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Chair

Mr. James Rajotte

Standing Committee on Finance

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● (0900)

[*English*]

Dr. Chris Ferns (President, Association of Nova Scotia University Teachers): Thank you.

If you have in front of you a copy of the brief we submitted, you'll notice the venue is given as St. John's, Newfoundland. It's not entirely clear why the venue switched, and I hope it does not reflect the marginalization of the concerns of Atlantic Canadians.

I'd just like to flag two or three issues covered in our brief. I'm going to begin perhaps with somewhat of a general observation on the situation. The cautionary words of Mark Carney notwithstanding, it's clear that Canada has weathered the recent global recession in considerably better shape than have most other industrial countries, and I guess now might well be the time to explore how best to ensure sustainable growth and development.

In that context, I think the issue of adequate funding for post-secondary education is one of crucial importance, because this is an area where Canada has lagged behind many other industrial countries. In 2009 the proportion of public funding to university revenues in Canada was 58%, compared with the OECD average of over 70%. This is not a new problem. It's something that's been going on for 20 years, ever since the cutbacks in federal transfers in the 1990s.

But one result of this has been increasing disparity in the availability and access to education in different provinces, because effectively each province has had to devise its own strategies for addressing the consequences of the federal cuts. For example, in some provinces you might find that they've tried to mitigate these cuts through increases in funding for PSE of up to 25% since 1993-94, whereas in other jurisdictions you'll find cuts of almost exactly the same amount. Cumulatively, that is bound to result in disparities in terms of the quality of education and access to education in the different provinces. I would have thought that one of the bedrock concerns we have here is to ensure that all Canadians have equal access to an equal quality of education. So for that reason we would support the proposal, first, to increase federal funding for post-secondary education, but also to ensure that it is administered fairly and transparently through a post-secondary education act.

I'd also like to draw the attention of the committee to one other disparity, which is perhaps a structural one as opposed to simply being an issue resulting from perennial underfunding. This is of specific concern to Nova Scotia, where we actually educate a disproportionate number of students from elsewhere in Canada. In fact, roughly 30% of the students in Nova Scotia are from elsewhere in Canada.

We think that's an important national endeavour. We think it's desirable in a country as large and as disparate as Canada that there be increased communication between people from different parts of the country. But when the funding formula is based on the population of the province rather than the number of students it actually educates, the effect is that an already underresourced province like Nova Scotia is forced to devote a disproportionate amount of its resources to educating students from elsewhere.

The other concern we'd like to draw the committee's attention to, and again this is something that is particularly acute in Nova Scotia, is the issue of student tuition fees and student debt. Once again, different provinces have adopted very different strategies for dealing with the funding challenges they face. In some provinces, such as Quebec or Newfoundland, there have been concerted efforts made to try to moderate the effect of tuition increases. Elsewhere, most recently in Ontario, it appears that tuition fees can be allowed to rise by whatever the market will bear. That has a major impact both on the conditions of the students themselves and also on the quality of the education they receive.

In terms of the quality of education, in my over 20 years of experience in the university system in Nova Scotia, I've increasingly seen how students are forced to take on increasing amounts of part-time work, often translating into almost full-time work, to the detriment of their studies. But also, I think we're looking at a situation where student debt has increased massively over the last 20 years, one of the ironies being that it's effectively a result of decisions taken by policy-makers who, being of my generation or the generation before, had access to affordable education themselves. In my own case, I graduated debt free, largely because I was educated in England, where tuition was free at that time.

The result is that our generation has benefited from the tax cuts that have taken place, which clearly benefit us as we reach higher earning levels. At the same time, we benefit from the affordable education that was available to us.

Now we're saying to our children, welcome to the harsh reality of the modern world—the harsh reality that we in fact didn't have to cope with. I think when we look at a situation where what we've done, effectively, is to pull up the ladder behind ourselves...we're asking our children to pay for things that benefit us. I would have thought that regardless of your political affiliation, be it left, right, or centre, one bedrock conviction that we should have is that our duty in whatever forum we work is to ensure that our children have a better opportunity than we did.

The effect of public policy with regard to post-secondary education over the past 20 years has ensured precisely the opposite. I would put it to you that it's unwarranted, it's unethical, and it is just plain wrong.

Thank you.

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): Thank you, Mr. Ferns.

The Conseil national des cycles supérieurs.

● (0905)

[*Translation*]

Mr. Laurent Viau (President, Conseil national des cycles supérieurs (Québec)): Thank you.

Ladies and gentlemen, good morning.

The Conseil national des cycles supérieurs (Quebec Council for Graduate Studies) represents some 30,000 graduate students in Quebec, and it is on behalf of the council that I am presenting some of the proposals included in our brief.

The brief that we submitted in August deals mainly with the need to support university research and thus help in the training of future researchers so that Canada can remain competitive within a knowledge-based economy that is ever more globalized and, especially, given the rather uncertain economic recovery.

We have articulated three key proposals. First, with regard to the training of future researchers, the three federal funding councils have expressed significant needs in recent years. There are thousands of students whose applications are turned down despite their academic merits, for lack of funding.

Therefore, we believe that the federal government must cover part of those agencies' needs by maintaining the 900 additional scholarships that were created as part of the federal government stimulus plan, and by providing the councils, i.e., the SSHRC, CIHR and NSERC, with the funds needed to meet their expressed needs.

Our second point deals with the issue of research infrastructure. Since 2001, the federal government has supported universities by offsetting their indirect research costs.

To support research funded by the government, universities incur indirect research costs, including the cost of maintenance, equipment and additional space.

The federal grant only covers 20% of those indirect research costs, whereas estimates show that Quebec covers about 65%.

We believe that the federal government should set as its target the funding of at least 40% of indirect research costs.

Furthermore, a noteworthy element of the economic recovery plan is the knowledge infrastructure program, which has injected $2 billion into Canadian universities and colleges. Among other things, that program has helped alleviate part of the significant problem of accumulated deferred maintenance within our institutions —a problem that amounted to nearly $10 billion in 2008 for all of Canada.

The program helped reduce the scope of the problem by 20%. Moreover, universities, provinces and, in some cases, municipalities provided matching funds and thus helped us make good progress.

We think that the recovery is uncertain and that some stimulus measures must be maintained. As well, accumulated deferred maintenance in our universities remains a problem that we have to address. In our opinion, the knowledge infrastructure program should be extended for a number of years.

The last issue we would like to address concerns post-doctoral fellows. In our introduction, we highlighted the importance of remaining competitive within a knowledge-based economy. In that regard, post-doctoral fellows represent Canada's research elite. Their skills are highly coveted around the world. In fact, 65% of post-doctoral fellows in Canada come from abroad.

The decision by the federal government to tax post-doctoral fellowships is contrary to what we are advocating and places Canada in a much less competitive situation. We therefore recommend that the federal government maintain the tax exemption on post-doctoral fellowships.

Because of their university training activities, we consider that post-doctoral fellows are students. Furthermore, the CNCS represents over two thirds of Quebec post-doctoral fellows.

● (0910)

We also want to point out the fact that, once their taxes have been paid, post-doctoral fellows receive less than a doctoral student with a $30,000 scholarship, for example, which is tax free. That leads to an imbalance in the salary scale of master's, doctoral and post-doctoral students, and eventually of full professors.

The Chair: Very well, thank you.

Mr. Laurent Viau: That makes us less competitive internationally.

If I may conclude, what we would like is for the government to come back on its decision, and also ensure that the measure no longer be retroactive to 2006, as is now the case.

The Chair: Thank you very much.

[*English*]

We'll now go to the Canadian Clean Technology Coalition.

[*Translation*]

Ms. Céline Bak (Partner, Russell Mitchell Group, Canadian Clean Technology Coalition): Good morning, Mr. Chair and distinguished members of the committee. I have the pleasure to be here today with one of the members of the Canadian Clean Technology Coalition, Nova Scotia-based LED Roadway Lighting.

The Canadian clean technology industry is globally competitive and is a potential driver of the country's economic productivity. We are an emerging sector—often under-appreciated—that can mean wealth, job creation, investment and international trade opportunities.

But we must take time now to nurture the fundamentals that we discovered in our research, a report called the "2010 SDTC Cleantech Growth and Go-To-Market Report."

[*English*]

There are more than 400 clean technology companies already in Canada. Our industry is national, broad, and deep, with B.C., the Prairies, Ontario, and Quebec each contributing between 90 and 110 companies and Atlantic Canada contributing its fair share.

Our technology products and services span nine sub-sectors, as indicated in the materials we've circulated.

The Canadian clean technology industry is made up of companies that improve efficiencies in the production and use of energy, water, and resources. We do more with less. You should know that over 320 of these technology SMEs have products that are being sold today, and 80% are engaged in export sales.

Newly published information from the U.S. trade department suggests that Canada has as many exporting clean technology companies, in absolute terms, as does the U.S. This is an opportunity that we should not squander.

[*Translation*]

We are exactly the kinds of companies that will help stimulate and extend economic recovery. This is a sector that invests in research and development, brings products to market and can create jobs. During the economic recession in 2007 and 2008, Canadian clean technology companies grew on average by close to 50% annually, with the fastest growing among them achieving 170% growth. This sets our sector apart.

[*English*]

But there is a caveat. Today, we risk our leadership because many of these Canadian companies could be sold before they reach their potential. The market for the purchase of these companies is heating up, and even since we took the census of the industry nine months ago, some of the country's very best companies have already been bought. For this reason, we would like the members of the finance committee to support establishing a federal strategy for this sector, an "own the podium" plan for Canadian clean technologies. The U. S. already has one.

We are calling for the Canadian Cleantech 20 by 2020, a plan that has, as its objective, the establishment of 20 Canadian clean technology companies having achieved annual revenues of more than $100 million by 2020. To do this requires not only patient investment, but also patient public policy and continued nurturing from both the federal and provincial governments.

We can build on work already under way in several government departments: Natural Resources, Foreign Affairs, Environment, and Industry Canada, as well as others. As a first critical step, we strongly advise that the government establish a mass adoption approach for clean technology that builds on the $40 million merit-based procurement program at Public Works so that SMEs can sell Canadian technology at home. This is a simple but powerful step with many benefits. It marries green government policy and Canadian technology, and it will support commercialization at a critical stage.

I'm joined by Curtis Cartmill, whose company represents a living example of what we found in our study.

● (0915)

Mr. Curtis Cartmill (Chief Information Officer, LED Roadway Lighting, Canadian Clean Technology Coalition): LED Roadway Lighting is emerging as a global leader in LED-based street and highway lighting technologies. In only 16 months of production, we've shipped our products to 225 locations in 10 countries.

The conversion of roadway lights to LED technology is a $250 billion market globally. To capture a portion of this global market, we must show leadership and deploy our technologies at home, particularly in cases where the technology can provide a substantial economic and environmental impact with easily quantifiable results.

Incentives for mass clean technology adoption in Canada will drive overall costing and pricing down for Canadian manufacturers, which eventually will allow us to become more competitive in the global export of our technology. This will also be a significant driver of job creation in the clean tech manufacturing sector.

Within Canada and other industrialized nations, street lighting costs typically account for 30% to 80% of municipal energy budgets. In an assessment conducted by staff of the Province of Nova Scotia, it was determined that Nova Scotia municipalities could realize a net savings of $285 million by adopting our Satellite series roadway light.

We estimate that the impact of converting Canada's 4.3 million street lights over to LED Roadway Lighting technology would result in an $8.5 billion savings and could create upward of 7,500 jobs. There are significant environmental benefits to a Canadian conversion program, which we have distributed on a sheet.

Your support would allow Canadian clean technology companies to grow locally, improve our global competitiveness, provide us access to export markets, and promote the reduction of Canada's carbon and resource footprint. In the case of LED Roadway Lighting, this support would also translate to substantial financial savings for municipal, provincial, and federal governments.

The Chair: Thank you.

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

[*Translation*]

Mr. Eric Dubeau (Co-chair, Canadian Arts Coalition): Mr. Chair, ladies and gentlemen members of the committee, distinguished guests, good morning. I would like to thank you for having invited the Canadian Arts Coalition to appear before the Standing Committee on Finance as part of its pre-budget consultations. I am pleased to speak on behalf of the largest association of arts, culture and heritage stakeholders in Canada and to talk about the importance of the arts as a driver of the Canadian economy and a sector that will help Canada come out of the current economic crisis in a stronger position.

We believe that the arts sector can play a key role in Canada's economic recovery, particularly with regard to job creation. In fact, as you already know, Canada's cultural sector employs more than 600,000 people.

[*English*]

As the government is aware, investing in the arts is sound strategic economic policy, and I'd like to say a word of thanks to the Government of Canada for the arts investments it's made of late, particularly the $30 million permanent investment to the Canada Council in 2008, the renewal of significant investment in the arts and culture programs of the Department of Canadian Heritage in 2009, and the inclusion of Capital Arts Projects as part of the economic stimulus package.

Research by the Conference Board of Canada has shown that arts organizations generate $2.70 in revenues for every dollar they receive from government.

[*Translation*]

The best way to ensure that the arts sector delivers positive economic spin-offs is to invest directly in artists and the arts organizations that support them, through increased funding to the Canada Council for the Arts.

[*English*]

This is why the Canadian Arts Coalition recommends that the Government of Canada invest in Canadian creativity and Canadian communities by increasing the base budget of the Canada Council for the Arts by an additional $30 million per year in each of the next four years, bringing the council's funding base to $300 million per annum by 2015.

We believe that the Canada Council is essential to our cultural infrastructure in its role as the key public vehicle for supporting the arts continuum in Canada.

[*Translation*]

The Canada Council is familiar with Canadian artists and the communities in which they work and live. This awareness of the sector allows the council to implement programs that are tailored to the specific needs of organizations as well as to respond to an ever-changing environment. In 2009-2010, the Canada Council invested $158 million in over 4,000 artists living in 689 communities across Canada. If the government were to choose to implement the coalition's recommendation and double the Canada Council's budget by 2015, the spinoffs from that enhanced investment would be even more impressive and Canadian communities would be even more dynamic, which would allow them to attract further investments and create more jobs.

[*English*]

Canadians view the arts as cornerstones of excellence, innovation, and creative leadership in Canada, and recognize that these attributes are the contemporary building blocks of an internationally competitive society. In fact, the arts were the driving force behind the advancement of Canada's position in a global society that values economic prosperity, social cohesion, creativity, innovation, and excellence.

Historically, Canada has always taken important steps to foster and develop a knowledge-based economy, domestically and internationally. We were the first country to accept the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions and a founding force behind the International Network on Cultural Policy.

[*Translation*]

This leads us to the coalition's second recommendation. If implemented, it would help artists and arts organizations obtain the funds needed to showcase Canadian excellence on the international stage.

● (0920)

[*English*]

The coalition recommends that the Government of Canada acknowledge the role that arts and culture plays in enhancing Canada's reputation internationally and put Canadian artists on the world stage by investing $25 million in strategic international market access and development initiatives.

Arts and culture enrich us as people and contribute directly to our collective prosperity. The essential role arts and culture play in our country's economy was confirmed when the government embedded support for the cultural sector in Canada's economic action plan. Increased investment through the Canada Council will ensure that the core of Canada's cultural milieu—artists and arts organizations—are supported in the shared public purpose of exploring and expressing what defines us as Canadians. It will also help us to ensure that Canadians have better access to artistic work from all regions of Canada that reflects our rich cultural diversity. Canadian communities of all backgrounds will have the opportunity to participate in and benefit from the broadest possible range of artistic experiences.

I'll wrap up quickly.

[*Translation*]

Arts and culture, creators and cultural workers represent precious social and economic assets. If we want them to continue to improve our quality of life, strengthen the ties that bind us and help express what defines us as Canadians, the government must support those assets by investing in Canada's creativity and innovation leaders, i.e., artists and arts organizations. By reaffirming the important role government has historically played in bringing the best Canadian art to international audiences, Canada will reclaim its place as cultural leader on the world stage. By sustaining and increasing its investment in the cultural sector, Canada will be first among equals in a global society that values economic prosperity, social cohesion, innovation and excellence. Canadian artists and arts organizations are playing an important role in Canadian society and they are eager to do more, in partnership with the Government of Canada. Thank you.

[*English*]

The Chair: *Merci beaucoup.*

We'll now go to Ms. Clayton for your five-minute opening presentation.

Ms. Shelley Clayton (President, Canadian Association of Student Financial Aid Administrators): Thank you. My apologies for being late.

I'm representing the Canadian Association of Student Financial Aid Administrators, or CASFAA, and I want to thank you for the opportunity to present here today.

We administer a large spectrum of student financial aid programs at all levels, including government-sponsored aid programs such as the Canada student loans, provincial assistance programs, institutional scholarships, bursaries, and work-study programs.

We are the front-line people who deal with students on an everyday basis. Because of that role, we are uniquely positioned to witness not only the success of the Canada student loans program but the gaps that seriously compromise the academic potential of a great number of students.

This particular consultation will focus on borrowing and debt. Government student loan and borrowing is a necessity for a large part of post-secondary participants. However, access to financial aid administrators and planning rarely happens before grade 12, or, in the case of mature students, until they are at their institution of choice. Most financial aid administrators, or FAOs, as we are known, will tell you that this process is way too late, and detrimental in some cases to the most disadvantaged of society. FAOs are crucial to the development and enhancement of financial literacy at all levels and years of post-secondary education, undergraduate and graduate, for Canadian domestic and international students, including first year, first entry, mature, single parent, aboriginal, etc. We see the gaps in financial literacy that hinder academic and career pursuits.

We recommend that a national strategy that includes key points of intervention at elementary, junior, high school, and post-secondary build on the success already established by such programs such as Planning 10 program in B.C. high schools and the Future to Discover program in my home province, New Brunswick, to begin financial literacy early.

For those of you who are not aware, Planning 10 is a course required by the B.C. Ministry of Education for all grade 10 students. It starts to prepare students for life after high school. It covers education and career paths, health, personal finance, and graduation.

The Future to Discover is a joint project of the governments of New Brunswick, Manitoba, and the Canadian Millennium Scholarship Foundation. It has two components. Explore Your Horizons helps students understand the range of occupational and post-secondary choices and make meaningful decisions about their future. They are also given learning accounts that support participation of students who face financial obstacles. They have an incentive of $8,000, which is deposited into a trust account that can be accessed upon successful completion of high school and enrollment at an accredited post-secondary education institution. This second component, however, is only delivered in New Brunswick and is available to students from families with incomes below the provincial median.

Recommendation two. The government has spent increasingly on student assistance through fiscal measures introduced to the tax system such as scholarship and bursary exemptions, credit, tuition fees, and allowance for each month of full-time enrollment as well as contributions to registered education savings plans, or RESPs. These tax credits are distributed almost entirely without regard to financial need, disproportionately benefiting families with higher incomes. They do little to assist high-needs students and underrepresented groups—students with disabilities, aboriginal students, adult learners—to enter our post-secondary education system.

CASFAA believes that means-tested student financial assistance that is accessible through a simplified program delivering funds at the time expenses are incurred is the most effective use of taxpayer dollars.

Recommendation three. There is growing empirical evidence from the Canadian Millennium Scholarship Foundation and Higher Education Strategy Associates, formerly known as EPI, and private researchers that qualified students will abandon post-secondary education if their student debt load is too high. Canadian-based research also states that it is not the amount of debt incurred, but it is also the affordability of education. If the gap between resources and cost of education is too vast, students will discard their educational pursuits.

Do I have one minute, or am I done?

● (0925)

The Chair: You're at about 40 seconds.

Ms. Shelley Clayton: Okay.

The changes to the Canada student loans program in the 2008 budget and the relaxation of special contributions, new grant programs for low- and middle-income students, and the repayment assistance program have enhanced this program, providing encouragement for many students and their families. However, CASFAA believes that more needs to be done to improve access to post-secondary and to encourage and support successful completion of programs, particularly for students who have traditionally been underrepresented in post-secondary studies.

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

We'll now go to the Canadian Association of University Teachers.

Mr. James L. Turk (Executive Director, Canadian Association of University Teachers): Thank you, Mr. Chair.

My colleague, David Robinson, and I are pleased to be here with you.

We don't envy the job you have. You listen to hundreds of groups come to talk about their needs. We suggest there are some sectors and some needs that undergird virtually everyone else: health care, post-secondary education, and social services. And we want to speak about post-secondary education.

We feel there are some serious difficulties in post-secondary education in this country. We'd like to highlight three of those, talk a bit about the problem in each, and suggest some solutions.

The three problems are what we see to be a misguided approach to research funding, inadequate federal support for post-secondary education, and restricted accessibility to universities and colleges.

With regard to a misguided approach to research funding, the problem starts if one looks at the 2009 federal budget, where the three federal funding agencies, which provide the bulk of the money for basic research and applied research in this country, had their budgets reduced by $147.9 million over three years.

Budget 2010 increased core funding by just $32 million, which wasn't even enough to keep up with inflation much less offset the previous year's cuts. At the same time, there were dramatic increases in funding to the American granting councils.

As well, in last year's budget there was $45 million for five years given to the granting councils for the creation of the Banting post-doctoral fellowship program, which, unfortunately, only rewards a small handful of researchers and institutions that house them, leaving the vast majority of Canada's post-doctoral scholars and postgraduate institutions with no benefit whatsoever.

At the same time, the federal government, beginning in 2009, rolled out a $2 billion knowledge infrastructure program, which has created enormous building and construction, and further infrastructure, but it's been done at the same time as the operational side has been starved.

Finally, part of the problem is the cuts to Statistics Canada. All of us in the research sector rely very heavily on data from Statistics Canada. The $6 million reduction, as part of the government's strategic review, resulted in the elimination of a number of important surveys, and the elimination of the mandatory long-form census is going to have a devastating impact on our ability to have data that is only gathered through that survey. As well, it undermines other sample surveys because the long-form census was used to benchmark those.

The solutions are to increase basic funding for research for Canada's three funding agencies over the next two years proportionally to what the Americans have put into theirs. After all, we lose scholars to the United States when the money isn't available here and it is in the United States. Based on the relative size of the Canadian economy, that would require an increase of about $1 billion over two years to be matched on a proportional basis to what the Americans are providing.

We also have to ensure that the research funding provided through the federal agencies is provided through them and not around them to ensure that decisions about what is funded are based on peer review based on merit, as determined by the scientific community.

Finally, the base budget of StatsCan should be increased by 10% and the long-form census should be restored.

The second problem is the inadequate federal support for post-secondary education. Funding transfers for post-secondary education, on a constant dollar basis and recognizing the adjustment for inflation, are now about $410 million less than they were in 1992-93.

On public funding for universities and colleges, government operating grants used to make up 80% of total university operating revenues in 1990. Today they make up only about 58%.

The Canada social transfer is set to increase by 3% this year. The Council of the Federation is telling the federal government it has to go up by at least 4.5% to more accurately reflect the projections.

The solution is to bring the funding for post-secondary education at least back to the level it was at in 1992-93, which would mean a $410 million increase in funding in this budget year.

● (0930)

We think the long-term solution is to tie it to the GDP, to say that we can afford to invest one-half of one penny of each dollar created by the Canadian economy in our post-secondary sector, which all of you have acknowledged is key to the future of the country. That would require, over the next three years, an increase of $4.8 billion to get us back to half of 1¢ of every dollar created by the economy. The method for doing that should be through a Canada post-secondary transfer governed by a Canada post-secondary education act, to ensure the funding the federal government provides is provided through a mechanism that ensures the money goes for post-secondary education in a way that's agreeable both to the federal government and to the provinces.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Turk.

We'll now hear from the Canadian Federation of Agriculture.

Mr. Ron Bonnett (President, Canadian Federation of Agriculture): Thank you, Mr. Chair. And thanks to the committee for having us in to make a presentation.

My name is Ron Bonnett. I'm a beef farmer from northern Ontario, but I'm president of the Canadian Federation of Agriculture.

The CFA represents about 200,000 farmers from across the country, and we represent a number of different commodity organizations. There are a few points I would like to make at the start about agriculture being core to economic activity in both rural and urban communities. We fuel jobs with our domestic production, as well as being a significant contributor to export sales to hundreds of other countries.

In general, when it comes to federal policy it should be designed with the idea of keeping farmers and farm businesses competitive in the worldwide scene. Taxes, investment, infrastructure, regulations, and fees should be designed with our competitors in mind and making sure that there are parallel standards, taxes, and fees in our area compared to other areas.

We see agriculture with potential opportunity. Global population that is projected to increase, climate change, and new markets emerging for agriculture products could create huge opportunities for economic activity, job development, and growth in the agriculture sector, not just at the primary sector but through the whole system.

The Canadian Federation of Agriculture is currently working with partners in the whole value chain on developing overall strategies to capture some of these opportunities. In future presentations, that will guide some of our requests.

There are lots of opportunities out there, but there are some investments needed in the short term. We've decided to focus our request this year on three key areas. You have a full written brief in front of you.

The first recommendation is to deal with changes to some of the existing programming. I don't think it's any secret that the AgriStability program has not responded to some of the financial issues facing the agriculture sector, particularly livestock. We are recommending that there be changes made immediately to the AgriStability program, removing the negative margin viability test and increasing negative margin coverage from 60% to 70%.

Also, if you could provide farmers with the choice of having either the top 15% of the reference margin coverage or participation in the AgriInvest program, that would allow farmers to make the most appropriate choice.

Also, reference margin issues are a problem because of long-term declines in prices, particularly in the livestock sector. If you could choose from the three-year average reference period or take the overall higher average of a five-year period....

Additionally, to inject money into the farm community immediately, we would remind you of a promise made in the previous election to enact a 2¢ per litre reduction in the diesel fuel excise tax. That would directly put money in farmers' pockets for the 2010-11 crop year.

Recommendation two is designed around creating a bridge to the future as we design new programming going forward. The government did approve an AgriFlexibility program, and we congratulate them for that, but we had asked that the non-business risk management clause be removed to provide some flexibility to put specific solutions within different regions of Canada.

On bridging to the future, we would ask that the federal government work towards restoring investment in research to pre-1994 levels. Research has been cut over a large number of years. As I said, we're poised to capture new and emerging markets, everything from energy markets to bio products, and that investment in research would give us the edge to move ahead.

Finally, we will be asking for a co-op investment plan, which would give a 125% tax deduction to members who invest in their co-op's preferred shares. This would spark value-added investment.

Thank you.

● (0935)

The Chair: Thank you.

The final presenter, la Fédération étudiante universitaire du Québec, *s'il vous plaît, pour cinq minutes*.

[*Translation*]

Mr. Louis-Philippe Savoie (President, Fédération étudiante universitaire du Québec): Thank you. My name is Louis-Phillipe Savoie, President of the Fédération étudiante universitaire du Québec (Quebec University Students' Federation). With me today is Mathieu Oliny, Vice-President of Socio-political Affairs at the FEUQ.

My presentation will be brief. The FEUQ is the largest university association in Quebec, representing 115,000 students from across Quebec and 14 student associations, both in the francophone and anglophone sectors, as well as university associations in major centres and smaller regions.

Today, we would like to present to you three federal funding proposals, more particularly in the area of post-secondary education. Clearly, the FEUQ believes that university education must be a priority. However, we should also keep in mind that university education is an area of provincial jurisdiction, and act accordingly. The three concerns that are outlined in our brief and that I will briefly present to you today are consistent with those principles.

Our first concern deals with federal transfers for post-secondary education. You are no doubt aware that there were major cuts to the federal transfers for post-secondary education in the early 1990s, and that the funding has still not come back to earlier levels. Taking into account inflation, there is still a gap of approximately $3.5 billion in federal transfers, with some $820 million to be allocated to Quebec. That is according to the estimates done by the Government of Quebec last year. That figure is supported by all Quebec stakeholders. Those cuts had a very significant impact across Canada. In Quebec, funding has still not returned to 1994 levels, essentially owing to the cuts in federal transfers.

We therefore believe that, when the federal government sits down to review federal transfers in 2014, priority should be given to increasing federal transfers for post-secondary education. That will help bring funding back up to 1994 levels. In our opinion, those transfers must be made without any conditions and respect provincial areas of jurisdiction. Above all, the provinces are the ones with the expertise needed to make proper use of the funds allocated for university education.

Another concern of the FEUQ deals with regional access to university education. In developing the university education system, it has become imperative to decentralize certain teaching activities. It has been recognized that the closer a student is to a university, the more likely he or she will enrol. However, even today many students have to leave their regions of origin. In Quebec, 50% to 75% of students living in resource regions, which are the most remote, must leave home in order to pursue their studies. Many of those students never return to their regions of origin. We know that those regions are currently facing problems, including an exodus of young people that is having a very significant impact on the economy of Quebec's regions as well as in regions of Canada as a whole. Ultimately, this will be a heavy burden on the entire economy.

To counter that exodus, the government of Quebec, in the early 2000s, implemented a tax credit for post-secondary graduates who choose to return to their regions. This is an $8,000 tax credit over a three-year period for students who settle in a designated region. Over 15,000 people took advantage of that tax credit in 2007. That is of considerable help to Quebec's regions. We believe that the federal government should follow Quebec's lead and adopt Bill C-288, which is currently being debated in the Senate and was previously passed by the House of Commons. We believe that passage of the bill should be expedited in order to ensure the sustainability of Quebec's regions.

And now, on to our third point. Needless to say, Quebec's students are also concerned by general taxation issues, given that they have major impacts on the funding of post-secondary education and social programs. We have highlighted two issues that are of recent concern. I will not get into the details, but the concerns are regarding adjustments made to equalization in recent years. There is also the issue of the harmonization of Quebec's sales tax. Those two issues have not yet been resolved and are the source of significant shortfalls for the government of Quebec. As a result, the province faces significant challenges because it must adequately fund its various social programs, and post-secondary education in particular.

Therefore, the three priorities that I have presented, i.e., federal transfers, Bill C-288 and the various taxation issues, must be urgently addressed by the federal government in order to ensure Canada's economic future. Investing in university education must be seen as a priority to ensure the future development of society.

● (0940)

The Chair: Thank you very much for your presentation.

[*English*]

We'll begin members' questions with Mr. Szabo, please.

Mr. Paul Szabo (Mississauga South, Lib.): Thank you.

Ms. Clayton, I want to compliment your organization for their presentation. I think it is an extremely important point, as are the issues that you brought here about the need question.

I don't know how to put it delicately, but in a lot of the presentations that we've had with regard to post-secondary education and the funding, the hardship, the debt, very rarely has there been analysis to back up the statements. We really need that. I know it exists, but we don't have it.

In recommendation 2 you made the broad statement that the tax credits and everything else we have disproportionately benefit families with higher incomes. You can't make that statement without having seen some evidence, some basis, for making the statement. That's important. I bet you it exists; I think it exists, and I think the committee should have it.

Ms. Shelley Clayton: It exists with the Canadian Education Project, higher education strategies. There are many, many documents. I can provide you with backup on that, if you like, at a later date.

Mr. Paul Szabo: I'm not sure if we want “many, many documents”. The key is really to get the underpinning to the statements, to get a dimension. We need to be able to express ourselves in terms of recommendations in our report and say that it's not just an editorial conclusion, but substantive evidence with the support of various groups.

I want to ask especially if you can help direct us somehow. It may be any of the groups. The post-secondary education thing is absolutely bang on: if you get the grades, you should get to go. One way or another we have to find a way to make that happen.

There are so many elements for families and students to get benefits that are directed or prompted by post-secondary attendance. It can be RESPs, student loan scholarships, or loan forgiveness. There are so many elements that are possible, not to mention students' own incomes. For one-third of the year they are not at school; they must be doing something, or should be doing something.

We need the kind of analysis that really breaks it down to the reality of the average case, the average student. I can give you a terrible case in which the family is destitute and the student is living on welfare and stuff like this, and that generates big numbers, but we need it for the preponderance of students.

Do any of the other three presenters who talked about the post-secondary side have a concern with moving towards a needs-based focus for assisting post-secondary students?

Ms. Shelley Clayton: I think I did say “means-tested”. Needs-based is where we're at in most provinces anyway, but it's not universal. There are eight different tests out there, depending on which province you go to, and cars are more valuable in Ontario than they are in New Brunswick. That's facetious—they're really not—but there's a whole different needs testing that you can do by province. I think we need to make it universal, so that students who are going into an educational institution in New Brunswick are going to have the ability to get as much assistance as they would get if they were going to Quebec.

In reference to Quebec, in my career—because I am a paid financial aid administrator—I have often told students to go to Quebec, establish a residency, and then come back and see me, because it is probably one of the better provinces for funding educational experiences.

● (0945)

Mr. Paul Szabo: Okay.

Monsieur Savoie, did you have...?

[*Translation*]

Mr. Louis-Philippe Savoie: The situation in Quebec is somewhat particular. Currently, one province, Quebec, and the three territories have opted out of the Canada Student Loans Program and the Canada Student Grants Program. Since the early 60s, Quebec has been administering its own student financial assistance program, which is based on two principles: a contributory principle and a supplemental principle. In a nutshell, that means that the student and his or her family must contribute and the government provides an additional amount to meet living expenses that are calculated bearing in mind educational expenditures and tuition fees.

This is a system which, in Quebec, works relatively well despite some shortcomings. However, it does enable students in Quebec to have a much lower debt load than those from the other Canadian provinces. The average debt, following completion of a bachelor's degree, is $15,000 as compared to approximately $27,000 in the rest of Canada. This is a system that has proven itself, which overall works very well. Some aspects of its administration require adjustment but the infrastructure itself enables widespread accessibility to post-secondary education without acquiring an unreasonable level of debt.

[*English*]

Mr. Paul Szabo: Go ahead, Mr. Turk.

Mr. James L. Turk: This government actually did make an important contribution by introducing the Canada student grants program.

Currently that program provides low-income students with just about $2,000 a year, which doesn't even cover half the cost of tuition in most provinces. We'd certainly recommend raising the maximum grant under that program to $5,000, which is a level that more accurately reflects the average undergraduate tuition fee in the country. That's a very concrete step that would provide enormous help, because it's a national needs-based grant program. I think it would be a very important step forward.

The Chair: Mr. Szabo.

Mr. Paul Szabo: My time is up, so I just want, for the arts, I absolutely support....

On the clean technologies, more, more. Our committee is going....

Carry on.

[*Translation*]

The Chair: Mr. Viau, did you want to answer?

Mr. Laurent Viau: Just to add to the question, you talked about allocating financial assistance in accordance with requirements. In Quebec, this is primarily how we operate. That being said, as Ms. Clayton pointed out, there is a great deal of federal money—and we see the same thing at the provincial level—that is being channeled to tax measures which may be less attractive when compared with, for instance, reducing tuition fees or awarding additional bursaries.

The CNCS and the FEUQ have been examining ways to direct this money better. There is the option of redirecting this money to additional bursaries, even perhaps waiving certain federal tax credits to ensure that the money is redirected to the Government of Quebec so that it can in turn invest more in university financial assistance and drop tuition costs.

● (0950)

The Chair: Thank you.

Thank you, Mr. Szabo.

Mr. Paillé, please.

Mr. Daniel Paillé (Hochelaga, BQ): Basically, there is a solution to all of the problems that you have raised. Earlier, you said that when you live close to a university, it is more likely that you may go there. So, the closer a government is to its constituents, its students, its citizens, the more sensitive it is to their concerns. In our opinion, it does not make sense that the federal government should meddle in the educational jurisdiction, and we have good evidence to show that this is the case.

Yesterday we heard from the Canadian Student Association and they expressed their way of seeing things. The association wanted, for example, to cancel $12 billion or $13 billion in current debt which would be converted into non-refundable grants. That is one way of seeing things, but we can clearly see, from the FEUQ and all of the people associated with this association, that in Quebec, we can have another way of viewing things.

Mr. Savoie and Mr. Oliny, you talked about going back to the 1994 transfers. You seem to be saying that you are hoping that the government will think things through properly. I will leave you with your illusions—no doubt, God, over time... That being said, I would point out to you that on page 19 of the brief submitted to the Minister of Finance last year, we stated all of this very clearly.

You are in favour of Bill C-288. Should I tell you—and you know this full well—that this too was an initiative from the Bloc Québécois as part of its parliamentary work. So when people say that we're useless, that is false.

I would like to hear your opinion on one matter. You said that you are going further compensating Quebec financially through the equalization system. Do you really think that the Government of Canada would, in a flash of genius, go back to the table and hand over this money? Or again, basically, would it not be better for the federal government to give the Government of Quebec tax points—and not amounts—to enable the latter to sustain its student labour force—because students are our workforce in the making?

Mr. Louis-Philippe Savoie: With respect to all of these questions, particularly those pertaining to sales tax and equalization, there is a broad consensus in Quebec. Nearly all of the organizations agree on these two issues. That is why we want to send out this message today.

As far as the various scenarios are concerned, there are certainly all kinds of ways to finance the various social programs through transfers between the federal and provincial levels. This is an extremely complex issue. We believe that the basic guiding principle that underpins the federal government's investment in education must first and foremost be a recognition that education is a matter that comes under provincial jurisdiction and that any action taken must bear this in mind in each and every case. This jurisdiction belongs to Quebec and the other provinces, and this must be respected.

We have seen this, for instance, during the debate that was held on student financial assistance programs. The Canadian financial assistance program works differently from that of the other Canadian provinces, and that is what, in part, gives it its strength. The diversity that exists in the student financial aid programs is also present within the Quebec university network, just as each university network, in each Canadian province, has its own features that are unique. These features, in our opinion, must be respected in federal financing. This is what will enable us to use the transferred money as effectively as possible.

● (0955)

Mr. Daniel Paillé: Thank you.

I would like to question the people representing the arts sector.

Last year as well, when we tabled our brief—because the Bloc Québécois, in addition to contributing to this committee, also surveyed its state—we presented some measures regarding cutbacks in the exporting of our works. You talked about $25 million; we suggested $30 million. I would invite you to continue supporting us on this matter.

Two measures were included, which are not present in your brief. We had suggested that once again income averaging should be given consideration for federal taxation, a measure that exists in Quebec.

Also, why did you remain silent about the Société Radio-Canada, which is supposed to be this great broadcaster of the arts?

Mr. Eric Dubeau: Excellent questions, excellent points.

Mr. Daniel Paillé: Thank you.

Mr. Eric Dubeau: I would answer by saying that these two issues, these two recommendations that you have before you and which are in our brief, are those for which there is the widest consensus within the artistic community from one end of the country to the other. Clearly, there are other priorities, there are other requirements and we could have presented you with a long 10-page shopping list, full of concerns and priorities.

Mr. Daniel Paillé: Santa Claus does not exist, he is a bad guy.

Mr. Eric Dubeau: Pardon me?

Mr. Daniel Paillé: Santa Claus is just a cad. The problem is that he does not exist.

Mr. Eric Dubeau: That is why we have turned to the committee, and not Santa Claus.

However, I would tell you that of course there have been many discussions about the tax measures that could have been implemented in order to promote artists and cultural workers. This remains a concern, but it is not a priority for this year, given the economic situation and the nature of the proposals we have made to you.

Mr. Daniel Paillé: And as far as Radio-Canada is concerned, do you feel that, at one point, if too many cuts are made, it may break?

Mr. Eric Dubeau: Radio-Canada remains a vital ally of the artistic community from one end of the country to the next. Obviously we are concerned about its continuity and stability, but it does not figure in our recommendations this year.

Mr. Daniel Paillé: You should be in the diplomatic world, sir.

That's all.

[*English*]

The Chair: *Merci, monsieur Paillé.*

We'll go to Mr. Wallace, please.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chair, and I want to thank our witnesses for coming this morning.

How long do I have, seven minutes?

The Chair: You have seven minutes.

Mr. Mike Wallace: Thank you very much. I'm going to share a few minutes with Mr. Hiebert.

Where to start? First of all, I just want to thank the presenters from the arts organization. It was a very reasonable approach today, I would say, and sometimes we don't always get that, and I'm going to get to that in a little bit.

The first question I have, though, is for my friends from the Canadian Clean Technology Coalition. Can you confirm for me that organizations that are in the thermosolar business would be part of your organization?

Ms. Céline Bak: They would be.

Mr. Mike Wallace: When does your business industry become self-sustaining so that you don't need government funding?

Ms. Céline Bak: Thank you for the question.

The Canadian clean technology industry is made up of companies that today have an economic proposition. LED Roadway Lighting is a very good example of it. Clean technology includes companies that both increase the efficiency in the use of energy and give—

Mr. Mike Wallace: That was not my question, ma'am.

When does your industry become self-sustainable, so that you're making money and don't need government money?

Ms. Céline Bak: Many of the companies in the industry are already.

Mr. Mike Wallace: Okay. What are you asking for, then, today?

Ms. Céline Bak: We're asking you to take advantage of the technologies that actually enable government to be cheaper, better, and faster.

Mr. Mike Wallace: I'll turn to your colleague from his own company, since he's put himself out here today.

If it's so efficient and effective, why isn't it an economic benefit for Canadian municipalities and provinces to buy your technology?

Mr. Curtis Cartmill: For us in particular, it's a very new technology that people need to try out, first of all, to see for themselves that it can save energy and lower maintenance costs and that there's definitely a pay-back cycle.

We developed a high-reliability product—I actually have it running at the side of the room, if you'd permit me to show it to you for a second—and we use high-quality components, for a 20-year design life.

Mr. Mike Wallace: Other countries around the world are recognizing that; that is what you're saying—you're selling it to other countries. What is the difference between that customer and the customer domestically?

Mr. Curtis Cartmill: I would say for us in particular, we're such a new industry that people are still trying out the technology.

● (1000)

Mr. Mike Wallace: The other point you made—

Ms. Céline Bak: May I respond?

Mr. Mike Wallace: I have only a little time. I'm sorry, ma'am.

The other point you made was that other organizations are being bought by foreign investors. What I'm looking for is what we could do to make the Canadian investment climate better so that Canadians buy into Canadian technology instead of using tax dollars. Do you have any suggestions in that area?

Ms. Céline Bak: We know that Canadians are not necessarily early adopters of technology. I think we need to show leadership in the adoption of technology that enables government and other levels of government to be cheaper, better, and faster.

Mr. Mike Wallace: Okay.

I have one more question, and then....

How much time do I have left?

The Chair: You have three and a half minutes.

Mr. Mike Wallace: Okay, it's 30 seconds, then.

Mr. Turk, we've seen each other for numerous years of your coming back here. Thank you for coming back. You're representing university teachers, isn't that correct?

Let me ask you: is comparing us with the United States—which is in really bad economic shape and they have no sense of where they're going on their deficit or their debt...? Is it wise to compare our spending with what they're doing south of the border, when they're in such financial trouble?

Mr. James L. Turk: Actually, it is. They recognize that to get out of the economic trouble they're in, they have to invest heavily in research, and they have targeted academic research as a key to their future. So I think it's actually a very apt comparison.

As well—we see this with young graduate students who complete their PhDs and are looking for places—the top students can find substantially more research support in the United States and often take positions in American universities, and we lose them precisely because we haven't funded our granting councils on a proportionate basis.

Mr. Mike Wallace: Okay.

The Chair: You have about two minutes.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): All right.

To continue the conversation with the Canadian Clean Technology Coalition, Ms. Bak, you stated in your presentation that Canadian companies are being sold before they reach their potential. I'm trying to understand this from the investor's perspective. What's the problem? That's a typical exit strategy for many companies that they're delighted to experience, and the shareholders even more so.

Ms. Céline Bak: And it should occur, and thank you for the question.

Investors look for vibrant domestic markets. Canadian companies typically have between 10% and 30% of the level of investment that globally competitive companies have in the U.S. and elsewhere.

I'll give you an example. A Canadian smart grid company has just raised $10 million and is competing against companies that have raised $100 million. We are really good at what we do, but it's hard to be ten times better.

If there is a more vibrant domestic market, investors will be more likely to invest in our companies. The level of investment that companies have is directly related to the growth they experience, and growth is directly related to the time at which they are bought. There's a time in which companies should be bought, and it's not when they reach $10 million, which is what's happening today.

Mr. Russ Hiebert: To restate an earlier question from my colleague, if the savings of using the technology are so great at LED and some of the other companies, why are the incentives needed?

Ms. Céline Bak: In some cases capital needs to be deployed, so the technology needs to be depreciated over time. There needs to be access to P3 types of arrangements that can fund it.

But to be very blunt, in Canada we prefer to buy from IBM. We're not good at buying technology from ourselves. We often prefer to wait until our companies are bought by the equivalent of IBM so that we can buy something that is prepackaged.

Mr. Russ Hiebert: Just briefly, this says Canada would be “the first dark sky nation”. What is a dark sky nation?

Mr. Curtis Cartmill: I'll just show my fixture off for a second. As you can tell, this is actually only consuming 43 watts of energy—

The Chair: You'll have to speak into the microphone; otherwise, translation will not catch it.

Mr. Curtis Cartmill: I just wanted to demonstrate that the actual fixture I'm demonstrating is fully cut off, so that basically all the light is directed downward. With a lot of the high-pressure sodium technology that was introduced in the 1970s, about 15% to 20% of the light is going upwards. Wasted light is wasted energy.

● (1005)

The Chair: Thank you. Maybe you can fix a light on Parliament Hill and the waste we use.

Mr. Pacetti, you have five minutes, please.

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

[*Translation*]

I would like to thank the witness for coming to meet us today.

I would like to ask Mr. Viau, from the Conseil national des cycles supérieurs, a brief question. In talking about indirect costs, you stated that an amount is paid by the federal government. Is there also an amount paid by the Government of Quebec?

Mr. Laurent Viau: Yes, the Government of Quebec currently provides measures through the budgetary rules of the ministère de l'Éducation, du Loisir et du Sport to cover indirect research costs. Currently, if my memory serves me correctly, 55% of the indirect costs of research are covered at the Quebec provincial level. At the federal level, as I explained, only 20% of the costs are covered, forcing universities to use their operating funds in order to be able to —

Mr. Massimo Pacetti: There is a request to increase the federal portion from 20% or 25% to 50%, I believe.

Mr. Laurent Viau: We are saying that, at a minimum, we have to set a threshold of 40% over the next few years, in order to be able to begin to improve the position of the federal government. It was only in 2001, relatively recently, that the federal government started to cover indirect research costs. The program was not made permanent until 2003. Since then, not much has changed.

[*English*]

Mr. Massimo Pacetti: Ms. Clayton, you were talking about the cost of education and the debt. There's a big debate going on, depending where we come from in this country, about whether the cost of education is too low and the debt is too high. How do we reconcile the two?

Some people are saying that we should probably increase the cost of education, but then we have students who are coming out with huge amounts of debt. I think your organization faces that on a daily basis.

Ms. Shelley Clayton: We do indeed, and it is a balancing act. In reference to the earlier question, there is a quote that I have in my submission. It says clearly that this is the key. Students will come if they have their needs met, but if the loan is too high, then they have a propensity to just discard their education, because if they can graduate with a debt of $60,000 that is not within their ability to repay, then they'll just—

Mr. Massimo Pacetti: But if they're coming out with an education, what's wrong with $60,000?

Ms. Shelley Clayton: There's nothing wrong with $60,000 if you're getting an LLB degree.

Mr. Massimo Pacetti: I'm not saying $60,000 is the right number; it could be $100,000 or twice that.

Ms. Shelley Clayton: But if it's $60,000 and you're getting a Bachelor of Childhood Education, that's a huge issue.

I talk with students on a daily basis who are graduating with a $50,000 student loan debt and an $80,000 line of credit debt, and they're coming out with their law program degree. Well, they have no problem paying that off within a reasonable amount of time.

Mr. Massimo Pacetti: Would you advocate that the amount of debt you are carrying should be based on the type of degree you get?

Ms. Shelley Clayton: They already do that. There are already provinces that recognize that there is a long-term projection for the particular degree you get and what you're going to be able to earn. An example of that is in the province of Newfoundland, where they help students who are taking their early childhood education degree, and they reduce their debt upon completion because they understand that they're going to be working with children and they are not going to have that potential to earn as much as a lawyer will earn. So that's already in place.

Mr. Massimo Pacetti: Okay, thank you.

[*Translation*]

Mr. Savoie, I would like to make a comment and ask a question.

First of all, I would like to say that the Bloc Québécois bill was improved by the Liberal Party.

[*English*]

Just for the record....

[*Translation*]

I wanted you to know that.

The Fédération étudiante universitaire du Québec is asking the federal government for $2.6 billion... I apologize, I am reading the English version.

Are you saying that the Quebec sales tax has been harmonized with the GST?

Mr. Louis-Philippe Savoie: That has been the case for a very long time.

Mr. Massimo Pacetti: Are you sure?

Mr. Louis-Philippe Savoie: Harmonization occurred a very long time ago. Unfortunately, I am not a tax expert.

Mr. Massimo Pacetti: I am an accountant and I can tell you that that is not true. That is the problem.

Mr. Dubeau, you are asking for $25 million to be invested in strategic international market access and development initiatives.

Could you explain why this $25 million should not be included in the $300 million that will eventually be transferred to the Canada Council for the Arts?

● (1010)

Mr. Eric Dubeau: We recognize that there are probably other mechanisms which would enable the government to promote arts and culture internationally. The Canada Council for the Arts certainly has a role to play in this sector, however, it is not the exclusive player nor is it the only intervener that should be supported in—

Mr. Massimo Pacetti: Where should this $25 million be going?

The Chair: Thank you, Mr. Pacetti.

Mr. Carrier, you have the floor.

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

My question is for Mr. Viau of the Conseil national des cycles supérieurs. You raised the issue of taxing post-doctoral bursaries. I'd like to talk a bit more about this issue. I have been looking into this issue for approximately one year, when I became aware of the problem. We met with fellows from Laval University who raised this issue. Some individuals are in favour of it and others not.

Did the government inform you that this whole issue has been stalled?

Mr. Laurent Viau: Up until now, we have been unable to meet with government representatives, be it from Industry Canada or the Canada Revenue Agency.

I know that the Government of Quebec was made aware of the problem. The ministère du Développement économique, de l'Innovation et de l'Exportation does not intend to tax bursaries. The Government of Quebec will not be following in the footsteps of the federal government, which is a good thing. That being said, we have no indications as to whether or not the federal government will overturn its decision.

This year, what is important is to find out whether or not the government is looking back, namely will it be taxing bursaries retroactive to 2006, which, for certain individuals, will be extremely problematic. Some post-doctoral fellows want to brandish posters and sign petitions, which is extremely rare and strange, in our opinion.

Mr. Robert Carrier: How many fellows in Quebec will be affected by this issue?

Mr. Laurent Viau: In Quebec, that will have an impact on approximately 2,000 post-doctoral fellows.

Mr. Robert Carrier: The Canada Revenue Agency has issued comments stating that there is a relationship of subordination between the employer and the fellow, and define the fellow as an employee. Are you aware of these discussions?

Mr. Laurent Viau: There is a consensus in Quebec, particularly within the Association des doyens des études supérieures in Quebec, the ADESAQ, and the ministère de l'Éducation: we recognize these individuals as students in training because there is guidance given from the supervisor. So it's more like the relationship of a doctoral student rather than a student-researcher relationship.

Mr. Robert Carrier: Very well, thank you.

I would like to ask Mr. Turk, of the Canadian Association of University Teachers, a question. You do not refer to this problem in your brief. Is this issue of taxing post-doctoral fellowships raised outside of Quebec?

[*English*]

Mr. James L. Turk: We have a different view from Mr. Viau. We see post-doctoral fellows not as students but as academics who are in an employment relationship. The problem is not that their income is being taxed; the problem is that what they're paid is far too low. That's how it needs to be addressed. These people have completed their PhDs, are accomplished scholars, and typically in the sciences will spend two or three years working in a lab getting more experience before they then take on a professorial position. But they are fully accomplished scholars.

In most fields in the humanities you go straight from your PhD to a professorial job. In the sciences, typically you spend two or three years in a post-doc before doing that. But we think the problem is they're paid as if they're students when they're not. They are employees and they should be paid appropriately. We think that's the solution to the problem.

[*Translation*]

Mr. Robert Carrier: However, you did say that their salary is not very high. In addition, if they are deemed to be employees, this salary will be taxed.

[*English*]

Mr. James L. Turk: That's right. But the solution to it is not to not tax them. That still leaves them with a low income. The solution is to pay them properly. The granting councils have a level of pay so post-docs are paid out of grants, and it's remarkably low. I think, as Mr. Viau said, it's sometimes less than a PhD student will get. That's the problem. Not taxing them was an attempt to create some benefit, given how badly they're paid. But we have to address the real problem, that if we want to retain them, if we want to attract and keep top-notch post-docs, then we have to pay them appropriately.

● (1015)

[*Translation*]

Mr. Robert Carrier: Thank you.

How much time do I have remaining, Mr. Chairman?

The Chair: You have 10 seconds remaining.

Mr. Robert Carrier: Thank you.

[*English*]

The Chair: *Merci, monsieur Carrier.*

Mrs. Block, please.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): Thank you very much, Mr. Chair. I am more than happy to share my time with you, so if you just indicate when I'm done, that would be great.

Great presentations evoke a lot of questions, but the question I'm going to ask is for the Canadian Clean Technology Coalition.

You mentioned a number of challenges facing clean technology companies. There are five on the first page of your document. You also mentioned that the market for these companies is heating up. You suggested an own-the-podium strategy, which could see 20 companies achieve revenues of $100 million. Could you explain that strategy just a bit?

Ms. Céline Bak: Thank you for the question.

Many of our companies are at a pivotal stage in their development right now. They are exporters, but they're relatively small. About 60% of Canada's clean technology companies intend to be globally competitive and intend to secure investment. I'll give you some quick numbers.

There are 436 companies, 320 of which are in commercialization and 60% of those intend to be globally competitive. That's 200 companies, and they intend to be globally competitive while raising financing. There are between five and ten investments per year in Canada in this sector. That means there is 5% coverage of the 200 companies. This isn't necessarily a bad thing. The investments have to be of quality and investors have to get a return on their investment. Moreover, as I said earlier in the question regarding the financing, our companies get between 32¢ and 10¢ compared to our American competitors. So a management team will have three vice-presidents instead of nine or ten. It's a very substantial difference.

We want to move to the point where as Canadians we have confidence in procuring our technologies in clean technology, which is much more than wind and solar technology. You'll notice the diagram speaks of nine different sectors, the majority of which have to do with the conservation of resources, be it water or energy.

The first thing is we need to procure from ourselves. We don't procure technology readily and we don't procure clean Canadian technology readily. So that's part of the own-the-podium plan.

The second thing is that as Canadian businesses we prefer to build great technology rather than focus on selling it. So the companies themselves have changes to make in the way they operate.

Then the third thing is that investors have to be attracted to Canada, and a buoyant domestic market is part of that.

Mrs. Kelly Block: Thank you.

Ms. Céline Bak: Thank you for the question.

The Chair: Thank you, Mrs. Block.

I just wanted to ask one follow-up question for the clean tech.

This morning I was at the breakfast and I asked a gentleman from NextEra what his biggest challenge was. He said access to capital, by far. He said that's why SDTC was important, because it's small access to capital, but it also is increasingly a signal to the venture capital community that SDTC has done its homework on that specific company. But I didn't notice that in your brief. Is there a reason for that? Or do you agree with that statement?

Ms. Céline Bak: Absolutely. The recapitalization of SDTC is an important part of the investment strategy for the Cleantech 20 by 2020. SDTC showed its leadership as a title sponsor of the report, which we referred to, which is the basis of the coalition. Investors around the world, whether they're strategic investors in industry or venture capitalists or pension funds, all look to SDTC because of the quality of those companies.

The problem is, though, it becomes a bit of a shopping list, so we have to actually have the next step. We are funding companies to get to the point where their technology is scalable and economic through SDTC, which is critically important, but then we need to start adopting it ourselves so that investors will come into our Canadian companies with conviction.

● (1020)

Mr. Curtis Cartmill: I'll just add to that point as well. Last night actually was the deadline for another round of SDTC funding, and we did put an application in as well, because we see the importance of that as a step and a signal out to investors.

The Chair: Okay, thank you.

We'll go to Mr. Pacetti and Mr. Szabo.

[*Translation*]

Mr. Massimo Pacetti: Thanks.

Mr. Dubeau, who will administer the $25 million?

Mr. Eric Dubeau: That is a good question. Earlier, I had started to say that clearly, the Canada Council for the Arts has a role to play in supporting the promotion of arts and culture on the international scene, however, it should not be the only player that promotes and is responsible for cultural diplomacy. No doubt there are roles to be played by the Department of Foreign Affairs and by the Department of Canadian Heritage, at other levels, as they must intervene elsewhere than in areas of jurisdiction—

Mr. Massimo Pacetti: Twenty-five million dollars, that is a lot of money, but you do not want to share this money with three departments and a separate entity.

Mr. Eric Dubeau: I am fully aware of the fact that we are presenting you with a real puzzle.

Mr. Massimo Pacetti: I asked the same question last year. So perhaps you could take a look at this issue with your members and provide us with a response later on.

Mr. Eric Dubeau: We could get back to you with some proposals.

Mr. Massimo Pacetti: You can have them sent to the clerk.

[*English*]

Mr. Turk, just quickly—and this is a question the government members should probably be asking, but I have to ask it—we keep going back to the famous 1994 numbers, and some people are using 2000 and 2001 numbers, but if we look at the amount of money that's been transferred in post-secondary, we always included the money transferred to granting councils, so is it not equitable or pretty similar? Or are we totally excluding transfer moneys that are given to granting councils?

Mr. James L. Turk: We were looking, in the figures we quoted, at the transfers to the provinces for funding post-secondary education.

I don't know if my colleague, David Robinson, wants to elaborate on that.

Mr. David Robinson (Associate Executive Director, Canadian Association of University Teachers): Sure. In the brief we're referring to the federal transfers that help fund the core operating costs of the universities. The research envelope is separate. The difficulty is—

Mr. Massimo Pacetti: That was something that didn't exist in the 1990s, I believe, or I think it was—

Mr. David Robinson: No, it did exist in the 1990s as well. There's been a significant increase in research funding, but the problem has been that the core operating costs of universities have borne the price of that, and they haven't seen an increase. They've seen a real reduction, which has led to rising tuition fees and the problems with student debt that we've seen.

Mr. Massimo Pacetti: Would you be supportive of making or forcing or telling the government to separate the transfer payments between post-secondary and the transfer?

Mr. David Robinson: Certainly we've recommended, and I think the government's taken the first step towards, disentangling the health transfer from the social transfers, but we would certainly be in favour of having a separate post-secondary transfer, just mainly for accountability and transparency reasons. I think one of the challenges you have, as members of Parliament, is that you have to make a decision—

Mr. Massimo Pacetti: Exactly.

Mr. David Robinson: —as to whether we are spending enough money on post-secondary education. If you don't know what that level is, it's very difficult to make that decision.

[*Translation*]

Mr. Massimo Pacetti: Mr. Savoie, you agree on a need for greater transparency so that post-secondary funds be separate from social transfers, right?

Mr. Louis-Philippe Savoie: On the issue of very specific transfers under social programs, we do not hold any particular position. However, we believe funds should clearly be managed in the provinces first and foremost, and the transfers must have no strings attached.

Mr. Massimo Pacetti: But if we don't know where the money is going, it is very difficult to know what the conditions are. We do not know how much is being transferred for post-secondary education, health or other social purposes.

Mr. Louis-Philippe Savoie: To us the main problem is funding in the provinces to fund basic operations. Then there is the issue of how this funding would be split at the federal level.

For us, in Quebec, it is important to have the most timely funding possible so we may make appropriate choices. Expertise in the area of university education can be found, in the main, within provincial departments.

Mr. Massimo Pacetti: Very well, thank you.

[*English*]

The Chair: You have one minute, Mr. Szabo.

Mr. Paul Szabo: On the arts, the stat about $2.70 in revenue for every one dollar the government invested is kind of interesting. The other dimension I thought was really important was that the cultural sector contributes $46 billion to Canada's GDP and generates approximately $25 billion in taxes to all levels of government. That's more than a 50% return. How does it compare to other countries?

● (1025)

Mr. Eric Dubeau: I don't have those numbers in front of me. What I can tell you is that those numbers you've just cited seem to reinforce the idea that the arts and culture are a sound investment. How it fares and how it compares to other nations is certainly something we can provide.

The Chair: Thank you.

Ms. Block, you have about two minutes for a final round.

Mrs. Kelly Block: Thank you. My question is for CNCS. You mentioned increased funding you have received from the federal government since 2005, including 900 additional Canada graduate scholarships.

I want to speak to recommendation number one: “The CNCS recommends that the federal government increase the budgets of funding agencies to reflect the needs they express.”

Can you speak to the criterion used by organizations in evaluating the applications recommended for funding, and how do they come up with those needs?

[*Translation*]

Mr. Laurent Viau: I cannot speak on behalf of granting councils. That said, in terms of strategic directions, these organizations assess their needs based on the demand in their respective fields and they are there to support the needs expressed in their respective research fields.

We know, for instance, that in 2008-2009 NSERC needed approximately $1.2 billion. There was a $200 million shortfall.

CIHR, in the same year, expressed a need in the order of $75 million, and the calculations are slightly different for the SSHRC. What has been determined is the importance of stable federal funding for research to ensure social sciences are not cast by the wayside, which has too often been the case, and has again been the case over the last few years. SSHRC is asking for federal research funding to be maintained at at least 25%.

I do not have the figures before me to know what that would represent but I could provide you with them.

[*English*]

Mrs. Kelly Block: Thank you.

The Chair: Thank you, Ms. Block.

I want to thank all of our witnesses for being here this morning to present your briefs and respond to our questions. If you have anything further, please submit it to the clerk. We will ensure that all committee members get it.

Colleagues, we will suspend for two minutes to bring the next panel forward.

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(Pause)

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• (1030)

Mr. Massimo Pacetti: Perhaps we can begin. We are on the second panel on the pre-budget consultations 2010, pursuant to Standing Order 83(1).

I think we have six groups. We have the Investment Industry Association of Canada; Institut des fonds d'investissement du Canada; Culture Montréal; GrowthWorks Capital Ltd.; Chantiers maritimes Irving inc.; and the Rick Hansen Institute.

I will just remind everybody that you have five minutes. I'm going to try to be lenient, but not very lenient, because then members around the table are going to want to ask questions.

So in the order I have here, Mr. Russell, perhaps you'd like to begin, for five minutes.

Mr. Ian Russell (President and Chief Executive Officer, Investment Industry Association of Canada): Thank you, Mr. Pacetti. It's my pleasure to be here this morning. I have formal remarks, but I'll just talk a bit informally on the substance of my presentation.

I'll preface my remarks by saying that while I think Canada faces some huge challenges in a very competitive global economy, we do have the advantage of having managed our finances prudently and having weathered a serious financial crisis very effectively. I think the upshot of this is that the fiscal measures that we need to get more sustained private sector growth and recovery in the Canadian economy will be less harsh than they will be in other jurisdictions. But that said, I think there are areas where fiscal policy can make a positive contribution.

I want to talk just briefly about recommendations that relate to the savings investment process, and in particular I think there is a pressing need for an incentive to encourage capital formation in the country, especially for small and, I should emphasize, mid-sized companies that need capital.

The Governor of the Bank of Canada in the Bank of Canada October report commented on business investment spending, which is only 5%, really, off the trough. We had a collapse in business investment spending through the crisis and into 2009 and a very modest recovery coming out of that. The governor has attributed that to low profits, to low demand or low capacity levels in business, and he also talked about restricted access to capital. I think that is an important issue. I gathered from the earlier discussions that this is something that witnesses have brought forward as a concern.

I think what we're finding in our industry is that small and mid-sized companies, especially those that want to list on exchanges or those that are already listed, are having a very hard time in finding capital. It's very selective, depending on the nature of the business. If it's a resource company in a particular resource sector, it probably has a better chance. The markets have also been very volatile and the windows of financing have been very short, which have increased the difficulty.

I would draw your attention to the fact that many of these small companies have found it difficult since the removal of the income trust. The income trust proved to be a very critical financing vehicle coming out of the technology market crash in 2002. It benefited a lot of small companies and it also benefited a lot of investors. We haven't had a substitute for an instrument like that since. So I think it's important to be looking at what incentive might make some sense.

Our recommendation to the committee is to perhaps lower the inclusion rate from the current 50% to, let's say, 40%. That would move the effective capital gains tax rate for the higher-income individual from 25% to about 20%. It would have an impact I think as a positive incentive. It would be cost effective, it would send a positive signal, and it would be administratively easy to do, because as we've talked about more complicated mechanisms, I think there's been a lot of push-back for administrative reasons.

Finally, I think we have to find a solution to the capital-raising problem for mid-sized companies. Once these companies reach mid size and they move above those thresholds where government has put in an incentive in terms of tax credits or lower tax rates or the capital gains tax exemption, these companies really have nothing more to go on. And as they get to mid size, they find it difficult to access capital, and that's one reason that we see acquisitions taking place, particularly with companies looking south for partners. So that's the key recommendation we make.

The last thing to say is that we're very pleased at the recommendations the Senate banking committee have brought forward in terms of pension savings, and we would support those recommendations.

Thank you.

• (1035)

The Vice-Chair (Mr. Massimo Pacetti): Thank you, Mr. Russell. That was below your five minutes and I appreciate that.

From the Investment Funds Institute of Canada, Ms. Weinberg.

Ms. Debbie Pearl-Weinberg (General Tax Counsel, Canadian Imperial Bank of Commerce, Investment Funds Institute of Canada): Thank you. My name is Debbie Pearl-Weinberg, general tax counsel at CIBC and chair of the Taxation Working Group of the Investment Funds Institute of Canada, or IFIC. I'm here representing IFIC, and my comments do not necessarily reflect the views of my employer, CIBC.

I'm joined by Barbara Amsden, director with IFIC.

IFIC is the national association of the investment funds industry. For Canadians, mutual funds lower the cost and risk of investing in securities, provide access to capital markets that was once only available to large institutional investors, and generate an important source of income, especially retirement income, for those without, and even those with, company pensions.

Eighty per cent of mutual funds in Canada are held in registered plans, RRSPs, RRIFS, and now TFSAs, and therefore the ability to save and maximize income from these plans is of primary importance to us and we believe to you.

You have our submission, so I will not repeat it, but I am going to focus on three items in the submission.

The first is addressing the new work reality. We note that while RRSPs have changed since their inception in 1957, demographics and the typical job have changed even more. While the CPP adjusts for people leaving the workforce for certain reasons by excluding the lowest years of income, there is nothing equivalent for those saving through RRSPs. It is common for people to leave the workforce for child or elder care reasons or due to job loss. They're never able to make up RRSP contributions and tax-free growth of earnings for any period without income.

Also, as more Canadians begin to work freelance or on contract, they will have widely varying incomes and they may not be able to benefit fully from RRSPs.

So our first recommendation is that the committee consider allowing RRSP contributions to be based on average income, allowing the carry forward or back of earned income above the annual limit to maximize RRSP contributions.

Second, establish greater equivalency between those in registered pension plans and those in RRSPs.

There has been a proportional decline in defined benefit pensions plans, and defined contribution pension plans have certain features that make them less attractive, especially for small businesses. At the same time, there has been a growing use of group RRSPs, but there are tax provisions that disadvantage RRSP holders. We recommend that the Income Tax Act be amended to bring Canadians with registered pension plans and RRSPs on more equal footing. For example, we suggested extending the minimum income splitting age with a spouse or partner from age 65 down to age 55 for RRIF income, consistent with rules governing registered pension plan income.

As well, we would also recommend that the pension credit be made available to those people age 55 or more who receive income from a RRIF as it is to those receiving income from a registered pension plan.

Third, we would like to address the implications of the GST and HST on mutual fund investors. It is not well understood that these economically good taxes, which generally promote competitiveness and fairness, apply in different ways to financial services and specifically in a way that taxes fund holders more heavily.

For nearly twenty years the GST has applied to mutual and other investment funds at effective rates of four to five times that of other financial products. Indeed, mutual funds were in their infancy as a retail product when the GST was introduced in the late 1980s and the rules were established.

GST at 5% may be manageable, but an HST in the double-digits makes the long-standing unequal treatment of fund holders a lot worse. This inequity is not because of the higher value added in the mutual fund where additional taxation would be expected, but because the labour and salaries that are part of delivering the financial product are fully taxable for funds, but they're tax exempt in the case of direct holdings of GICs, equity, and debt instruments.

The federal and provincial governments are studying ways to improve retirement savings, and we think Canadian fund holders should be taxed to the lower effective rate equivalent to that of other financial products in Canada and similar to the approach taken in other major value-added countries.

We appreciate the opportunity to appear before the members of the finance committee today as this is where ideas that affect the lives of millions of Canadians can receive a fair hearing and discussion.

Thank you. I would be pleased to answer any of your questions.

● (1040)

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

[*Translation*]

Ms. Jean, the director general of Culture Montréal now has the floor.

Ms. Anne-Marie Jean (Executive Director, Culture Montréal): Mr. Vice-chair, ladies and gentlemen, members of the committee.

[*English*]

Ladies and gentlemen, good morning.

[*Translation*]

Culture Montréal would like to emphasize the importance of maintaining and strengthening support for culture and the arts as a way of stimulating the economy.

[*English*]

Culture Montréal is an independent organization and place for reflection and action that contributes to building Montreal's future as a cultural metropolis through research, analysis, and communication activities. Culture Montréal contributes to the branding of Montreal as a cultural metropolis at the national and international levels.

[*Translation*]

Over the years, many studies have shown that culture and the arts are powerful levers for social and economic development. The arts and culture sector is resilient, very flexible and creates jobs. Investing in it stimulates the economy, thereby helping the federal government in its bid to rebalance the budget.

A recent study done by the Board of Trade of Metropolitan Montreal, *Culture in Montreal: Economic Impacts and Private Funding*, found that the cultural sector generates close to 100,000 direct jobs in the city, with an annual growth rate of 4.6% for the last 10 years, almost three times the total labour market average.

Another study carried out in 2009, *L'économie des arts en temps de crise*, showed the instability of artistic and cultural organizations in Quebec while also highlighting their exceptional resilience and flexibility during the economic downturn. Cultural organizations proposed various short-term solutions and came up with innovative long-term solutions that would encourage development and protect the sector from future economic disruptions.

Culture Montréal believes that to improve the competitiveness of the Canadian economy, Canada must pursue its strategic plans to encourage investment, creating sustainable jobs that will last beyond Canada's Economic Action Plan. This is why looking ahead to the 2011 budget, Culture Montréal recommends that the federal government increase its investment in the arts and culture sector to ensure that it grows and to maximize the economic and social spinoffs; that it encourage international recognition for Canadian artists and creators; that it contribute more to developing and maintaining cultural infrastructure, and more specifically increasing and improving areas to create, produce and broadcast and that it continue developing the Lachine canal, Old Montreal, the Old Port of Montreal and the Bassins du Nouveau Havre; that it establish new support measures for encouraging attendance at artistic and cultural events and for acquiring works of art; that it enact legislation to preserve and value our cultural heritage and pair it with an action plan with the provinces and territories, in keeping with the international conventions Canada has signed; that it establish a policy to integrate arts and architecture in federal buildings and that it increase access to employment insurance for all self-employed workers to create a better social safety net in Canada.

Without taking away from what we have already accomplished, the legislation should contain provisions allowing self-employed workers to join a public employment insurance system.

In conclusion, we wish to have the Government of Canada recognize the essential contribution of artists to the social and economic development of Canada and of Canadians, and that this recognition be made clear in all its policies, programs and bills. Bill C-32, An Act to amend the Copyright Act, for instance, must guarantee artists adequate compensation and value intellectual property. Creators, like all other Canadians, must be able to make a decent living from the fruits of their labour.

Thank you for your attention.

● (1045)

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

[*English*]

From GrowthWorks Capital, Mr. Hayes.

Mr. Thomas Hayes (President and Chief Executive Officer, GrowthWorks Atlantic Ltd., GrowthWorks Capital Ltd.): Thank you, Mr. Chair, for providing me with this opportunity to present this morning. I am aware that two of my colleagues from the Canadian Venture Capital Association were here several weeks ago, providing some insight on the CVCA's recommended five-point plan to deal with the venture capital crisis in Canada.

I'm going to focus on one solution this morning, but first I have a few remarks about who GrowthWorks is.

We are one of the few national VC players still investing in new deals in Canada. We manage funds across the country totalling about $600 million in AUM. I think outside of Quebec we're probably the largest VC player in the country. Portfolio companies in our portfolio have won the deal of the year in four of the past nine years. We have offices across the country: Vancouver, Winnipeg, Toronto, Fredericton, Halifax, and St. John's. We have a team of 20 seasoned investment professionals. We're a top quartile VC manager. Our focus is on commercializing early-stage technology companies. Recently we did a scan to discover that about 40% of the companies we funded had their origins in R and D in Canadian universities. We've invested in over 250 companies in the country since we began operations in 1992.

I also want to define retail venture capital. Most folks are familiar with traditional institutional VC. They raise their capital from pension funds, institutions, corporations, and endowment funds. In the retail business we raise all of our capital from individual investors, and governments encourage investors to buy into this asset class through the provision of tax credits. The federal government offers a 15% tax credit, it used to be 20%, and the provincial governments, depending on which province, offer anywhere between 15% and 25% tax credit.

Retail venture capital accounts for about 50% of all VC raised and invested in Canada, and it continues to receive good support from both levels of government. In the past two years, many provincial governments enhanced the retail venture programs. British Columbia increased the tax credit; Saskatchewan increased its tax credit; Manitoba, Nova Scotia, New Brunswick, and Newfoundland and Labrador increased both the tax credit and the annual contribution limit; and Quebec recently introduced increases to tax credits for a particular retail fund.

In terms of the Canadian landscape—you probably heard this a couple of weeks ago—the Canadian VC investment is at a 14-year low. Canada's multi-billion dollar annual investment in R and D is at risk because of the dearth of venture capital available to entrepreneurs. Many private institutional VC funds have withdrawn from the marketplace. Canadian entrepreneurs are finding it much more difficult to access equity capital compared to their American counterparts. The reason that is important is the companies we fund here in Canada have to compete against those competitors in the U.S.

Retail venture capital investors have invested more dollars across Canada than private, independent investors nine out of the last 10 years, and as a result, retail venture capital investors are much more consistent suppliers of VC to Canadian entrepreneurs.

So in our view, the most cost-effective and quickest way to get VC funds flowing again to Canadian entrepreneurs is for the federal government to do two things. First would be to return the federal tax credit to the original 20% level for investors from the current 15% for a three-year period, and to increase the annual maximum contribution to $20,000 from the existing limit of $5,000.

The rationale for those changes is this. The tax credit was 20%. It was reduced in the mid-1990s to 15% when there were significant inflows of capital to this asset class. That's no longer the case. When the original retail program was introduced in the mid-1980s, the RRSP maximum was $7,500 and the venture capital maximum was $5,000. The RRSP maximum today I think is $22,000, but the retail venture maximum hasn't changed. It remains at $5,000. This is a problem for us because many of the bank-owned brokerage firms discourage their investment advisers from tickets of that size, so it has serious ramifications in terms of that distribution channel. The members of the IIROC channel virtually are no longer supporting the asset class.

● (1050)

In terms of cost implications, we feel that with these changes, the industry would raise an additional $300 million a year. That would bring the annual raise nationally up to about $1.5 billion. The investment on behalf of the treasury, in addition to its existing commitment, would be an additional $100 million a year.

Independent commissioned studies have shown that these tax credits are recouped by both levels of government within one to five years. A recent study that was just completed by the Sauder School of Business at UBC is going to report some very compelling statistics in terms of tax credits repaid to both levels of government and in terms of job creation.

Thanks, Mr. Chair. I'm happy to answer questions when we get to that part of the program.

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

From Irving Shipbuilding Inc., will we have Mr. Cairns or Mr. McArthur?

Mr. Andrew McArthur (Consultant, Chairman of the Shipbuilding Association of Canada, and Vice-Chairman (Retired), Irving Shipbuilding Inc.): Thank you, Mr. Chairman. I will start.

We are delighted to be here today and to have this opportunity.

I am chairman of the Shipbuilding Association of Canada. Peter is the full-time president. The position of the association is also the position my company supports, but I will talk as the chairman of the association.

Shipbuilding in Canada is in a transition state. If you go back to the mid to late eighties and early nineties, we had a program of rationalization whereby the government in fact paid many shipyards, east to west, to get out of the business. There were too many people in it.

Today we are going through another form of rationalization. We have the national shipbuilding procurement strategy, which in effect will create two centres of excellence, one for large combatant ships and one for large non-combatant ships for both the navy and the coast guard. This strategy will be vital for the continuation of shipbuilding in this country.

The question that arises, as there will be only two selected, is what will happen to the remaining shipyards. There are probably about 116 vessels, which will be outside the centre of excellence, available to the rest of the industry. We have one thing we can do to encourage commercial shipbuilding in the country for small ships.

At this time, I would pass to Mr. Cairns, who is going to outline the proposal.

● (1055)

VAdm Peter Cairns (President of the Shipbuilding Association of Canada, Irving Shipbuilding Inc.): Good morning, sir.

I am the president of the Shipbuilding Association. The association is a relatively new one. It was formed in 1995. It's national in its scope. It goes from coast to coast, and we are primarily interested in shipbuilding, ship repair, and the industrial marine industry in Canada.

Shipbuilding policy in Canada is being crafted by several government departments in what appears to be a somewhat uncoordinated fashion. The government has recently announced a national shipbuilding procurement strategy for its own fleets. This has the promise of being an excellent program, but it is still in its infancy, and non-government ships and the shipbuilders who construct them still need assistance.

Canada is in fast-track negotiations with the European Union. Whatever the result, it will have an effect one way or another on shipbuilding in Canada.

The finance department has just announced a change in tariff policy for some ship types imported into Canada. The association supported this change, provided that changes were made to the government-structured financing facility and the accelerated capital cost allowance. This was not done. This change in tariffs also has the potential to affect free trade negotiations in Europe's favour. Repeated requests for changes to the structured financing facility and the accelerated capital cost allowance have not been acted upon.

Now, an accelerated capital cost allowance is an excellent incentive for Canadian owners who are generating healthy profits to build their vessels in Canada. ACCA, as it's commonly known, allows an owner to write off the capital costs of a new Canadian-built vessel in four years. The value of ACCA is calculated at 10% of the vessel price. Structured financing facility, or SFF, was introduced in 2001 and 2002 to stimulate demand for Canadian-built vessels. It provides interest rate support as an interest rate buy-down of financing used in the acquisition or modification of a Canadian-built vessel or offshore structure.

This support is in the form of a non-repayable contribution. The value of the SFF is nominally 15% of the contract to the shipyard. After taxes, however, that value reduces to 8%. A Canadian owner has a choice between structured financing facility or the accelerated capital cost allowance.

Funding of the SFF program is sporadic. There is presently about $6 million to $7 million in the fund, with no guarantee that there will be anything beyond the end of this fiscal year. The government needs, in our view, to commit $20 million per year to the SFF program for a minimum of five years, with a review of progress at that time before considering further investment.

The SFF, combined with the ACCA, is a very useful program for those small shipbuilders who will not be designated as a centre of excellence under the national shipbuilding procurement strategy. They desperately need this to stimulate commercial construction in Canada.

In conclusion, shipbuilding policy and finance require a whole of government policy framework that must include procurement policies for both government ships and commercial vessels, trade negotiations, tariff policy, and tax and program policy. Critical to small shipbuilding enterprises at this time is an adequately funded structured financing facility that can be combined with the accelerated capital cost allowance to encourage Canadian shipowners to build in Canadian shipyards.

Thank you.

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

From the Rick Hansen Institute, we have Mr. Colin Ewart.

Mr. Colin Ewart (Vice-President, Strategic Relations and Development, Rick Hansen Institute): Good morning, Chair, and members of the committee.

I'd like to thank you for inviting us to speak on behalf of the Rick Hansen Foundation and Institute. My name is Colin Ewart of the foundation, and this is Marie Trudeau from the board of directors of the Rick Hansen Institute. We're here today to talk to you about the 25th anniversary of Rick Hansen's Man in Motion tour, introduce the institute, and highlight the value and impact of the federal government's investments in Rick's visions to date.

You've likely heard of the foundation, which is responsible for implementing Rick's dreams of a world inclusive and accessible for all. You may not have heard of the Rick Hansen Institute, a relatively new organization, which is a key legacy of Rick's vision. The institute focuses on collaborative, interdisciplinary research that improves lives and contributes to finding a cure for spinal cord injury. Thanks to investments by the federal government, from all political stripes, Canada has become a world leader in spinal cord injury research and services similar to that of cancer, genomics, and HIV/AIDS.

This government in particular has been very supportive of Rick's vision through its financial support to date. We want to urge you to continue to support health research such as this. Investments in research and best practices such as those that we develop make a significant difference in the lives of people and result in significant savings to the health care system by governments across Canada.

Twenty-five years ago, we saw how one person could inspire many. After becoming injured, Rick Hansen was inspired to make a difference. He wheeled around the world—34 countries in over two years—and inspired athletes, politicians, doctors, scientists, young people, and people with spinal injuries, like Marie, into becoming difference-makers. As a result of his efforts and those of the people around him, people today with physical disabilities are looked at in a new light. The world is more accessible, and the science has become so advanced that someone with Rick's injuries today would likely walk away after treatment.

We're currently involved in the international phase of the 25th anniversary of the Man in Motion tour, following a very successful launch leading up to and during the 2010 Olympics and Paralympics. We're looking to recognize those difference-makers who have been part of our teams since 1987 and inspire new difference-makers. Between now and May of 2012, you will see Rick travel to several prominent locations around the world that he originally passed through between 1985 and 1987. With the help of the institute and our partners, these places are looking to collaborate with our work across Canada to accelerate the pursuit of the cure for paralysis and make communities more accessible and inclusive.

Following momentum-building announcements of collaboration in four countries—Israel, Australia, China, and the United States—we will return to Canada in August of 2011, and with our Canadian partners we will launch a new national relay tour across the country and recognize difference-makers all across Canada. This will take nine months in 700 communities with 7,000 participants. We'll ultimately conclude the relay tour with a significant homecoming event recognizing the day Rick returned to Vancouver.

Concurrently, a global conference in Vancouver focused on two symposium streams—cure and accessibility—and a trade show will highlight how progress can expand across the world and through the participants from over 100 countries. Canadian leadership and inspiration will be on display. Our ability to engage leaders nationally and internationally can have a profound benefit for Canadians up to and beyond 2012.

We're looking forward to partnering with and recognizing those who have been instrumental to our success over the years. We are already successfully securing partners and funding from corporations and individuals, and we plan to follow up this fall with key federal departments who will be interested in our plans.

Now I'll let Marie speak about the institute's programs about making a difference.

● (1100)

The Vice-Chair (Mr. Massimo Pacetti): You have one minute, *une minute*.

[*Translation*]

Ms. Marie Trudeau (Director, Board of Directors, Rick Hansen Institute): Mr. Chairman, distinguished members of the Standing Committee on Finance, I would like to thank you for having invited us here today to speak to you about the Rick Hansen Institute, in Vancouver, and also to give us an opportunity to tell you about some of our accomplishments.

Thanks to investments from the federal government and other financial partners, Canada has become a leader in treatment and care for the spinal cord and spinal cord injuries. I would like to tell you about some of the return on investments made to date.

[*English*]

One of the tangible outcomes of these investments—

The Vice-Chair (Mr. Massimo Pacetti): Ms. Trudeau, you're not going to have time to go through it. Your time is up: you only had one minute. It's five minutes shared between the two of you.

Ms. Marie Trudeau: Oh, I see.

The Vice-Chair (Mr. Massimo Pacetti): It's not five minutes per speaker.

I'm going to let the members ask questions, and then you'll be able to incorporate some of what you wanted to talk about in some of your answers—

[*Translation*]

Ms. Marie Trudeau: I will include that in the responses

[*English*]

The Vice-Chair (Mr. Massimo Pacetti): —to the questions some members will ask.

We have plenty of time, so I don't think you won't have an opportunity to talk about your situation.

If we can start with Mr. Szabo, for five minutes, or Mr. Brison....

Hon. Scott Brison (Kings—Hants, Lib.): Sure. Thanks.

● (1105)

[*Translation*]

The Vice-Chair (Mr. Massimo Pacetti): You have six minutes.

Hon. Scott Brison: Thank you, I appreciate that.

[*English*]

The Vice-Chair (Mr. Massimo Pacetti): We'll do a first round of six minutes.

Hon. Scott Brison: Thank you very much, each of you, for being with us today and for your interventions.

I'd like to start with questions on the venture capital side. What is the risk to Canadian discovery and commercialization in five or ten years if we don't take significant action on venture capital in Canada today?

Why is there such a gap between how our venture capital industry is doing in Canada compared with some countries like Israel, for instance? What are the public policy measures and the differences between them? It strikes me as pretty important that we get it right now, because if we don't, we're going to face a real challenge in ten years in terms of the jobs of tomorrow.

Mr. Thomas Hayes: Thank you for the question.

I've seen various statistics on what Canada invests in R and D. The number that the CVCA used recently, I think here at committee, was $18 billion annually. That's a pretty significant investment. I think Canada does a good job at that end of the spectrum.

But if we don't fix the gap, or lack of access or lack of capital for these early-stage companies, we're going to have significant problems. We have significant problems today and they are only going to be exacerbated if we don't deal with the issue today. We see countless companies that are unable to raise adequate capital for where they want to take their business plans.

In terms of other countries, I've just been reading the book, *Start-Up Nation*, which talks specifically about Israel. But on my way here yesterday from Halifax, I was reading some papers for a policy conference in Quebec City next month, where a number of folks in the industry will be making presentations about what's been done in China, the U.K., France, Mexico, Israel, and other countries where government have recognized that the private sector, to some extent, has withdrawn from the industry in terms of supply, and where government is now making very aggressive interventions or policies that encourage not only the private sector to get back into the game but also doing some direct investing themselves, either through funds of funds or direct investments in companies. In some cases they are using the retail model in Canada. It's surprising to read about France, where they've adopted some of the uniqueness of the retail model that was developed here 20 years ago.

Hon. Scott Brison: Thank you.

In terms of the shipbuilding industry, the Liberal Party's position is that the structured finance facility needs to be reinvested in and there ought to be access to it and the accelerated capital cost allowance at the same time—and of course procurement is critically important.

But the recent government measures to eliminate the tariffs on ships was considered a positive announcement when the government made it recently. What is the impact on Canadian shipbuilding of the elimination of these tariffs? I'm not a protectionist at all; I'm a real free-trader, but we have to recognize the importance of a level playing field, and we know that other countries are taking a different approach when it comes to shipbuilding. But what is the impact of the recent government announcement on eliminating these tariffs on ships coming in from other countries? What will be the impact on your industry?

VAdm Peter Cairns: We believe the impact to our industry with regard to those tariffs will not be overly significant, because in fact we were actually part and parcel of these negotiations, as you may well know. We did work with the Canadian Shipowners Association on this tariff issue, knowing that they had a significant problem. You might say we took one for the team here.

We recognize, realistically, that we will probably never build certain classes of ships of certain sizes in this country. To face the reality, we said that if those are the sorts of things that you're going to want to bring in duty free, and we're not going to build them here anyway, why should we hold that up? That is one side of the story.

The other side of the story is that one class of ships, ferries, we were adamantly against. That one was put into the finance committee's reduction in tariff. That, in our view, was a distinct, pure lobbying effort by British Columbia ferries. It was accepted by the finance committee. We don't think that made any sense, to be very honest with you, and I could talk at length about that, but this is not the place. We believe that the ferries mentioned in that tariff remission could have been built in Canada. That's not an issue. The company did not want to build them in Canada, and that's essentially where we come from.

● (1110)

Hon. Scott Brison: You described it as being willing to compromise or to take one for the team on this one. In exchange for that, were you able to negotiate a commitment under the structured financing facility or the accelerated capital cost allowance?

VAdm Peter Cairns: That was part and parcel of our negotiations with the shipowners when we did this, and that was when we put our response to the government on their issue. We did put that in, but it was never picked up.

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

Monsieur Paillé—

Mr. Andrew McArthur: Excuse me. Could I add something?

The Vice-Chair (Mr. Massimo Pacetti): Yes, Mr. McArthur.

Mr. Andrew McArthur: One thing that really ticks us off quite badly, though, was what a time to do it. Why give up the 25% import duty when we're in negotiations with the EU on a free trade agreement?

We know that shipbuilding is a small industry worldwide. The European shipyards would love to get into Canada to build the government ships. They've put it on the table, and it doesn't seem to make sense to us that when you're in the midst of negotiations, you give something away free, gratis, without getting something in return. It just doesn't make good common sense.

A voice: That's an excellent point.

[*Translation*]

The Vice-Chair (Mr. Massimo Pacetti): Mr. Paillé, you have six minutes.

Mr. Daniel Paillé: First I would like to briefly address Mr. Hayes and then Mr. Russel.

You provide information about tax credits and the one granted by almost every province is already 20%. Therefore, you are recommending that the federal government follow the provincial example. You also indicated that the maximum investment should increase from $5,000 to $20,000. We see that in most of the provinces, it's currently about $10,000. However, it's $12,000 in Manitoba and $13,000 in British Columbia.

Do you have any impact analyses that indicate how much venture capital investments would increase in Canada if the maximum amount were multiplied by four? Have there been any studies in this regard? If so, could you send us their conclusions as soon as possible, please?

[*English*]

Mr. Thomas Hayes: First of all, in terms of the recommendation to go back to 20%, that's where the tax credit was when the program was started back in the 1980s, so we'd like to see it return to the 20%. When you couple that with the provincial tax credit of 20%, that's a pretty significant deal from the investor's perspective. That said, it is a very risky and speculative asset class, so there needs to be an incentive to draw people into it.

In terms of the maximum contribution, all we're saying is that it would be nice if it could be tied somewhere in the range of the RRSP tax credit. What's happened is that we've lost a significant distribution channel, because many of what I call the IDA firms, although I think the proper terminology now is “IIROC”, which are mainly the bank-owned brokerages, disincent their investment advisers from doing ticket sizes in the $5,000 range, so we've practically lost that distribution channel. There are no studies, because this hasn't been implemented, but we've done lots of analysis on what we think the results of these changes will be in terms of fundraising, and we think we'll add another $300 million a year to the annual fundraising capacity of the industry.

We have no issues in terms of deal flow. We think we can easily invest an additional $300 million to $500 million a year without much of a problem.

[*Translation*]

Mr. Daniel Paillé: Thank you very much.

Mr. Russell, you said that the TFSA contribution ceiling should be increased. You also said that a person over 55, for example, could make retroactive deposits to a TFSA starting from age 18. Personally, that would mean 42 years of retroactive investment into my TFSA, to the tune of $5,000 a year? Is that your proposal?

[*English*]

Mr. Ian Russell: The number we've talked about, and again it's simply an estimate, was about an allowability of about $150,000. So that would be roughly 15 years of being able to make retroactive contributions.

Our number is $150,000. It is interesting that in the Senate banking committee recommendations for TFSAs they talk about a lifetime of $100,000, so we're not that far apart in terms of the amounts we're talking about. And the rationale is that we're talking about individuals who are on the verge of retirement, who have suffered through the financial crisis and have had losses. This is an extra incentive to help them supplement retirement, and it also is quite cost-effective from a government standpoint.

I think those are the rationales that probably lay behind the Senate banking committee's recommendations as well.

● (1115)

[*Translation*]

Mr. Daniel Paillé: Well precisely, when it comes to costs, have you estimated how much this will represent for the Government of Canada?

Mr. Ian Russell: Yes, we did estimate the cost. I don't have that figure here right now, but I would be pleased to send it to you. We gave that estimate to members of this committee a year ago, I believe.

Mr. Daniel Paillé: It is in the order of... It must be quite high.

[*English*]

Mr. Ian Russell: I think it's about $1 billion, something in that order, yes.

[*Translation*]

Mr. Daniel Paillé: I want to point out that you're here today representing the Investment Industry Association of Canada. If I remember my former job correctly, that is an umbrella organization of securities commissions of all provinces, all territories and of the AMF.

Mr. Ian Russell: Yes, that's right.

Mr. Daniel Paillé: This is an umbrella organization that uses a single system, the passport system. It is the one through which securities trading in Canada deals with the International Organization of Securities Commissions. You therefore have a harmonized set of regulations and tariffs. For all intents and purposes, you represent an industry that works very well, is that right?

Mr. Ian Russell: That's true. That's correct, yes.

[*English*]

Our industry I think functions well.

[*Translation*]

You mentioned the passport. This is a system that works very effectively to monitor the regulation of small companies.

[*English*]

Mr. Daniel Paillé: *Donc*, if it's not broken, why fix it?

Mr. Ian Russell: I agree with that. The problem is that our securities regulation extends far beyond capital raising, and for those other reasons we've advocated a single regulator.

Mr. Daniel Paillé: You, and not your association.

[*Translation*]

The Vice-Chair (Mr. Massimo Pacetti): We are not going to start that debate here, Mr. Paillé, thank you.

[*English*]

Mr. Hiebert, six minutes.

Mr. Russ Hiebert: Thank you, Mr. Chair. Thank you to all the presenters for your ideas and suggestions.

Of course, under our fiscal situation we're looking for ways to save money, not necessarily to spend money, but I was captivated I guess by a few of the suggestions that were made this morning.

I'd like to start by asking the Investment Funds Institute of Canada some questions. You've put forward some ideas that we've looked at, at length, in this committee earlier this spring: changes to pension income and providing some equality or fairness between registered plans and RRSPs and other such methods.

As I've read in your supporting documents, you have five different recommendations, and I'm wondering, as a beginning, if you had to choose one, which one would be your most important?

Ms. Debbie Pearl-Weinberg: Are you talking about our main submission, number one?

Mr. Russ Hiebert: You have five recommendations in this additional document. I don't mean the speaking notes. You have three suggestions in your speaking notes and you have five suggestions in your pre-budget submission. I'm looking at all five, and I'm asking myself which would be the most important for the government to implement.

Ms. Debbie Pearl-Weinberg: If I had to pick the most important, I would say right now that it is the tax treatment of equivalent financial instruments.

● (1120)

Mr. Russ Hiebert: Can you just elaborate on that, please?

Ms. Debbie Pearl-Weinberg: Sure. That was the third item I spoke about.

Mr. Russ Hiebert: It was the GST/HST.

Ms. Debbie Pearl-Weinberg: Yes, it is the GST/HST.

Mr. Russ Hiebert: For the benefit of the members, could you just explain that? I know that you refer to the fact that there was an inequity under the GST. It's even greater with the HST, because of labour and salaries and such labour and salaries not being taxed for people who buy securities directly. Just explain the whole situation, if you could.

Ms. Debbie Pearl-Weinberg: How the investment fund industry works is that the fund is charged a management fee by the fund manager, and that entire fee is now subject to HST. From that fee, various items in running the fund are charged. Because that fee right now is entirely subject to HST, all the expenses of running the fund are now subject to HST. That makes it a much more expensive investment product than other financial instruments on which you would not be charged HST.

Mr. Russ Hiebert: For example, a Canadian who purchases a fund would be taxed on the management expense of the fund. But if the person went to a stockbroker and purchased securities directly, maybe even the same securities, even in the same proportion, there would not be an equivalent tax on the service provided by the brokerage.

Ms. Debbie Pearl-Weinberg: Correct. You would not be paying the exact same amount of overall tax.

Mr. Russ Hiebert: That is because the HST does not apply to the services provided by a brokerage.

Ms. Barbara Amsden (Director, Strategy and Research, Investment Funds Institute of Canada): That is correct.

There are two parts to the answer, and it does get fairly involved and technical.

One of the problems is the structure of a mutual fund. It's like a little financial institution. And in fact for tax purposes or HST purposes, it is a financial institution. It's providing dividends and interest the same way you get dividends and interest if you hold a security. There's no tax or HST applied to that, but there is tax paid on everything that is being charged to it, as Debbie said.

Within a security from a brokerage firm there is tax being paid on the computers they use within that financial institution, but there is not tax on the salaries of the people working there. When you pay a commission for buying a security, there's no tax explicitly on the commission, but there will be some embedded tax that has been paid by the security's broker/dealer on, as I said, computers, rent, and so on.

How we got the rate of about four to five times as much tax within the fund that is sold to a client is that usually, for most financial institutions, the labour component and certain other components are about 75% to 80% of it. That is why there are significantly higher rates of tax embedded in the product of a fund, which is a diversified product as compared to a single security.

Mr. Russ Hiebert: Is this a regulation?

Ms. Barbara Amsden: Yes. I actually appeared before this committee a long time ago, I think around the 1990s or 1991, when this came in. There's the GST legislation and then there are the regulations that fall under it. The legislation sets out what's taxed and what is exempt under section 123, and then there are some additional rules that would apply to explain how it actually works out for particular types of financial institutions.

Mr. Russ Hiebert: Just to summarize, then, if labour were dealt with at a fund the same way it is dealt with at a brokerage firm, the taxes for the investor would be equalized.

Ms. Barbara Amsden: More or less, that is it in a simplified way. There are little tweaks here and there, but that is a very good summary of it, yes.

Mr. Russ Hiebert: Thank you.

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

Mr. Szabo, five minutes.

Mr. Paul Szabo: Thank you.

There have been a number of presentations about having changes to RRSP limits and TFSA limits. On the Investment Industry Association of Canada, the second recommendation was basically that. But in the following commentary, it says “Increased limits for RRSP contributions and TFSA deposits will give investors flexibility to recoup market losses in their portfolios and allow them to build savings more quickly”.

Now I do understand that it's important to provide for pension income for retirement years and things like this, but is there anybody at this table who really thinks this is a priority, given the fact that we're in a pension crisis across all spectrums, really, and that the unused limits of carry-forward RRSPs for low- and modest-income Canadians is probably going to be $1 trillion because they have no money to invest? They have no way to invest. They don't have instruments. They've lost their income trusts.

It really would be nice for people to recognize the economic realities of the full economic spectrum of Canadians. I really think it was kind of insensitive just to suggest in this particular one that somehow we have to recoup market losses when people never had anything to invest in the first place.

Does somebody want to address that?

● (1125)

Mr. Ian Russell: I will make a couple of comments, since you made reference to our brief.

The first point to make, which reinforces what you've said, is that our third pillar works quite effectively: tax-assisted savings plans. I think that flexibility would be helpful. I think the Senate banking committee recommendations suggest that some additional flexibility would be helpful to Canadians. I think one issue that is an important one to bear in mind is an equity consideration, which is that I don't think we should be looking at RRSPs, which are the primary form of retirement savings for most Canadians, without putting it in the context of defined benefit plans that a shrinking number of private sector Canadians have. But the public sector does benefit from a very generous defined benefit plan.

Then the issue becomes how we get more equity into the system. Do we improve the benefits in ours, or do we go the other way?

Mr. Paul Szabo: Fair enough.

I'll throw it back at you, sir, then, and suggest to you that if you have someone who wants to do a start-up company and they said, “Here's the person I need for our business. Now what's it going to cost me for salary if I have a defined benefit plan, or I just pay total salary, no defined benefit plan?” Will there be a difference in the amount of salary that has to be paid?

You don't know?

You see, that's the problem. You should know that the value of an employee who's coming to work at your business is going to take into account not only the salary but also the benefit plan. And if the benefit plan isn't there, you're going to have to pay higher to attract that same person away from the company that has a defined benefit plan.

So, sir, your answer was flip and wrong. Really.

Mr. Ian Russell: No.

Mr. Paul Szabo: We really have to be truthful in this because people who don't have defined benefit plans have a higher level of income on average than those who have defined benefit plans, in the same type of job.

Mr. Ian Russell: I can tell you C.D. Howe has done a study of this, looking at the comparison between the two, and I'm not convinced that's the case.

Mr. Paul Szabo: All right. Maybe what I can ask is—

Mr. Ian Russell: In other words, you're saying that their salaries more than compensate.

Mr. Paul Szabo: I've asked the same question to the university and the students, talking about post-secondary, saying you need to have dimensions, you need to have numbers.

I've seen the platitudes; I've seen the conclusions without substantive analysis. Where is the source of the information? We have to get equity. But I don't see anything here, and if you want us to do something in a report—and that's for all the people present—you have to provide dimensions, you have to provide facts, you have to provide objective evidence underpinning the recommendations you make. And it's not there.

Let me go on to the arts because I really think the arts need an opportunity to blow their whistle.

Are we finished?

● (1130)

The Vice-Chair (Mr. Massimo Pacetti): I was so enthralled with your question, I forgot to—

Mr. Paul Szabo: Did you lose track of the time?

The Vice-Chair (Mr. Massimo Pacetti): I lost track of the time.

Mr. Paul Szabo: I'm sorry about that.

The Vice-Chair (Mr. Massimo Pacetti): You're done.

Thank you, Mr. Szabo.

[*Translation*]

Mr. Carrier, you have the floor.

Mr. Robert Carrier: Mr. Chairman, I simply wanted to approach the subject of culture and talk to Ms. Jean who is very familiar with Culture Montréal and its president, Mr. Simon Brault. I worked with him in the past. I worked on his building many years ago.

I am very aware of the major contribution of culture in the economy of the entire country. I would like you to elaborate on the idea behind your recommendation to support the visibility of artists and artistic and cultural creations internationally. Mainly, you are asking that investments in international tours for artists, international exchange projects, artists in residence and training and coproduction be restored and increased.

That may seem like a motherhood statement that is not really convincing. I would like you to convince us a little more strongly about the importance of tours for the visibility of our country and for the good of our economy.

Ms. Anne-Marie Jean: Indeed, many Montreal and Canadian arts companies travel worldwide. I'm thinking of dance companies and children's theatre companies who are very successful internationally. In order to ensure their survival, they have to generate autonomous income and they also obtain an important part of this by touring internationally. Like other companies that export, they need support to travel and tour in different countries and areas, both in Canada and abroad.

As you know, in the past two years, the cultural community has been subjected to a reduction in certain export support programs. That's why we would like to see this export support restored and even increased since in the past 50 years, through its cultural policies, Canada has greatly stimulated the creation and development of artists of international calibre who open a lot of doors within various territories. Even in terms of cultural diplomacy, we can develop markets. Whether we're talking about our large companies, Édouard Lock, Marie Chouinard, Cirque du Soleil, etc., when all these people tour, business people are very interested in presenting them to their future clients. Therefore, they do participate in the development of other economic sectors. So it's very important to pursue this, especially since our artists are invited to other countries. We must also establish a reciprocity program in order to invite foreign artists to Canada so that international exchanges can continue. Some day, we're going to have trouble touring abroad if we don't maintain well-oiled relationships among these various territories.

Mr. Robert Carrier: Thank you.

I will use the time I have left. How much time do I have?

The Vice-Chair (Mr. Massimo Pacetti): You have a minute and a half.

Mr. Robert Carrier: I'd like to use that time for Ms. Trudeau who was not able to make her presentation. I don't come from Vancouver, but I am sensitive to your cause. I think that it would be in our interest to hear you.

Ms. Marie Trudeau: Thank you.

Mr. Robert Carrier: I have a minute and a half left.

Mr. Daniel Paillé: Don't use it all up!

Ms. Marie Trudeau: I'm very pleased to appear here this morning. I won't make my entire presentation. I work for the Rick Hansen Institute and I'm a member of the board of directors. Major investments have been made in our institute. Our goal in creating the Rick Hansen Institute was also to pursue the work undertaken by Rick Hansen.

Our institute examines mostly best practices. To do that, we've developed a rather unique register worldwide to help people with spinal cord injuries across the country. This register lists all paraplegics and quadriplegics across the country. This is for the entire country. Centres of expertise send information about spinal cord injuries to a national data centre. We even hope that this will soon be an international data centre which will include China, Israel and the United States.

I support this cause and I'm asking you to continue to be our financial partners, for the well-being of individuals with spinal cord injuries.

● (1135)

The Vice-Chair (Mr. Massimo Pacetti): I'll give you 33 seconds. I'm sorry.

Ms. Marie Trudeau: When a spinal cord injury occurs, the consequences are catastrophic. People suffer and their families suffer. This is both physical as well as emotional, social and economic.

Resources indicate that health care in Canada for individuals with spinal cord injuries—those who are newly injured or those who are already in that situation—apparently represent a total cost of $3.5 billion a year. So if we can reduce the risk of paralysis, which is Rick Hansen's dream—a world where someone can walk even after a spinal cord injury—that will also reduce hospitalization costs and its consequences. Because at all levels, the consequences are major when you have a spinal cord injury.

We have achieved progress, both with the register, and with an interesting program—

The Vice-Chair (Mr. Massimo Pacetti): I will leave you with that thought.

It's Ms. Block's turn.

Ms. Marie Trudeau: Thank you.

[*English*]

The Vice-Chair (Mr. Massimo Pacetti): You'll have five minutes, Ms. Block.

Mrs. Kelly Block: Thank you very much, Mr. Chair.

And again, thank you all for being here and for your presentations.

My first question is for the Investment Industry Association of Canada, specifically to your second recommendation, to increase the contributions and deposit maximum limits for RRSPs and TFSAs.

In this past year, as we've studied retirement income security, I have come to understand that these vehicles are not being utilized by Canadians to the extent that we'd like them to be. I surmise from this recommendation that you believe that increasing the maximum limits would further incent Canadians to take advantage of them.

Is that correct, and why do you believe it?

Mr. Ian Russell: You're right, and it's for two reasons.

One is that the statistics look at the average usage across different income groups. Lower-income Canadians tend not to use them. In fact, Malcolm Hamilton, who has a high reputation with Mercer as an actuary, has indicated that in retirement, lower-income Canadians do better with the two pillars they have. Many middle-income Canadians don't take full advantage of the RRSP for lifestyle reasons, whereby you're in the process of family building and you make large outlays along the way for education and for a house. That would explain in part why some Canadians actually use their RRSPs to make those purchases, which at that time of their life is a priority. The people at the high end of the income scale always will use them up.

But the point I guess we're making is that the statistics belie a need to increase the ceiling. We've done some comparative analysis comparing the ceilings in the U.S. and in the U.K., which has a lifetime limit. We're just saying, given the economic climate, and the difficulties in saving with very low levels of interest rate to accumulate, and the financial crisis, that to the extent possible given that there are budget constraints, to raise those ceilings would be a good thing to do.

Mrs. Kelly Block: Thank you very much.

My second question is for GrowthWorks. You stated in your brief that fundraising has stayed flat during the past two years, at approximately $1 billion per year, and is substantially lower than in early parts of the decade. I thought you also made a distinct correlation between RRSP contribution levels rising and the annual maximum investments of $5,000 and the impact these have had on venture capital investment.

My assumption is that your recommendations would have a positive impact on fundraising efforts. If that is a fair assumption, what impact in terms of potential dollars could your recommendation have?

● (1140)

Mr. Thomas Hayes: Thank you.

Given the current environment in VC across Canada, and in fact across the globe, it's a difficult time, for all parties, to raise funds. However, if both measures that we're recommending—a return to the 20% tax credit and an increase in the annual contribution amount to $20,000—are introduced, we think we can raise at least another $300 million a year from retail investors in Canada.

I should have said in an earlier response to one of the questions that I think some folks feel a concern that if they were to introduce those measures and the thing became wildly popular, the cost to the treasury would be out of control. That won't happen, because most of the provinces who participate in this program have caps on the amount of provincial tax credit they are prepared to extend to investors during each fundraising season. Once those tax credits are maxed out, investors stop buying the asset class. So there really are some control mechanisms in terms of what can be raised in a given year.

Mrs. Kelly Block: I just want to clarify. You said $300 million?

Mr. Thomas Hayes: Yes. I also said that, from a deal-flow perspective, we see no issues in taking those dollars and investing them. In our case we focus on early-stage investments, and from our perspective that's really where the gap is in Canada.

Mrs. Kelly Block: I have just one further question. What were the levels in the early parts of the decade?

Mr. Thomas Hayes: Well, Quebec has always led the pack in terms of retail fundraising. I think in the province of Quebec they're still raising in the order of $800 million to $900 million a year. It's in the rest of Canada, particularly Ontario, where the fundraising has declined significantly.

Back in the mid-1990s, when they were raising more money than they could properly invest, I suspect that between Quebec and the rest of the country it was close to $2 billion a year.

Mrs. Kelly Block: Thank you.

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

I have just a couple of questions, and if we can keep the answers short, we can move on.

Mr. Russell, in your brief you're asking for capital gains to be reduced from a 50% taxable rate to a 37.5% rate. Capital gains are already getting favourable tax treatment. My philosophy would be to make the Income Tax Act a lot easier; just tax everything as regular income and lower the rate immensely so that everything is treated equally, almost like a flat tax type of mentality. What would you say to that?

Mr. Ian Russell: I guess my comment on that would be the slogan that was used at the Carter commission, which goes back 40 years now: “A buck is a buck is a buck”.

What we're trying to indicate here is that there are certain investments and certain income flows, certain capital gains, and particularly capital gains that carry risk, and to the extent they carry risk, there's a disincentive for someone to invest in those instruments, whether it be a corporate bond versus a government bond or a—

The Vice-Chair (Mr. Massimo Pacetti): Does the risk carry a benefit of 37.5% or 62.5%?

Mr. Ian Russell: I don't know. What I'm saying now is that the effect of capital gains tax is 25%, whether it's 20% capital gains tax or 22%. I'm just saying that to make it lower would provide an additional incentive to—

The Vice-Chair (Mr. Massimo Pacetti): But if you made it higher and taxed it at a lower rate, would that not do it?

Mr. Ian Russell: I guess it depends on whether you—

The Vice-Chair (Mr. Massimo Pacetti): If the ultimate result were the same—

Mr. Ian Russell: If the ultimate result were the same, you could change the inclusion rate and lower the tax rate. You're right, you could get to the same result.

[*Translation*]

The Vice-Chair (Mr. Massimo Pacetti): I'm addressing you, Ms. Jean. I'll be brief.

The last group of experts informed us about support for artists internationally, and I understand that you're in favour of an investment of $25 million.

Ms. Anne-Marie Jean: Yes.

The Vice-Chair (Mr. Massimo Pacetti): What organization would manage this program? The Department of Foreign Affairs?

● (1145)

Ms. Anne-Marie Jean: It could easily be the Canada Council, because it is often in contact with companies that need support abroad. These companies obtain financial support from the council for their creative endeavours. So the council has what I would call intimate knowledge of these arts companies.

The Vice-Chair (Mr. Massimo Pacetti): The danger is that these $25 million may already have been granted to the Canada Council. That's why this group of experts is not convinced that these funds should be provided to the organization.

Ms. Anne-Marie Jean: When we talk about an increase, we're certainly not talking about increasing the money that is already there. What we mean is to inject additional funds into the system.

In fact, the Canada Council's budget should also be increased in accordance with changes in the arts community. The Canada Council must have its budget increased to $300 million over the next five years. That's quite clear.

The Vice-Chair (Mr. Massimo Pacetti): I understand, but this is just to put it on the record as we say.

As a member of Parliament from Montreal, I see that a lot of money has been invested in culture in Montreal. You cited among others *le Quartier des spectacles* and other projects.

Does any money come from the federal government?

Ms. Anne-Marie Jean: Yes, there is money from the federal level in—

The Vice-Chair (Mr. Massimo Pacetti): Is this money that comes from the Canada Council? No?

Ms. Anne-Marie Jean: No. If we're talking about the *Quartier des spectacles*, we're talking about infrastructure so that's money for the construction of buildings.

The other files that I listed earlier are still upcoming. The funding has not yet been announced for the Lachine canal, Old Montreal, the Old Port of Montreal and the Bassins du Nouveau Havre. This money has to come later. We also have to continue to invest in—

The Vice-Chair (Mr. Massimo Pacetti): I don't see an amount. Is there an amount for the infrastructure program that you would like to see allocated to culture?

Ms. Anne-Marie Jean: In the infrastructure program, in fact, budgets are evolving for all these projects. That was the case for the *Quartier des spectacles* where the federal government invested $30 million.

The Vice-Chair (Mr. Massimo Pacetti): It's never clear. So we don't know if an amount should be allocated to sports, another to culture, another to roads and highways, etc. It's not clear. Sometimes, we ask for a little bit of flexibility, but other times we want it to be a little more rigid.

What's your position in this regard? Should there be a fixed percentage or amount set aside for culture in any infrastructure funds available?

Ms. Anne-Marie Jean: What's clear is that whenever infrastructure budgets are voted on, some money should be set aside for cultural infrastructure. In Montreal, investments were made in the *Quartier des spectacles* and revonations or refits of buildings, and there will have to be more.

However, I can't give you an exact amount right now, but we could send you this as additional information.

The Vice-Chair (Mr. Massimo Pacetti): There certainly should be some in my riding, in the Saint-Michel area, with its Cité des arts du cirque. That is why I asked the question.

[*English*]

Mr. Hayes, obviously we're always looking at return. If you recommend that we increase the credit from 15% to 20% and the maximum from $5,000 to $20,000, what does the government get in return? Are the companies that you're going to invest in, first of all, Canadian? Are they 100% Canadian?

Mr. Thomas Hayes: Yes, that's correct.

The Vice-Chair (Mr. Massimo Pacetti): Will they pay taxes? Most growth companies do not pay taxes. I would assume they pay payroll taxes. Is there a minimum?

Mr. Thomas Hayes: Yes, absolutely, and there have been a number of independent studies that have looked at the payback. The most recent one was done just recently in British Columbia. It hasn't been published yet, but I suspect it will in the next week or so. It shows some very compelling numbers in terms of the payback on income taxes to the federal and provincial governments, payroll taxes, and in job creation. These are numbers that will stand up to scrutiny.

The Vice-Chair (Mr. Massimo Pacetti): We just don't want to be financing self-operators and then be turning around. They get money and then they apply for R and D credits. That's the logic there.

Mr. Thomas Hayes: I understand. What it's really doing is taking opportunities that have been developed through the federal government's significant investment in R and D and commercializing those ideas. Many other countries have connected the dots to that in healthy, growing economies.

The Vice-Chair (Mr. Massimo Pacetti): This is to the shipbuilders. We don't have too many shipbuilders in the Montreal area, but we do have a port. What's the story about the accelerated capital cost? Isn't it something that the government has already put in place? Shouldn't you already be eligible for that? Why are you not eligible for the accelerated capital cost?

Mr. Andrew McArthur: A Canadian owner building in Canada is eligible for the accelerated capital cost allowance. The problem is, you cannot access, then, the structured financing facility. It's either/or.

● (1150)

The Vice-Chair (Mr. Massimo Pacetti): English.

Mr. Andrew McArthur: I've been told I don't speak either official language.

The Vice-Chair (Mr. Massimo Pacetti): Could you repeat that?

If you purchase a ship you cannot get the accelerated...? Or is it if you're the builder of a ship?

Mr. Andrew McArthur: The purchaser gets it.

You can get the accelerated capital cost allowance or the structured financing facility. You cannot get both.

The Vice-Chair (Mr. Massimo Pacetti): And the structural financing comes from where?

Mr. Andrew McArthur: Government.

VAdm Peter Cairns: Industry Canada.

The Vice-Chair (Mr. Massimo Pacetti): How do they control whether you get the accelerated capital cost?

Mr. Andrew McArthur: It's up to the owner. You can make either/or.

The Vice-Chair (Mr. Massimo Pacetti): Okay, I see your point. Thank you.

The Investment Funds Institute has a couple of good points. I think you make a good point in making sure that RSPs, group RSPs, and all those vehicles are going to be fairly treated. I think you had some questions already.

Go ahead, Mr. James Rajotte.

Mr. James Rajotte: Thank you, Mr. Chairman.

I want to follow up on the venture capital issue with GrowthWorks. Prior to the last budget there was a lot of pressure to change section 116 in the Income Tax Act. I'm wondering if you could comment on what impact that's had on the venture capital industry. If there are others who want to comment, please do so.

Mr. Thomas Hayes: Sure.

Well, first of all, it was a very welcome change. It was one that folks in the business have been working on for a number of years. It was positive in that sense.

It's a little early yet to determine the actual impact of the inflow of dollars, from the U.S. in particular. But one of the problems in attracting outside capital to Canada is that they look for local partners to syndicate deals with. The big challenge we have in Canada is that there are very few local partners who have capital to invest now. That is the issue, and we need to address that.

But certainly the changes to section 116 will help over the long term.

Mr. James Rajotte: Okay, thank you.

Mr. Russell, did you want to comment, or anyone else?

Mr. Ian Russell: I thought it was a good question that you asked. I was thinking about the budget change during Mr. Hayes' remarks, and I would agree with Mr. Hayes that it's probably a bit too early to assess the impact that change has had.

Mr. James Rajotte: I appreciate the presentations. I just want to raise the issue of some of the fundamental things that have happened over the last couple of years. I think relative to other countries we've weathered the storm fairly well, but we do have an increase in personal debt, which is a matter for concern.

One thing that is positive but that could have a better impact, if we understood exactly why, is that companies sitting on cash.... That's much more of a problem south of the border. Whenever I'm in the U.S., companies raise it constantly, that they're sitting on cash. I ask them why. They say it's because of uncertainty, that the economic times are very uncertain. They also point to some government policy as well.

So they're not spending, and obviously that's having some economic impact. This relates to the venture capital community, but it relates to investments in the economy as a whole.

Now, some of our analysts at the committee have said in discussions that it's true, this is a short-term problem, but also a longer-term problem for the Canadian and the U.S. economies.

As many of you as want to could comment on that particular problem and offer any advice you may have for addressing it.

Mr. Thomas Hayes: Well, in terms of the types of companies that we're funding, this is not an issue. They're not sitting on cash; they're seeking cash. They're cash-strapped, in terms of furthering their growth, so it's not an issue. But I get your point.

Mr. James Rajotte: But other companies are sitting on cash.

Mr. Thomas Hayes: Absolutely, more mature companies are, and usually the larger public companies, and that is an issue for sure, but not from the perspective of early-stage companies.

Mr. Ian Russell: I'd say a similar thing: the larger companies have come to the markets in the last two years and have tended to accumulate fair amounts of cash. Part of it is because of uncertainty, but I also think part of it is looking for opportunity as well.

Particularly when you're looking south of the border for acquisitions, you're waiting patiently, perhaps, for a better opportunity to make that acquisition, so in some cases the delay is strategic. But mid-sized Canadian companies and smaller companies are for the most part cash-strapped. There may be some exceptions, but by and large they don't have that problem. Certainly it's a very different situation from the one south of the border.

● (1155)

Mr. James Rajotte: Okay.

Are there any further comments on that?

The next issue I wanted to raise, if I have time, Mr. Chair, is that with respect to venture capital, the tax policy is typically raised, funding is raised.... People point to the BDC fund and say there may be challenges with that fund, but it's something the government should look at doing more and more.

I want to ask about knowledge, because specifically in the Alberta sector—I talk to the venture capital communities there—they say that one of their challenges is that someone presents an idea from, say, high tech or ICT or biotech, and they're folks who have made their money in the energy sector or in real estate, and they're sitting around a table and simply don't feel that they have the knowledge to invest in that different sector.

We had someone who complimented SDTC in the panel prior to this one, and people have complimented IRAP. I wonder whether you could address the knowledge issue as it relates to venture capital.

Mr. Thomas Hayes: Well, it is an issue. Having said that, if you have a stable of professional venture capital managers who have adequate funding, you tend to attract domain experts onto your investment teams. In the case of GrowthWorks, we have a group of professionals coast to coast. If I'm doing a life sciences deal in Atlantic Canada and I don't know much about life sciences, I can ask one of my team members from the Toronto or Vancouver office, where we have a significant portfolio in life sciences, to help out on the due diligence and the analysis and so on.

It's one of the issues you run into with angels who want to invest. Some of these entrepreneurs have been very successful in their own businesses and industry sectors, but they really don't understand IT or advanced manufacturing or clean tech.

So you really have to develop a cadre of experienced venture capital managers, and when we run out of capital, jobs disappear and you lose that expertise.

Mr. James Rajotte: So it's more of a challenge with the angel community rather than the venture capital one.

Mr. Thomas Hayes: Yes, that would be my sense. There are some pretty experienced VC managers in the country. Now having said that, there are a lot less today than there were a few years ago.

The Vice-Chair (Mr. Massimo Pacetti): Mr. Chairman, I'm going to have to cut you off.

Thank you to the witnesses. It's been a very interesting panel. Thank you very much for appearing. We have to set up for another panel, so the meeting is suspended.

Thank you very much.

●

(Pause)

●

● (1200)

The Chair: We will continue with our third panel here today.

We have six organizations on this panel. We have, first of all, Merck Frosst Canada Inc., the Professional Institute of the Public Service of Canada, the Canadian Retail Building Supply Council, the International Association of Fire Fighters, the Canadian Association of Mutual Insurance Companies, and the Canadian Federation of Independent Business.

You each have five minutes maximum for an opening statement, and we'll begin with Merck Frosst, please.

Mr. Christian Blouin (Director, Public Health Policy and Government Relations, Merck Frosst Canada Inc.): On behalf of Merck Canada, I would like to thank the committee for the opportunity to present today. My name is Christian Blouin. I am the director of public health policy and government relations for vaccines at Merck. I would like to speak today about the importance of federally funded vaccine programs.

In the last 50 years, immunization has saved more lives in Canada than any other public or medical health intervention. Vaccines have successfully eradicated smallpox, virtually eliminated polio, and substantially reduced the incidence of mumps, measles, rubella, diptheria, pertussis, tetanus, and influenza.

Vaccines have clearly been proven to be a cost-effective tool in Canada to prevent disease, reduce hospitalization and health care costs, and to alleviate suffering so that Canadians are free to live healthy and productive lives.

Under the NIS, the national immunization strategy, Canada has shown bold leadership in addressing the country's patchwork system of immunization funding and in promoting the adoption of new vaccines. Launched in 2003, the national immunization strategy has had tremendous success in achieving equitable access to newly recommended vaccines in Canada. The NIS has contributed to the inclusion of five new vaccines under the publicly funded immunization programs from coast to coast. As a result, twice as many Canadian children were protected against vaccine-preventable disease in 2006 compared with 2003.

We believe that Canada can build on this incredible success. This committee also has a history of supporting federally funded immunization programs. In its December 2006 report, this committee unanimously recommended that the government continue to allocate funds for the national immunization strategy and should establish a dedicated fund for future immunization programs and new vaccines. This committee should be applauded for its bold leadership in this regard.

In 2007 the federal government committed $300 million to support HPV immunization programs across the country through the NIS. With this federal support, HPV vaccination programs have immunized over 450,000 girls in Canada, preventing an estimated 56,000 cases of genital warts, 1,389 diagnoses of cervical cancer, and, more importantly, 617 deaths from cervical cancer.

Unfortunately, NIS program funding expired on March 31, 2010. We therefore are asking this committee to recommend that the Government of Canada continue to encourage the early adoption of new vaccines by reinstating program funding for the national immunization strategy.

This request echos the recommendation of the Canadian Coalition for Immunization Awareness and Promotion, a partnership of 20 national professional health, government, and private sector organizations, such as the Canadian Medical Association, the Canadian Paediatric Society, the Canadian Public Health Association, and many others.

One example of an illness that will benefit from continued vaccine funding is shingles, also known as herpes zoster. It is a disease that can cause debilitating pain, as well as pneumonia, hearing loss, and facial paralysis. Fifty percent of shingles cases in Canada each year occur in people 50 and older. Shingles take a significant toll on our health care system, accounting for over a quarter of a million physician visits, 2,000 hospitalizations, and an estimated $68 million in direct health care costs annually.

In 2008, Canada approved Zostavax, a vaccine indicated for the prevention of shingles in adults 60 and older. The demand for this shingles vaccine in Canada is high, with the majority of older Canadians willing to receive it and the majority of physicians willing to recommend it. However, it is currently excluded from public immunization programs.

We believe that Canada's seniors should have access to leading vaccine technologies that prevent pain and suffering. Shingles is only one example of this type of illness that would benefit from continued program funding.

We therefore respectfully ask this committee to recommend the restoration of NIS funding.

Thank you.

● (1205)

The Chair: Thank you very much for your presentation.

We'll now hear from the Professional Institute of the Public Service of Canada.

I understand that one of your members is sitting to my left here.

Mr. Gary Corbett (President, Professional Institute of the Public Service of Canada): That's good. It's always nice to meet a member. There's an election coming up, by the way. You might want to vote for me.

[*Translation*]

Mr. Chairman, distinguished members, thank you for your invitation today.

[*English*]

Our written submission to the committee addresses three areas: contracting out in the federal government, retirement security for all, and the state of public science in Canada.

My remarks to the committee today will speak to the first of these three items. However, I welcome questions on the other two.

[*Translation*]

I am speaking on behalf of 59,000 professionals who are members of the Professional Institute of the Public Service of Canada, a majority of whom work in the federal public service.

[*English*]

These dedicated professionals and experienced public service employees work basically in many areas of the public sector. They are the financial experts who regulate Canada's financial systems; auditors and tax specialists at the Canada Revenue Agency who recoup taxes from corporations; and engineers who ensure that our bridges and roads are safe and sound, and so on.

The Professional Institute believes that the scale of growth in government contracting out harms the public interest, wastes scarce resources, and violates the terms of the Treasury Board's own policies. We recommend that the Treasury Board provide clear guidance to departments on how to cut back on outsourcing.

We also recommend that expenditures on professional and special services not be permitted to grow faster than the government's total personnel costs.

The Professional Institute is committed to working with the government to look at ways of finding savings by reducing outsourcing costs. The Public Service is dedicated to delivering the highest quality of service to Canadians at the lowest possible cost. This fall employees are preparing to participate in Treasury Board's pilot employee innovation program, and the Professional Institute has proceeded with its own initiative to develop cost-saving proposals in the workplaces.

Canadians need an intelligent and creative approach to delivering high-quality services more efficiently and at lower cost. Yet the past approach has been to relentlessly squeeze departments' and agencies' finances. Budget 2010 froze operating budget envelopes for federal departments. It also introduced a government-wide review of administrative costs. The budget continues to rotate departments through strategic expenditure reviews extracting 5% savings each year.

At the same time, we are spending millions of dollars each year on externally contracted services that could be provided more effectively and cheaply in-house.

Outsourcing, particularly of personnel, is among the fastest growing budget areas. Let me explain. The growth in government spending on professional and special services, and especially temporary help services, has been more rapid than total personnel costs, particularly since 2005. A recent Public Service Commission study found that the expenditures on temp help services nearly tripled between 1999-2000 and 2008-09, twice the rate of growth of indeterminate employees' salaries. Managers were found to be improperly using temp help services to address long-term staffing needs.

In the PSC's own study, the majority of temporary help contracts were justified by too much work and too little resources. The misuse of temporary help services risks undermining our politically neutral, independent, committed, and professional public service. It is also wasteful.

Managers may find it convenient to avoid the lengthy delays associated with internal staffing processes, but this comes at a high cost. Constant vigilance is required to reign in fees and to contain associated costs. Actual costs are typically higher than specified successful bids, since the winning bid becomes a foot in the door rather than the final amount.

For example, a 2007 management consulting contract at Indian and Northern Affairs was originally intended to last two months and cost $29,000. After 13 revisions of the contract, it ended up costing $243,000 and spanning almost three years.

In another case, Transport Canada made six modifications to a $580,000 IT consulting contract that was meant to last 12 months. In the end, the contract lasted three years and cost just under $3 million.

As managers become more and more dependent on private staffing firms, knowledge and skills are transferred out the door to the private sector. Government can become increasingly reliant on a handful of private firms that provide the outsourced service. Departments and agencies become less flexible in responding to changing needs and technology, and firms are able to charge additional rates for changing technology and services.

● (1210)

[*Translation*]

Mr. Chairman and members of the committee, thank you for your attention.

The Chair: Thank you very much.

We will now hear from the Canadian Retail Building Supply Council.

[*English*]

Mr. David Campbell (Government Relations Representative, Canadian Retail Building Supply Council): Thank you, Mr. Chair. I'm here today as chair of the government relations committee of the Canadian Retail Building Supply Council, an umbrella organization made up of five of Canada's regional and provincial building supply associations. Our pre-budget submission is supported by the Canadian Hardware and Housewares Manufacturers Association, and a letter to that effect is contained in our brief.

The CRBSC and CHHMA represent 2,300 companies that in 2009 employed 75,000 Canadians and generated some $83 billion in sales. Members include all major aspects of the building materials, hardware, housewares, and lawn and garden products industries. The contents of our submission reflect the views of 451 companies that participated in our pre-budget survey this summer.

The foundation of that submission is our statement that “the housing market, including renovations, should be regarded as an economic driver capable of generating tremendous returns not only for wage earners and businesses, but also for governments at all levels.”

This is an observation that CRBSC has consistently made in its pre-budget submissions to the standing committee. It was forcefully confirmed by the Canada Mortgage and Housing Corporation in its 2010 *Canadian Housing Observer*, released in late September. It reported that household spending totalled $307 billion in 2009 and accounted for 20.1% of total GDP. A major portion of that total came from new home construction, renovations, and resales.

Our brief referred to the CMHC's May edition of its quarterly national housing outlook, which estimated 679,300 total housing starts and resales that year. That total was revised downward to 648,700 units in the August 30 issue of that publication. Estimates for total starts and resales for 2011 remained unchanged at 632,000. These projections are broadly consistent with the results of our pre-budget survey. Our submission states that the standing committee should recognize that the outlook for the housing market through the end of 2011 shows no signs of robust growth.

In its report to the House of Commons, the standing committee should emphasize that low interest rates and strong levels of consumer confidence are the key determinants of both a healthy housing market and overall economic growth.

Of our retailer members and our supplier members, 91% and 78.7% respectively reported that the home renovation tax credit had a positive impact on their companies. While not recommending a resurrection of the HRTC, we do suggest that the standing committee bear in mind that in the event of another general business slowdown, the HRTC was an existing model for creating activity in the housing market to the benefit of the national economy.

Our submission recommends that the standing committee support two measures that would prove beneficial to the housing industry. First, the withdrawal limit of the first-time homebuyers program should be increased and its principle extended to include residential repairs and renovations. Our pre-budget survey demonstrated clearly that financial incentives are the best way to motivate Canadians to become more environmentally friendly as well, with education being the second most favoured method. Our second recommendation is to emulate the success of the Energy Star program with other initiatives to facilitate environmentally responsible consumer behaviour.

Much has been made of the estimate that the budget will return to surplus in fiscal year 2015-16. Much less has been said about the fact that, as the summary statement of transactions contained in the recent economic and fiscal update show, the federal debt will increase by $107 billion to $626 billion in 2015-16. Our final recommendation, therefore, is that a contingency reserve of at least $3 billion be reinstated as a budget line item commencing with Budget 2011.

Thank you for your attention to my remarks. I look forward to discussing them further with you.

● (1215)

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

We'll now hear from the International Association of Fire Fighters.

Mr. Scott Marks (Assistant to the General President for Canadian Operations, International Association of Fire Fighters): Thank you, Mr. Chairman. I appreciate this opportunity to share our views on behalf of the 21,000 men and women who belong to the International Association of Fire Fighters in Canada.

There are two issues I'd like to raise with you today, both of them very important to professional fire fighters and our families, as well as the public we serve.

The IAFF has pursued the establishment of a national public safety officer compensation benefit for fallen fire fighters for close to two decades in Canada. We continue to pursue this benefit because we strongly believe there is a clear role for the federal government in ensuring that the families of fire fighters who die in the line of duty do not have to face financial hardship at the same time as they are dealing with their grief. It is a matter of dignity to the families.

What currently exists in Canada is a patchwork of line-of-duty death benefit provisions. A minority of local fire fighter unions in Canada have been able to negotiate a line-of-duty death benefit at the local level. Of these, only a handful provide an amount of compensation sufficient to assist the surviving family in the long term. Typically the negotiated benefit is two years' continuation of salary and benefits, which is enough to keep the surviving family in the family home for two years.

We believe Canadians would want better for the surviving family of fire fighters who have made the ultimate sacrifice while protecting the lives and properties of their fellow Canadians. The dignity and financial security of a fallen fire fighter's family should not be dependent on the uncertainties of the collective bargaining process, especially in a climate in which employers are more likely to attack such employee benefits than award them.

I urge you to recommend that the next budget include funding for the public safety officer compensation benefit in Canada. The benefit should apply to fire fighters, police officers, and other first responders who are identified under existing income tax regulations as members of the public safety occupation.

We propose an indexed benefit in the amount of $300,000 that would be paid directly to the family in addition to any other benefits that may be available, thus establishing a minimum level of financial security available to the families of fallen fire fighters equally across Canada.

In the past 10 years, an average of 13 IAFF members have died in the line of duty annually, and an average of 7 police officers. With these figures, we can estimate that the national public safety officer compensation benefit of $300,000 would cost the government $6 million annually. As you consider a benefit of $300,000, I note that the average age of professional fire fighters who are killed in fire ground accidents in North America is 43. If that fire fighter had worked until the age of 60 at an average salary, the family would have benefited from salary in the area of $1.5 million over those 17 years.

I'd ask you also to recognize the spirit of Motion No. 153, which was adopted in the 38th Parliament. This motion, which called on the Government of Canada to establish such a benefit, was adopted by a vote of 161 to 112 and was a clear indication that a majority of MPs, representing a majority of Canadians, believed this benefit should be established.

We're also asking you to recommend funding for the establishment of a national office for fire service statistics in Canada. The IAFF Canadian office in Ottawa receives calls on a regular basis from fire service and public safety stakeholders asking us for even general statistics about fire service and fire protection in Canada. They're shocked when we tell them these statistics don't exist.

Public safety advocates, the scientific community, equipment manufacturers all voice the need for national fire service statistics in Canada, but they simply don't exist. Statistics Canada compiles and reports comprehensive national crime and justice numbers annually. Health Canada tracks diseases such as H1N1 or the West Nile virus, thereby giving local health authorities the information they need to properly protect citizens. But no one is putting together national fire statistics for Canada.

Currently the fire data is the responsibility of provincial authorities. The unfortunate reality is that some provinces are years behind in their statistics at the provincial level. The provinces don't use standard reporting criteria, nor do they capture the full range of statistics we believe would be useful in advocating public safety. We believe there's a clear role for the federal government in this area.

I wish to add a final comment about the budget for pandemic planning, which is set to expire in 2011. Professional fire fighters, as front-line medical responders, are closely affected by elements of pandemic planning as they relate not just to fire fighter safety but public safety as well.

● (1220)

We are one of the many stakeholders who urge the committee to recommend a continued pandemic planning budget beyond 2011, to ensure that the Government of Canada is doing everything in its power to protect Canadians in advance of the next influenza pandemic.

I thank you again for this opportunity, and I welcome any questions you may have.

The Chair: Thank you, Mr. Marks.

We'll now hear from the Canadian Association of Mutual Insurance Companies.

Mr. Normand Lafrenière (President, Canadian Association of Mutual Insurance Companies): Good day. Thank you for inviting me here.

The Canadian Association of Mutual Insurance Companies represents 91 companies. They are property and casualty insurance companies, and they are also mutuals. They're mutuals in the sense that instead of being stock companies, they're owned by their policyholders. The policyholders decide the direction of the companies. They also get refunds at the end of the year if there is a surplus being generated by the company. They also direct their companies to make contributions to the communities they live in.

The total number of companies that we have generated $4.6 billion of sales last year, which is 11% of the Canadian market. The Canadian market is mostly foreign-owned. We represent 25% of the Canadian-owned Canadian market.

We have four issues that we'd like to bring to the table. First of all, the economic stimulus program is scheduled to be terminated by March 31 of next year. We would like that to be continued for sewer systems and roads and bridges.

There is also the 2012 review of the financial services legislation. In this review we would like to maintain the ban on banks selling insurance in their branches.

We would also like to see the government exercise more control over the level and types of fees charged by Schedule I banks.

And we would like the government to address the significant difference there is in the retirement benefits afforded to public sector employees as opposed to private sector employees.

Concerning the first item, sewer backup-related claims have increased significantly over the last 15 years. We went from an average of $5,000 per claim to $55,000 per claim. Because of that significant increase, claims related to water damage are now the number one type of claim we have in P and C insurance companies. The water damage related to sewer backups is partly due to the sewer system, which is deficient in Canada. The federal government has put $4 billion into the sewer system over the last couple of years. This has been added to the money spent by provincial as well as municipal governments. The total amount spent was about $12 billion. This is much less than what is needed, which is about $125 billion because of the deficit we have created in the sewer system.

The Bank Act will be reviewed in 2012. We have created in Canada a banking system made to be an oligopoly. We created it back in the 1960s, 1970s, and 1980s, when we protected our banking sector from foreign competition. Because of that, we now have a banking system that is very strong and can put in place basically whatever fees they want to see in place.

They got into the insurance business a few years ago and they would now like to sell insurance inside their branches. We're saying that if they were to be allowed to sell insurance inside their branches, they would have an advantage over the P and C insurance companies, one we don't have. What they want to do is get the client and explain to the client that they cannot only have a loan, but that the bank can also sell them insurance inside the branch. They want to be able to use the personal information they have on their clients to target their marketing of insurance products. And they want to be able to sell insurance on their banking websites. These are the types of advantages they want to maintain and to have in the future.

● (1225)

[*Translation*]

Moreover, the banks have recently introduced fees for receiving electronic transfers. These banking fees amount to $25 per company, for a total of $300 a year, which is an important revenue stream for the banks but a major expense for small businesses. They now have to pay fees in order to receive payment transfers, which used to be done at no cost.

We would like to see the federal government set limits: not only do we need to ensure that banks are solvent, but we also need to control fees, the type and level of fees, that banks can impose.

Finally, the current public sector pension plan is much more generous than what one finds in the private sector, generally speaking. It is something that we would like the government to look at. Thank you.

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

[*English*]

the Canadian Federation of Independent Business, please.

Ms. Corinne Pohlmann (Vice-President, National Affairs, Canadian Federation of Independent Business): Thank you for the opportunity to be here today.

With me is Dan Kelly. He will be assisting with answering questions.

CFIB is a not-for-profit, non-partisan organization representing 107,000 small and medium-sized businesses across Canada. They collectively employ more than one and a quarter million Canadians and produce about $75 billion in GDP. Our members represent all sectors of the economy and they're found in every region of the country.

Almost all businesses in Canada, about 98%, are small or medium-sized, and they employ about 64% of Canadians and produce almost half of Canada's GDP. They hold on to their employees, shedding far fewer jobs during the last two years than their larger counterparts, and they tend to be, typically, the first to create jobs during tougher times, helping to drive economic growth.

You should have a slide deck presentation in front of you that I want to walk you through over the next few minutes.

The past two years have not been easy, and many small firms continue to struggle. On slide 2 is CFIB's latest business barometer, and it clearly shows that optimism was at its lowest in early 2009 but steadily improved after that. However, this growing optimism has stalled more recently, as business expectations have been gradually decreasing since May, suggesting that the economy is moving into low gear. Unfortunately, this also seems to be translating into fewer new jobs, as more firms plan to decrease employment in the next few months than those who plan to increase it, as shown on the next slide. This suggests that many smaller firms are remaining cautious as they wait to see what happens in the global and local economies.

So how do you best address issues facing small firms and help foster their growth? Slide 4 shows the issues of highest priority for small firms in Canada between January and June 2010. Taxes, regulations, and government debt and deficits top the list, so our pre-budget recommendations are based on these priorities.

First, taxes. As you can see on slide 5, most small businesses want governments to stick to their current tax plans or cut taxes further. What is very clear here, though, is that governments should avoid increasing any taxes.

As you can see on slide 6, payroll taxes are the most important to address, as they have the biggest negative impact on job creation. Some progress has been made with the recent announcement of limiting the 2011 EI rate increase to 5¢. While we would have preferred to see this as a complete freeze, it is far preferable to what was originally planned. Now the key is not to add new costs to the EI system and to eliminate those EI programs that do not yield positive results.

We're also very concerned about threats to increase CPP and QPP, which is an even more significant payroll tax for employers, so we're opposed to seeing any increases at this time.

While we would love to see other significant tax cuts, we understand that the current economic situation may make this more difficult, so we recommend a number of smaller measures aimed at fostering job creation, savings, and investment. Those recommendations are listed on slide 7, and they include an EI hiring and training credit, similar to the Liberal's new hires plan in the late 1990s, which would provide employers with an EI holiday for any increase in payroll for a set period of time to encourage job creation; rather than increase CPP or QPP, government should treat RRSPs more like RPPs when it comes to payroll tax exemptions and income splitting; to encourage capital investment, we suggest a capital cost allowance measure that allows small businesses to expense the first $75,000 in annual business capital costs; and we believe tax treatment between publicly traded and private companies for share donations to charities must be equalized.

These are just some of the ideas that we have listed here, and we'd be glad to discuss others that we believe will not cost that much but will be of great benefit to smaller companies.

The next highest priority concerns government regulations and paper burden, which costs Canadian businesses more than $30 billion a year to comply. As you can see on slide 8, the cost of complying is more than five times higher for firms with fewer than five employees than it is for those with more than 100 employees.

So what can be done? As outlined on the next slide, we recommend that the Red Tape Reduction Commission announced in the last budget focus on making regulatory reform permanent by appointing a minister responsible and tabling legislation that commits to paper burden reduction targets and that places constraints on regulators, conducting ongoing measurement and publicly reporting progress on all this activity.

We'd also like to see follow-through on another previous budget promise to strengthen taxpayer fairness at CRA. We believe this can be done by following British Columbia's example, which allows taxpayers to get written responses to their questions and have those written responses honoured by CRA, even if they are incorrect.

Finally, small businesses are very worried about growing government deficits and debt. This is the fastest growing issue among our membership, because they know that if this is not brought under control, it will result in higher taxes down the road.

First, as you can see on slide 10, the largest group wants the government to eliminate the deficit in the medium term, preferably by 2015.

Next, they'd like to see government cut back spending, just as many of them have done over the last two years. As you can see on slide 11, 82% believe there should be spending cuts in government administration, including employee wages and benefits. In fact, we found that federal public sector employees, on average, earn 17% more than those in equivalent occupations in the private sector, and when benefits are added, this premium jumps up to more than 40%.

We're also alarmed by the ballooning unfunded liability in the federal public sector pension plan, which we understand is around $150 billion. As it is unclear how this will be addressed, we fear it will result in higher costs on those who cannot access such generous pensions down the road.

● (1230)

As you can see on slide 12, the CFIB recommends governments start addressing government administration costs by limiting public sector wage increases; requiring public sector pension plans to undergo the same disclosure and transparency requirements as private plans; increasing federal employee pension contributions to 50-50, as is the case in most provinces; and eliminating early retirement inducements.

We also believe you can look at cutting spending in some other areas, such as economic development agencies, as those are some of the areas from which our members don't necessarily believe they get a lot of benefit.

Small businesses are the backbone of Canada's economy and the heartbeat of our communities, so we believe the government's role is to foster their spirit and create the conditions that allow small businesses to grow into medium-sized and larger companies.

Thanks very much.

The Chair: Thank you very much.

We'll start members' questions with Mr. Szabo.

Mr. Paul Szabo: Thank you.

I'd like to engage the Professional Institute of the Public Service of Canada, particularly in relation to outsourcing.

The Auditor General has often reported about personnel issues, human resources issues, around departments finding it a lot easier and more efficient to get a human body to a desk by contracting people rather than by waiting for the process to go through. It's almost like an efficiency thing. I'm wondering if the point that's being made, or that you're suggesting, is that it's being driven by factors of convenience as opposed to economics.

Mr. Gary Corbett: Yes. We're of the view that it is being driven by factors of convenience. The staffing process does take a long time. However, although it's convenient, it still costs more money in the long run, so even if it's convenience, it's the processes that we have to look at and change. We have to make sure it's the best bang for the buck for Canadians.

Mr. Paul Szabo: Has the Auditor General opined on growing levels of outsourcing?

● (1235)

Mr. Gary Corbett: Yes, I believe the Auditor General has talked about it. I think it was mentioned in the Public Service Commission report.

Mr. Paul Szabo: Okay, and the government issued a response. What was the response?

Mr. Gary Corbett: I'm not exactly sure what the response was, to be honest.

Mr. Paul Szabo: Okay. Maybe we'll find out.

This question is for the CFIB. I'm always interested in them. CFIB works really hard to keep members informed of things, and you have, unlike many other presenters that we've had from time to time, provided some data. You put it on a table and it's there.

One of the last things you said under the recommendations had to do with introducing a taxpayer fairness code similar to B.C.'s. I have to tell you.... Is it a misprint? It says here, “allow taxpayers to get responses in writing upon request”. This is from the CRA, the Canada Revenue Agency. The next point is that the CRA must honour those written responses, even if incorrect. You put that under the title of a fairness code; I'm wondering whether fairness wouldn't be better served by making sure that we deal with correct information.

Ms. Corinne Pohlmann: That would be the ideal situation, but, unfortunately, at this point in time the inconsistency of responses that our members get from CRA leads them to feel nervous just calling and getting responses. The idea is that if they're doing their due diligence and they do something under the guidance of something CRA has told them and are then told later that it was the incorrect process or the incorrect way of doing it, they should not be penalized.

We want to set up a system by which taxpayers can ask for a response in writing, which is what British Columbia did. I can ask what I should do or how I should interpret something, and if I apply that and later on in an audit it's found to be incorrect, I'm not going to be penalized for it. That's really the basis behind that.

Mr. Paul Szabo: That's helpful to know, because the bald statement doesn't hold together very well.

Ms. Corinne Pohlmann: Fair enough.

Mr. Paul Szabo: You also have a chart here with regard to business opinion about the timeframe for the government to balance its budget—and boy, it's tomorrow. It should, but it can't.

One of the questions that has come up—and I'd be interested in whether the CFIB has a an opinion on it—is whether we should grow out of this problem by targeting available federal dollars into growth stimulus, at the risk of maybe curtailing social spending somewhat—if I could put it that way—until we get out of this mess. Where is that balance for you?

Mr. Dan Kelly (Senior Vice-President, Legislative Affairs, Canadian Federation of Independent Business): I'm Dan Kelly from CFIB.

I think our members have actually taken a fairly reasonable approach to getting us out of deficit insofar as I don't think there's an expectation that it's going to happen overnight. When we did some earlier surveying of our members in terms of the timeframe by which governments should come out of deficit, the timeframe the government put in place was viewed as being reasonable to our members as to the schedule by which we get out of that.

There are big questions on our members' minds, though, as to whether or not stimulus spending is necessarily particularly helpful. There were certain aspects of the package that I think our members did find helpful. Certainly the home renovation tax credit was viewed by many small businesses as a very helpful measure. The EI rate freeze was viewed as being quite helpful to our members as well. But I wouldn't say there's a huge appetite on our members' minds to increase or launch new stimulus spending programs at this moment as we come out of the recession.

In fact, our members are fairly hawkish right now. They're looking at what's happening in England. They're kind of wishing that the government were taking a more aggressive tack in cutting spending to get us out of the mess that we're in.

Mr. Paul Szabo: Very quickly, this is to the International Association of Firefighters.

I was involved with the PSOP when I became a member. We also had the CPP benefits earlier because of a motion I put through. So I am very sympathetic to the fact that fire fighters have a lower life expectancy naturally in their professions than in other professions. That's why they can get their Canada pension earlier.

A public safety officer, as defined, does not include paramedics, but you know they're first responders as well and may be at risk. Do you feel that the paramedics should be incorporated into the benefit program of PSOP?

● (1240)

Mr. Scott Marks: We certainly wouldn't be opposed to it being looked at. Whether or not the paramedics truly belong in the public safety officer envelope is something that should be addressed, and I'm sure paramedics are bringing that forward. We are not opposed to it, no.

Mr. Paul Szabo: Thank you.

The Chair: Thank you, Mr. Szabo.

Monsieur Carrier, s'il vous plaît.

[*Translation*]

You have seven minutes.

Mr. Robert Carrier: My question is for Mr. Blouin, from Merck Frosst Canada.

I listened carefully to your presentation, and I have looked at your document. You are making us aware of the importance of vaccination; I think that is a good thing. You mentioned a vaccine called ZOSTAVAX, which is excluded from the NIS, despite the fact that it has received approval from the National Advisory Committee on Immunization.

Mr. Christian Blouin: The NIS is the National Immunization Strategy.

Mr. Robert Carrier: It is for that strategy that you are asking for $100 million a year.

Do you understand why this vaccine has been excluded from the National Immunization Strategy?

Mr. Christian Blouin: In fact, that is a very interesting question. I have been wondering for years why we have to fight every year to promote the importance of immunization. After all, it is well-known —it has been demonstrated not only in Canada but throughout the world—that immunization is by far the most cost-effective medical method or intervention.

In Canada, regrettable decisions are often made. In this case, the NACI, the National Advisory Committee on Immunization, has made a recommendation in favour of this vaccine. However, there is always a time lag after approval. Health Canada and the NACI have given their approval. Then the provinces take their time to implement the recommendations. A simple reason is that they are short of funding.

I believe that the federal government has a role to play. We know that health is a provincial jurisdiction. But if there is one role that the federal government can play, it is to promote immunization, and the provinces all agree on that.

Infectious diseases cannot be detected in the hospital through the use of a scanner. Viruses travel; they do not recognize borders or barriers. We saw this with SARS, the threat of the West Nile virus and the pandemic. The Canadian government therefore has an important role to play in cooperation with the provinces.

The funding was not renewed in March 2010, in the 2010-2011 budget, and we believe that it is time for it to be renewed. And there is support from almost all medical organizations, in particular the coalition on immunization.

Mr. Robert Carrier: You represent a pharmaceutical company. You are talking about a vaccine that you developed. How many pharmaceutical companies are producing vaccines?

Mr. Christian Blouin: There are about five companies producing vaccines right now. I gave the example of ZOSTAVAX, but there are other examples as well. There is a vaccine against rotavirus. It is not yet funded, but it has been approved for four years already. It has received a favourable opinion from the National Advisory Committee. Moreover, the Canadian Pediatric Society has just recommended it. But there is no public funding yet for it.

To ensure funding for these vaccines, the provinces need some financial help, in my opinion. Other companies are developing vaccines, and a number of those will soon be ready. In Canada, we need to put a lot more emphasis on prevention. It is not an expense but rather an investment. It prevents hospitalization costs, saves lives and prevents the entire health care system from being overburdened.

Mr. Robert Carrier: We talk about competition in a free enterprise context. What does this mean in the case of pharmaceutical companies? Does each company develop its own vaccine and try to have it approved?

Mr. Christian Blouin: That is a good question. Some companies make unique vaccines, but others produce vaccines that are somewhat similar. Canada has a bulk purchasing system for vaccines. Public Works and Government Services Canada is responsible for procuring vaccines and it uses a tendering process for that purpose.

The competitive system in Canada is far from perfect. That is another debate. I can come back to that. That said, the system ensures that vaccine prices in Canada are much lower compared with those in the rest of the world.

● (1245)

Mr. Robert Carrier: How much time do I have left, Mr. Chairman?

The Chair: Two and a half minutes.

Mr. Robert Carrier: This question is for Mr. Campbell from the Canadian Retail Building Supply Council.

In your document, you talk about forecasts and the downturn that the home building sector will experience in the coming years, for various reasons. You cite the report by the Canada Mortgage and Housing Corporation. I am concerned about the lack of affordable housing in the country. This shortage is responsible for a lot of homelessness. People do not have the means to house themselves. That is a problem.

Do you feel that the Canada Mortgage and Housing Corporation, which has accumulated an $8 billion surplus, could play a more proactive role? According to the information that we have been given, the money in their coffers far exceeds what they need to deal with contingencies.

How you would like Canada Mortgage and Housing Corporation to use that surplus to stimulate the building of affordable housing, and by doing so, increase construction activity?

[*English*]

Mr. David Campbell: That's a good point. The CMHC certainly provides a lot of data on the construction of new homes. Whether it's CMHC or lower interest rates, we encourage the government, through CMHC, to stimulate new home construction, whether or not that new home construction is on the lower end for those who require housing assistance to buy a home.

Quite frankly, I haven't looked at that type of surplus and wasn't aware of that type of surplus at CMHC. If it's there, I would suggest that it could be a great opportunity to stimulate housing at the lower end of the housing market.

[*Translation*]

Mr. Robert Carrier: Thank you.

[*English*]

The Chair: Merci.

I have been asked to switch the order just a little bit. Mr. Brison has to leave, so he's requesting that we have the next Liberal round now. Then we'll go to the Conservative round, to the Bloc, and to the Conservatives.

Go ahead, Mr. Brison.

Hon. Scott Brison: I'm not certain that I need a full round, Mr. Chair, but thank you very much.

The Chair: I know that you're very loquacious.

Hon. Scott Brison: Nova Scotian politicians are rarely verbose.

Thanks very much to each of you for appearing before us today.

Mr. Corbett, good to see you.

I don't think every case of outsourcing is necessarily good or efficient, but I don't think one can say that the only reasons for outsourcing are matters of convenience. I think there are some cases where we can actually save tax dollars with outsourcing and still have the same service provided to Canadians. I'll give an example. When I was Minister of Public Works, one of the things we found is that our cost of managing our seven million square metres of office space—by the way, seven million square metres of office space would make us the biggest commercial landlord in Canada if we were private sector—was 20% higher than the private sector average, the BOMA average. Plus, we were terrible managers in terms of the buildings we had. I think the Department of Health was in a building that didn't have potable water. Every morning there was an exploding bag of something under my desk when I went into work from one of the buildings somewhere. Anyway, I digress.

The fact is, when we outsourced building cleaning, and it was done in two stages, it did save $70 million per year.

Would you accept that there are some cases of outsourcing where it's fairly clearcut that there are in fact savings for tax dollars and that there's nothing wrong with that if we can make a good case for it?

Mr. Gary Corbett: I think you're absolute right, there's a place for it. It's just when it becomes out of whack, when we see some of the examples that I've mentioned in the brief, it's obvious it could be better served by having a full-time public service person working in it.

There are legitimate uses for outsourcing, for sure, but it's a bit rampant.

● (1250)

Hon. Scott Brison: You're saying it has to be balanced. It can't be ideological; it has to be logical.

Mr. Gary Corbett: Absolutely, and if we didn't mention that in the brief, then I'm sorry.

Hon. Scott Brison: No, no, I appreciate it.

In terms of government spending, I'm very concerned about the size of government debt in Canada. We often compare federal government debt to government debt in other countries, and we often compare it to unitary states. But if we add provincial and federal together, in Canada the gross government debt as a percentage of GDP comes up to around 81.3%. To put it in perspective, the U.S. gross government debt as a percentage of GDP is around 82%. So it's around a point difference.

Our gross government debt, and I'm talking about federal and provincial and municipal combined, as a percent of GDP is worse than the U.K. We're all reading about the U.K. today and about France and Germany. I think sometimes we've got to give ourselves a reality check. I don't want to see us having to do what they're doing in the U.K. today, but part of me thinks that we have to start having an adult discussion with Canadians and stakeholders like the public service today to prevent that from happening in a few years.

Would you have some suggestions as to ways that we could cut the cost of government? Any of you? I know that doesn't sound popular, but I don't want to be in the mess that the U.K. is in and have to make those kinds of draconian decisions in a few years.

I'm in the province of Nova Scotia, which has a tremendously high debt. You're in the province of Quebec, which has a tremendously high debt. It's particularly acute in our provinces, but this is something we have to tackle. We have small business and the public service, and I think we're all united as citizens in this. So how are we going to do this?

The Chair: Mr. Corbett, you've got 30 seconds.

Mr. Gary Corbett: I won't take long. I appreciate that. My members are very concerned. Professionals are concerned. We're watching what's happening in other countries, including Britain and Greece.

For us, we need to proactively work with government and identify ways to help save money. Who better than the people who are inside? We've brought issues and concerns, and also solutions, to government. Public servants can represent the solutions. They're not being asked, and that's part of the problem.

The Chair: Thank you, Mr. Brison.

I want to follow up on that topic and address this to CFIB. I appreciate your information and your members' priorities as well.

I want to ask you about slide 11. It says, “If there were to be decrease in spending, what should the priorities be?” Government administration is 82%, which is more than double the next one.

That's the challenge Mr. Brison was alluding to that we face as federal parliamentarians. When I go back home, I think people are convinced that in Ottawa there's a huge department that's bigger than all the others and is called “Waste”, and that we should just cut it and then we'll be debt free here. The route is that you go through the budget, you go through the annual financial report. You have transfers to persons—primarily seniors' benefits and children's benefits—transfers to provinces for health care, education, social assistance, etc. Those are very low priorities in terms of what people would cut. You have interest on debt, which must be paid. You have National Defence, for which we're slowing the rate of growth. You have foreign aid, which we froze in last year's budget at $5 billion.

There's not a lot of wiggle room, frankly. I definitely respect what your members are saying about their having to make savings, but I think there's a sense—your members are Canadians in general—that the choices they themselves make are tough, but I think they think the government's choices are easier than the choices they make.

The former government made some tough choices in the 1990s but had some real impact in terms of them. I would like you to address that and perhaps give us some guidance about where you would actually further cut. I take your point, say, in section 12, but we're not going to be reaching a balanced budget by 2015 if that's all we're doing.

Do you have any further recommendations on where we should trim spending?

● (1255)

Mr. Dan Kelly: We do. I think we need to look at the how of delivering services. We've given some examples of a few areas of the what—for example, economic development agencies. It is my understanding that there are 100 communications officials at Industry Canada. Is that a necessary expenditure on the part of the Government of Canada?

I know that would be a drop in the bucket, but the bigger issue our members face is that compared with those in the private sector, salaries in general are dramatically higher in the public service than in the private sector. When you add pension benefits into the mix, they're ridiculously higher than what is available in the private sector.

Unfortunately, even recent decisions on the part of the Government of Canada are making the problem worse rather than making it better. I know how tricky it can be to deal with civil service unions, but we have provincial governments looking at wage freezes, and yet the federal government is looking at fairly decent wage increases in new civil service contracts that are being signed.

We need to start grappling with our debt and deficit problems and we need to start looking at how we are spending our dollars within the civil service.

The other thing we have to consider is the productivity issue. I think many of our members believe—and I have to admit I believe they accurately believe—that often in the civil service there are two or three people doing the job that one person might do in the private sector.

I want to say—

The Chair: We're still debating around the margins, aren't we? We are. You don't go from a $50 billion deficit by reducing the wages of public servants. You are not going to reach your balanced budget that way.

I guess I'm challenging you to say...if you want to give us some advice on how to get there in next year's budget, now is your time to do so.

Mr. Dan Kelly: Absolutely, and I will. One of the specific areas that we have focused on is looking at economic development agencies. Do we need a Western Diversification any longer? Are some of these new agencies that have been created worth the money that is being expended? I have to tell you, a lot of small businesses question whether there's any value whatsoever in some of the areas the federal government dedicates some dollars in.

You are right, some of the areas dealing with pension issues are not going to get us out of the glue tomorrow. But how long can we put off looking at civil service pensions and benefits compared with those of the private sector before we become Greece? This is the challenge our members are facing.

We ask that government take a much harder line in looking at public sector contracts, wages, benefits, and particularly pensions, in order to help get us out of the glue.

The Chair: Okay. I have two minutes, and I know Mr. Roberts is champing.... I want to ask about another issue, but if you want to address this one, please do.

Mr. Chris Roberts (Research Officer, Professional Institute of the Public Service of Canada): I just don't want to let the assertion go about the gap between private sector and public service salaries. The CFIB study has I think been generally discredited because it lumps together all occupations. It doesn't control for educational attainment; it simply compares groups of occupations and doesn't distinguish between professional, highly educated knowledge workers in the private and public sectors and the unskilled and semi-skilled.

In fact, studies that differentiate those occupations in the United States show that there is in fact a public service “hit”—that is, for professionals working in the public service. They tend to be paid less, because of all the bonuses and extra packages that exist in the private sector.

The Chair: Okay. I have another topic, but hopefully I'll have another round to come back at it.

I have Monsieur Paillé, *s'il vous plaît, pour cinq minutes*.

[*Translation*]

Mr. Pascal-Pierre Paillé (Louis-Hébert, BQ): Thank you, Mr. Chairman.

Thank you for being here. This is not my usual committee, but I will take a turn anyway. I find this very interesting. By the way, if the Conservative Party needs advice on where to cut or give funding, the Bloc Québécois provided an excellent report for its first pre-budget consultations last year. We will be pleased to give you another copy if you would like more advice.

I only have five minutes. I would like each of you to explain to me... Mr. Brison explained earlier that Canada and the provinces had an astronomical debt. We need to find new ways of doing things in order to get rid of the deficit.

Mr. Kelly, I believe that what is happening right now in Great Britain is worrisome.

Could each of you tell me very briefly—perhaps this is even in your documents—what measure or action you would propose to the government that would cost no money but would maximize an investment through an innovative change to legislation?

What would be the priority measure in each of your areas that would maximize a committed investment, or what legislative change, etc., would really improve Canada's finances?

● (1300)

Mr. Christian Blouin: I talked earlier about prevention. Obviously, prevention does have a cost, but it has been clearly shown that it is the most cost-effective medical intervention. It leads to cost savings. That is one possible way of reducing the deficit. Health care spending would decrease. There would be lower expenses for health care and other areas if we did a better job of prevention.

[*English*]

Mr. Gary Corbett: Where I come from, the professionals need to be part of the solution. Unions really have a bad name, in terms of the general feeling in society, but I remind you that the solutions are found on the shop floor sometimes.

There are some projects we're working on with departments and agencies to try to identify cost savings, and I think if we did that en masse across the public sector, we could really make a big difference in the situation the country is in.

[*Translation*]

Mr. Pascal-Pierre Paillé: Just one moment. I would like to be clear on what you are saying. Basically, if there was a questionnaire, a survey or a consultation involving members of the public service, a number of solutions would be found within the departments to enable the government to save money.

[*English*]

Mr. Gary Corbett: We have in fact come up with some solutions in the past and through working.... I point to one particular initiative in Public Works and Government Services Canada called “Get rid of it”. Management and union went through, working together, to identify basic wastes, and they were able to save time and money. So it can be done.

Mr. David Campbell: Our members are small and medium-sized businesses. Every day in the past year they've had to make extremely difficult decisions on employment, on managing their business. If they don't, they go out of business. They don't get money thrown at them because they were mismanaged companies.

We support, and many of our members are members of, the CFIB. They work hard. I talked to one of our members last week in northern Ontario. She's working 70 to 75 hours a week. She's had to lay off four employees. She doesn't know what's going to happen to the economy up there.

All we're suggesting is that the government has to make the same kinds of difficult decisions across the board. Yes, there are many professional people who should be well paid. Do you need as many? That's my point.

The Chair: You have one minute left.

Mr. Scott Marks: One of the things we've asked for here today is for the fire service statistics to be compiled through Statistics Canada. We believe the infrastructure and all the elements of that are clearly in place. It's more a matter of will to get the information out to the provinces and require the provinces to submit that information. That information would be invaluable to public health and various agencies could utilize it for public safety. That's an element we see that has all sorts of value-added to government agencies at little or no cost.

[*Translation*]

Mr. Normand Lafrenière: Our pension system, within the mutual insurance companies, is much less generous than what currently exists in the federal government. Despite that fact, our system is seriously underfunded. We are currently evaluating how much money would have to be injected in order to keep our system afloat.

We are fortunate to have a defined benefit program, but it is not fully indexed to inflation, like the federal government plan. Federal employees retire on average between two and two and a half years earlier than in the private sector, which creates a huge difference. A great deal of money is invested in the pension plan and is therefore not invested in the private sector. That difference is unacceptable.

[*English*]

The Chair: Very briefly.

Ms. Corinne Pohlmann: We believe one really low-cost way to make government more efficient and also enhance productivity is to deal with red tape and with paper burden and regulations. We believe we've given some strong ideas to the government on how they can start streamlining regulations and red tape at the federal level, and it can work at provincial levels as well. I think if we can focus on that, and start reducing some of that, we can probably bring more efficiencies to government and greater productivity to the private sector.

● (1305)

The Chair: *Merci*.

Ms. Block, please, for a five-minute round.

Mrs. Kelly Block: Thank you very much, Mr. Chair.

Thank you, all of you who came to present today.

I would like to make one quick observation for the Canadian Association of Mutual Insurance Companies. I believe our government has made a commitment that we will not allow banks to sell insurance even on their website. I believe we stand by that commitment.

My next question is for CFIB.

Our government understands that small and medium-sized businesses are the backbone of our economy. In fact, I think we're celebrating Small Business Week this week.

My colleague graciously reminded me that you just put out a report. I'm from Saskatoon, so I believe our cities ranked fairly well in terms of being a place to start a new business.

In the past year we have been studying pension reform, retirement income security, and we've heard other witnesses suggest doubling the CPP. That's something that some members of the opposition actually favour. I want to have you talk a little bit about one of your recommendations to not increase mandatory CPP premiums, but instead offer incentives to boost coverage among SMAs. I'm wondering if you would just tell us what you think some of those incentives would look like.

Mr. Dan Kelly: There's a variety of ways that can happen.

I have to say, to start, that we are quite concerned that Minister Flaherty has opened the door to increasing Canada Pension Plan premiums, together with Minister Duncan in Ontario. That is a huge concern to our membership. We've ratcheted down, I think with your help, the employment insurance premium increase that was scheduled for a couple of weeks from now, but we are quite alarmed that CPP could easily eclipse whatever benefit is provided on employment insurance.

Let's not forget, payroll taxes in Canada are going to be going up dramatically in the next few years. Workers' compensation premiums are going up across the country, governments have increased minimum wages right throughout the recession, EI is going up despite doing that at a lower amount, and CPP may increase if in fact the governments do go ahead with that plan.

We have put forward a variety of proposals. One that very few members of Parliament know about is the comparison between RPPs and RRSPs. If an employer puts money into the RPP plan on behalf of their employees, it's exempt from payroll taxation. If they put money into an RRSP plan for their employees, which of course is done by vastly more firms than for the traditional RPP plans, the RRSP payroll taxes have to be paid on top of the employer contribution to the RRSP plan. If you put in a few hundred dollars a month to an RRSP plan for your employee, you also have to pay EI, CPP, and workers' compensation on top of those dollars. You don't if you put that money into a registered pension plan. That is completely unfair, and particularly unfair to small businesses that can't even crack into regular pension plans.

That's one idea that we have put forward to address that problem. We have raised it with the Minister of Finance, and it does look like some discussion is going on about that very issue.

Our members do support some degree of voluntary expansion to the Canada Pension Plan program. The idea that we're most afraid of is, of course, a mandatory increase.

Mrs. Kelly Block: Thank you very much.

My next question is to the International Association of Fire Fighters. I want to refer to recommendation 1. Briefly, what would be the structure for administering this fund? In other words, would this be a nationally administered program? Could you tell me what you're envisioning?

Mr. Scott Marks: It would be a nationally administered fund. Currently deaths in the line of duty are recognized provincially by the workers' compensation boards. When the provision would meet the requirement—when it would be deemed to be an occupational death—the benefit would be paid, and it would be administered at the federal level, yes.

● (1310)

Mrs. Kelly Block: Thank you.

The Chair: Thank you, Ms. Block.

Go ahead, Mr. Szabo, please.

Mr. Paul Szabo: Mr. Kelly, one of the statements you made near the end was that you're grateful to the government for reducing the EI increase. Can you explain how that worked?

Mr. Dan Kelly: Sure. The premiums on employment insurance are going to be going up, and they're going to be going up big time.

Mr. Paul Szabo: How much were they proposed to be going up?

Mr. Dan Kelly: The maximum allowable increase, this year or any year, is 15¢ per $100 in payroll for employees and 21¢ per $100 in payroll for employers, because employers pay 60% of the cost of the program, while employees pay 40%.

Mr. Paul Szabo: And that was planned for January?

Mr. Dan Kelly: That was set for January 1 of this coming year. We mounted a fairly significant political action campaign, and the government did limit the increase to 5¢ per $100 for employees and 7¢ per $100 for employers.

There still is a payroll tax increase coming on January 1, and many of our members are of course going to feel that pinch when they're trying to increases wages or determine their staffing levels for next year.

Mr. Paul Szabo: The point is that the government made a mistake and they corrected it. We'll thank them for correcting the mistake of being too aggressive on this matter.

In any event, in your conclusions, one of your possibilities vis-à-vis EI performance is to eliminate or reduce programs not related to EI's core mandate. You haven't been very specific there. Why don't you put on the table a couple of things that you deem not to be in the core mandate and that could possibly be cut out of EI benefits?

Ms. Corinne Pohlmann: I can start with that. One of the areas that EI currently covers is training. It spends about $2 billion per year on training. That comes out of the EI account. Repeatedly, when studies have been done on how effectively that money is being used and whether the EI training dollars are actually helping people get back to work, the best that can be said is that there's maybe some moderate improvement.

We believe there are better ways we can use that $2 billion. In fact, that is one of the things that we think could fund an idea of an EI tax credit or an EI employment credit for hiring. It would allow employers a bit of a holiday should they increase their payroll over a set period of time. It would encourage them to hire more people and to train them. We think that going forward that's a more effective way to use training dollars than spending the $2 billion currently in the account.

Mr. Dan Kelly: I will add that right now about half of the spending in EI is not for benefits for the unemployed. It pays for all sorts of other things. Some have great value and are good societal goals, including maternity and parental leave benefits, fishermen's benefits, and a whole variety of pilot programs that are funded through EI. We're not saying that all those programs should be eliminated, but our members do question from time to time whether it is appropriate to pay for some of these Government of Canada social programs through a mandatory payroll tax and whether there could be other ways of funding some of them.

In addition to that, we think that a variety of pilot projects that EI pays for in the core EI spending area need to be further reviewed. Many of them were just extended by the Government of Canada in recent weeks, but there are a few that we think could be trimmed.

Finally, we are grateful that the opposition parties did take a bill off the table that had been put forward by the Bloc Québécois, a bill that was going to dramatically expand employment insurance benefits. The Liberal Party supported blocking that piece of legislation. We don't think there's any truck or trade right now for any dramatic expansion of employment insurance; unfortunately, some of our opposition parties have not been particularly helpful to us on that front.

Mr. Paul Szabo: Thank you. There is no question that everybody understands that changes to the EI plan that have been talked about are very substantial cost items, and it's probably not appropriate to even consider them at this time, given the overall environment that we're in. But the key is whether or not the program is meeting its core goal first. I'm not so sure on that one either.

So I think you'll see that we will probably continue to look at EI. As people float ideas, don't assume that they are dyed-in-the wool, committed to them, and that they're going to be in somebody's election platform. I think you have to carry on the dialogue.

Thank you, Mr. Chair.

● (1315)

The Chair: Thank you, Mr. Szabo.

We have a few minutes left. Mr. Paillé senior has a couple of minutes for I think the last comments for some discussion.

[*Translation*]

Mr. Daniel Paillé: Yes. I am sorry that I missed your presentation. However, it is impossible to be in two places and make two speeches at the same time. But I am sure that my replacement did very well.

We have heard a cry from the heart from the Canadian Federation of Independent Business. This is a lobby group that has the right to exist. However, do you not think that, if both the Liberal and Conservative governments have not cleaned out the till—$57 billion of employment insurance money was used for other purposes, and the current government is preparing to do exactly the same thing—if that money that belongs to entrepreneurs and employees had been available—I have spent my career among entrepreneurs and I know how much the premiums were—we could have increased, as the Bloc Québécois has suggested, employment insurance benefits and services without necessarily having to increase premiums? Do you agree?

[*English*]

Mr. Dan Kelly: I think we can certainly agree with the first half of your comment—

Mr. Daniel Paillé: Thank you.

Mr. Dan Kelly: —that it would have been far preferable had EI dollars not been taken out of the fund and transferred into general revenue for many years, and the problems that we're experiencing with employment insurance today would be far fewer if that had not been allowed to happen. There would have been a reserve built into the employment insurance fund that would have allowed us to ride out the recession very easily, had that not occurred. I think the decisions of the past have exacerbated the problem.

I will say that the current government took some very courageous and very strong, positive decisions when it separated out the EI fund and created it in a separate fund, protecting it from the general revenue of the Government of Canada. That was the right decision the government made; unfortunately the timing sucked. The problem is that it happened right before a recession, and therefore the fund was in great peril.

I will say that for a variety of reasons our members do not favour an expansion of employment insurance benefits, even quite apart from the premium issue. As we come out of the recession we're going to be facing a shortage of labour. We don't want to contribute to a problem wherein employees find it better to stay on unemployment than to get back to work.

[*Translation*]

Mr. Daniel Paillé: I would, however, invite you to consult the tables in the budget speech given by the Minister of Finance. Even though the government has created a new employment insurance bank, there is no doubt that it will have both hands in the coffers. I think that your position is clear and that you are saying that you do not believe that workers should benefit from improved services from the Employment Insurance Fund. We disagree on that. It makes for an interesting discussion.

[*English*]

Mr. Dan Kelly: Actually, on that front you're quite right. The employment insurance numbers do factor into the overall books of the Government of Canada, but we have strong assurance that the government is not taking those dollars and transferring them into general revenue. Of that part, we're very confident. Your larger point, though, about the appropriateness of the past actions is one that we raise as a concern.

But to your point, we have called on the government to reinvest those dollars that were taken from the past and put them back into the EI fund for the future.

[*Translation*]

Mr. Daniel Paillé: As Captain Bonhomme, the hero of a Quebec children's television show, used to say, "The skeptics will be proved wrong!." Thank you.

[*English*]

The Chair: Thank you. *Merci*.

I suspect that will be a very interesting discussion in our next election campaign, whenever that is.

In finishing up, I want to raise the issue that was raised by the Professional Institute of the Public Service with respect to Canada's losing its capacity to conduct science for the public good.

You state that since the 1990s, a disproportionate amount of federal government spending on S and T has gone to higher education. Government funding to higher education R and D as a share of GDP grew faster in Canada than in any other G-7 country between 1997 and 2005, but you're arguing that the funding has gone to our research universities rather than to the public service or to federal laboratories.

As you know, this is a very lively debate. In a decision taken some time back, prior to our government, perhaps some people took the view that the federal laboratories were not up to the standards of the universities and made a very conscious decision to fund research, especially basic research, through universities, rather than by increasing funding to federal laboratories or federal scientists.

It's a very active debate. I take your point on that. I believe AUCC will be here later on and will certainly present their view, and so will the G-13 universities.

I would like you to expand on this point and present your view on whether the government ought to prioritize federal funding for, say, federal laboratories as opposed to universities.

● (1320)

Mr. Gary Corbett: I've been speaking about this for the last 10 years, ever since the program reviews of the 1990s.

It's a matter of balance. It goes back to a matter of balance, and having the right balance in terms of those three legs of the stool you've probably heard me talking about in the press. You need the universities, you need the private sector, and you certainly need the government.

That government leg is growing shorter in terms of intramural research. It's out of balance. I think you have to bring some semblance back into that and make sure the departments and agencies have the A-base funding to continue—not B-base or C-base, relying on partnerships with corporations—to spur the innovation system. That's what we're talking about.

I could talk to you about a laboratory I just visited two days ago in Val-d'Or, which had been at 20-some staff and now is down to something like 11 staff. These are real. These are things that are happening across the country in federal government laboratories and right across departments and agencies. I see it all the time.

The Chair: What's your view of partnerships such as, say, the University of Alberta and the National Institute of Nanotechnology? You have NRC, you have the University of Alberta, you have granting councils. What's your view of a partnership like that?

Mr. Gary Corbett: That specific partnership I can't speak to. Improvement in partnerships is a good thing. It's good to have all parties at the table, but from our perspective, the amount that's placed into intramural departments and agencies has been lacking. It doesn't allow for scientific innovation at the departmental level. It relies too much on industry.

The Chair: When I was chairing the industry committee, I asked for an explanation of federal funding for S and T, and someone came in and put a chart on the wall about as big as that wall. It would take a Master's degree to explain to someone how we fund R and D in Canada. Do you think that's part of the problem? Is that part of the challenge?

Mr. Gary Corbett: Yes, it's an extremely complex question. You can look at it from a Master's or PhD point of view. You can basically boil it down. If you visit the laboratories and talk to the federal public servants, who are some of the best and brightest on the planet, it's how they're functioning, working with corporations and working with universities. We believe that you need more A-base resources in the intramural system itself.

The Chair: Well, we did that on our tour with both Manitoba and Saskatchewan, but they both took credit for creating canola. I'm not sure if you have an official position on that—

Mr. Gary Corbett: Maybe they were both involved.

The Chair: My time is up.

I want to thank all of you for being with us here today. In particular I want to mention that your recommendations in this panel were very specific, and we appreciate that as committee members. It helps us when we debate recommendations going forward.

If you have anything further to submit to the committee, please do so through the clerk. Thank you all for your time today.

The meeting is adjourned.

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