchmark within the system. It can take the form of an exclusion, an exemption, an allowance, etc., rebates and so on. The example you are probably most familiar with is that the capital gain from the sale of a principal residence is exempt from capital gains taxation, whereas on the rental side, when a rental property goes up in value that increase in value is taxed. The landlord cuts a cheque to the government, but fundamentally since this is such a competitive industry the tenants are having to pay that tax through their rents over time.

At the bottom of page 3, or page 4 in the French version, there's a listing of the different sources of this large subsidy to homeowners. In total, Dr. Clayton estimated that the subsidies for private housing are $17 billion. Homeowners are the beneficiaries of 93% of that amount. Renters are the beneficiaries of 7% of that amount, despite making up 31% of the population.

What does CFAA want done about this? First of all, we ask the government and Parliament to recognize that this situation exists and to keep it in mind when designing new tax provisions. Secondly, we ask the government to pay attention to this situation when new programs are designed. Things like the homeowner renovation tax credit, which has just been concluded, gave more than $3 billion to homeowners and not a penny to renters, which made the situation worse. So we're saying that when programs are designed they should be designed so they provide benefits to renters, not just to homeowners. The third thing we ask is that both the government and Parliament gradually improve the tax situation of renters. That means a variety of things, the first one of which we have on the table, which is a tax deferral when a property is sold and then another one is purchased. That is addressed extensively in our main submission.

I thank you, and I will look forward very much to questions.

● (1100)

The Chair: Thank you for your presentation.

We'll now hear from the Saskatchewan Rental Housing Industry Association.

Ms. Diana Mendes (Spokesperson, Saskatchewan Rental Housing Industry Association): Good morning.

My name is Diana Mendes. I am here today as a spokesperson for the Saskatchewan Rental Housing Industry Association, or SRHIA. Tyler Stewart, SRHIA's director, was slated to speak at a session of this committee that was to take place in Saskatoon. Unfortunately, that session was cancelled, and he was unable to travel to Ottawa, so I am here in his place.

SRHIA represents the Saskatchewan rental housing industry. SRHIA is also a member of the Canadian Federation of Apartment Associations.

For many years in Canada, public policies at all levels of government have promoted home ownership. Most recently, in the 2009 federal budget, homeowners were given billions of dollars under the home renovation tax credit, while renters were ignored. However, most low-income Canadians are not homeowners, and the larger part of income tax benefits of home ownership do not accrue to low-income households even if they are homeowners.

The current tax position means that Canada's housing markets are not providing the housing opportunities in the rental sector needed by households with low and moderate incomes, and by people who move between cities. Excess home ownership inhibits labour mobility and raises unemployment rates.

In order to move toward a balanced housing policy, we suggest that the budget should provide improved tax rules for rental housing to move the tax position of renters closer to that enjoyed by homeowners. In the 2011 budget, the improved rule should be a tax deferral of capital gains and recapture of CCA when rental real estate is sold and another property of equal or greater value is bought within 12 months. Allowing this tax deferral on real estate sale and reinvestment would reduce the cost of rental housing and improve affordability of the housing supply. It would promote efficient capital allocation across the economy. It would promote more compact, environmentally sound urban redevelopment. It would help small investors, middle-income families, as well as seniors. It would permit relocation by owners and managers, and reduce absentee ownership. It would level the rules between rental property and other businesses, level the rules between businesses that rent and those that own their premises, and level the rules between rental property and shares in companies.

The deferral cost of the proposal is reasonable. The federal government revenues that would be deferred by the proposal in the first year after implementation are approximately $450 million. In the years that follow the first year, the direct deferral amount should decrease, given that taxes payable, deferred from the first and subsequent years, would appear as an additional tax payable thereafter.

Thank you.

The Chair: Thank you very much for your presentation.

We'll now start members' questions with Mr. Szabo, please.

Mr. Paul Szabo: To the last presenter, I must admit that on the issue with regard to people who aren't homeowners, if the whole idea of the home renovation credit was to stimulate spending and job creation, etc., it didn't matter who purchased it; renters should have been able to participate, I would have thought.

However, I want to spend my time with the Edmonton Chamber of Commerce.

Do you consider EI premiums to be a tax?

Mr. Rick Hersack (Chief Economist, Edmonton Chamber of Commerce): Yes, we do: a payroll tax.

Mr. Paul Szabo: They're a tax. Okay.

I'm looking at the August 13 submission you made, which indicates that you'd be updating or expanding upon it this fall. I want to know your view, coming from a major municipality, on the stimulus program and the concern about projects that are started but may not be completed by the March deadline, and what impact that might have on a city like Edmonton.

Mr. Rick Hersack: Although we don't have a direct policy on that, we are very aware of the fact that there are stimulus dollars that have not been expended. For example, the City of Edmonton has not been able to expend all of theirs.

We believe the economy is still at a point where it is certainly not what we would consider fully recovered, and so the continuation of those stimulus dollars beyond the deadline date would certainly be a worthwhile endeavour.

Mr. Paul Szabo: You would support that.

● (1105)

Mr. Rick Hersack: Yes.

Mr. Paul Szabo: The Parliamentary Budget Officer has suggested that of approved projects right now, anywhere from 25% to 50% of them may not be completed by March 31. This really needs to be answered by the government. Hopefully we'll have some resolution of that, because it is a disaster scenario.

In your experience with this stimulus program, you may recall the terminology "shovel-ready". Are you satisfied that the moneys that you've been able to observe in terms of the projects in Edmonton in fact have substantively been utilized for so-called shovel-ready projects?

Mr. Rick Hersack: I believe so.

Mr. Paul Szabo: You do. Okay.

The process of getting approval.... There are, obviously, in the real world, whether it be weather or whether it be engineering reports or whether it be consultants' reports, these kinds of things that always tend to drag things out. Is there a submission made by the City of Edmonton itself with regard to its concerns that you are aware of?

Mr. Rick Hersack: It's been a while. I believe there have been some concerns made by the City of Edmonton on the length of time it takes to get the approvals, particularly as those occur between the federal, provincial, and municipal governments.

Mr. Paul Szabo: Finally, I just want to look at some of the numbers. I must admit, when you start off with the first recommendation about ensuring that the debt-to-GDP ratio falls below 30% by 2015—I mean, it's a nice wish, but to get there means you have to do something. If the Canadian Society of Professional Engineers is correct, where we have a $125 billion infrastructure deficit in Canada, which is going to cost a real reduction in GDP of more than 1% a year if we don't do something about it, the numbers may not work. If you don't get the growth, are you going to have to cut somewhere? Is that your view? And if we do have to cut, where would you cut to meet your target of reducing the debt-to-GDP ratio down to 30% by 2015?

Mr. Rick Hersack: That's a very good question, because we certainly agree with you that without growth there have to be cuts in spending. The issue is not a simple one, I agree with you. We have recommended, certainly, that the federal government sincerely look at all of its programs and really fund those programs that are critical to the economy, and consider not funding programs that are less critical.

Mr. Paul Szabo: We have less than two minutes left, so let's follow up on this, because I think it's important to hear what Canadians have to say and those who represent Canadians. Are we talking about investing for the hope of improving GDP growth, or are we talking about spending in terms of helping those who are at risk of falling through the cracks? You understand we're talking about responsible spending. What is it?

Mr. Rick Hersack: From the Edmonton Chamber of Commerce point of view, it is certainly investment spending that would lead to growth.

Mr. Paul Szabo: Health care would not be as big a priority for you?

Fair enough. Thank you, Mr. Chair.

The Chair: Thank you, Mr. Szabo.

We'll go to Monsieur Paillé.

[*Translation*]

Mr. Daniel Paillé: My questions are for Mr. Dickie.

You draw a link between taxation and a number of advantages. On page 5 of your document, I note that all of your requests to the government would amount to a reasonable $450 million. I then told myself that either that was insufficient or the potential positive outcomes were rather substantial.

On page 2 you state that, because of Canada's current tax position, there is excess home ownership and people are unable to sell their homes, and labour mobility is inhibited. You are saying that the unemployment rate is increasing because people are unable to sell their homes. I would like to know how widespread that is.

On pages 3 and 4, you say that the tax conditions lower rents and encourage better maintenance. According to you, people who invest because of favourable tax conditions benefit from a better return on their assets. I think that any portfolio manager would agree that if there were no taxes, returns would be enhanced.

Furthermore, on page 3, you state that a tax deferral would promote sound urban redevelopment. You go so far as to say that it would improve labour mobility and reduce absenteeism rates. I get the impression that you are placing too much importance on taxation. Being a tax expert myself, I would never have thought that $450 million could generate so many advantages. It would seem to me that if that were the case, those measures would already have been implemented. So how did you come up with all those positive elements?

● (1110)

[*English*]

Mr. John Dickie: The question, as I understand it, is how can we get all these benefits from a session that only costs $450 million—and as a deferral at that? The answer is that people are operating at the margin. In other words, there's a decision on whether to sell or not. When they sell, someone else buys the property, comes with new eyes to the property, and decides to improve it. So you get these improvements and avoid absentee ownership.

We are not saying that the $450 million in deferral costs would generate $1 billion in revenue through these other mechanisms, but we are saying that all these other mechanisms are at work.

If one wanted to improve the affordability of housing dramatically, one would have to bring in other measures besides this $450-million deferral. But $450 million less tax paid out of maybe $4 billion total is 10%. It matters to owners. So there would be an impact on housing affordability.

Many of these other impacts are because people are incented to do something differently, and different outcomes happen. For example, on the question of environmentally sound urban redevelopment, we're not going to have every city in Canada all of a sudden blossom into wonderful new developments. But at the margin there are blocks that cannot be developed because the owners will not sell because they're locked in. Some of those blocks will sell, and there will be some of those developments.

[*Translation*]

Mr. Daniel Paillé: I would like to use the example that you give on page 3 in the English version. You talk about a printer whose company is worth $500,000. Let us suppose that the print shop is located in the town of La Pocatière. Mr. Généreux, who is not here, is a printer. He is the owner of Impressions Soleil in La Pocatière. He is a printer by profession.

According to what you are saying, his tax treatment would be different depending on whether or not he owned the premises or set up his print shop in premises owned by someone else. We are really talking about two different individuals. One is a printer, and his tax status is different given that his business is printing and not real estate. However, should he rent the plant from another individual, this person works in the real estate sector. The owner of a building and the owner of a print shop are equal, tax-wise. The tenant, however, does have a certain number of tax advantages or disadvantages. I am trying to understand. Your tax model will more than likely put all building users into the same category, which could be complicated.

Moreover, since I come from a very urban riding with many tenants, I am in favour of tax measures aimed at helping tenants and small property owners. However, we should not confuse the types.

[*English*]

Mr. John Dickie: If I understand the question, the point is that the current tax system advantages the person who buys. There are some advantages to that. We have a very high home ownership rate. Among businesses, if someone owns their premises there may be some advantages to that in terms of their connection to the community.

On the other hand, they are also mixing up what they're doing. In a sense, the tax system incentivizes someone to be both a printer and the operator of a property. One of the key benefits of renting, either residentially or commercially, is that the businessperson can concentrate on the business; the landlord concentrates on the property. The landlord knows how to manage that, looks to the long term, and can get financing to improve the building, when perhaps the printer doesn't have the money, but now's the time to change the roof.

So we're saying that pushing people to own rather than rent is bad for the economy. It results in a less efficient allocation of resources and is unfair. The costs that the landlord pays are costed on the margin flow-through to the occupant, the tenant, whether they be a business tenant or a residential tenant.

● (1115)

The Chair: Thank you.

Merci, Monsieur Paillé.

Ms. Block, please.

Mrs. Kelly Block: Thank you very much, Mr. Chair. I truly do appreciate hearing from all of you today.

I'm a member from Saskatchewan, so I think I'm going to focus my questions to those individuals who took the time to come out to Ottawa and present to us. I am pleased that you were able to reschedule and be here. Five minutes isn't long, so I'm going to jump right in.

Mr. Marit, I appreciate your presentation. If there is nothing we can do in terms of infrastructure, is there anything the federal government can do within the regulatory regime to assist municipalities?

Mr. David Marit: Thank you for the question, Kelly.

Yes, there is something that could be done, and I would hope that the committee could help us in this, and that is in the regulatory regime of municipal infrastructure and the work we do. We are bound by regulatory bodies both federally and provincially, but federally we have, under Transport Canada, the Navigable Waters Protection Act, and we have the Department of Fisheries and Oceans. There are regulatory changes that could be made under the Navigable Waters Protection Act that would alleviate a lot of onus on municipalities, and especially this one, and that is the definition of what is called a “navigable waterway”. That has to be clearly defined. We are dealing with an act that was incorporated in 1898, and we're trying to do it in 2010. That's what's wrong with our system today. It won't impact the environment in any way. What it means is where we have bridges in rural Saskatchewan that are 50 to 60 years old and cannot take the transportation that is on them today—with trucks and the size of trucks—we could replace those with steel pipe at a third of the price, and sometimes less. That's one change that has to be made, the definition of what is a “navigable waterway”.

Mrs. Kelly Block: Thank you very much.

My second question is for Chief Lonechild. I certainly do appreciate the work that you do in our province, Chief, and I know that not many provinces have such a robust organization as FSIN. I do appreciate your work and the leadership you have provided with FNUC.

In your statement you said that this verbal presentation didn't give you time to speak about the aboriginal youth employment support program, so I'd like to give you some time to do that.

Chief Guy Lonechild: Thank you very much.

Very quickly, I'll state that so many of our young people in Saskatchewan are actually not attaining grade 12, and some as young as 12, 13, and 14 are exiting the education system. Between that age cohort and of course age 29 or so, there is a large gap of young people who are not participating in the economy. As good as we see the times in Saskatchewan, I think we need a reinvigorated and more robust youth employment strategy focusing on increased sources of provincial and federal contributions to get our people involved in the labour force.

Of course there are many things on the horizon, such as mines and minerals, that present great opportunity in terms of employment in the potash industry and in the oil and gas sector and many others. And I think it's something this committee as well as our provincial partners in advanced education need to get on board with to support.

Quite frankly, there's a significant number of people who are just not participating in the economy or being employed.

● (1120)

Mrs. Kelly Block: I'm going to jump back to Mr. Marit and ask him about your recommendation number two.

You recommend that a change be made to the AgriRecovery program parameters to ensure that disaster relief payments made through this program do not affect the level of payments made to producers through the existing business risk management programs. So is that happening right now?

Mr. David Marit: Yes, and we're aware of it as a result of what happened in Saskatchewan this year, with approximately 12 million acres that didn't get seeded or were flooded out. When the federal and provincial governments announced the payments through the AgriRecovery program, that payment would be reflected in any other payments they received through the AgriStability program. So that payment would come off what they would receive in AgriStability, and we think that's unfair. This is a disaster. It should be treated as a disaster and it should be separate.

Mrs. Kelly Block: Do you have any suggestions as to what should be put in place?

Mr. David Marit: The program, the way it is, is good with the way it can be processed and how quickly it can flow through to the producers. The AgriRecovery component should be totally separate from the AgriStability component, and that's what we're recommending.

Mrs. Kelly Block: Thank you.

The Chair: Thank you, Ms. Block.

Monsieur Mulcair.

[*Translation*]

Mr. Thomas Mulcair (Outremont, NDP): Mr. Chair, I will begin by questioning Mr. Dickie, and my question is in the form of a request to obtain greater clarification, because I am not sure that I have grasped all of the nuances of their comments. I am referring to page 4 in the French version. In order to facilitate things for Mr. Dickie, the reference is found on page 3 in the English version.

You have estimated housing spending and tax expenditures by tenure in Canada. Following the list, you talk about the non-taxation of net imputed rent. There is a footnote No. 2 on the following page, which reads as follows:

> According to Statistics Canada, net imputed rent on owner occupied housing in Canada amounted to $39.2 billion in 2009. The federal tax expenditure incurred in 2009 by not imposing income tax on that imputed income is estimated by [your expert] at $5,595 million (or $5.595 billion).

I would like you to explain this aspect further. Because this is not clear for us: how do you come up with the biggest number in your list, when you detail the disparities between private renters and homeowners? I do not understand how you have come up with this figure and then say that this proves there is a disparity. It is not obvious. Would you be so kind as to provide further explanations?

[*English*]

Mr. John Dickie: Let me try to explain what has been said. When one looks at a renter, it's clear you have income from outside and then you pay out rent, and that's a living expense. With a homeowner the situation is a little bit different. A homeowner has cash income and then, by virtue of owning their home they receive non-cash income, which is the money they don't have to pay out for the rent of their home. That's a notional income. We in the tax system often tax non-cash income. There are certain benefits people get from employers that are taxed. In some of the tax systems around the world they tax that notional income. It is a distinct benefit to the homeowner that the homeowner, instead of putting $200,000 in shares, bringing an income, paying tax on that and then paying a rent, puts $200,000 into their own home, pays it all down for cash. Then, under our tax system, it shows up as having no income from that $200,000 and so pays no tax on that. So they get to enjoy a home worth, say, $2,000 a month, whereas when you run it through the tax system you get $2,000 of income. If you're at the 50% bracket you pay $1,000 in tax, so you'd only have $1,000 left to pay your rent. That's the discrepancy. Certainly it is a notional income. It is something people are not used to looking at, but it is a huge benefit to homeowners. When one is looking at all the tax expenditures the system includes, that is the biggest amount, frankly, because it's ongoing every year. I'm a homeowner myself. I'm glad I have that income from my house that I don't have to pay tax on.

● (1125)

[*Translation*]

Mr. Thomas Mulcair: At the end of your list, you mention something that is a little bit more obvious. Because I must confess to you, Mr. Dickie, that even though I did follow what you were saying in your answer, it is far from being obvious. When you say that there is an advantage, it is due to the fact that capital gains on a principal residence are not taxed. Everyone agrees with that.

However, would it not be fair to say that you have failed to consider the flip side of the coin? It is precisely because part of our tax and financial system is based on the fact that there is, for the owner, an incentive to encourage purchase, namely, the ability to recover these amounts, and that is part of what we deem to be revenue.

We say that the retirement systems include three pillars: the public retirement pension system, the private systems and savings. That is part of savings. This is an incentive to encourage saving, namely to say that you can invest in your house. If we were to tax that, if we were to no longer consider the existing tax reductions, we would have to recover this amount elsewhere, because people would not have enough money once retired.

[*English*]

Mr. John Dickie: Well, understand that we're not saying that these things should be taxed. Frankly, you'd have a revolution on your hands. What we're saying is that there should be recognition that this is a benefit that is received, and it's a valuable benefit that equates to real money. So when you're designing the system, you should be looking at how you can make the system more fair to renters. That's what we're saying.

[*Translation*]

Mr. Thomas Mulcair: I would like to take this opportunity and say that I hear what you are saying when you go beyond your tax and financial analysis in order to give a political opinion, namely that we would be dealing with a revolution. I do not disagree with you on that matter.

However, I would like to put the question back into your court. If you are not asking us to take this away, could I ask you a question? Is it in the interest of society to encourage people to become property owners, to become—I would dare say—masters of their own homes, or is it instead in our interest to keep them as tenants?

[*English*]

Mr. John Dickie: Well, society actually would be better served, at the point we're at, if more people were renters, because renters, when they become unemployed, will look for a job wherever there's a job and then will move to take it. Homeowners look for a job within commuting distance of their house, and they'll stay unemployed. So society loses, and the people who are at the margin lose.

The United States have gone further down the path than we have in pushing people into home ownership, and look at the disaster that has overtaken them. We may have avoided that—

[*Translation*]

Mr. Thomas Mulcair: With all due respect, Mr. Dickie, you are complicating matters. What the Americans did with their subprime loans, when they allowed unqualified people to purchase houses for which they could never repay the mortgage, has nothing to do with what the Americans are encouraging.

It is true that the tax deductions for interest and municipal taxes in many countries can be additional incentives, but it is certainly not what caused the crash that occurred with the subprime loans. I think that you are exaggerating a bit.

I would now like to turn to Mrs. Mendes.

The Chair: Mr. Mulcair, you have 10 seconds remaining.

Mr. Thomas Mulcair: It's over? That's fine, thank you.

[*English*]

The Chair: Thank you, Mr. Mulcair.

Mr. Pacetti, you are next, please.

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

Thank you to the witnesses for appearing.

I don't want to belabour a point, but I have a couple of comments, Mr. Dickie, since we're there. I understand a little bit of your logic, but concerning renters, if we just focus on home renovation, an apartment owner would have taken advantage of the home renovation tax credit and would have then transferred it over to the renter, would he not have?

Mr. John Dickie: That's what we're saying should have been possible to do, but it was not in the program design. If you were a homeowner, you could spend your $10,000 and get $1,350 back, off your taxes. However, a landlord could not do that, so—

Mr. Massimo Pacetti: Because the building was not eligible to receive that.

Mr. John Dickie: That's correct. So there was no incentive for the landlord to do that.

You might say we're not trying to give landlords more profit, but the issue is if that you reduce the cost to landlords of doing repairs, they're more likely to do them. That will improve the rental standards.

Mr. Massimo Pacetti: I understand. It was a poorly designed program; I think we agree with that.

The other aspect is that because you're using a dollar value.... Homes are normally valued much higher than smaller apartments that are for rent. You're using a dollar value, but you should probably be using percentages, because the fiscal benefit.... You used dollar amounts, but I would imagine it would be based on a higher value. I think you're using homeowners at $1,823, but what would be the value versus $308 of subsidies that you're saying private renters would use?

● (1130)

Mr. John Dickie: Again, is it the point for the system to provide subsidies based on the values, so that if you have an expensive home you get a lot of subsidy? Normally, the answer would be no.

Assuming that away, I would say that the point you're making has some validity, but the discrepancy is not nearly as strong as the discrepancy in these numbers. In other words, if you look at the value, owner-occupied housing in this country might be worth 80% of the housing stock and rental 20%. You have your 60:30 split of ownership, an 80:20 split in value, and you have a 93:7 split in subsidies in tax expenditures.

That's what we're saying isn't really right and should be addressed —perhaps by the back door, not by the front door, as my exchange with Mr. Mulcair suggested.

Mr. Massimo Pacetti: It depends also on how you determine the values, because some provinces provide low-income renters with some subsidies. For example, in Quebec you get a residential tax credit if you're low-income.

Anyway, that is something else.

Mr. John Dickie: Many of those programs are also available to homeowners, and we have taken into account some of those. What the study does not address—I'll be quite frank with you, and we have it in written material—is the money that goes to social housing. In our view, social housing is essentially an income support mechanism: it's targeted at low-income people. But people in private rental housing are not receiving very much at all, and frankly, many low-income people are in private rental housing. It's shocking, when you think of it. In Ontario, 80% of people on welfare are in private rental housing, not in social, subsidized housing.

Mr. Massimo Pacetti: Okay, great. Thanks.

Mr. Marit, I guess this is my yearly question: has the money for the expanded rural roads program been renewed, or was this one year at a time? Have you taken advantage of any stimulus money?

Mr. David Marit: We have taken advantage of the stimulus. Really, what happened in the case of much of the stimulus package is that we had quite a few municipalities apply, but when your road or your bridge is put in the same category or context as water and waste water and sewer, unfortunately you don't rate as high in the rankings. We slipped through the screen in a lot of this, and that's why we're looking—

Mr. Massimo Pacetti: So again, we have a poorly designed program.

Mr. David Marit: No, it worked well where it did work, and a lot of our members received some good dollars for it. There's always more that can be needed.

Mr. Massimo Pacetti: Okay.

I have to put on the record that I want to apologize to the people who were expecting us in Saskatchewan. We had full intentions. We actually were in Saskatoon, but had to come back here because the Conservatives decided not to play ball.

But that's neither here nor there; I had to get that in.

An hon. member: No, you didn't.

Voices: Oh, oh!

The Chair: Thank you for graciously clarifying that for the committee.

[*Translation*]

Mr. Carrier, you have five minutes.

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

Good morning everyone.

My first question is for Mr. Dickie, who is appearing before us today in order to discuss a matter of national interest, namely housing. This is a matter that has an impact on everyone. I come from Quebec and your association has an impact on me.

During your presentation, you talked about housing for low- and medium-income households, which is in short supply in Canada. You raised a really important question. You recommended tax deferral on sale and reinvestment as solutions to improve affordability. There may be a link, but I find it somewhat tenuous. Yesterday, in our committee, we heard about affordable housing and a national plan to build housing, which is sorely lacking in Canada. What do you think about the intervention of the Canada Mortgage and Housing Corporation in building affordable housing?

Could it play a role? We know that it has accumulated a tremendous surplus. Could it in some way play a role in facilitating the construction of affordable housing? You talked about selling housing in order to facilitate the cost of such housing, but we have to start by building housing that is not too expensive. I would like to hear your thoughts on the matter, since you are a specialist in the sector. Do you see a role that the government could play?

● (1135)

[*English*]

Mr. John Dickie: Thank you, Monsieur Carrier.

The position of our federation is that there should be much more attention paid to direct subsidies to tenants rather than construction, because the situation we have is that low-income people, in the vast bulk of cases now, are housed. They are housed even in adequate housing and suitable housing. But 93% of the so-called problem of inadequate housing is that it costs more than 30% of families' incomes.

Just as Quebec has a system of housing allowances—*l'allocation-logement*, I believe it's called—and Manitoba has such a system, and Saskatchewan has such a system, and B.C. has such a system, we believe the other provinces should move in that direction and they should be assisted in that regard by the federal government.

A number of years ago, Minister Fontana "broke the link", if you like, in that there had been a link that the federal money, including presumably CMHC money, could only be used for new construction and not for direct assistance to tenants. In our view, direct assistance to tenants is where you get a much better bang for the buck. For every single person you help this year by constructing a new unit, at a subsidy cost of maybe $120,000, you can give real, useful assistance to 60 households. That $2,000 a year, almost $200 a month, would make a vast difference in their ability to pay.

Now, I realize that I'm comparing capital to operating, but even when you make that change you can help two, three, four people, through direct assistance to tenants, for the same money you spend to build new—quote—"affordable" housing. In Ottawa, Beaver Barracks is being built now. Those units are costing $250,000 a unit, of which the various levels of government are paying $120,000. I mean, for that kind of money, we could buy houses for all the people going into them.

[*Translation*]

The Chair: You have one minute.

Mr. Robert Carrier: I will use my remaining minute to ask Mr. Bobocel, from Edmonton, a question. I have looked at your document, and in one of your recommendations, I see that you talk about clean energy initiatives. You say that we need to "invest in strategic hydro development in the Northwest Territories". This is a laudable concern, but I am wondering whether or not it contradicts your request that we maintain the accelerated capital cost allowance, which we currently give for the tar sands. You want this to be maintained by the government.

[*English*]

The Chair: Mr. Bobocel has about ten seconds for a very complicated response—

[*Translation*]

Mr. Robert Carrier: We know that it is a big greenhouse gas emitter. Do you not feel that this contradicts your first recommendation?

[*English*]

Mr. Robin Bobocel: No. What we're asking for is strategic investments to leverage private dollars and participation by the federal government where it's required to incent such investment.

Hopefully that answers the question.

The Chair: Merci.

I'm going to follow up on that topic. I'll take the next round. I wanted to address the Edmonton chamber.

First of all, to clarify, my perception, Mr. Hersack, is that in response to Mr. Szabo, you indicated that there was a challenge in federal money getting to projects in Alberta in the Edmonton region, and you were asking for an extension of the deadline past the spring of 2011. Am I correct in that perception?

Mr. Rick Hersack: Yes.

● (1140)

The Chair: Well, I've been talking to provincial and municipal representatives, as recently as Friday, who indicated to me that all projects in the Edmonton region will be completed by spring of 2011. So which projects are you referring to?

Mr. Rick Hersack: I do stand corrected, Mr. Rajotte. The last time I spoke to the City of Edmonton was several months ago on the number of projects that they had potentially going. At that point in time, they did indicate that there would be difficulty in moving those projects forward.

The Chair: Okay, because the only project that was raised six months ago was the GO centre, and as recently as Friday, with both provincial and municipal representatives, they said that will be completed by the spring of 2011.

Mr. Rick Hersack: Yes, it will. As I say, I—

The Chair: Okay, I just caution you to be very precise in what you say, because we had this challenge last year when we were in Edmonton, when the mayor said they had trouble accessing federal funds and certain other parties used that, but then as chair I got a letter at night from him correcting the record. It's a little frustrating, frankly, when our own municipality doesn't get the facts right.

Anyway, I'll move on to the accelerated capital cost allowance, which Mr. Carrier raised. I think you know that I'm generally supportive of looking at this concept, but the concerns that we get when we put something like this forward are, number one, that it's a subsidy, and a subsidy to a very large and profitable industry. But we also get another concern, that with the upgrading and refining there's enough capacity south of the border, so why would we look at more upgrading and refining capacity in western Canada?

So I wanted the two of you to perhaps address the challenge of the accelerated capital cost allowance being said to be a subsidy, and whether it is in fact necessary if we have enough capacity south of the border.

Mr. Robin Bobocel: Mr. Chairman, thank you for the question.

First of all, as I stated in my remarks, we feel that ACCA is not a subsidy to any particular industry. It's in fact deferred tax revenue. It's revenue that, arguably, the federal government would not receive due to the fact the majority of these projects would not be approved by their proponents without some sort of an incentive such as ACCA.

With respect to your question about excess capacity south of the border, the oil sands industry is predicting—and I stand to be corrected—an almost doubling of production over the next five to ten years, so much so that we expect there will not end up being excess capacity for refining of oil sands bitumen. I'm sure you are aware that the bitumen coming out of Alberta's oil sands is significantly different from feed stock that's used primarily by refineries and upgraders south of the border. They do need to be retooled, and at significant cost. That does create an opportunity for Alberta and Canada to realize some of that potential by incenting the construction of upgrading capacity in Alberta and other places in Canada.

The Chair: Okay, thank you, I appreciate that.

Mr. Pacetti, please.

Mr. Massimo Pacetti: I just have a quick question for the Edmonton Chamber of Commerce. To fund the completion of the all-weather north-south Trans-Canada Highway, what would be the cost? What are you looking at?

Mr. Rick Hersack: It's in the order of over $1 billion.

Mr. Massimo Pacetti: That's $1 billion?

Mr. Rick Hersack: Yes.

Mr. Massimo Pacetti: And would there be—

Mr. Rick Hersack: I'll check my documentation. It's there.

Mr. Massimo Pacetti: And would it just be through federal participation, or would it be joint?

Mr. Rick Hersack: It would cost roughly $1.2 billion to extend the highway from its current terminus near Wrigley to Tuktoyaktuk.

Mr. Massimo Pacetti: And it would just be federal participation?

Mr. Rick Hersack: Potentially it could be a combination, but that is the cost.

Mr. Massimo Pacetti: Okay, thank you.

Paul.

Mr. Paul Szabo: Let's carry on with the chamber for Edmonton. I think you've included in your submission an important area. That's recommendation 5 about program review, basically. Obviously, there has to be an assertion that what's already happening should be happening.

I'd like to go down and look at this. The second-last point you raised in that recommendation was whether the federal government was acting within its well-known constitutional responsibilities. This is always an interesting angle, but as you know, there are many examples of where the province, the municipalities, and the fed get together on cross-jurisdictional issues in the public interest where we have some possibilities of....

Is there any area that you are aware of that possibly could be a constitutional responsibility issue? Ever?

● (1145)

Mr. Rick Hersack: I'm going to defer answering that at this point in time. There are several areas that I believe we could consider grey areas.

Mr. Paul Szabo: Okay. The government does get advice about constitutionality of its activities before cabinet gets approval.

The other aspect that caught my attention is looking for an activity to be assumed by the private or the voluntary sector. I think this issue of downloading has been a big issue, and governments have been accused of being downloaders.

Are you aware of any successful or suggested areas of government activity that could be downloaded to the voluntary or private sector and be done as effectively and responsibly as is necessary?

Mr. Rick Hersack: We haven't looked at that kind of detail.

Mr. Paul Szabo: So these are just general.

Mr. Rick Hersack: General.

Mr. Paul Szabo: They're just general guidelines.

Mr. Rick Hersack: General, high-level statements.

Mr. Paul Szabo: Where did you get these?

Mr. Rick Hersack: Our volunteer committee.

Mr. Paul Szabo: Did they actually draft this? Is this what your view would be as to what a program review would entail?

Mr. Rick Hersack: Yes, and as a matter of fact, we partnered with the Canadian Chamber of Commerce and their own finance and taxation committee in developing these recommendations. So certainly if you've seen them before, you're correct in that.

Mr. Paul Szabo: It's just that they look....

Mr. Rick Hersack: Familiar?

Mr. Paul Szabo: We've been through this before.

I want to go back to the spending. I'm not sure if people are going to bet that we're going to grow out of this, or whether we're going to reduce spending, or whether it's a combination or permutation of that.

I want to ask the question again about social spending versus economic spending in terms of where the chamber of commerce comes in. Is this generally in the chambers and the discussions that the best way to deal with it is to ask people to hang on while we try to fix the economy, in its pure sense? Is that the philosophy of the approach?

Mr. Rick Hersack: Yes. Certainly the approach of our volunteer committees dealing with this is that we would prefer, of course, to grow our way out of the situation with investments that promote economic growth, increase GDP, thereby increasing revenue, and not having to cut. Certainly we've also cautioned that growth in program spending at all government levels, for that matter, should be maintained within limits of population growth and inflation.

Mr. Paul Szabo: Thank you.

The Chair: Thank you, Mr. Szabo.

I do need consent of the committee because Mr. Storseth is not a permanent member. *Ça va? D'accord?*

Some hon. members: Agreed.

The Chair: Merci.

Mr. Storseth, you have five minutes, please.

Mr. Brian Storseth (Westlock—St. Paul, CPC): Thank you, Mr. Chair. And thank you to my honourable colleagues for giving me permission to speak.

I will just quickly comment. Thankfully the chairman seems to be right on top of things in the Edmonton region. Maybe he's bringing too much money into his community, though.

I'd like to address the Edmonton Chamber of Commerce—I believe Mr. Bobocel—on a couple of different topics. I'd like to follow up on the chairman's topic on accelerating the capital cost allowance.

You have two recommendations here on the accelerated capital cost allowance. I guess first of all I have more of an overarching statement. Do you agree that the former program of accelerating the capital cost allowance didn't include projects like upgraders?

Mr. Robin Bobocel: That's my understanding, yes.

Mr. Brian Storseth: Now the chamber's coming forward and including it as recommendation two. Which would be the chamber's priority in these two recommendations?

Mr. Robin Bobocel: We believe it's one and the same, in that ACCA does need to be reinstated and able to be utilized by project proponents. The reason we are looking to extend the program or expand it to include upgrading and other high-capacity investments is due to the fact that originally when the ACCA was instituted it was to incent the actual mining operations of the oil sands, which was very capital-intensive and technologically risky at the time. Technology has improved to the point where the risk of the actual extraction of the resource itself is less risky. Now the risk has been moved on down the value chain to the upgrading industry.

● (1150)

Mr. Brian Storseth: It's always risky to use numbers when you talk about how much of our bitumen production we're actually upgrading, but I believe as of last week it was about 63%. Now, the argument is that with the increase in production, if we don't move forward, it's going to decrease the amount we are upgrading in our country, which makes sense.

I think everybody really agrees with that, but the question is what is the cost to the Government of Canada?

Mr. Robin Bobocel: I don't have an answer for that right now. We're still looking to flesh out this policy some more.

I'm not sure if Mr. Hersack has any supplemental information, but I don't have an actual figure for you.

Mr. Brian Storseth: Do you have an estimate of the benefit to the country?

Mr. Robin Bobocel: I don't have in real fiscal terms; it's on more of a conceptual basis.

Mr. Brian Storseth: Go ahead, Mr. Hersack.

Mr. Rick Hersack: I would just add that one of the concerns is that with the export of raw bitumen, according to our NAFTA agreement, the amount of export that we build up to cannot be retreated from. So if the percentages we end up exporting get increased, that means we're not going to be able to draw back and do more upgrading at a later stage. So it's important that the accelerated capital cost allowance be available now to encourage those upgraders, so that in fact the value added and therefore the benefits remain in Canada.

Mr. Brian Storseth: I would agree, but what you're talking about is under NAFTA. That has no relevance to any export that we would make to Asia or India or China, though, right?

Mr. Rick Hersack: That's true.

Mr. Brian Storseth: Now, my concern is the fact that the province of Alberta, with its new BRIC policy, will be the largest holder of bitumen in the world in about ten years' time, and the cost differential between a brownfield refinery in the gulf coast and an upgrader in Canada, or Alberta more specifically, is about $1 billion. But we need to know how much of that ACCA would make up or else we can't really move forward with that.

Mr. Bobocel, can you quickly just explain some of the benefits to the petrochemical industry in our province that would occur with...?

The Chair: Please do so very quickly, Mr. Bobocel.

Mr. Robin Bobocel: Thank you, Mr. Chairman.

Mr. Storseth, thank you for the question.

Alberta is constantly looking at ways in which to diversify its economy. Based on the fact that we are primarily a resource-based economy, we need to expand the value chain and to encourage the development of a petrochemical industry. Having the ACCA in place, and upgraders as a result, provides the foundation for the enhancement of the petrochemical industry in Alberta.

The Chair: Thank you, Mr. Storseth.

Monsieur Mulcair.

[*Translation*]

Mr. Thomas Mulcair: Thank you, Mr. Chair.

I would like to come back to something that Mr. Hersack just said.

[*English*]

and I'm going to do it in English, because I've graciously been given a couple of minutes as we head towards the end of this meeting.

You made a statement before, Mr. Hersack, that the level of export of bitumen cannot be retreated from under the NAFTA. I would allow myself to refine that answer and to tell you that it can be retreated from proportionally. That's the proportionality rule of the NAFTA. So you can retreat. But to go to the question that was asked by the colleague with regard to other markets, you couldn't retreat from the U.S. market and start directing towards Asia if doing so were economically more interesting for you. That's where the NAFTA proportionality rule would block you.

Sustainable development compels you to look at a problem socially, environmentally, and economically. When you look at the fact that we're still behaving like a third-world nation in many regards, exporting something that's very raw, allowing the value to be added and the jobs to be created elsewhere, just on Trailbreaker—that's one of the numerous ones to go in, along with Alberta Clipper and Southern Lights—it's been calculated by an independent outside study that 18,000 jobs will be created in the States with the upgrading and refining, and that's not being done here. So it's an interesting debate.

What would be helpful—you seem to be singularly well equipped, from your description of it—is to get your idea of how many jobs would be created if that sort of work were being done here, with the ACCA as a possibility, as opposed to what would be created somewhere else. I know I'm very much on the same wavelength as the chairman on this issue, so if you could provide us more information on that, it would be helpful.

● (1155)

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

I want to thank all the witnesses for being here.

Just on that point, if there's anything further you want to submit to the committee—we should be considering our recommendations in the latter half of November—you do have some time. We have to submit this report to Parliament by December 3, so it would be very helpful, both on that issue and I think also on the rental issue—there were a lot of technical questions—if we could get some more information. It would be very helpful.

We want to thank you for being with us. To those people who made the trip from Saskatchewan because the meeting was cancelled in Saskatoon, I do want to apologize on behalf of all the members. I thank you for being with us here today.

Colleagues, please take a look at the calendar, and if there's any reaction, let me know personally, or talk to the clerk. It's not set in stone, but it is a recommendation to the committee as to how we finish out the session going towards Christmas.

Thank you all.

Mr. Pacetti.

Mr. Massimo Pacetti: Mr. Chair, for the record, we'd like to see the Parliamentary Budget Officer appear. So as not to disturb the workings of the committee, perhaps we could have him appear on November 4, or November 28.

The clerk, if he has two minutes, can contact him.

The Chair: On which issue?

Mr. Massimo Pacetti: He has a report on the F-35s.

An hon. member: When?

Mr. Massimo Pacetti: Depending on when he's ready.

The Chair: Okay, do we need a motion on that?

Mr. Massimo Pacetti: I think it also depends on when he's going to be ready.

The Chair: Do you know when he will be ready?

Mr. Massimo Pacetti: No.

The Chair: I'm always the last to know.

Mr. Massimo Pacetti: No, I don't know.

The Chair: Okay, let's check with his office and we'll get back to you. We have a meeting tomorrow.

Thank you.

The meeting is adjourned.

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