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Chair

Mr. James Rajotte

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• (1530)

[English]

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

[Translation]

Good afternoon everyone.

This is the 38th meeting of the Standing Committee on Finance. On the agenda, we have the pre-budget consultations 2010.

Our committee will hear from representatives of seven associations: the Canadian Museums Association, the Direct Sellers Association of Canada, Magazines Canada, the Canadian Urban Transit Association, the Conseil du patronat du Québec (Quebec Employers' Council, CPQ), the Heritage Canada Foundation and Imagine Canada.

I welcome you to the committee. You will have five minutes to give your presentations.

We will begin by hearing from the representative of the Canadian Museums Association.

[English]

Mr. John McAvity (Executive Director and Chief Executive Officer, Canadian Museums Association): Thank you very much, Mr. Chair.

We are very honoured to be here today to present to you on behalf of museums.

I would like to make note at the beginning that my presentation today will be more focused and a bit briefer than our brief was, as we have chosen to focus on one issue and one issue only.

To begin, I would like to refer to this committee's report from last year. During your consultations you made a recommendation that the government undertake a study of museum policy and funding. We very much thank you for this interest in Canadian museums and for this recommendation. It would be very useful to turn back to this recommendation to see what progress has been made.

I think we can begin by saying that Budget 2011 will be a difficult one in many respects. We recognize that it will need to strike a fine balance between spending and restraint as the government begins to address the deficit that has accumulated in fighting the recession. This will translate, we all know, into difficult choices in 2011-12 and beyond.

Today, we come before you with a creative and innovative proposal, which is basically how the Government of Canada can help museums to help themselves. We understand the fiscal context in which the government currently operates and in which Budget 2011 will be tabled. Accordingly, our input to this consultation is strategic, sensible, and practical, and our single recommendation is modest. It will provide an enduring self-reliance rather than greater dependence.

This committee may be surprised to hear words such as “strategic”, “sensible”, and “practical” come from an organization in the arts and cultural sector. You may even be shocked to hear the words “greater self-reliance” rather than “greater dependence” upon government from an arts organization. We are here today not to ask the government to fund art for art's sake or for entitlement support or to ask the government for a handout. We are here with an innovative initiative that could help reframe and redefine the relationship of the government with this sector. We are here today to invite the government to invest in a new program to increase private sector support for museums, to be called the Canadians Supporting Their Museums fund. This fund would match money raised by museums from the private sector on a dollar-for-dollar basis to an annual ceiling. We call for this to be a five-year pilot project with an annual budget of \$25 million.

This would be a wonderful case of museums working with the government, hand in hand in partnership, to increase private sector investments in museums and our long-term stability. We also think this initiative will be well aligned with other current areas of government, namely addressing the country's productivity and innovation gap.

Today, private donations to museums represent just 9% of their operating budgets. Despite a reduction in both individual and corporate taxes in recent years, donations to museums have not seen a substantial increase. At the same time, studies show that programs such as the one we propose, namely the Canadians Supporting Their Museums fund, are powerful incentives for existing private donors and non-donors to increase their donations to charities.

We need to create the right conditions for Canadians to donate more robustly to their museums and galleries, enabling museums to improve their earned revenues and their long-term stability. Our overall objective would be to increase private donations of cash and securities from 9% to between 15% and 20% of their operations.

From our studies, an impressive 45%, almost 50%, of Canadians are more likely to donate if a museum donation is matched by the federal government. Further, among those who have never donated, a full 35% are more likely to donate if there's a matching case.

We will be bringing this idea to Parliament Hill on November 23 in meetings with members of Parliament to celebrate Museums Day.

In conclusion, I would like to say that we believe this proposal is congruent with the priorities, productivity, and innovation set by this government, that this proposal is conceived in the spirit of greater self-sufficiency, and that it is designed to strengthen museums as important cornerstones to our society.

● (1535)

Thank you, Mr. Chair.

The Chair: Thank you very much for your presentation.

Next, we have the Direct Sellers Association of Canada.

Mr. Ross Creber (President, Direct Sellers Association of Canada): Thank you, Mr. Chairman, members of the committee.

On behalf of the 50 member companies of the Direct Sellers Association of Canada, which includes such well-known names as Avon, Mary Kay, Amway, and Tupperware, and the 900,000 independent sales contractors and employees across Canada, I want to thank you for the opportunity to participate in this consultation.

Direct selling companies and their independent sales contractors market a wide variety of products directly to the consumer, usually in the consumer's home rather than in a traditional retail establishment or other fixed place of business. In 2008, the Canadian direct selling industry recorded retail sales of \$2.2 billion, an increase of 11.5% over the previous five years, and contributed \$815 million in total national and local taxes.

The direct selling industry also contributes to community growth and improvement through its charitable donations, with member companies contributing \$7.7 million in 2008. Our independent sales contractors' sense of community is reinforced through their generosity to charities, with 91% of our direct sellers making personal contributions to charities that same year.

The direct selling industry provides accessible business opportunities to all Canadians without restrictions with respect to gender, age, education, knowledge, or previous experience. A 2008 socio-economic impact study found that 8% of ISCs were unemployed before starting their direct selling business. One-third of them maintained their businesses as a primary work opportunity or source of income. The balance used direct selling as a source of additional or secondary income, with 90% of the ISCs in Canada being women.

I think we can all agree that Canada's economy fared better than most during the economic downturn. Despite that, we are still in a delicate process of economic recovery, and many Canadians still find themselves either out of work or in need of additional income. With fewer full- and part-time jobs available, Canadians continue to look for other options to meet income needs, including direct selling.

The direct selling industry has met the needs of thousands of Canadians who find themselves in these difficult situations by assisting in and promoting entrepreneurial activity. Direct selling

offers flexibility of hours, training, education, and support for running a business. It offers a wide variety of earning situations and the opportunity of maintaining or returning to a meaningful and fulfilling standard of living.

The direct selling industry also has an unlimited capacity to transform individuals who are dependent on social programs such as employment insurance into successful, small business entrepreneurs. The DSA supports improvements to federal and provincial employment programs that encourage individuals transitioning from dependence on EI to independence.

For our part, the DSA has been working with officials at HRSDC to ensure that direct selling is recognized by HRSDC and the provinces as a legitimate form of self-employment, as it has been for many years by Finance Canada, the Canada Revenue Agency, and the Competition Bureau. We believe more needs to be done to communicate these messages to the provinces to ensure that there are no artificial disincentives to pursuing direct selling as a legitimate form of self-employment. The DSA will also engage the provincial ministries on this matter.

I should also acknowledge our industry's appreciation of the measures introduced by Minister Finley to extend EI special benefits to the self-employed. For many in our industry, these changes provide increased financial security and flexibility as they pursue their entrepreneurial goals.

The other item I will briefly address deals with the GST collection mechanism used by our industry. The GST direct sellers' mechanism, as we have stated during many appearances before this committee, is an example of government and business working in partnership to develop a policy that has been beneficial to both. The direct sellers' mechanism, enacted in 1991, is based on pre-collection and remittance of GST by the direct selling companies themselves on the suggested retail price, thereby removing a considerable burden from both the ISCs and the CRA.

Changes to the DSM in the 2009 federal budget made it available to the 20% to 25% of the industry that operates on an independent sales representative basis, as opposed to a buy-resell basis. We appreciate this committee's support for this important tax change and are pleased to tell the committee that companies have begun the process to enter the mechanism.

Mr. Chairman, members of the committee, we are an industry that touches the lives of Canadians from coast to coast to coast by giving them an opportunity to work, to learn, to prosper, and to grow. On behalf of the Direct Sellers Association of Canada, I want to thank you very much for this opportunity to appear before you today.

Thank you.

●(1540)

The Chair: Thank you very much.

We'll now hear from Magazines Canada.

Mr. Mark Jamison (Chief Executive Officer, Magazines Canada): Thank you, Mr. Chair. Thank you for your time today, everyone.

Magazines Canada is the national trade association representing the \$2.2 billion Canadian content magazine media. Our members create consumer, cultural, specialty, professional, and business media titles.

There are over 2,000 Canadian magazine titles in French, English, aboriginal, and other languages, in print and through a growing number of new digital delivery platforms. These magazines are based in all parts of Canada and are mainly small businesses. The industry creates work for 15,000 people. These are creative, good-quality jobs. When they buy magazines, Canadians spend more than 40% of their purchases on Canadian titles, so Canada's policy to help make Canadian content accessible is truly working.

I'd like to say that this success results entirely from the creative talent and acumen of the industry, but that wouldn't be correct. Effective federal public policy and programs have played a very important role. However, new technologies and the digital age are changing everything. We all know that policies and programs focused on yesterday's needs will not create the jobs and economic growth we need today and tomorrow. They must be designed for the digital economy.

Recognizing this, the industry worked with Minister Moore and his department to update the programs that invest in Canadian content development. The new Canada Periodical Fund is the result. Now in its first year of operation, the new program is well suited to the digital age, better targeted, and more efficient to administer. It helps to move the industry ahead from only supporting postal costs to a more flexible footing, where each magazine brand can tailor its editorial and delivery strategies to the needs of Canadian readers, whether it be print, digital subscription, mobile apps, digital tablets, newsstand sales, or other as yet undiscovered platforms.

The new Canada Periodical Fund, or CPF, is an effective new tool that Canada's magazines can use to manage risk and meet world competition in the new and evolving digital environment. Minister Moore and his colleagues have put in place a new program that will serve the needs of Canadian readers and promote Canadian content in the digital age.

The issue, from the point of view of planning for the 2011 federal budget, concerns the financial support. Magazines Canada urges the Government of Canada to maintain its commitment to the Canadian periodical program at a level of \$75 million per year for the next five years. This is not a call for increased support. This is the level of funding that has been in place for many years, and it is currently investing in about 925 magazines and community newspapers across Canada.

Over the past year, Minister Moore and the government have taken action to commit multi-year budgets for cultural programs. We applaud this approach. The predictability of these programs is

important to planning for magazines, too, particularly as they launch into new ventures to access readers online and through new digital applications.

We are confident that the new program over time, at the same budget, will deliver similar results. It will provide Canadian readers access to Canadian content on multiple digital platforms. It will promote development of digital applications and delivery systems. It will create new jobs and investment in the creative sector. It is helping now to create more Canadian content on multiple digital platforms and opportunities for our writers, designers and photographers to reach beyond traditional audiences at home and abroad.

We ask that you support our recommendation that this new updated program receive a multi-year commitment. We have provided the committee with our pre-budget submission, and we would be pleased to answer any questions.

Thank you, again, for your time today.

●(1545)

The Chair: Thank you for your presentation.

We'll now hear from the Canadian Urban Transit Association.

Mr. Michael Roschlau (President and Chief Executive Officer, Canadian Urban Transit Association): *Merci, monsieur le président.* Thank you very much.

Ladies and gentlemen, it goes without saying that public transit supports the access of Canadians to jobs, to schools, to shopping, and to recreation. But transit is also emerging as a key solution to economic competitiveness, urban congestion, clean air, and healthy living. The public transit industry fully recognizes the economic challenges we face today, along with the fiscal realities that governments must tackle in the coming years.

Nonetheless, it's now more important than ever that specific financial commitments to transit infrastructure are seen for what they are, a critical investment in the economy we must build for current and future generations.

[Translation]

A recent study has found that the total economic benefit of investments in Canadian public transit is approximately \$10 billion annually, which amounts to close to 1% of gross domestic product.

[English]

I only need to quote our Prime Minister, who last month stated categorically that improvements to public transit have a real, long-term positive economic impact. Indeed, according to the Prime Minister, of all the solutions, public transit is the best. It is one area where smart infrastructure investments can make a big difference. Well, needless to say, I couldn't agree more.

In addition, the transit industry directly employs over 45,000 Canadians and indirectly creates an additional 24,000 jobs. Canadians across the country have benefited significantly from key federal transit investment: the Canada Line in Vancouver, Edmonton's light rail extensions, GO Transit in Toronto, le Métro de Montréal, and MetroLink's bus rapid transit in Halifax, just to name a few.

But it's not just the big cities that have benefited. Small communities have also been able to expand and revitalize their systems with federal support, and that has meant an awful lot to those communities.

[Translation]

Clearly, Canadians have long been choosing to use public transit. This is borne out by the ever greater number of users and increase in ridership. Sustained growth needs to be matched with predictable and sustained investment.

[English]

Report after report shows that traffic congestion is costing our urban economies billions of dollars every year. CUTA's most recent national survey identifies transit infrastructure investment needs at \$53 billion over the next five years. About 70% of that can be covered from existing sources, which is much better than it used to be, but the question remains: how do we bridge the gap?

If we assume this investment might be shared equally across the three orders of government, it implies a federal portion of about \$6 billion of additional investment, admittedly at a time of extreme fiscal constraints, as I know all too well that we have to work on eliminating the deficit.

[Translation]

A strategic, dedicated investment can help cover the current funding shortfall. In its next budget, the federal government should develop a five-year timetable in which investments are scaled up in a way that takes into account the economic recovery. Under such a plan, investments would be more modest during the first year and build up progressively as the economy recovers and the deficit is reduced.

[English]

For over a decade, CUTA has pursued the idea of tax-exempt status for employer-provided transit benefits. This would level the playing field between transit and free parking and encourage employers to offer a choice between driving and transit. Many studies have shown the benefits are tangible and immediate, and at a relatively low cost.

Ladies and gentlemen, let me close with this. Recognizing that the future is shaped by long-term views and bold leadership, CUTA has

developed a 30-year blueprint for the future of transport in our cities and communities. We call it "Transit Vision 2040". It's a six-point plan that sets the course for public transit to maximize its contribution to quality of life.

The first of these points is the development of a Canadian transit policy framework designed in collaboration with provincial, territorial, and municipal governments, and with a long-term sustainable and predictable funding mechanism we can all move forward to build a better Canada. That way, ladies and gentlemen, we wouldn't need to come back to you every year with a new request.

Now is the time to be bold, now is the time to be leaders, now is the time to take action. The Government of Canada can respond and demonstrate leadership in this critical area.

Thank you very much.

● (1550)

The Chair: Thank you for your presentation.

[Translation]

We now move on to the Quebec Employers' Council or CPQ.

Mr. Yves-Thomas Dorval (President, Quebec Employers' Council): Thank you, Mr. Chair.

We are pleased to be able to share our recommendations with you. I will present a very brief overview of our concerns and suggestions for the next budget.

The Conseil du patronat du Québec represents employer associations from all Quebec industry sectors and most major corporations. With regard to the need to continue to curb growth in operating expenses in order to reduce the deficit and rebalance the budget, we believe that rebalancing the budget as quickly as possible is a top priority. In the 2010 budget, the government announced its intent to review all government programs and to reduce operating expenses for federal departments with a view to achieving that goal. We have congratulated the government on this initiative and encourage it to keep up its efforts in this area.

Now allow me to say a few words about health care spending. For the 2010 budget, the federal government's efforts were all the more impressive due to its intent not to touch transfer and equalization payments. Quebec counts on these payments to provide the health and education services under its jurisdiction. As you know, most of those expenses are paid by the provinces. As we look beyond 2014, we believe that the idea of linking transfer payments for health care to inflation and demographic growth is not the best way to proceed. Such a formula does not take into account the need for new therapies that may be more expensive in the short term, but cost-effective in the long term. The current formula completely disregards demographic distribution. It is common knowledge that health care costs rise as people get older, and the population is aging more quickly in Quebec than elsewhere in Canada.

Furthermore, the CPQ considers that the government should put an end to most stimulus measures, as laid out in Canada's Economic Action Plan. However, we strongly encourage the government to be flexible regarding the payouts for infrastructure projects that will not be completed by March 2011. Since these funds have already been accounted for, the deadline could be extended to June 30, 2011, on the condition that the work begin no later than December 31, 2010.

With regard to corporate taxation and payroll taxes,
[English]

The Quebec Employers Council would like to see the government follow through on its plan to reduce corporate income tax to 15% for 2012.

[Translation]

The corporate tax reduction would increase private investment, both domestic and foreign, which would enhance our productivity, create good jobs and improve living conditions for Canadians.

[English]

For a closer look at the financing of employment insurance, on September 30, Canada's Minister of Finance, the Honourable Jim Flaherty, announced new employment insurance contribution rates for the next three years. For employers, it represents an increase of 7¢ for each dollar of insurable earnings for 2011 and 14¢ for the following years.

[Translation]

Before EI premiums are increased, we believe the benefits of the EI program and its funding model should be reviewed. A more balanced cost structure, 50/50 employer/employee versus the current 60/40, is now more necessary than ever. If the government is not willing to institute this change, it should strongly consider gradually increasing its own contributions in order to keep employer contributions at a reasonable level, i.e., 40% employer, 40% employee and 20% government. Reintroducing government EI contributions is also justified by the government's decision in the past to transfer EI surpluses to the Consolidated Revenue Fund. Moreover, as we have often said, the EI program covers benefits that are more like fringe benefits and often have nothing to do with insurance.

With regard to training programs, the CPQ believes that the government should consider new ways to increase the effectiveness of funding for EI training programs. Part of these funds should be

spent on recognizing skills and providing training in the workplace. We also believe that the government should stimulate training by directing its funding to employers, for example, by creating an EI contribution credit for employers who offer training programs.

Turning now to business assistance, the CPQ believes that, within the same budget, the government should focus its business assistance efforts on structuring projects in the following four areas in order to produce effective results: projects to increase productivity; projects to create added value; projects to improve product or service marketing, especially in less traditional markets; and projects to improve environmental performance.

With regard to innovation, the government could implement fiscal measures, such as tax credits, and procurement policies to encourage marketing innovation and existing clean technologies in order to accelerate their implementation in Canada and their exportation around the world.

Finally, I would like to say one word about the national securities regulator: If it's not broken, don't fix it.

• (1555)

The Chair: Very well. Thank you, Mr. Dorval. I have a feeling that you will be getting questions on that issue.

[English]

We'll now hear from the Heritage Canada Foundation.

Ms. Natalie Bull (Executive Director, Heritage Canada Foundation): Thank you.

Mr. Chairman, distinguished committee members, thank you for this opportunity to present our recommendations.

The Heritage Canada Foundation is a national non-governmental charitable entity created as Canada's national trust. We believe that historic places are the cornerstones of community and national identity and the key to a sustainable future. We are seeking measures to stimulate private investment in the rehabilitation of historic buildings. This is truly work worth doing on many levels. Rehabilitation creates new jobs because rehabilitation is 66% more labour intensive than is new construction. Further, rehabilitation projects and the jobs they create have been shown to increase tax and tourism revenue and have a positive ripple effect in surrounding areas. Think of places like the Saint-Roch district in Quebec City, Edmonton's Old Strathcona district, or Toronto's Distillery District.

We also know that measures to encourage the rehabilitation of existing buildings will have important environmental benefits. The greenest building is the one that's already built. New construction, no matter how green, cannot compete with the environmental imperative of wisely using the buildings we already have. Yet rising land values and development pressure in urban areas encourage demolition and new construction, and many important historic buildings owned and operated by non-profit organizations are at serious risk due to lack of funding. We need measures that would assist and reward businesses that invest in existing buildings as well as measures that support the efforts of non-profit owners and encourage charitable donations.

Our first recommendation is inspired by special measures already in place in Canada to encourage private sector preservation of Canada's environmental heritage, namely Environment Canada's "ecogifts" program. In contrast, there is currently no tax measure to encourage private sector action for another type of national treasure, Canada's heritage buildings. In fact, the tax system contains powerful disincentives to preservation. For example, the GST new housing rebate favours demolition and new construction and does not accommodate the careful renovation of existing buildings. The unpredictable tax treatment of rehabilitation expenses can result in a variance of as much as 60% in a project balance sheet, a fact that deters investors. And worse, owners of income-producing properties, including houses and apartment buildings, can actually earn a federal tax deduction by demolishing those buildings.

Accordingly, our first recommendation is to introduce a federal rehabilitation tax incentive for heritage properties in Canada. Rehabilitation tax credits have been hugely successful in the United States for over 30 years. In fact, the U.S. historic tax credit program was introduced as an economic stimulus measure in the 1970s and has since leveraged over \$25 billion in private investment and created an average of 45 new jobs per project. There is broad support in Canada for such a measure, notably from the Federation of Canadian Municipalities and the Royal Architectural Institute of Canada. The cost to government of such a program can be managed through eligibility criteria and/or by setting ceilings on the amount of credit available per property owner.

Our second recommendation is to build on the success of 2009 funding provided to Parks Canada's national historic sites of Canada cost-sharing program. The cost-sharing program provided up to 50% of eligible costs incurred in the conservation of national historic sites. The program has stimulated private investment in a number of historic sites that will yield spinoff economic activity in addition to the construction costs incurred, sites like the Toronto Power Generating Station at Niagara Falls; the Atlas #3 coal mine in Drumheller, Alberta; and the Légaré Mill national historic site of Canada at Saint-Eustache, Quebec.

There has been very strong demand for this program, and the modest \$20 million made available is already fully committed. In fact, applications were received for over 200 sites, seeking a total of \$53 million in funding. Those projects, if they had all been approved, would have leveraged an impressive \$300 million in construction investment.

We recommend that government continue to fund this program with at least \$10 million to \$20 million per year, or even better to re-

profile it as a national heritage conservation endowment fund. This recommendation is inspired by the Canadian government's significant investment and cost-share funding for the land trust movement in 2007. It's also based on our knowledge of U.S. public-private partnerships, such as Save America's Treasures, established by the White House with seed money from Congress, and successfully attracting funds from individuals, businesses, and foundations.

● (1600)

In closing, I thank you very much for considering our two recommendations, which represent proven approaches to leveraging private sector investment and making heritage and older buildings the cornerstones of a sustainable economy. Thank you.

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

We'll now hear from Imagine Canada, please.

[Translation]

Mr. Marcel Lauzière (President and Chief Executive Officer, Imagine Canada): Mr. Chair, members of the committee. Imagine Canada is a national umbrella organization for Canadian charities and non-profits. These organizations work in every community across Canada, and in countries around the world, to help address some of today's most intractable social, economic, environmental and cultural challenges.

Charities and non-profits are a major economic resource. We employ 2 million Canadians and mobilize more than 12 million volunteers each year. We also contribute 7% of GDP—much more than, for example, the automotive or agricultural industry.

[English]

As Canada emerges from the economic challenges of the last couple of years, charities and non-profit organizations continue to be in the front line of responding to growing and changing community needs. However, like other economic sectors, our sector has been affected by the recession. Donations as well as government support from all levels have decreased. The pressure is on to further diversify our income streams.

In our brief we make three recommendations.

First, we recommend the adoption of a stretch tax credit that would apply to new and increased charitable giving on the part of individual Canadians. The proposal was endorsed by the finance committee here last year, and we hope it will receive serious consideration in the 2011 budget. The stretch tax credit would expand the donor base and help existing donors to give more by adding 10% onto the standard charitable tax credit for every dollar in excess of a person's previous highest donation level. It would apply from the first dollar donated, encouraging all Canadians from all walks of life, of all income levels, to stretch their giving. If someone, for example, increased their donation from, let's say, \$250 up to \$350 next year, they would get a 39% tax credit on that extra hundred dollars rather than the 29%.

We believe the stretch tax credit would lead to changes in behaviour and would be a better public investment than simply boosting the tax credit overall. This would be a powerful message to Canadians that anyone in Canada can actually be a philanthropist.

A vital component of adopting the stretch tax credit would actually be public education. Every year Canadians would be informed of their eligibility for the enhanced credit. This could be accomplished in a very similar way to the way we inform people of their RRSP contribution limits, and it would encourage Canadians to consciously assess and plan for their charitable giving. This would be, I think, a great step forward. The stretch tax credit is about building and strengthening the donor base for decades to come.

However, donations are not the most important revenue source for the charitable and non-profit sector. Self-generated income accounts for around half the sector's revenue. This is where our second recommendation comes into effect. We know that many organizations have great ideas about how to expand their entrepreneurial activities. However, they don't always have the expertise or financial resources to turn their good ideas into reality. The federal government already has a number of initiatives that actually help SMEs get off the ground. Assistance is available for everything from early business and market planning to securing capital and scaling up successful ventures. Programs such as the Business Development Bank, Community Futures corporations, and IRAP do excellent work with private entrepreneurs.

Despite the important economic contribution of charities and non-profit organizations—I would remind you, 7% of GDP—it is not clear why charities and non-profit organizations cannot get similar federal assistance. We therefore recommend that the federal government put social entrepreneurs and non-profit organizations on an even footing with other entrepreneurs. We're not asking for more money for business development programs, just that we be given equal access to these programs at a time when these are really needed. As I already mentioned, we are one of the largest economic sectors in Canada, and we believe that more can and should be done to support the sector.

Finally, we have a recommendation that is more technical and regulatory in nature, one that would reduce costs for charities without any significant costs to government. As things stand today, decisions by the Canada Revenue Agency to deny or revoke charitable status are subject to review in the first instance by the Federal Court of Canada. This is an expensive and cumbersome

process and moreover does not allow for the introduction of new evidence. It seriously limits charities' ability to appeal decisions.

• (1605)

[Translation]

Several years ago, the Joint Regulatory Table recommended that the Tax Court become the first level of appeal. This would be a much simpler, cheaper and more accessible way of doing business. The Federal Court would still be available as a higher level of appeal. We are recommending that this reform, which has already been examined and endorsed, be implemented. This would greatly strengthen the regulatory environment for charities.

Thank you, and I would be happy to answer any questions you might have.

[English]

The Chair: Thank you very much for your presentation.

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

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

To the Canadian Museums Association, with regard to the recommendation for creating this new Canada museum fund, which includes the \$25 million dollar-for-dollar matching, we're basically re-profiling existing funding envelopes.

Can you clarify how this re-profiling, including the matching, will affect other initiatives the museum association had that may not get the same level of support?

Mr. John McAvity: Presently the Department of Canadian Heritage offers a variety of programs, which are mostly individual, stand-alone programs. While re-profiling is an excellent word that you have used, our suggestion is that these programs need to be brought up to date. They are currently not meeting the needs of the museum community. The programs need to be refreshed and made more efficient. Many of them require great administrative burdens for reporting, let alone application processes. We believe there are opportunities to streamline the programs to make them more cost effective and efficient.

In addition, by bringing those together into a single portal, as it were, it will be much more user-friendly to museums and art galleries, and so on, across Canada.

We do make the recommendation for adding this new program to support private sector donations. Currently culture is at the very bottom of the heap of charitable giving in Canada. This is something we would actively like to change.

We think we can do it. Museums are well supported and looked to by Canadians. They are highly respected: 96% approval ratings.

We believe we have an opportunity that we would like to move on.

Thank you.

Mr. Paul Szabo: I'd like to ask you very briefly about the Young Canada Works program in museums. This is basically apprenticeship and summer jobs for young people, which is not in good shape.

How are we doing there, or what can we do? What are the dimensions of the assistance here?

Mr. John McAvity: That program is currently at a total of \$7 million, and it works very nicely. It is administered outside of government by third-party delivery, and it is run very efficiently at a 9.6% overhead, which is well within the blue ribbon report's recommendations.

One area of concern we have is that there's a component for internships for graduates of universities, and that program is over-subscribed. We are turning down 92% of the applications to that program.

Last year Mr. Flaherty added \$30 million in the budget for youth internships, which is wonderful news, but unfortunately none of that money came over to museums. That is a very big area of concern.

Mr. Paul Szabo: Thank you. That's extremely helpful. It's an opportunity....

I want to deal with direct sellers. First of all, thank you for all the years of coming to Parliament Hill. You are well known to parliamentarians. We've had an opportunity to meet so many of the people who are involved with the various selling groups. When you talk about employing 900,000 Canadians, full- or part-time, it's not insignificant, and it's much appreciated.

Your recommendation is a generic one, though. Is there anything specific you feel would enhance the progress you've been able to make in the past?

• (1610)

Mr. Ross Creber: Thank you for your very positive comments. It's always been our pleasure to be on the Hill to speak with parliamentarians.

I think you're right, it is generic. We're not asking for any funding. We're looking to increase awareness, especially within the provinces delivering the EI programs, so that direct selling is recognized as a legitimate form of self-employment.

We've worked through the minister's office to put that in place in the federal area, but we are going to have to do that on a province-by-province basis.

Mr. Paul Szabo: Thank you very much.

I have two minutes left. I want to skip over to Imagine Canada.

Your organization has been invoked by a number of groups that have already been before us on the stretch tax credit issue, which I think members are getting more familiar with.

As a result of all the feedback and discussions you've heard so far, have you got any more information about how this fits the equity it brings, and whether it's going to be the most strategic or effective way to promote first-time giving, or increase giving by those who give modestly?

Mr. Marcel Lauzière: We think it is an innovative measure. It's never been tried before and it's never been tried elsewhere. It is very

much about trying to change behaviour. We feel, for example, that if you were simply to increase the tax credit, it would cost government more money and you wouldn't see any more given, most probably.

I think this one here would be a real incentive and a way for us to get a message to Canadians of all income levels that they should be giving. I think it would make a difference for both first-time donors and people who have donated for a number of years, but perhaps could do a bit more. It has all kinds of indirect benefits, because we know that people who donate also get engaged in their community. So in that sense we think it would be a really important measure.

I guess the other thing I would reinforce is the public education aspect. If this were to go through, as I was saying in my presentation, CRA would have to tell each tax filer how much eligibility they have for this stretch.... That in itself, I think, would make it really enticing for people to start thinking and planning for their giving in the long term.

Mr. Paul Szabo: Very quickly, to the magazines, on the Canadian Periodical Fund, the request for...I guess the confirmation of...what is it, \$75.5 million of funding for a five-year period? What is the current situation there, and why are you asking for this?

Mr. Mark Jamison: The current situation is that funding is in place. It is the result of bringing together the publications assistance program, and the Canada Magazine Fund under one umbrella, called the Canada Periodical Fund. The challenge in the budgeting, of course, is that \$15 million of that is potentially at risk because it was put in as part of the economic action plan and not in the core funding.

So while it is a carry-over fund, it has been split into another pot, if you will.

Mr. Paul Szabo: Okay, but you're asking for the full....

Mr. Mark Jamison: We'd like to continue as per years gone by.

Mr. Paul Szabo: Thank you.

The Chair: Thank you, Mr. Szabo.

[Translation]

Mr. Paillé, you have the floor.

Mr. Daniel Paillé (Hochelaga, BQ): Thank you, Mr. Chair.

My question is for the CPQ representatives.

In my view, you have rightly pointed out—and this is not coming from socialists or communists, but from the Employers' Council—that health care transfers should not be linked to inflation, but to the needs of the population. You also indicated that Quebec had harmonized its sales tax, and that it should receive compensation for having done so. You are also being realistic with regard to the deadline for infrastructure work when you say that the deadline should be extended so that work as a whole can be completed. I therefore thank you for having raised those issues.

On page 4 of your brief, under business assistance, you raise a number of points, and at the end, you appear to be saying that the recovery is not even across Canada and that there are sectors that may be experiencing slower economic recovery than others. Is it exaggerated to say that, if business assistance were suspended because some sectors are more vigorous, then that might nip the recovery in the bud in the more vulnerable sectors that you mention on page 4?

• (1615)

Mr. Yves-Thomas Dorval: First of all, there is a question of principle. When the government implemented an action plan to address the economic situation, it did point out that its measures would be temporary. We believe that temporary programs should remain temporary. Once they have helped achieve the expected results, they should be terminated, and other programs devised. There are sectors or industries with different circumstances.

The forestry sector was not only affected by the recession; it faces a structural problem, particularly in Quebec. Therefore, with regard to the forestry sector, among others, and regardless of the fact that the economic action plan is winding down, we believe that it is important to give it special consideration. Forestry is a key sector because of the number of people it employs in Quebec and the impact it has on Quebec's regions, in particular the Mauricie, which has the highest unemployment rate in the province. The situation varies across Quebec; some regions are more deeply impacted than others. The same must be true in the other provinces.

Clearly, special consideration should be given to certain sectors, including the forest industry. The same goes for the aerospace industry. Rather than an immediate impact, the recession has led to longer-term consequences on manufacturers' order books, and the sector will need time to recover.

Therefore, some sectors are facing greater impacts. The question is not to have an overarching plan for all sectors, but to make sure that those industries that have been hit hardest or that face particular circumstances will be given special consideration in upcoming budgets.

Mr. Daniel Paillé: That means we should get rid of the one-size-fits-all approach.

As a parliamentarian, I always heed the words of the committee chair, and so I will ask you a question about item 7 in your presentation, which deals with the National Securities Commission.

A few days ago, the committee heard from Ian Russell, who represented the Investment Industry Association of Canada. I mentioned to him that his organization dealt with the International Organization of Securities Commissions, and that regulations and tariffs had been harmonized. I told him that he represented an industry that, for all intents and purposes, functioned very effectively in Canada. He answered the following:

[English]

"Our industry, I think, functions well."

[Translation]

You seem to share Ian Russell's opinion. That is interesting.

There is one point that bothers me. In the middle of page 5, you state the following: "Furthermore, we are very concerned about the negative impacts this move could have on Quebec's financial industry and economy."

Some think that those who do not want a single regulator are being facetious. But you go even further, and you represent the Quebec Employers' Council, which is not known for its socialist tendencies.

You talk about negative impacts on the financial sector. Could you elaborate on that please?

Mr. Yves-Thomas Dorval: Thank you.

In fact, I suppose that one of the intents behind that project is to address the concerns of foreign investors who find the Canadian system a bit complex. The Canadian financial sector has an excellent reputation. I do not think we need to wage a campaign to convince anyone about that. Furthermore, it is a fact that Quebec, and particularly Montreal, employs many people in the securities industry. There are many high-level jobs that pay very attractive wages. Those jobs very often depend on the proximity of decision-making centres, particularly in the securities field.

We think that Montreal's financial sector, and particularly as it relates to securities, would be affected. That would be especially true for high-value jobs. I do not think that an economy such as Montreal's can afford such a loss without a very significant value-added component.

• (1620)

Mr. Daniel Paillé: You therefore consider that the proximity of the decision-making centre is a very important factor. The fact that Montreal has its own such centre is a key point. Replacing that with a virtual Canadian regulator would not work.

Mr. Yves-Thomas Dorval: Based on what we have heard from many people and organizations in the sector, the project does not represent much added value, given that the system operates effectively.

Mr. Daniel Paillé: Thank you.

The Chair: Thank you.

Mr. Gagné, you have seven minutes.

Mr. Bernard Gagné (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, CPC): Thank you, Mr. Chair.

Good afternoon to you all. My questions will also be for Mr. Dorval.

On page 3 of its document, the CPQ recommends the following: "The CPQ recommends that the government maintain the corporate tax reduction plan it announced (15% in 2012) in order to ensure that Canadian businesses are fiscally competitive."

You talk about creating good, quality jobs. Have you surveyed your members as to how many jobs could potentially be created by that measure, once it is completely implemented?

Mr. Yves-Thomas Dorval: I will turn the microphone over to my colleague Norma Kozhaya, the CPQ's Director of Research and Chief Economist.

Ms. Norma Kozhaya (Director of Research and Chief Economist, Quebec Employers' Council): Thank you.

It is difficult to put a figure on the number of jobs lost. There are more estimates with regard to the impact of payroll taxes. Concerning corporate taxes, we know that Canada is seriously lagging in terms of productivity and private investment. With regard to that decision, taxation is a key factor. We consider that more competitive tax rates would allow us to attract a greater number of private investors, both domestic and foreign. Therefore, these investments will help improve Canada's productivity and create high-quality jobs.

Mr. Bernard G  n  reux: You have not so far been able to compile data related to the implementation of that measure up until 2012. I would remind you that we are currently facing criticism with regard to that measure. Some people are telling us not to go ahead with that policy and rather, to invest more in social programs. We are all for doing both things at the same time.

Mr. Yves-Thomas Dorval: In fact, we have not conducted a complete assessment. That might be something we could do. Nevertheless, our analysis of Canada's economic situation very clearly suggests that we must attract more private investment.

During the recession, governments invested massively to ensure that the Canadian economy would recover quickly—which is the case. However, that relatively good financial outcome is due to public investments. We have to find all the means necessary to foster private investment.

We believe that we must be very bold in 2011 in order to increase private investment in Quebec. That is the only way for us to be competitive and ensure long-term progress.

Mr. Bernard G  n  reux: I have another question, this time dealing with EI premiums.

I would like to hear your comment on the pilot projects that were implemented during the recession, as part of Canada's Economic Action Plan. In particular, what do you think of the pilot projects that we recently extended for eight months? You make no mention of that in your brief.

Ms. Norma Kozhaya: Are you referring to a pilot project in particular? Is that the one providing the five additional weeks?

Mr. Bernard G  n  reux: I am referring to the 5 additional weeks and 14 best weeks, for example.

Ms. Norma Kozhaya: With regard to the five additional weeks, we think that that is a good temporary measure. However, we do not think it should be made permanent. You also have to consider incentives to get people to return to work, because we are headed toward a labour shortage. That is the reason why we need workers.

As for the 14 best weeks, we see that quite favourably, because it more effectively rewards work.

Mr. Bernard G  n  reux: Moving on to innovation. You say that the government should continue to make free trade agreements. I think that you would agree that the Conservative government has taken major steps toward that goal.

Could you elaborate on that a bit further? Your brief only contains one short sentence on the matter. In your view, what are the direct, positive impacts for Canada?

• (1625)

Mr. Yves-Thomas Dorval: I would like to speak more particularly to the negotiations that are underway with Europe. Needless to say, our market is small compared to Europe.

As you know, Canadian and particularly Quebec exports are targeted to certain U.S. states as well as the Canadian federation. However, there are far greater market niches and opportunities in Europe. Such an agreement would allow us to further diversify our export and commercialization targets.

The agreement that is being discussed is not limited to free trade, it also includes issues related to labour mobility. That is something we intend to come back to regularly and drill into people's awareness. With its aging population, Quebec is in great need of a specialized, high-quality labour force. We have no other option but to open our borders and welcome a greater number of skilled workers. Europe has the people we are looking for.

Some European countries are saying that they do not want any Polish plumbers. We want them.

Mr. Bernard G  n  reux: I would like to announce that Canada and the Ukraine signed an agreement yesterday on labour mobility.

I would like to come back to the issue of the securities regulator. You have just stated that Europe is huge in comparison to Canada. That is not only the case with Europe but also in comparison with the rest of the world. Yesterday, I was watching the television show *La semaine verte*. I learned that 60% of the world's population lives in Asia.

Would you agree that we need to cooperate? You speak of innovation and the need to strengthen interprovincial ties. Why not have a single voice for the securities industry? There are only some 30 million or 35 million Canadians. Should we not work in closer partnership and speak with a single voice?

Mr. Yves-Thomas Dorval: First of all, that does not appear to be a priority in the current economic context. I think that Canada has an excellent financial reputation. Decisions were made at an early enough stage. We have weathered the recession better than others. That said, I do not think we can gain much from that.

Canada's existing system is functioning. That is why I said if it isn't broken, don't fix it. Given the priorities, if people in the securities sector have a good working relation with one another and are managing things quite effectively, then it is not necessary to create such an impact on Montreal's sector and its well-paying jobs.

Mr. Bernard G  n  reux: Have you read or heard that the city of Montreal would be put at a disadvantage as a result of this project?

Mr. Yves-Thomas Dorval: If there were a single securities regulator, there would have to be a single decision-making centre. I would agree if that decision-making centre were to be in Montreal, but I will applaud that when I see it.

[English]

The Chair: I think we're going to put it in Edmonton, actually.

[Translation]

Mr. Mulcair, you have the floor.

Mr. Thomas Mulcair (Outremont, NDP): Thank you, Mr. Chair.

The representative of the CPQ is demonstrating why he bears his middle name. Like me, he doubts that the government has any intention in that sense, and I cannot blame him for that. However, I will pick up on that and allow him to conclude his remarks on that issue, because we are of the same mind.

Each time it could, the NDP has voted against a centralized securities regulator, and the reasons for that are very simple. First, that does not respect the 1867 Constitution on which our Confederation is based. Second, that would gut one of Montreal's key sectors, because it is obvious that the Conservatives have no intention of locating that centre elsewhere than in Toronto. Third, as has just been indicated, our system functions effectively. So we do not need to fix what is not broken. I want to congratulate and thank you for that.

I do hope that the Liberals have been listening, because they have consistently voted for greater federal centralization. We know that the Liberal Party is the grand old centralizing party. Furthermore, Liberals are now hiding behind the referral of the case to the Supreme Court. All the same, their vote on this key file has been recorded.

Mr. Dorval, I would like to come back to your point no. 6. When you say that you would like to see governments implement fiscal measures, for example, tax credits, and procurement policies to encourage marketing innovation and existing clean technologies in order to accelerate their implementation in Canada and their exportation around the world, I imagine that by “clean technologies”, you mean “green technologies”, or next-generation jobs.

Could you elaborate further on the issue and contrast it with what the Conservatives have been doing since coming to power, as you know, and implementing across the board tax cuts, regardless of the sector? In our view, that supports the most profitable corporations, while excluding Quebec and Ontario manufacturers, for example, and forestry companies in British Columbia.

• (1630)

Mr. Yves-Thomas Dorval: Thank you for your question, it is quite broad.

First, the Quebec Employers' Council is non-partisan. We do not support one party more than any other.

Mr. Thomas Mulcair: No, of course not.

Mr. Yves-Thomas Dorval: We applaud decisions, recommendations or suggestions made when they contribute to ensuring Quebec's prosperity, because we represent Quebec employers first and foremost. That is what interests us in all this. We are not partisan and have no other motives.

That said, with regard to innovation and clean or green technologies, it's quite simple. We believe that, particularly in Quebec, and certainly in other parts of Canada, there is an extraordinary potential for innovation and an interest in issues

relating to green or clean technologies. We have a potential pool of development in such types of innovation.

However, to ensure that projects are viable, they need to be marketed. In order to market them, we need showcases first of all. So we need to be able to demonstrate the potential of such technologies, the results they provide and the possibility of marketing them to prospective clients. I believe that, in Canada, and particularly in Quebec, we are very well positioned to further develop this market, and it should be encouraged.

Furthermore, to present a showcase, we no doubt need to consider the possibilities of providing assistance, both through tax credits and the presentation of such technologies. Be it in the area of transport—we have colleagues from public transit here—an area in which we can borrow from Quebec's extraordinary solutions, or be it in the area of aviation, community development, rail, buses or even cars. These are very important elements, and in Quebec, I believe that we have the ability to achieve a very strong consensus in this area.

With regard to tax or other programs, it is important, however, to mention that we believe that the government is providing enough funds. We don't want to create new funds or additional credits. Instead, we would like some funds or programs to be rescoped in order to ensure the latter are funded without increasing the bill.

Mr. Thomas Mulcair: You are alluding to Mr. Roschlau and his organization. In fact, public transit is part of the solution.

Now I would like to talk to the representatives of Imagine Canada. Quite recently, I had the opportunity to speak with Mr. Lauzière. I would like him to provide us with more details on something that we feel is extremely important. We are working on it and no doubt you will soon hear an official announcement from us about this which will be quite favourable to your proposal which we support.

I would like you to take the time, within the limited time at your disposal, to clearly set out the context for this extension, what you are calling the extended tax credit. In your brief, you are sending two messages and I would like to give you the opportunity to clarify what you mean in this regard.

First, you say that incentives “would help place charities on a firmer financial footing.” So, you are talking about charities as such, which is a possible goal. Next, you say that the proposed changes “would have a sustained impact as charities of all sizes and rural, urban and remote communities would benefit from this joint government-citizen investment in quality of life.”

Am I to understand from this that Imagine Canada would like to see—it's in another chapter, of course, but in keeping with the conversation we've just had with Mr. Dorval—to see the government adopt a guiding vision and try to better guide charities operating in areas that might lessen the burden on the state, in other words providing direct services to the public?

• (1635)

Mr. Marcel Lauzière: Absolutely not. We strongly recognize the importance of the state, which is to ensure the provision of services; there is no doubt in that regard. In reality, however, in many cases, charities do pick up the slack.

Mr. Thomas Mulcair: I'm not sure that I understand correctly. So I'm going to try to be more specific.

What I wanted to know was whether you were telling us about your wish for us to better identify the goals and charities that could benefit from this stretch tax credit.

The Chair: Thank you—

Mr. Marcel Lauzière: No, I don't think that this is at all—

Mr. Thomas Mulcair: Do you want it to be applied in the same way for everyone?

Mr. Marcel Lauzière: Absolutely. The stretch tax credit seeks to strengthen the quality of work being done by small and large organizations, and their ability to do their job wherever they may be in Canada, be it in urban or rural regions.

The Chair: Thank you, Mr. Lauzière—

Mr. Marcel Lauzière: Over the past few years, we have done a lot to help philanthropists in Canada give more and this has had significant consequences.

The Chair: Thank you very much—

Mr. Marcel Lauzière: The message we are trying to send with the stretch tax credit is that incentives must also be created to ensure that the average Canadian can become a philanthropist and help small and large organizations.

The Chair: Right. Thank you very much, Mr. Lauzière.

Mr. Brison, you have the floor.

[English]

Hon. Scott Brison (Kings—Hants, Lib.): Thank you.

I have a couple of questions, and then I'll turn it over to my friend and colleague, Mr. Pacetti.

The first question I have is to the museums and Mr. McAvity.

You mentioned a Young Canada Works program to encourage more young Canadian students to work in museums for summer jobs, for instance, and I think you could emphasize that more. We're facing a real challenge around youth unemployment right now. Last summer, student unemployment was the highest it's been in a long time, and it's something the committee takes very seriously.

I guess this is a comment rather than a question. But I really think that recommendation should almost receive greater emphasis, because a lot of us would find it compelling to increase and strengthen funding for young Canadians to have access to summer employment during these difficult times.

I have a question to all of those representing the philanthropic sector. How effective has the elimination of the capital gains tax on gifts of publicly listed securities been for you? Should the same

approach be taken on donations of land or private company holdings?

Mr. John McAvity: Why don't I kick off and then allow my colleagues to join in?

I believe the steps that have been taken on public securities have been very beneficial. I cannot quantify them for my sector; however, we hear stories and they've been very good.

My organization, over about the last three or four years, has actually made the recommendation in our presentations here that it be extended so that property and other forms of donations are recognized as tax credits as well. So we very much support that.

There are some additional issues. Imagine Canada has made some very good recommendations on tax policy. There is the issue of donations being made via credit cards, in which case Canada is an anomaly. In other nations, banks retain a fee for charitable donations when made through credit card purchases. That is an area that concerns us.

So I think there are a number of areas in charitable giving that are worthy of being looked at as a whole.

Hon. Scott Brison: Thank you.

Ms. Natalie Bull: As Mr. McAvity mentioned, any changes that encourage Canadians to make charitable donations are certainly welcome, and securities have become an increasing area for us in our donations.

You mentioned the possibility of donation of land or property to charities. In the built heritage sector, it's not always ideal to encourage donation of historic buildings to charitable organizations because there is the ongoing requirement to invest in their maintenance.

But we would encourage consideration of a tax credit for the donation of a protective covenant or easement on a historic building. That would require owners to maintain those buildings and protect them in perpetuity, but they would also get some kind of benefit for doing that.

• (1640)

Mr. Marcel Lauzière: Thanks, Mr. Brison.

The results of the policies around capital gains have been very beneficial, and Imagine Canada supported those policies.

We're coming forward with this stretch now in order to look at it from the other side and see how we can build and strengthen the base of Canadian donors in the 10 or 20 years to come. We've seen a reduction over the last 20 years, from 30% of tax filers to 24% of tax filers actually asking for receipts for donations. That's not a good trend. So we need both, and I think we've made real progress on that front.

We are now proposing to do something that will be very supportive of Canadians from all walks of life in becoming donors and supporting charities across the country.

The Chair: You have five seconds, Mr. Pacetti. Maybe I'll add that to your next round.

[Translation]

Mr. Carrier, you have five minutes.

Mr. Robert Carrier (Alfred-Pellan, BQ): Good afternoon, ladies and gentlemen.

I am going to ask Mr. Dorval another question, even if I know that he has been asked a lot of questions already. Since he is a very credible stakeholder from Quebec and I am a member from Quebec, I must ask at least one question that has not yet been covered. It concerns the harmonized sales tax which you mentioned in your brief.

You say that the fact that Quebec decided to harmonize its sales tax before the other provinces did should not be a reason to penalize it. My colleague Mr. Pacetti recently said that Quebec had not harmonized its sales tax. So, since you say that it is, could you, for the benefit of my colleague, explain your opinion about this tax?

For over a year and a half now, the federal government has been saying that it will not negotiate publicly with regard to harmonizing the tax. Things are at a standstill. Could you confirm that the tax has been harmonized and that Quebec is entitled to compensation?

Mr. Yves-Thomas Dorval: Thank you for that question. It's interesting because, when the federal government decided to adopt the Goods and Services Tax, I helped the government harmonize it with the Quebec sales tax. I have a somewhat privileged perspective since I made a contribution in this area, along with others, of course.

There was a real will to simplify the work done by companies. That was the purpose of harmonization. Today, it has been simplified. It is much easier for most companies, which does not mean that everything must be exactly the same. In fact, there can be quite legitimate concerns for one level of government in particular. However, we are talking about minor details, not the document itself.

In my opinion, harmonization is great. It didn't happen on the first try, it took a few tries, but Quebec did it. At the same time, when the decision was made, Quebec demonstrated its desire to work in partnership with the federal government. Furthermore, it was the first province to do so, and it was done in partnership with the federal government.

Quebec was compensated for administering the GST, but we're not talking about compensation comparable to what we saw was later given to the other provinces that had not taken part. Clearly, when we consider the situation of Quebec compared to everything else, we see inequalities. Furthermore, I do not represent the Quebec government, but it all has consequences on taxation and on all Quebec businesses.

• (1645)

Mr. Robert Carrier: Thank you for that clarification.

My next question is for Mr. Roschlau, because the issue of public transit concerns me greatly. I see that you are asking for \$6 billion over the next five years. What is the increase in comparison to current levels? Are we talking about renewing budgets normally granted by this government, or is this truly an improvement?

Mr. Michael Roschlau: It's clearly an improvement. Currently, the federal government provides approximately \$1 billion annually.

If we do the math for all current programs, this equals approximately doubling the federal investment. We would make the same request of the other three levels of government, the provinces and territories or municipalities in order to make up for the shortfall.

Mr. Robert Carrier: I am no doubt out of time, am I not?

The Chair: You have 15 seconds left.

Mr. Robert Carrier: I would like to ask you to tell us about the negative economic impact of the lack of investments in public transit. There are significant economic costs that you will have to identify at another opportunity, since I am out of time.

The Chair: Thank you, Mr. Carrier.

[English]

Mr. Menzies, you have five minutes.

Mr. Ted Menzies (Macleod, CPC): Thank you, Mr. Chair, and thank you to all of our witnesses who have come today. We appreciate your input. As I always say, I wish there was more time to ask questions of everyone.

There are a few things that I need to clarify.

Mr. Dorval, I need you to once more repeat how important corporate tax reductions are. I'm sure I heard in your presentation how important it is that we actually carry through with the legislated tax cuts for the benefit of businesses.

Don't look over there; look here.

Voices: Oh, oh!

[Translation]

Mr. Yves-Thomas Dorval: Not only can I repeat it, but we have had the opportunity to make this point each time we have taken very positive action to assist private investment, from companies. We have stressed that we were extremely pleased with the decisions that had been made in this regard by the government. We have also mentioned that there was still some work left to do with regard to the overall plan or vision. This is important to us.

I will repeat, since you have asked me to do so, that private investment is key to the future prosperity of Quebec and Canada. This does not mean that public investment is not important. It is extremely important, but a country cannot live just off public investment. Private investment is essential if we don't want to see a double-dip recession, where after public funding is made the private sector is absent and we lose. This is extremely important.

Finding new funding programs to add to expenditures is not important. What is important is to keep a sufficient mass, to cut expenditures and, by so doing, to cut corporate taxes to support private investment.

[English]

Mr. Ted Menzies: The message is music to my ears. Thank you.

I want to pick up also, Mr. Dorval, on the comments you made about reviewing the funding model for EI. In fact, when we announced that we were going to reduce the potential increase for EI funding, at the same time we announced a consultation process. I would certainly encourage your organization to be part of that consultation process, because it will impact your membership.

Very quickly, there are a couple of things I need to clarify. First of all, on the harmonization issue—a one word answer will do—does Quebec collect the GST or does the federal government in Quebec?

• (1650)

[Translation]

Mr. Yves-Thomas Dorval: The Quebec government collects the GST.

[English]

Mr. Ted Menzies: Right, so the answer, then, I have to say, is that it is not harmonized.

We're working with Monsieur Bachand and are encouraging him. There are discussions going on between the finance minister and the federal government. So we're working on that. If Quebec does finally harmonize, we would gladly treat it the same way we treat every other province.

The securities regulator raises some concerns with me, too, that I would like to just get some clarification on.

Mr. Mulcair, is your microphone on or is mine? Thank you.

Mr. Thomas Mulcair: Why don't you be polite for once and let the witness answer your question?

The Chair: Colleagues, it's Mr. Menzies' time. We all know that.

Mr. Ted Menzies: Thanks for pointing that out, Thomas. And I will get to the question I was planning on, whether you chastise me or not.

On the securities regulator, we've been working on this voluntary process for some time, and there are a couple of things we want to clarify. The expertise that is in the province of Quebec, if Quebec chooses to join this voluntary process, will be utilized, just as it would be in any other province. The problem we're having right now is getting people to actually come to the table to talk about the process with the transition office that has been established.

I'll admit that I'm still having problems with my province of Alberta in coming to the table to discuss this, too. But we think it's for the protection of Canadians and it's for the enhancement of the investment dollars in your membership's business. We're encouraging people to actually come to the table and talk about this process.

I'm sorry, I've run out of time for a question now.

Thank you.

[Translation]

The Chair: I would ask you for a very brief answer, Mr. Dorval.

Mr. Yves-Thomas Dorval: What we want to do is defend the interests of Quebec employers and companies who have not asked for a single securities commission and who are very happy with the current harmonization of the GST and the TVQ.

The Chair: Thank you.

[English]

We'll have Mr. Pacetti, please, for five minutes.

[Translation]

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

I want to thank the witnesses for appearing before the committee.

Mr. Roschlau, you want employer-paid contributions to public transit to be tax exempt.

You would like the government to give a tax exemption to employers for their contributions to public transit passes, so that we provide fair treatment with regard to people who drive their cars and are able to deduct an amount for such use. However, I think that that would be senseless. Wouldn't it be better to not grant an exemption for parking fees?

Mr. Michael Roschlau: That's an excellent question.

In fact in 80% of the cases where employees receive free parking from their employer, this is a non-taxable benefit. That is because, by law, there is a clause that states that if the parking spot is not reserved or guaranteed, it is not taxable.

So, an inequity currently exists between the tax treatment of the parking benefit and that of public transit. There is nothing to encourage employers to provide a supplement for public transit.

Mr. Massimo Pacetti: Do you have any statistics about the number of taxpayers asking for a deduction or a tax credit for public transit passes in their income tax returns? Have you done an analysis?

Mr. Michael Roschlau: In terms of the current credit, which was introduced three or four years ago, I have no exact statistics, unfortunately. That would have to be requested.

[English]

Mr. Massimo Pacetti: Okay. Thank you.

Ms. Bull, just quickly, in terms of the heritage, one of the aspects is the GST. You're saying that if the building does not get restored 90%, it's not eligible for the GST rebate?

Ms. Natalie Bull: No, the terms require that 90% of the fabric of the building be removed or replaced, so that level of substantial renovation almost precludes any sort of restoration project.

Mr. Massimo Pacetti: Are you recommending 60%? Is that what I see?

Ms. Natalie Bull: No, I think those are two different points.

We identified a number of barriers and disincentives that exist within the existing Income Tax Act, and while we would be interested in discussing removal of those barriers, we are proposing a new tax incentive that would encourage and attract developers and owners to historic buildings.

• (1655)

Mr. Massimo Pacetti: So you wouldn't necessarily touch the GST component and ask that it be applicable for restoring?

Ms. Natalie Bull: No, not necessarily.

Mr. Massimo Pacetti: Okay.

And the fund that you're asking for the heritage properties, who would manage it?

Ms. Natalie Bull: Well, it could be managed jointly between an organization like Parks Canada, the government agency, and a non-profit organization like the Heritage Canada Foundation. Our experience shows that partnership between government and a non-profit allows increased ability to attract donations in the private sector.

Mr. Massimo Pacetti: Has that ever been done before? Has it been done in the past?

Ms. Natalie Bull: No. The national cost-sharing program has existed in the past, but it's always been managed entirely by a Parks Canada agency.

Mr. Massimo Pacetti: Okay. How much were they given? How much did you have in the past?

Ms. Natalie Bull: There was \$20 million made available in the 2009 budget—made available over a four-year period—but that money has now all been committed even within the first year.

Mr. Massimo Pacetti: Okay. Thank you.

Mr. Creber, in terms of your members, you talked quite a bit about trying to support or make sure that the EI programs assist the transition for direct sellers. But I'm wondering, in terms of tax policy, does that affect your members as well when the taxes are...? You talked about harmonization, but does that affect your sellers?

Mr. Ross Creber: Well, as you know, the Direct Sellers Association and the federal government put together the GST honorary collection mechanism for the collection of the GST based on the full retail value of the sale of products.

Mr. Massimo Pacetti: So for you, the more provinces that are harmonized, the easier it is, is that it, in trying to reduce all regulatory burden?

Mr. Ross Creber: It doesn't...well, I shouldn't say it doesn't seem to bother us. We harmonize the QST under the mechanism. We harmonized the mechanism when the maritime provinces first came on board with the 15% HST, and we've done the same thing in Ontario, and British Columbia is the same way as well.

The Chair: Thank you.

Thank you, Mr. Pacetti.

Mrs. Block, you have a very brief round, please.

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

My question is going to be for the Canadian Museums Association.

First I want to just acknowledge my appreciation for your comments around the need for us to strike a balance between

discipline and strategic spending in critical areas and restraint in others in order to decrease the deficit.

My question is in regard to recommendation number 2, "Matching Donations (\$25 million per year)", and the last statement that says, "The matching only applies on amounts over and above what the museum normally raises."

How did you come up with the number of \$25 million, and how does that fit with the last statement in that recommendation?

Mr. John McAvity: Thank you very much. That's a very good question.

We based it on a program that already exists in the performing arts; that is, for orchestras, symphonies and dance companies, theatres, and so on. It is a \$25 million program. It has been enormously successful. Museums are not eligible for that program. Furthermore, that program is restricted for long-term endowment building, and in this interest rate environment we feel this program would be much more beneficial to be open for matching of all sorts.

We're very confident over that figure. We think it's actually a fairly modest figure. It will lead museums to stand better on their own two feet. These are very expensive operations, even though some of them might be volunteer run, but they're very important institutions for the long-term horizon of the nation.

The Chair: You have one minute.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Thank you.

Mr. McAvity, I think you mentioned that Canadian banks do or do not charge for credit card donations made to charities?

Mr. John McAvity: My understanding is that all donations made by credit cards are subject to fees by banks or other processing agencies—

Mr. Russ Hiebert: Is that the case in other countries?

• (1700)

Mr. John McAvity: To my knowledge, they are exempted from that in most other countries. In Australia that is the case, and in New Zealand, and in a number of other cases.

I think from a consumer's point of view, when you're going to give \$100 to a charity of your choice, you think that all \$100 is going to the charity, whereas in effect a percentage, 2%, 3%, 4%, or 5%, is actually going for the management of the transaction.

Mr. Russ Hiebert: To the bank or to the credit card company, like VISA or—

Mr. John McAvity: That's right.

Mr. Russ Hiebert: I see.

The Chair: You have 20 seconds.

Mr. Russ Hiebert: Okay. My question is about tax credits.

Mr. Lauzière, you talk about tax credits. How do our tax credits compare with those of other countries, in terms of their generosity?

Mr. Marcel Lauzière: The tax credit system that we have now is a very generous one. One of the issues is that awareness of that is not huge. The reason we are proposing this stretch tax credit is the idea of giving people an incentive to always give a bit more. That's why we're not recommending that the tax credit be raised holus bolus from 29% to 39% or 40%, because it is at a generous level.

What we're looking at, and I think that's where the innovation is here, is to try to get people to constantly give a bit more, so that over the next 10 to 20 years we will rebuild that base of donors that is slowly starting to erode in Canada.

The Chair: Thank you very much.

I want to thank all of the presenters for being here, for your presentations, and for responding to our questions.

Colleagues, we will suspend for a couple of minutes and bring the next panel forward.

• (1700) _____ (Pause) _____

• (1705)

The Chair: I'll ask colleagues and witnesses to take their seats, please, for our second panel.

The organizations we have here are, first of all, the Canadian Bankers Association; Polytechnics Canada; the Forest Products Association of Canada; the Western Canadian Wheat Growers Association; the Grain Growers of Canada; the Canada Foundation for Innovation; and the Co-operative Housing Federation of Canada.

Each of you will have five minutes for an opening statement, and we'll start with the Canadian Bankers Association.

Ms. Nancy Hughes Anthony (President and Chief Executive Officer, Canadian Bankers Association): Thank you very much, Mr. Chair, and thank you to the committee for allowing us to appear today. I'm with my colleague, Darren Hannah.

[Translation]

We are pleased to note that, despite the recent economic instability, our banks have remained robust and are continuing their considerable contribution to the Canadian economy.

Canada was one of the few countries whose banking system saw no bankruptcies and had no need for bailouts.

In fact, last month, for the third consecutive year, the World Economic Forum said that Canada has the most robust banking system in the world.

[English]

Mr. Chair, I think for the benefit of time and efficiency, I will not go through some of the great benefits of our banking system. I'm sure this committee is well aware of the impact on the economy. I would say, though, that our submission today focuses on three things: enhancing the climate for business investment and job creation, improving the international competitiveness of business in Canada, and reviewing and updating measures in our retirement system.

First, a short note on regulation, Mr. Chair. The strength of our banking system makes it very clear that our regulatory system here

in Canada is sound. Nonetheless, our banks will be subject to new international rules being decided by the G-20 and the Basel Committee, rules that will certainly impose higher capital and liquidity levels on all banks. While these rules are very important to the stability of the global banking system, there will be an impact on banks in Canada. Our banks have already been at a higher standard than most banks around the world, and yet they will certainly have to adjust to these new requirements.

Mr. Chair, we also believe the benefits of our sound national regulatory system should be applied to our securities sector as well. For many years, I think you know, the CBA has advocated for efficient securities regulation that would offer improved investor protection and reduce the costs of raising capital for businesses across the country. So we are encouraged by the work of the Canadian Securities Transition Office, and we will continue to support the need for Parliament to pass the necessary legislation.

I will move to tax. When it comes to creating a more competitive tax system, we believe the government is on the right track. You clearly know about the federal government's announced commitment to reduce the corporate income tax rate to 15% by 2012. We certainly feel that making Canada's tax system more competitive will contribute to our economy in the form of new jobs and increased investment. It has in fact been estimated that the 3% decline in the federal corporate income tax rate for businesses of all sizes will generate \$47 billion in additional capital investment and some 223,000 jobs over time. These are substantial benefits, and we very much support these reductions for the benefit of all Canadians.

We were also pleased, Mr. Chair, to note that among this committee's 2009 pre-budget recommendations, there was one to explore the feasibility of implementing a consolidated tax reporting framework for all business in Canada, and that was referenced as well in the last federal budget. This initiative is absolutely required to stop wasteful administrative and transaction costs and also to put Canada's businesses on an equal footing with the other G-7 countries, since we are the only G-7 country without a consolidated reporting framework.

Mr. Chair, I just want to mention the importance of personal saving and investment. There is a section in our brief with respect to that issue. Saving for retirement is certainly on the minds of all Canadians, but many do not have access to employer pension plans, and particularly small business owners. So we feel it's important to delink pension plans from the employment relationship and allow third parties, like financial institutions, to offer such plans so that all Canadians will be provided with the same tools to save for their retirement.

Finally, Mr. Chair, there is, as you know,

•(1710)

[Translation]

the Financial Literacy Working Group, which was established by government.

We intend to continue our discussion on financial literacy with the federal government, as well as with all parliamentarians. In our opinion, this issue is a priority.

[English]

Thank you, Mr. Chair.

On that note, I will conclude and be happy to answer your questions.

The Chair: Thank you for your presentation.

We'll now hear from Polytechnics Canada.

Ms. Nobina Robinson (Chief executive officer, Polytechnics Canada): Good afternoon, Mr. Chairman. Thank you for inviting us again to address your committee.

My name is Nobina Robinson, and I'm joined by my colleague, Ken Doyle, of Polytechnics Canada.

Contributing to Canada's economic success is what polytechnic institutions do. It is an integral part of our mission. We foster economic growth through applied research that addresses commercial needs. I can't emphasize this enough. Our research is driven by industry requirements, not by academic curiosity. Being close to our clients, we deliver results quickly and efficiently. Just ask the thousands of firms that come to us for help. We help small and medium-sized businesses solve a variety of challenges, from the design and prototype stages of new products right through to their commercialization, and finally to adoption by Canadian consumers.

In the past year, the federal budget and its research funding agencies of government have recognized our positive economic contribution by boosting available applied research support to the college sector, and for that we are thankful. We appreciate the measured, positive, and forward changes within programs at NSERC, at the Federal Economic Development Agency for Southern Ontario, and SSHRC. I note particularly the presence today of the Canada Foundation for Innovation, CFI, which has recently announced a new fund for vitally needed college research infrastructure. I wish to thank the CFI for this recognition.

The nine members of Polytechnics Canada are located in key economic regions across the country in B.C., Alberta, and Ontario. All nine have broken out of the mould of the traditional community college. While we still proudly offer diplomas, essential trades and apprenticeship training, together the nine of us offer 76 bachelor degrees, and we work together with our university partners to offer another 21 joint bachelor degrees. We are seeing more and more examples of collaborative research projects between university and college faculty on an informal project-by-project basis. This is an important new trend that should be encouraged.

Last year we provided you with concrete examples of how our members are helping companies in Canada. Today, I want to share three more success stories.

In Vancouver, the British Columbia Institute of Technology is helping to develop a smart grid electricity system for Schneider Electric, the world's largest producer of energy management software. The idea is to let customers manage their electricity use to take advantage of different prices during peak demand periods to reduce their costs.

In Toronto, Mill Pond Cannery and Preserves Company sought George Brown College's assistance in developing their business. The partnership resulted in the commercialization of Mill Pond's maiden line of fruit butters in an interdisciplinary effort that saw the product through R and D to the assembly line to store shelves and consumers.

In Calgary, Bobsleigh Canada Skeleton is making use of SAIT Polytechnic's expertise in sports engineering to design a sled that can be produced at a lower cost to encourage more participants in a sport where Canada is a world leader.

These are just three examples of the dozens of examples of win-win cooperation between SMEs and polytechnic institutions, often propelled by the one modest federal granting council program for college research. In 2009-10, our nine members consulted with 750 local companies, conducted 351 applied research projects, which resulted in 124 prototypes being developed. We believe in measuring the output of your dollars; it's very important for us.

Due to the size and nature of these companies, and the current economic situation, we are confident that without the applied research services of our students and faculty, the majority of these companies would not have undertaken these projects, and these ideas would have remained on blueprint paper instead of being turned into tangible prototypes.

We recognize that the country is now facing severe constraints on new spending. That is why we have offered practical ideas for small-scale, targeted, incremental, and pilot projects that continue to modestly build the capacity and momentum of research-intensive colleges in Canada. Opportunities exist to encourage and incentivize the smaller and newer entrants in the innovation system, such as colleges and small companies. We've mentioned two such opportunities in our paper: a commercialization chair program, and a program designed to harness the latent talent of newcomers with industrial experience to mentor our students.

•(1715)

With additional research training support for the Canadian college sector, Canada could make better use not only of the 130,000 full-time students at our polytechnics but of the creativity and innovation that lies untapped in all Canadian college graduates, coast to coast to coast.

I look forward to your questions. Thank you.

The Chair: Thank you very much.

We'll hear next from Mr. Lazar, please, from the Forest Products Association of Canada.

Mr. Avrim Lazar (President and Chief Executive Officer, Forest Products Association of Canada): Thank you.

As I'm certain all the parliamentarians sitting around these tables know, the last few years have been very painful for the forest industry. Many towns have suffered the heartbreak of mills closing, and 55,000 Canadians lost their jobs.

Change is very painful, but there are still 600,000 Canadians who depend upon the forest industry. We have been at this committee many times and we've always delivered the same message. We implore parliamentarians not to try to freeze the status quo, not to try to help us by preventing change; the role of government is to help accelerate the transformation of Canada's forest industry so that we can secure those 600,000 jobs tomorrow and tomorrow and in the future.

We know the markets are there, and we know we can do it. We haven't been waiting for governments to do this for us. We have improved our productivity. We have increased our exports to China and India. In fact, we are the biggest exporter to China now from Canada. We have secured our environmental reputation with the boreal agreement. We have gone to a model of extracting maximum value from every tree so that now we are working from a biorefinery concept in which we get not just two-by-fours and pulp and paper, but also bioenergy, biofuels, and bioplastics from every tree. In other words, we have been doing the hard work of transforming the industry, work that is sometimes painful, sometimes quite joyous, but all necessary if we're going to keep these jobs.

In the past, parliamentarians have responded in the right way by supporting us with research and development funds, with export development funds, and with green transformation funds. What we are asking today, in the next budget, is to see a continuation of that support. And we have three Rs for you.

The first is to renew the existing programs that support R and D, market development, and environmental reputation. So renew those programs. We're not looking for more funding. We're not looking for big increases. We need those programs renewed, and we hope you take a close look at them and make certain they're well focused and revitalized.

Second, we want to see a recapitalization of the IFIT program. That's the forest industry transformation program. It's tremendously successful. We have seen some near miraculous transformations in many companies that are now applying to use that money, which will change the business model. It's a program that creates industry independence and competitiveness instead of dependence. So we'd like to see it recapitalized.

Third, we'd like to see the money that is now in the nextgen biofuels fund at SDTC re-profiled to be open to all bioenergy projects. That is stranded money, \$500 million that's not being used anywhere near where it could be. We can take that money and use it to secure jobs across the country. We can use that money to switch from fossil fuels to bioenergy and reduce costs. It will have an immediate impact on employment in Canada's forest regions as well

as long-term competitiveness, as well as Canada's clean and green energy profile.

So this is not a time for big new spending. It's a time for spending smarter, renewing the existing programs with a clear eye to how they could be fine-tuned, recapitalizing the industry transformation program, and re-profiling the money that is now there for next-generation biofuels so we can use them this generation to secure jobs in Canada's rural regions.

We have always said that the role of Parliament, the role of the government, is to support our transformation. The role of industry, of unions, of workers, of managers is to do the heavy lifting of transforming. We have tightened our belts. We have suffered the pain of consolidating factories. Unions have taken rollbacks in wages, as have owners and managers. We see huge potential in the future, with markets growing, and we hope that parliamentarians and the government will continue to support these necessary and profoundly useful programs.

Thank you.

• (1720)

The Chair: Thank you very much for your presentation.

We'll now hear from the Western Canadian Wheat Growers Association.

Mr. Gerrid Gust (Chair, Western Canadian Wheat Growers Association): Thank you for the opportunity to provide our association's views to the finance committee on the changes we believe the Minister of Finance should include in the 2011 budget.

My name is Gerrid Gust, and I am a full-time farmer and the volunteer chair of the Western Canadian Wheat Growers.

For the past 40 years, the Wheat Growers have been a voluntary organization of business-minded prairie farmers who recognize the importance of competitive markets, innovation, and free trade. Our mandate is to advance the development of a profitable and sustainable agriculture industry.

The competitiveness of Canadian farmers has been undermined by an excessive tax burden and onerous regulatory impediments. The Wheat Growers provide the following five recommendations, with the sure knowledge that these changes will lead to greater economic prosperity and investment in the agriculture sector.

First, we recommend that block averaging of farm income over five years be restored. As I'm sure you know, due to environmental factors, grain farming is subject to tremendous swings in farm income. These are not factories, mines, or mills, where a set production is almost guaranteed as long as the equipment is operating. The inability to average income causes farmers to pre-purchase inputs or buy equipment to reduce their tax liability in those years when their tax income is projected to be relatively high. While this makes perfect sense from a tax planning point of view, it may not be in keeping with the best farm practices. In our view, the tax system should be structured in a way that encourages farmers to engage in sound business practices. The restoration of five-year block averaging would help achieve this.

Second, we recommend the introduction of an investment tax credit on the purchase of certified seed. Currently, the use of certified seed in western Canada is at 18%, which is among the lowest of all industrialized nations. The use of certified seed tends to increase and improve uniformity of product, which allows us to better meet the quality needs of end-users in markets here and around the world. Such a tax credit would promote innovation and would allow Canadian farmers to retain our reputation as a leading producer of quality wheat. It would also encourage the development of new varieties that have the potential to enhance human health.

Our third recommendation is to increase public expenditures on seed research and development. For various reasons, there is very little private investment in cereal and grain research in Canada. To compensate for this, we recommend that A-base agricultural research funding be returned to 1994 levels, adjusted for inflation. This should be done in increments over the next 10 years.

I'd like to pass the rest of my time over to our Saskatchewan VP, Geoff Hewson.

I thank you very much for your time.

• (1725)

The Chair: You have two minutes, Mr. Hewson.

Mr. Geoff Hewson (Vice-President, Saskatchewan, Western Canadian Wheat Growers Association): Thanks very much.

Thank you, Gerrid.

Our fourth recommendation is to increase the lifetime capital gains exemption on the sale of farm assets. Currently, the exemption on the sale of qualified farm property is \$750,000. According to the 2006 census of agriculture, the average age of Canadian farmers is 52. This means that a large number of farmers will be retiring from farming over the next several years. To facilitate the transfer of farm assets to the next generation and to encourage young farmers' entry into the business, the Wheat Growers recommends that the capital gains exemption be increased to \$1 million.

Our fifth and final recommendation is for the government to move forward in implementing a voluntary Canadian Wheat Board. The continuation of the CWB marketing monopoly in western Canada represents the single greatest impediment to farm profitability and economic prosperity in western agriculture today. The monopoly stifles investment in research and grain processing in western wheat and barley.

The CWB monopoly provides lower returns to prairie farmers than would exist in open market conditions. One example is a 2008 study by Informa Economics, which found that the Canadian Wheat Board provided western Canadian farmers with lower returns than an open market in five of the six years it examined, for both spring wheat and durum wheat. The Informa study pegged farmer losses due to the monopoly at \$450 million to \$628 million annually. Needless to say, the increase in farm revenue resulting from a voluntary CWB would greatly improve farm income and would generate considerably more tax revenue.

I would add as well that implementing a voluntary CWB does not require any increased spending on the part of the government. This

policy change represents a cost-free means of stimulating the economy and helping to slay the deficit.

I'd like to thank the committee members and the chair for inviting us, and we look forward to your questions after presentations.

The Chair: Thank you for your presentation.

We'll now hear from the Grain Growers of Canada.

Mr. Gary Stanford (Director, Grain Growers of Canada): Thank you, Mr. Chair.

My name is Gary Stanford and I am a farmer from southern Alberta.

The Grain Growers of Canada represents 80,000 grain, pulse, and oilseed farmers. We believe that the government does not owe farmers a living, but should create a policy environment that will allow us to make a living. Our aim is to ensure an advantage for our farmers through innovation, and we have a couple of budget requests to make.

On public research, the federal contributions to Agriculture and Agri-Food Canada's research branch are only 60% of the 1994 inflation adjusted numbers, and we have far fewer plant scientists and breeders today. There is a big need for increased investment in research branch expenditures and a plan to replace aging scientists.

A good example of public research on my farm is the use of Agriculture Canada breeders' development of a winter wheat that is resistant to the leaf curl mite. This insect used to wipe out acres of my crop and there was no way to control it. The winter wheat has now put thousands of dollars a year in my pocket, just on my farm alone.

On a certified seed tax incentive, one of the barriers to private and public investment in cereal and pulse research is the low use of certified seed—except in Quebec, where farmers plant certified seed to qualify for crop insurance. When I go to talk to public plant breeders at the Lethbridge research station in Alberta, they tell me that the more certified seed sold, the more money would flow back into their work. A tax credit of 155% for farmers to buy new certified seed annually would encourage more investment in cereals and pulses.

The George Morris Centre estimates that if we reached full certified seed use potential, the tax credit would increase farm incomes by over \$170 million, just from the eight most recent varieties alone, and would generate over \$60 million in tax revenues from just those eight varieties. The return to the economy would be \$600 million.

On capital cost allowance adjustments, there are farms where adjustments to depreciation rates would provide a direct stimulus to jobs and improve our sustainability. Here, we would encourage, first, safe on-farm fertilizer storage to allow us to buy when prices are low and to ensure supplies.

Second, just as you MPs use GPS devices in your cars, we should encourage all farmers to use GPS in our machinery, because it will keep our tractors driving in straight lines. This reduces pesticide use, fertilizer use, and fuel consumption on our farms.

Lastly, we must improve the quality of our on-farm grain storage. In the last couple of years, we have seen greatly increased testing of cereals, pulses, and oilseeds for trace amounts of mycotoxins. We need better storage and monitoring systems on our farms. For example, aeration blows large volumes of air, drying our grain and cooling it down to prevent growth of harmful bacteria. Looking forward, we are going to have to install more temperature monitoring control cables to catch any early problems. This would help ensure that our harvested grain remains in top condition and is healthy for Canadian consumers.

In conclusion, Grain Growers of Canada believes that increased agricultural research in Canada is critical to securing the prosperity of Canadian farmers. An amount of \$26 million a year in increased core Agriculture Canada research funding over 10 years would restore us to 1994 levels. A certified seed tax credit incentive would promote greater public and private sector involvement in cereals, pulses, and forage research. Investments in more environmental and sustainable ways of farming and safer grain storage would help increase consumer confidence in our own domestic food systems. These initiatives would create jobs and economic activity, as well as strengthen the competitiveness of Canadian farmers, and would also help reduce the need for farm support programs.

We urge you to give careful consideration to our thoughts and ideas. We look forward to your questions. Thank you.

• (1730)

The Chair: Thank you for your presentation.

[Translation]

We will now move on to the Canada Foundation for Innovation.

Mr. Gilles Patry (President and Chief Executive Officer, Canada Foundation for Innovation): Thank you Mr. Chair.

First, I want to thank you for giving me the opportunity to speak to the Standing Committee on Finance.

Budgets are about tough choices for government—everybody accepts that. They are about setting some clear national priorities and making sure that the impact of the investments being made will benefit all Canadians.

[English]

Today I'd like to share with you my vision of the CFI's role in meeting both the current and future challenges facing Canada, particularly when it comes to strengthening our capacity to conduct world-class research, attracting the best researchers from around the world, and translating their research findings into tangible solutions.

As you know, the mission of the CFI is to invest in cutting-edge research infrastructure that strengthens the capacity of Canadian universities, colleges, and research hospitals to carry out world-class research and technology development that benefits Canadians. The CFI funds 40% of the infrastructure costs, and institutions then use

this funding to attract the remainder from partners in the public, private, and not-for-profit sectors.

[Translation]

The research enabled by these CFI investments supports the conditions necessary for sustainable, long-term economic growth, and helps inform the policy-making process—leading to the creation and development of improved public policies and programs in areas such as natural resources, health and the environment.

[English]

Since its creation, the CFI has committed \$5.3 billion in support of 6,800 projects at 130 research institutions in 65 municipalities across the country. These investments by the Government of Canada through the CFI have leveraged an additional \$7 billion in partnerships for a total of \$12 billion in just over a decade. The overall economic impact from these infrastructure investments and their ongoing operation is an important part of the Canadian economy, given that it can be measured in the tens of billions of dollars.

The CFI exists thanks to the belief of successive governments that research and innovation underpin the competitiveness of our industries and can transform our economy. As one of my predecessors once said, the challenge of building a more innovative economy is about more than a slab of concrete or a piece of equipment. It's about people. It's about supporting the best and the brightest by providing them with the environment they need to conduct world-class research. This, in turn, will create prosperity for Canadians.

Imagine for a moment your reaction if I had stood before you 10 years ago and boldly declared that within a decade Saskatoon would be home to a state-of-the-art synchrotron, Canada's biggest science project in a generation; that Chicoutimi would be a world leader in developing de-icing technology for commercial airplanes and hydroelectric wires around the world; that British Columbia would be on the cutting edge of helping to improve the quality of life for people with spinal cord injury; or that Nova Scotia would be leading an 82-nation project to gauge and record the diversity, distribution, and abundance of life in the world's oceans. You likely would have reacted with disbelief. Yet today, as I stand here, all these advances are a reality for Canada, in large part due to the investments made by the Canada Foundation for Innovation.

• (1735)

[Translation]

Investments like these are creating jobs and leading to innovative breakthroughs in some of today's most important and exciting areas of investigation—from advanced materials to pharmaceuticals, renewal energy, high-performance computing and early childhood education.

[English]

Consider a recent study on university research contracting. It found that in 2008, companies, governments, and not-for-profit organizations contracted almost \$2 billion worth of research from Canadian universities and affiliated teaching hospitals, up from \$1.1 billion in 2006. This is an increase of 80% over a two-year period. Why? Because Canada's best is now becoming the world's best.

To ensure that the CFI continues to carry out its mandate of promoting research excellence while continuing to improve Canada's long-term competitiveness and the quality of life of Canadians, we require continued support from the Government of Canada in four areas: first, to address the needs of our core leading-edge and new initiatives funds programs; second, to develop collaborative initiatives with other federal research granting agencies to focus Canada's research strengths on issues of national importance; third, to ensure that Canada continues to play an active role in strategic international research activities; and finally, to support national research platforms in areas such as high-performance computing and other new initiatives.

It is critically important that Budget 2011 send a clear signal to Canada's research community that when it comes to science and technology, Canada will continue to invest in cutting-edge, world-class research infrastructure.

[Translation]

In closing, I want to thank you again for providing me with this, my first opportunity to testify before Parliament at the helm of the CFI.

Mr. Chair, I look forward to your questions.

Thank you.

The Chair: Thank you very much.

[English]

Ensuite, we have the Co-operative Housing Federation of Canada.

Mr. Nicholas Gazzard (Executive Director, Co-operative Housing Federation of Canada): Good afternoon. Thank you.

I want to very briefly go over the proposals that we've put into our brief and then talk about something a little bit different.

First, like many others here, we recognize the economic situation Canada is facing and the impact it will have on next year's budget, so we are not proposing new housing spending for 2011. There is money, however, on the table. The federal government has put money on the table for the affordable housing initiative, and that runs to 2014.

Our recommendation is that in the redesign of that program, which is supposed to come next year, there be a much closer relationship between the amount of money provided to the provinces and territories and the outcomes Canada needs, which is a reduction in housing need among Canadians. Right now there is a lack of an accountability framework, and in my view far too much discretion in how the housing spending is targeted to, if you like, pet markets by the provinces. I won't go any further into that, but it's the same message I came here with last year: if you're going to hand money

over to the provinces to spend on housing, we need an accountability framework.

Second, I'd like to alert parliamentarians to what I would describe as an impending crisis in existing social housing. We have some 600,000 units of social housing in Canada that have been federally sponsored in some way or other. Over the next decade, we're going to see the present funding agreements for those projects come to an end. A lot of that funding comes by way of assistance to help lower-income Canadians, particularly those with fixed incomes, pay their rents. Absent those funding agreements and absent that money, I think we are facing an affordability crisis of monumental proportions. Just to give you one example, there are some 60,000 units of federally sponsored cooperative housing. By 2020, fully 50,000 of those units will no longer have any federal assistance to help house low-income people. The situation is much worse still for municipal housing providers and for non-profit housing providers.

We're saying that this would be a very good time for the Government of Canada to study this problem and to decide what, if anything, they're going to do about it. Personally, I think we have to do a lot about it, and we have to involve stakeholders in that study. Right now all we're hearing from government is a deafening silence on this issue. It's going to creep up on us, and we are going to have a very hot potato to handle unless we consider how we're going to handle this crisis in advance.

Our brief also talks about the economic case for housing. I'd like to refer to the report from the Conference Board of Canada, "Building From the Ground Up: Enhancing Affordable Housing in Canada", which came out earlier this year. Quite simply, what they said—and we agree—is that a better-housed population is healthier, better educated, more productive, and less likely to produce clients of the justice system. These are precisely the attributes of the workforce needed in an emerging knowledge-based economy.

The cost of inaction, when taken as a whole, including the relationship between poverty and a whole range of negative social outcomes, is likely greater than the cost of doing something about it. We can do something about it in two ways: better access to affordable housing—hence my accountability framework proposal—and better opportunities for personal income growth. We can go a long way toward achieving the latter by just making it easier for Canadians to escape the welfare trap and enter the workforce. We can do so through a combination of tax and benefits policies that will act as an incentive to escape income assistance dependency.

I'd like to conclude with a more general observation. There was once a report that was created that described the conditions under which the working poor lived. The study concluded that after paying for their shelter costs, many families were barely able to afford the necessities of life. If the family breadwinner were to become incapacitated in some way, or taken ill, the family would go hungry. Children and the elderly were found to be particularly at risk for malnourishment. That study was called "Poverty: A Study of Town Life". It was released in 1900 in the U.K. It was written by a guy called Seebohm Rowntree, of Rowntree Foundation fame.

What I find amazing is that you can still find echoes of Rowntree's report right here in Canada, 110 years later. In Canada today there are an estimated 500,000 households that will spend more than 50% of their income just to put a roof over their heads. That doesn't leave very much room to feed and clothe the rest of the family. The result—and I think most Canadians are not aware of this—is that there are numbers of children, women, and men in this country who often go to bed hungry, and just as in Rowntree's day, the working poor are still vulnerable: 14% of food bank clients in this country are the working poor—

The Chair: You have one minute.

Mr. Nicholas Gazzard: —and seniors and children remain disproportionately at risk.

Regardless of which side of the political spectrum the people in this room may sit on, I can't imagine there's a single one of us who considers it an acceptable situation to still have conditions in 21st century Canada that Seeborn Rowntree would recognize from his own report of 110 years ago.

The problem of hunger in Canada is very closely related to a shortage of decent housing that is affordable to Canadians with low incomes. So what can we do? I have already noted that we could improve the accountability framework of the money that's already on the table. It's probably less than what we need, so let's make sure we spend it wisely.

● (1740)

Let's also set the housing agenda in the broader context of jobs and incomes and in terms of the economic benefits housing development brings.

But beyond that, let's not forget for one moment that this country continues to suffer under the blight of real poverty that leaves children without enough to eat. It is something we should not be prepared to live with.

Thank you.

The Chair: Thank you for your presentation.

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

Hon. Scott Brison: Thank you, Mr. Chair, and thanks to each of you for your intervention.

My first question is to Mr. Lazar. I'm impressed with the degree to which the Canadian forestry industry has transformed and continues to transform itself into a green industry. To be competitive in a global carbon-constrained economy is going to be very important for the entire Canadian economy, but how do the environment in Canada and the incentives provided by the Canadian government for your industry to embrace the bio-economy and the green economy compare with those of other countries, for instance, the U.S. and European countries?

Mr. Avrim Lazar: There's no doubt that Europe is far more ambitious than Canada is in creating incentives and infrastructure for green energy, as are, for that matter, China and certainly the U.S. So if you have a forest mill, a lumber mill or a pulp and paper mill in the U.S., in Europe, or in many other places in the world, the incentives

structure for transformation to green energy is considerably more generous than it is in Canada.

I have to acknowledge that the government did come up with the \$1 billion green transformation program, and though it was less than what we could have gotten in the U.S., it was more intelligently designed, so we actually got more bang for the buck. But overall, if there's one thing that would benefit Canada's forest industry, it's incentives for transformation to green energy.

Take, for example, the situation in Quebec, where there is huge dependence on fossil fuels. That's a tremendous cost factor. Switching to biofuels would reduce the cost, increase the jobs, and increase the green performance. It is similar out west, and that's why the re-profiling of that \$500 million, which is currently limited to next-generation biofuels, into a more general bio-energy could, at no cost to the government and just with smarter use of existing money, make a very large difference.

● (1745)

Hon. Scott Brison: Thank you.

I have a question for Monsieur Patry with regard to the importance of innovation and science research. When comparing the Canadian government's stimulus package with other countries' stimulus packages around the world in terms of investment in science, Canada is at the bottom, compared to any other industrialized country and in fact compared to emerging economies like China. We simply have not invested in science.

What does that lack of investment represent in terms of the potential loss of the jobs of tomorrow? You've demonstrated that scientific investment through CFI has created significant opportunities and jobs. Are you concerned with the comparative lack of investment in science in the Canadian stimulus package and what that will mean in terms of our lack of competitiveness in key sectors tomorrow?

Mr. Gilles Patry: Thank you very much for the question. We've been fortunate in recent years. As you know, the Canada Foundation for Innovation has been in place for a little over 10 years, so Canada is very new at the business of funding the types of science and technology investments that we're talking about. However, I must say that the \$5.3 billion that has been received over the last 10 years has gone a long way.

You're making reference, obviously, to the stimulus part of the science and technology investments. Universities and colleges have benefited from the knowledge infrastructure program funding, and we have benefited in recent years. All of this was before the 2008 crisis, but we've benefited from a number of additional projects and investments such as the centres of excellence for commercialization and research program and the business-led NCEs. It's obvious that we need, and I tried to make this case in my presentation, a continued investment in research funding, both at the institutional level—operating grants for granting councils are terribly important—and on the infrastructure side. They're critical. Also, if you look at the 12-year existence of the Canada Foundation for Innovation, with \$5.3 billion, you can estimate about \$400 million or \$500 million a year of investments that have been made, but you have to also understand that this has been leveraged significantly, and that's an important aspect.

Hon. Scott Brison: Thank you.

Ms. Hughes Anthony, it's great to see you again. I've enjoyed working with you over the years, both in your chamber work and with the banking association. It's nice to see you here today.

You say in your presentation that the federal government “set out a plan to eliminate its deficit by 2015”. The Parliamentary Budget Officer has called that plan weak—

Ms. Nancy Hughes Anthony: Excuse me, I didn't say that, Mr. Brison. I only spoke about the tax reduction plan.

Hon. Scott Brison: Oh, I'm sorry; that was from page 2 of your presentation, the top paragraph.

I bring that to your attention for a couple of reasons. One is that this government has missed every deficit target it has set. So when you present here that in “its own 2010 Budget, the federal government set out a plan to eliminate its deficit”, I would urge you to look at not only the government's numbers but also the Parliamentary Budget Officer's projections.

I'm referring to page 2, the top paragraph.

• (1750)

Ms. Nancy Hughes Anthony: Yes, I see that.

I'm sorry, Mr. Brison, I thought you were referring to my spoken remarks.

Hon. Scott Brison: No, no.

The Chair: Do you have a brief question, Mr. Brison?

Hon. Scott Brison: The reason I raise that point is that, with our deficit levels in Canada, I believe it's critically important that we get out of deficit.

The Chair: Thank you, Mr. Brison. You have zero seconds left.

Hon. Scott Brison: If I may, Mr. Chair—

The Chair: Ms. Hughes Anthony has time for just a brief response.

Hon. Scott Brison: I'd appreciate your feedback, Ms. Hughes Anthony, on whether it's more important to actually get Canada out of deficit—

The Chair: Mr. Brison, I'm sorry, your time is up. We're over time here.

Ms. Hughes Anthony, can you give a brief response on that topic?

Ms. Nancy Hughes Anthony: Certainly.

I'd like to mention, Mr. Brison, that this submission was done in August 2010. A lot of things have changed since that particular time.

The point about Canadian banks and their involvement in any kind of stimulus is really to keep banks open, to keep banks lending. That has been the point, and that continues to be the point, as far as the financial system is concerned.

The Chair: Thank you very much.

[Translation]

Mr. Paillé, you have seven minutes.

Mr. Daniel Paillé: Thank you, Mr. Chairman.

I would have liked to have had enough time to ask the housing cooperatives some questions. Perhaps I will have some time.

My comments will be directed to the president of the Canadian Bankers Association.

You are no doubt aware that the president of the Investment Industry Association of Canada, Mr. Ian Russell, appeared before us last Thursday. I asked him whether or not he did in fact represent the securities commissions for all the provinces and territories, as well as the AMF, and he told me that this was the case. I also asked him whether this group used one single system, namely the passports system, and whether his association, using the system, did business with the International Organization of Securities Commissions. I asked him whether this was the organization that had harmonized all of its regulations and rates. I asked him whether in fact he represented a Canadian sector that ran very smoothly, and he replied as follows:

[English]

“Our industry, I think, functions well.”

[Translation]

Earlier, we heard from the president of the Quebec Employers' Council. He said that the added value that could eventually be provided by a single securities commission, in this case a Canadian commission as the federal government sees it, in comparison to the current system, remained to be seen. He said that national and international observers felt that the system worked well. Scarcely an hour ago, he stated that he had serious concerns about the negative ramifications that the federal initiative could have on Quebec's financial and economic sector.

I have in the past been a securities issuer. However we know full well—you know this as well, Madam—that regardless of where the securities are issued, whether it be Rivière-du-Loup, Calgary, Burlington, Edmonton, Vancouver or Saskatoon, we are now dealing with one body in Canada. You said that the system is fragmented. With all due respect, I think that you are a little bit behind the times as far as the facts are concerned. It may have been fragmented 20 years ago, but that is no longer the case now.

What prompts you to state today that the system is fragmented and not operating well, whereas everyone feels that it is in fact running very smoothly?

Ms. Nancy Hughes Anthony: Yes, Mr. Paillé.

I would respond by saying that not everyone is saying that.

[English]

I would say there are lessons learned from the recent international financial crisis that underline even more the importance of us having a single, unified approach to securities regulation in this country.

Certainly there are efficiencies to be gained, and in my view, the passport model, which some might say is okay, does not go far enough. The passport model entrenches infrastructure costs and time factors that in today's environment investors don't really want to afford. You have not only Canadian investors, but you have investors from overseas who come and look at the Canadian system and say, "I can't believe this. It's like driving my car across the country and having to get a licence in every different province. It's crazy."

So I feel that for a variety of reasons, including in particular, Mr. Paillé, increased enforcement—

• (1755)

[Translation]

Mr. Daniel Paillé: I apologize for interrupting you like this, but it is my time that is being used.

You know full well, Madam, that what you have said is inaccurate. When you are a Canadian issuer, you can issue securities in your province and have a passport for elsewhere.

Moreover, the International Organization of Securities Commissions held an international convention in Montreal. All of the big players in the international securities industry were in attendance. This was held in Montreal and the only person missing was perhaps the Canadian Minister of Finance. On this note, I would say that the Canadian bankers are exaggerating because they want to take over this business and centralize it in Toronto.

In addition, in your brief, you added that we would be better protected. You stated that "a single Canadian regulator will offer improved investor protection." However, you know full well that the policing, namely the police who catch the white-collar criminals—come under the Criminal Code and not the securities commissions. If there are any Earl Jones types or others who are walking around, Canadian securities commission or not, these are criminals. These individuals are arrested under the Criminal Code, and this is not the job of the body that issues the security.

You are fully aware of the fact that the current system works very well. Why then do you want to compromise a system that works very well? You risk jeopardizing the system with an organization that would run counter to these things.

[English]

Ms. Nancy Hughes Anthony: Obviously Mr. Paillé, we must disagree on this point, because I do think enforcement can be much improved across the country. I do believe that some of the provisions that are put into the proposed act that is now under consideration will allow enforcement agencies and police officers much greater

collaboration and will therefore improve enforcement across the country.

I guess I would also take exception to your....

[Translation]

You said that they were going to centralize it in Toronto. To my knowledge, this has not yet been decided.

[English]

I believe every model we have ever seen—and certainly the current model that is being discussed by the transition office—talks about the need to utilize the important expertise that exists in Quebec, in B.C., and in Alberta in terms of the proposed Canadian securities regulator—

The Chair: Thank you. *Merci.*

We'll go to Mr. Wallace, please.

Mr. Mike Wallace (Burlington, CPC): I will give my time to Mr. Menzies.

The Chair: Mr. Menzies.

Mr. Ted Menzies: Thank you, Chair, and thank you, Mr. Wallace. I have to run in a few minutes.

Thank you, Ms. Anthony, for clarifying that, and accept our apologies for someone on this committee suggesting that you were not telling the truth, because you in fact were. We do appreciate that, and thank you for clarifying some of the misinformation out there.

I have some very serious questions for the Western Canadian Wheat Growers and for the Grain Growers of Canada. Please tell me you finished your harvest before you took time to come down here.

Witnesses: Yes.

Voices: Oh, oh!

Mr. Ted Menzies: All done? Thank you. I know the timing is bad, but thank you for coming.

I have a few concerns. The five-year block averaging.... I understand where you're going with this. We used to have it. My good friend, Mr. Wallace, raises a good question. If we do it for farmers, do we not have to do it for all industries? What would your comment be?

• (1800)

Mr. Geoff Hewson: I'll speak to that. Thank you for the question, Ted.

I understand what you're saying. On the way our association looks at it, there is a budget for agriculture. Obviously, a lot of federal dollars go into the agricultural industry. As far as the effectiveness of dollars, like the gentleman from the research council said, I think research dollars are probably far and away the best way to invest money in agriculture; the return on investment is greatest. I look at our farm canola and different varieties of wheat, and there are just staggering returns.

That being said, there are other areas, and maybe an efficient way of providing help to farmers while not spending excessive amounts of money would be the block averaging kind of a high return on investment, if you will.

Mr. Ted Menzies: I most liked the part of your presentation where you said it wouldn't cost the Government of Canada a penny if we got rid of the monopoly powers of the Canadian Wheat Board. I can't help but go back to my own experiences, when I sat exactly where you are and explained that to the finance committee, the agricultural committee, and the trade committee of this House of Commons when I was a farmer—before I was ever a member of Parliament. I explained that throughout my career in farming the Canadian Wheat Board, on my wheat alone, had probably cost me a \$1.5 million, not to mention barley and the lost potential in other crops.

Share with us why we need to get rid of this monopoly that is only in place for farmers west of the Manitoba border—whoever wants to take a shot at that.

Mr. Gerrid Gust: Going back to my farm again, it's just inconceivable, as far as cashflow planning. Our farm has 16,000 acres, and we grew approximately 5,000 acres of wheat and 2,000 acres of barley last year, although it fluctuates every year. On the cashflow for that, if I happen to use the pooling option of the Canadian Wheat Board, it's just inconceivable that I would have to wait two Christmases to get my final payment. The initial payments are so low as to be a joke. I don't know if that's a government problem or a Canadian Wheat Board problem, but I know it's only a problem when dealing with the Canadian Wheat Board. It's just inconceivable that I have to wait so long to get money to operate.

You ask about block averaging. It's because I don't get money to pay my bills that I need to weigh things in and out and try to shuffle them around. I think it's an obvious solution that would not cost the government a single dollar.

Mr. Ted Menzies: Do you know any other industry that's confined like that and can't sell the products they produce?

Mr. Gerrid Gust: I believe there's some sort of a fish cooperative....

Voices: Oh, oh!

Mr. Gerrid Gust: I don't know.

Mr. Ted Menzies: Are you going to appear in front of the fisheries commission?

I appreciate that.

Geoff may have a comment as well.

Mr. Geoff Hewson: There's not only the uncertainty of the business model, but you're waiting longer to get less money. We saw that with our own eyes in 2007, when we had the great displeasure of seeing our barley freedom yanked away at the last minute by Her Honour in Alberta. The price of barley dropped several dollars a tonne overnight. It took until the big commodity run of 2008 to recoup half of the market that was lost.

We're getting less money. There's the cost to the system through logistics and personal business relationships. I want to deal with people who want to deal with me on a level playing field, where I

feel we're both advantaged equally. I find that the Wheat Board is often more an unnecessary third party than a benefit to my farm.

Mr. Ted Menzies: Mr. Stanford, both of you talked about the advantages of certified seed and how we promote it. Remind us again of the dollar value of increased production through using certified seed. What are the disadvantages, and why aren't we using it now?

Whoever would like to comment on that may do so.

Mr. Richard Phillips (Executive Director, Grain Growers of Canada): This is from a George Morris Centre study, which was commissioned to specifically look at what would happen if we increased the use of certified seed and how much money would flow and accrue. The George Morris Centre looked at it as if we had a 155% tax credit and moved to the full use of certified seed, as Quebec does. If you're a farmer in Quebec, and you want to be in crop insurance, you plant certified seed. So in this case, I think Quebec is well ahead of the rest of Canada.

According to the study, we would see an increased farm income of \$170 million a year, over \$60 million in tax revenue, and a return to the economy of just over \$600 million. That is only for the eight most recent varieties. We have probably over 100 varieties of the various crops. That's just from the eight varieties. There are huge gains to be made by moving in this direction.

A lot of that money flows back to the public sector researchers. If you're an Ag Canada researcher and you develop a variety, you go to SeCAN, which is a farmer cooperative. They go out and sell it, but the money flows back to those researchers. So it would go back to both the public and private sectors. The public sector as well as the private sector have a lot to gain from this.

● (1805)

The Chair: Thank you.

Thank you, Mr. Menzies.

Ms. Davies, you have seven minutes, please.

Ms. Libby Davies (Vancouver East, NDP): Thank you very much, Chairperson.

And thank you to the witnesses for coming today.

I just wanted to follow up on the comments and ask some questions based on the presentation of the Co-operative Housing Federation.

First of all, I just want to agree with you that I think it's very, very concerning that we have what, potentially, is a looming disaster, with 600,000 social housing units, including cooperative housing, coming to the end of their operating agreements and funding arrangements. I've actually seen the letter that's come from the minister, because people have been raising it with me, including, certainly, co-ops and social housing facilities in my own community but also those from elsewhere across Canada. I've seen the response that's come from the minister, and all it says is that they are looking at options. It's doesn't even say whether these operating agreements will be continued. It doesn't say whether you'll be involved in it. So I think it is something we should be very concerned about, notwithstanding the fact that we don't have enough affordable housing now.

The figure I use is that about three million Canadians are in need of affordable housing. But this is housing we already have. This is housing that was funded through previous programs and arrangements, and if we lose this or we see mass evictions, because co-ops or social housing basically can't maintain the subsidies they have or the operating agreements, then we're in big trouble.

You're saying the government should study this. I guess that's fine, but I just wonder if you're actually putting forward some suggestions or a direction for addressing this. We're talking about the next few years, I believe, or even within five years. These agreements will be up, and we'll face a crisis.

Could you just respond to that in terms of what more specifically we should be ensuring we do?

Mr. Nicholas Gazzard: First of all, we have to recognize the value these housing assets represent. It costs a lot of money to develop new housing. It costs a lot less money for the public to support existing community housing assets that were built a generation ago and that probably need reinvesting in now but still represent a very good deal. Our proposal is that the governments, if you like, make sure that these projects are able to continue to house at least as many low-income Canadians after their federal funding arrangements come to an end as they do now. Otherwise, we'll suffer a real setback in housing.

I agree with your estimate, Ms. Davies, of three million. What we don't want to see is that number grow merely by dint of existing social housing assets, if you like, going to waste.

The other concern we have is that absent some renewed commitment from governments and renewed partnership arrangements with governments, we might simply see the loss of these assets, a loss because of a failure to reinvest in them or even a loss at the hands of unscrupulous groups that might wish to convert these assets to equity housing. This is housing Canadian taxpayers have paid for over a generation, and it should remain available.

So we're saying maintain the purposes and maintain the affordability as it is now.

Ms. Libby Davies: Okay. I have a further question.

We're talking about the existing housing, but because this is the finance committee, I think there's a very good case to be made that an investment in affordable housing not only meets a critical social need in our country, a very basic human need to know that one has housing security, but is a great economic investment. We're hearing

presentations from the Forest Products Association of Canada. We look at all the lumber we're shipping overseas. This is something that could be a further "Made in Canada" success story.

I just wonder if you could spend a couple of minutes talking about the economic investment and the impact, the positive impact, it has in terms of basically good jobs when you build housing. And what are the economic indicators of that in terms of the investment?

● (1810)

Mr. Nicholas Gazzard: I spoke earlier on in my brief about this, of the general impact that good housing has on the economy and the kinds of other costs it may reduce. If you want to look at the actual construction of housing itself or its renovation, it's an incredibly effective way to invest if you want economic activity. After manufacturing, housing construction and renovation have the biggest multiplier effect. In other words, for every job that's created directly, the indirect job creation is one of the most efficient in the country. As you say, it does put Canadian suppliers together with Canadian developers and builders.

There's no question that building affordable housing does cost money. I find it quite interesting, for example, that the Conference Board of Canada, which is not known for its communist leanings, together with other notable spokespeople, like Don Drummond, the economist for TD, have said numerous times that an investment in housing is an investment in the economy. In other words, putting people closer to jobs, whether it's the multiplier effect of construction jobs, whether it's a happier, healthier, and better house community... the fact of the matter is that people who are housed well work well.

The Chair: Ms. Davies, one minute.

Ms. Libby Davies: I know in B.C. we have a study that we use on the flip side to show that the cost of keeping a person homeless is about \$55,000 a year. So it's very high. That's just the other side, and I think you made that point.

Anyway, I hope we will keep the pressure up about at least the existing housing that we have, because otherwise, I agree with you, we're going to have a terrible crisis of people facing eviction. Then we're just going to see a greater crisis in terms of affordable housing in this country.

Thank you for your presentation.

The Chair: Thank you, Ms. Davies.

We'll go to Mr. Szabo for a five-minute round.

Mr. Paul Szabo: Thank you.

To the Canadian Bankers Association, I've been working with the document of August, particularly in the area of personal income tax measures. Delaying the age at which RRSPs are converted to payout mode like RRIFs, and I guess combining that with the second one, adjustments or elimination of minimum annual withdrawal amounts from RRIFs in view of the lower investment returns because you're taking them out of one instrument that may be all consolidated in something, how does this tie into the objectives of the government to address the deficit?

Ms. Nancy Hughes Anthony: I think, Mr. Szabo, our recommendation here was to look at a number of linkages, as you can see here. Actually, if it's useful to you, we have a larger, more extensive paper that we can provide that we have done on specifics around retirement income.

I think the point here is to review all of these possibilities and linkages, not necessarily to drive toward a silver bullet but to definitely have the focus—I think we all probably have the focus—of encouraging more Canadians to save. That was the intent of this particular recommendation.

Mr. Paul Szabo: If I may, let me just get the other couple in here.

The third one here was a lifetime rather than an annual contribution limit on the tax free savings accounts. This would seem to provide an instrument for those who had significant cashflow availability for investment to top up much quicker and that the skew would be a benefit to higher income earning Canadians versus low.

The fourth item, and this one I'm not sure, says, "equity in the amount of tax deferral room provided in, and tax treatment of retirement income from, various types of deferred tax plans". I assume an RRSP would be something in that basket and I assume this is an indirect way of saying increase the limits on RRSPs.

I went through this because it just struck me that very few of these things really had anything to do with addressing the deficit. I think the Canadian Bankers Association's position is that it is important for us to address the deficit as early as possible. Is that the fact?

• (1815)

Ms. Nancy Hughes Anthony: Mr. Szabo, we have not dealt in our submission anywhere with timing with respect to reducing the deficit. I don't think you can draw that from anything. I think the point about this suggested review of the income tax system—and as I said, I can provide you with more detail on this—is that Canadians, particularly Canadian families, have at different times in their lives different capacities to save, and it may be very restricted in their early years and it may be better in later years.

So the whole notion here is to try to get more flexibility into the retirement system, so you have more people participating and being able to participate over their lifespan.

Mr. Paul Szabo: Okay. I understand that, but I can tell you that your suggestion here that we look at lifetime TFSAs versus an annual limit really doesn't make much sense, since everything is carried forward anyway and you can catch up at any time you want. So the point that you put in here doesn't belong.

Let me go back to the question I asked in the first place, which has to do with the banks' view. I don't think I mentioned a time limit—I'm not trying to attribute anything to you—but I want to address the importance of dealing with the deficit in the context of your apparent support for the corporate income tax reductions to continue forward, which really works against dealing with the deficit.

Can you confirm the banking association's position on the importance of dealing with the deficit and how you rationalize supporting a corporate tax cut?

The Chair: Ms. Hughes Anthony, you have about twenty seconds.

Ms. Nancy Hughes Anthony: Okay.

Our members feel very strongly that the reduction in corporate income tax should not be delayed, that it is legislated, that it is anticipated. It is a very strong driver of revenue indeed, and one can say that it's going to pay for itself over time in terms of increased tax revenue.

In that context, we are very supportive of continuing with these tax reductions to ensure that we are creating the jobs, that we are making incentives for Canadian and international companies to invest here. Therefore, at the end of the day, I would like to think that it's bringing in more revenue.

The Chair: Thank you.

[Translation]

Mr. Carrier, you have five minutes.

Mr. Robert Carrier: Thank you.

Good evening, ladies and gentlemen. I would like to ask Mr. Lazar a question.

I would imagine that the Forest Products Association of Canada represents the whole of the forest products industry, correct?

Mr. Avrim Lazar: Yes, it represents pulp and paper, lumber—the whole industry.

Mr. Robert Carrier: I was struck by your presentation. I noted that you are not asking for additional money—I hope that I understood correctly. I read your document and I observed that you have expressed certain wishes, and it appeared to me that the situation of the forestry industry did not seem to be very dramatic. And yet, the president and chief executive officer of the Conseil de l'industrie forestière du Québec appeared here a little more than a year ago, asking us specifically for loan guarantees to enable the companies in the sector, which were dying, to survive. Thousands of jobs have been lost in Quebec—this is obviously the province with which I am the most familiar. However, I saw no urgency of this nature in your document.

I also remember that last year, the government, under the Economic Action Plan, allocated \$10 billion to save the automobile sector. This was well justified and we all agreed. However, only \$170 million was earmarked for the forestry sector, for all of Canada, which we felt was inadequate.

I would therefore like to know your reaction to that, since you represent this industry.

Mr. Avrim Lazar: Most of the companies in Quebec belong to my organization, so I am able to answer you.

Two points must be considered for the future of the sector. First of all, we must ensure the survival of the current sector. If this were a realistic wish, clearly I would be here to thank you and state that we do not want to lose anything or change anything, that we want to safeguard everything that we have. However, if we want to work in overseas markets, where we sell most of our products, we have to adapt to these markets, to the economy, and that is why we are putting more emphasis on the transformation of the sector. Indeed, the future of our towns, our jobs, our rural regions, depends on these transformations.

Loan guarantees may be useful. However, they may also be extremely problematic with the Americans, under the Softwood Lumber Agreement. This is not a realistic change for the future of the sector. We need to transition to clean energy. That will reduce our costs and change our profile. We need new products such as crystalline nanocellulose, for instance, which is extracted a great deal in Quebec and exported to China. That will change the future.

• (1820)

Mr. Robert Carrier: I agree, of course, given that the Thurso plant has recently been converted so that it can produce rayon, a fabric made from forestry products. Nevertheless, companies are asking for loan guarantees because they don't have any more money. They are on the verge of bankruptcy.

Mr. Avrim Lazar: It is understandable that a boss whose plant is about to go under would want to call the government for help in order to save the company. I do respect that, but we have to ask ourselves what justified and really practical role the government can play in the future. If we save all of the plants, they will all be in difficulty, because the market is too small. Which option is better, having one profitable, efficient plant that can compete internationally or maintaining three unprofitable plants?

[English]

The Chair: You have 30 seconds.

[Translation]

Mr. Robert Carrier: I would like to ask Mr. Gazzard a question about affordable housing. I agree with your policy and the request that you have submitted to us.

I would like to know what you think about the bill that we presented last week, in which we asked that at least \$4 billion of the \$8 billion in the CMHC surplus be invested in affordable housing.

The Chair: Fine, thank you.

Mr. Nicholas Gazzard: It is difficult for me to separate the surplus on the CMHC spreadsheet from the general situation of the government. That being said, I do not really have a precise opinion on this issue, which is complicated.

[English]

The Chair: *Merci.*

If you have any information on that in the future or if you want to provide a future response, please feel free to do so. If you have a position in the future as an organization, please feel free to provide it to the committee.

We'll now go to Mrs. Block, please.

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

I'll just be asking one question and would be happy to share my time with you.

My questions will be for the Grain Growers of Canada and the Western Canadian Wheat Growers Association. After having lived in rural Saskatchewan for 19 years, I truly appreciate your mandate to advance the development of a profitable and sustainable agricultural industry, as well as your belief that government does not owe farmers a living but that farmers deserve a policy environment that will allow them to make a living.

This week we will be voting on extending the time to review Bill C-474. I'd ask that you be really short in your answer. My question is this: what do you think of Bill C-474 and the impact it's going to have on agriculture?

Mr. Richard Phillips: We appreciate where Mr. Atamanenko is coming from with Bill C-474, but I would have to say that probably every farm group that has appeared before this committee would be staunchly opposed to Bill C-474 and where it's going. I'll just leave it at that.

The Chair: Are there any further comments?

Mr. Gust.

Mr. Gerrid Gust: I don't think you could kill it fast enough. It's completely illogical to have bureaucrats or legislators from other parts of the world telling us how we should do things. If customers have one thing, they can come to us directly. But as a trading nation we have to be able to deal with science and do things properly.

• (1825)

The Chair: Thank you.

Thank you, Mrs. Block.

Monsieur Patry, I want to ask one simple question. You've pointed out that successive governments have supported the CFI; in fact, it was a former government that established it, and I would certainly credit them for that. But can you just identify for the committee how much in the way of resources has been put into the CFI since 2006 to continue its important work?

Mr. Gilles Patry: Yes, I can do this. There have been three investments, totalling \$1.3 billion, since 2007.

The Chair: That's since 2007?

Mr. Gilles Patry: Yes.

The Chair: Okay. I appreciate that information for the committee.

I don't have much time, but I want to ask this to Mr. Lazar. We went to the Domtar facility in Kamloops and learned firsthand of the importance of the green transformation program, which addresses the black liquor issue. I want to ask about the accelerated CCA. I know it's not in your brief, but you and I have worked on this in the past. It's been raised by another group here.

Mr. Lazar, you know what the finance department is going to say and what the Privy Council Office is going to say and what economists across this country will say. We say that it's deferred taxation, and they will say that in fact it's a subsidy that goes to business and therefore we ought not to do it but ought to phase it out.

What I'd like you to do in the two minutes I have remaining is respond very directly to the concerns you know they will raise if this committee chooses to recommend it as a policy idea.

Mr. Avrim Lazar: I want to be very clear that if you're sitting in the kitchen of an average Canadian family, their worry is not about the deficit and it's not about the stimulus but about whether we can compete. Government will not allow us to compete.

It's going to be business investment. If we care about people having jobs in this country, we want to invite business investment in; we want to invest in Canadian facilities. The simplest, most leveraged, most powerful way to get people to invest in Canadian factories and Canadian industrial infrastructure is to give them a fast return on their investment by not taxing it quickly and by allowing the depreciation to go quickly.

Capital is mostly travelling internationally. If you have a pool of capital, and I face this all the time with my companies—they're multinationals and they have a small pool of capital—should I put it into my mill in Georgia, should I put it into my mill in France, should I put it into my mill in Brazil? What they do is add up the speed of return. Nobody can afford to wait.

If we had an accelerated capital depreciation, the numbers shift; they invest in Canadian facilities, and then we have jobs over the long term. If people don't invest in Canadian facilities, there's nothing government can do to make us competitive.

I'd be happy to work with you, Mr. Chairman, on the details and the technical aspects concerning whether this is a subsidy or just reducing a tax grab by government, but the more important question is how you keep jobs in the country if you don't bring investment money in.

I think it's a no-brainer: we need private industry investment to replace the stimulus if we're going to keep growing our economy. Extending it year by year, frankly, is just not good enough. We should see a five-year permanent extension so that people have confidence in investing in this country.

The Chair: I appreciate that, and we would certainly appreciate any information you have on investments that have been made in the sector since that policy change was made, in order to bolster the argument to continue the policy.

I want to finish. Mr. Pacetti, please, you'll have five minutes.

Mr. Massimo Pacetti: Thank you, Mr. Chair. I guess you saved the best for last.

Voices: Oh, oh!

Mr. Massimo Pacetti: I want to first thank all the witnesses for appearing. It's always a challenge for us.

I'm going to do just a little bit of clean-up. I'm going to ask my questions to the Polytechnics people, to Ms. Robinson.

I have two questions. First, explain to me the difference between, for example, you and the Canada Foundation for Innovation and the members you're dealing with, and why your institutions are needed to avoid duplication of the moneys being distributed to your founding members. I see that you're getting money from the social

sciences...and I think you're also getting it from the Canada Foundation, I believe?

• (1830)

Ms. Nobina Robinson: Thank you for your question.

Polytechnics Canada doesn't get a cent from any of these councils. We represent colleges that can compete and then on a competitive basis obtain funding from a variety of sources.

There is a difference between the three federal research granting councils in Canada—those would be the natural sciences council, the social sciences council, and the Canadian Institutes of Health Research, which fund the research activity—and the Canada Foundation for Innovation, whose president is here, which funds the research equipment, infrastructure, and facility.

Polytechnics Canada does not get any of that funding to—

Mr. Massimo Pacetti: But all your members will request money from the three funding organizations?

Ms. Nobina Robinson: In different kinds of competitive projects, partnered with industry often, as CFI has explained, and leveraged with other sources of funding, institutional or private sector, for different kinds of purposes. If you have a project that's trying to do an IT technology, you go to NSERC, but if you're trying to study the impact of better business practices in a certain sector, you'd go to the social sciences council. They're different tools.

Mr. Massimo Pacetti: Are your members happy with the way the system works presently?

Ms. Nobina Robinson: Well, we are happier than we would have been a decade ago, when college research was not funded at all by any federal department or granting council. We are new players, new entrants, and we are very glad for the little recognition there is. But the balance is something that over time needs to be rectified.

Mr. Massimo Pacetti: Then the magic question is going to be, with all this money that's going into research—I think Mr. Lazar was speaking about it a little bit, and it's one of the criticisms this committee has had—how do we determine whether we're getting a return on the money? I'm speaking for Canadian taxpayers.

Secondly, how do we increase productivity in this country? We are putting money into research, so why is it not showing up in our stats? What's the next step? I know there's a need to improve on commercialization—that's been one aspect—but I'd like to hear your comments on those two aspects.

Ms. Nobina Robinson: The chair will tell me how many seconds I have left to answer. I have two minutes?

The Chair: You have two minutes.

Ms. Nobina Robinson: Okay.

You've asked many very fundamental questions.

Mr. Massimo Pacetti: Basically, what's the return? How do we evaluate that, and how can we improve productivity from a Canadian standpoint? That's been one of the criticisms we've had.

Ms. Nobina Robinson: I think the federal government is beginning to consider that, yes, the ROI—the return on investment—needs to be looked at, which is why it has recently created an expert panel on business innovation.

I can only speak about the inputs and the outputs of my members.

Mr. Massimo Pacetti: That's what I want you to speak about.

Ms. Nobina Robinson: That's what we have been tracking year on year now for two or three years, where I believe we are seeing, first of all, the private sector investment in our colleges growing. Our data show that it had grown by about 120% last year, from year to year. We've gone from \$3 million to over \$7.5 million of private sector small companies coming to our colleges to invest in what we are doing. So we do have to move from a mentality that keeps demanding input dollars without showing the outputs, I agree.

There are six outputs that we think are important to measure the work we do: how many students are involved; how many faculty are involved; how many prototypes have been created—not patents, because scientific research is measured by patents and trademarks, and we are in the business of late-stage commercialization—how many prototypes; how many processes have we improved; how many studies have we done to do cost avoidance so that companies can avoid market failure. We're into that valley of death. So we measure six of our outputs: how many collaborations we have with universities, as well as with the private sector, and how many clients we have served.

The Chair: Thank you.

Thank you, Mr. Pacetti.

Thank you, Ms. Robinson.

I want to thank all the witnesses for being here today. I did have a request from a member.

Ms. Hughes Anthony, I believe you referenced a report regarding personal income tax proposals. If you could submit that to the clerk, I'll ensure all members of the committee get a copy.

I want to thank you for coming in.

[*Translation*]

Thank you very much for your presentations and your responses.

[*English*]

Thank you.

The meeting is adjourned.

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