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## **Standing Committee on Finance**

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**EVIDENCE**

**Tuesday, October 26, 2010**

**Chair**

**Mr. James Rajotte**



## Standing Committee on Finance

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• (0900)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** I call this meeting to order. It's the thirty-ninth meeting of the Standing Committee on Finance, continuing our discussions surrounding pre-budget consultations 2010.

We have two panels here this morning of seven organizations each. In the first panel, we have the Association of Equipment Manufacturers, the Canadian Steel Producers Association, the Canadian Hydrogen and Fuel Cell Association, the Mining Association of Canada, Le Mouvement pour les arts et les lettres, the Certified Management Accountants of Canada, and the Certified General Accountants Association of Canada.

Welcome to all of you. Thank you for joining us here this morning. You each have a five-minute opening statement.

We'll begin with the Association of Equipment Manufacturers.

Mr. Mains.

**Mr. Howard Mains (Consultant, Public Policy, Association of Equipment Manufacturers):** Thank you, Mr. Chair, members of the committee, and staff, for providing the Association of Equipment Manufacturers with the opportunity to address you this morning.

Allow me first to say a few words about the Association of Equipment Manufacturers. AEM is a trade association representing manufacturers of agriculture, forestry, construction, and mining equipment. Members include larger multinational equipment makers such as Caterpillar and John Deere, as well as successful Canadian manufacturers such as MacDon Industries in Winnipeg, Manitoba, and Sellick Equipment of Harrow, Ontario, and some 800 other members in Canada and the United States.

AEM member companies develop and manufacture the machines that build roads and extract resources, as well as planting and harvesting equipment.

To set the context for today, I would like to relate a small story. Late last year, we were in discussions with officials at International Trade regarding trade barriers into the Russian market that were affecting the sales of one of our Canadian members, MacDon Industries of Winnipeg. Russia had imposed a tariff on combines and was providing farmers with highly subsidized loans to purchase Russian-made combines.

One day I received an urgent phone call from the official at International Trade because they'd gone through the trade data and determined that Canada did not export combines to Russia. I assured

the official that indeed this was the case, but that combines—and I've circulated a picture—are typically shipped with the headers that were specific to the types of crops to be harvested. Importantly, the trade barriers were being applied to the headers that were manufactured here in Canada, exported to Europe to the combine manufacturer, and then shipped to Russia.

So on this piece of equipment that is shown in the photograph I have here, the header, which is the black piece of equipment at the front, is made by MacDon Industries in Winnipeg, and for the combines that were being exported to the United States or Russia, the combine was manufactured in Europe in this case.

The reason I share this story with you is to underscore several points. AEM members such as MacDon Industries compete on a global basis. To compete effectively, Canadian manufacturers must invest significantly in research and development to bring to market equipment that meets the demands of customers in Canada and around the world. The markets AEM members serve must be accessible and free of trade-distorting barriers. The dealers that sell and service the equipment must have access to a skilled workforce. Last, the currency fluctuations and a high-value Canadian dollar introduce more and greater risk.

With these factors in mind, AEM has five recommendations that we would ask the committee to consider in its report to Parliament.

Firstly, extend the two-year write-off for investments in manufacturing and processing technologies to at least the end of 2016 and consider making this accelerated capital cost allowance permanent.

Make Canada's scientific research and experimental development tax credit refundable and, importantly, improve its administration.

Introduce a refundable tax credit for workplace training in order to offset the impact of rising employment insurance premiums

Follow through on the commitments to reduce the corporate income tax rate to 15%. We acknowledge and applaud the government's action on this front to date.

Also, follow through on the recommendations of both the industry committee and the finance committee for the review and modernization of capital cost allowance for equipment. Modernizing CCA rates would have a positive economic effect. Faster replacement of older equipment increases productivity and promotes real environmental savings. Improvements to the CCA rates would also bring Canada in line with its major competitor and customer, the United States.

Importantly, we can all agree that innovation is driven by investment in productive assets: research and development, technology, and workforce skills.

Thank you for undertaking this study and for your consideration of AEM's submission.

● (0905)

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

We'll now hear from the Canadian Steel Producers Association.

**Mr. Ron Watkins (President, Canadian Steel Producers Association):** Thank you, Mr. Chairman.

Good morning, members of the committee.

My name is Ron Watkins. I'm president of the Canadian Steel Producers Association, representing Canada's primary steel and steel pipe and tube producers. Our industry employs over 25,000 Canadian men and women in highly skilled, well-paid jobs in production facilities in several provinces.

As we like to say, steel makes Canada stronger every day, everywhere, and in multiple ways. Steel has always been and will continue to be a central component of virtually every major industrial cluster. We are, in many ways, a new steel industry with new products, new processes, new ownership structures, and new technologies.

A recent independent study of our industry concludes that from an employment, value-added, knowledge-intensive, and environmental perspective, this is an industry that Canadians should want in their future. Budget 2011 can make an important contribution to that future.

Our industry faces fierce competitive conditions at home and abroad, including well-documented unfair trade from China and other countries. High exchange rates add to the challenge.

The recession had a deep impact, with annual production dropping by over 35% in 2009. Recovery remains slow and uneven.

We compete for investment capital as well as markets. This requires continuous innovation to improve productivity, operational costs, technologies, environmental performance, and workforce skills.

Our recommendations focus on those needs. To be clear at the outset, we are not seeking new spending programs or measures that benefit only our industry. We are seeking measures that would strengthen the competitive conditions for all Canadian manufacturing and resource processing sectors. These are our customers and their economic vitality is important to us. That is why we advocate a pro-manufacturing policy focus by the federal and provincial

governments. We ask them to embrace policies that will re-energize Canadian manufacturing, which is essential to the employment and wealth generation on which so many Canadians and public finances depend.

This committee can recommend measures that will strengthen the entire manufacturing base—small and medium enterprises, large companies, and established and emerging industries.

Let me next speak to our specific recommendations.

On investing to improve productivity, we recommend, as did my colleague, an extension of at least five years to the accelerated capital cost allowance for new machinery and equipment. As the Canadian Manufacturers and Exporters and many other industries have pointed out, the ACCA provisions strengthen the business case for individual capital projects by improving project cashflow. This translates directly into improved rates of return on such investment.

The longer-term certainty of tax treatment is fundamentally important, especially for sectors like our own, where major capital investments take several years to plan, evaluate, acquire, receive regulatory approval, and implement commercially. This is all before it starts to return a nickel.

Moreover, it is especially timely to introduce this change now. As economies recover and companies evaluate investment options, Canada must offer strong conditions to attract those next-wave investments here versus other jurisdictions. The ACCA can make a tangible difference.

Second is to develop new technologies. The scientific research and experimental development tax credit—the SR and ED—is an important incentive to market-driven industrial research and development. The SR and ED is valuable, but can be improved by making the tax credits fully refundable. That would assist Canadian industry to sustain R and D efforts even when in a financial loss position. Administrative improvements, to improve the predictability and consistency of claims, would further strengthen industry uptake.

● (0910)

**The Chair:** You have one minute.

**Mr. Ron Watkins:** Innovation to improve manufacturing productivity requires more than just equipment and technology. It also rests critically on ensuring that companies have a highly skilled work force to operate in an advanced technological environment of modern steelmaking. To this end, we propose a refundable tax credit for industrial training, creditable against EI premiums.

In my final comments, I would just simply speak briefly to the expenditure side of the budget. We seek the support of this committee to ensure that programs that are important to manufacturers are not subject to excessive cuts as governments seeks to reduce expenditures. Our submission identifies a number of such areas, including the sector councils at HRSDC, infrastructure renewal, enforcement of the trade remedy laws, and technology infrastructure.

I would certainly be pleased to elaborate on those topics, Mr. Chairman, in the subsequent session.

In closing, the proposals we advance will benefit many Canadian sectors, not just steel. We firmly believe that targeted tax measures and the maintenance of essential programs will contribute to strengthening the competitive investment prospects for Canadian manufacturers.

Thank you for your attention.

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

We'll now hear from the Canadian Hydrogen and Fuel Cell Association.

**Mr. John Tak (President and Chief Executive Officer, Canadian Hydrogen and Fuel Cell Association):** Thank you.

Thank you for your time today. I'm going to share with you information that I am fairly certain you haven't heard before.

Canada produces 3 million tonnes of hydrogen each year. Think about this. The U.S. produces 9 million tonnes each year today—it's not a gas of the future—and Canada produces 3 million tonnes, 30% of what the U.S. produces.

Of our annual production, 2 million tonnes is used in the oil sands in Alberta. That hydrogen is used to clean up and lighten up the heavy oil that's taken out of the tar sands, so the hydrogen and fuel cell sector actually works with the fossil fuel sector. The rest of the hydrogen that Canada produces is used to make gasoline cleaner. That's used today as an energy carrier.

Most of the hydrogen we produce in Canada is, surprisingly, extracted out of natural gas, so natural gas and hydrogen go hand in hand. The more hydrogen you produce, the more hydrogen you will be using in Canada.

As for government funding, from 2003 to 2008, for five years, the Government of Canada invested \$170 million in the hydrogen fuel cell sector. The private sector responded, raised capital of a billion dollars, and invested that. Eighty per cent of the capital in this sector comes from private financing, not government funding. Some 80% of the R and D in this sector is done by companies, not government labs, and not universities. I think it's pretty significant to recognize that.

This is a global industry and it's emerging. The hydrogen fuel cell sector in Germany benefits from federal German program funding of \$200 million per year, because they see that as critical for the development of their energy efficiency and new clean technologies, along with economic development. Canada, in comparison, invests \$30 million a year. Canada's total annual investment in the hydrogen fuel cell sector is \$30 million a year, the same as Denmark's.

Denmark has 5 million people. We took an early lead, but this is developing globally.

I also want to let you know the good news that the money spent by the government in R and D—\$170 million—now is turning into sales. We are selling product in the United States today, where the United States has a tax-based fuel cell purchase incentive. That's what we're asking the Government of Canada to consider. It works. It's stimulating sales.

Earlier this year, the Government of Canada commissioned an economic impact study on the hydrogen and fuel cell sector. The result was that, on a conservative basis, this sector in Canada will create 14,500 jobs by 2020 in a sunrise industry, in the clean energy tech sector, which was developed here in Canada and which we will export elsewhere, as opposed to wind technology, which is great, but which we import into Canada. Please keep this in mind: 80% of the R and D investment is funded by private capital.

I believe you have in front of you our 2011 budget submission. I hope you will take a look at the last page, where we map out exactly what will happen over the next five years if a fuel cell purchase incentive is put in place. It indicates, year by year, what sales we'll have and what impact that will have on government revenues. I'm happy to say that the total impact on tax revenues will be only \$60 million over five years, most of that back-end loaded, because you ramp slowly in sales.

We've invested in the R and D and we're here at commercialization. We've proved you can do it. It's happening in the U.S. We hope the committee will look favourably on this recommendation.

Thank you.

● (0915)

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

Now we'll hear from the Mining Association of Canada, please.

**Mr. Paul Stothart (Vice-President, Economic Affairs, Mining Association of Canada):** Thank you very much, Mr. Chair, and thank you as well for the invitation.

I want to use my five minutes to just quickly highlight two figures from the "Facts and Figures 2010" document. You each have a copy *en français et en anglais*.

Page 9 shows the distribution of the industry clusters across Canada. As you can see from the map, the industry is very strong in all regions of the country: nickel in Newfoundland and Labrador; base metals in Quebec; base metals in Ontario; a lot of gold in Quebec; base metals in Manitoba; uranium and potash in Saskatchewan; oil sands in Alberta; base metals and metallurgical coal in British Columbia; and a lot of diamond activity in the northern territories. It's a very diversified and strong industry across the country.

It employs anywhere from 300,00 to 350,000 Canadians, depending on the state of the economy, and it pays anywhere from \$6 billion to \$12 billion per year to governments in the form of taxes and royalties, again depending on the state of world mineral prices.

More importantly, perhaps, it provides business for about 3,200 companies that supply goods and services to the industry in Canada. About 3,200 companies supply engineering, environmental services, drilling equipment, and so on. That's important to keep in mind.

The second figure, on page 13, shows the state of proven and probable mineral reserves in Canada, and it shows a fairly troubling picture, which is that the level of Canadian reserves has declined by around one half over the last quarter of a century for copper, nickel, zinc, silver, and so on. That is troubling, because a lot of the other benefits of the industry depend on our having strong levels of mineral reserves in Canada.

We're seeking a couple of things in that regard. One is a continued effort to enhance the investment attractiveness of Canada, and that would include continuing to reduce corporate tax rates to 15% and continuing the super flow-through share provisions of the Income Tax Act. I should add, within the investment attractiveness theme, that we seek the defeat in the coming days of the negative private member's bill, Bill C-300.

We would also seek continued investment in geoscience and geological mapping, especially in northern Canada, where we need to know better what the makeup is in the territories in terms of geological formations. That kind of information is very useful to companies.

On enhanced investment in innovation, there is potential for the government to better support the innovative future of this industry. It's a very technological and innovative industry when you think of some of the processes it goes through to turn rock into 99.99% pure metal.

Finally, I would echo earlier comments about continued support, and in this case, of the Mining Industry Human Resources Council. It's a very effective human resources council and is very useful to our industry in terms of information, research, mentoring, partnerships, and certification. It plays a very useful role and we hope to see enhanced support of that sector council.

I'll wind up there, Mr. Chair.

Thank you.

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

[Translation]

We will now move on to the Mouvement pour les arts et les lettres, please.

**Ms. Lorraine Hébert (Executive Director, Regroupement québécois de la danse, Mouvement pour les arts et les lettres):** Mr. Chairman, ladies and gentlemen, members of the committee, thank you for giving us the opportunity to express our views during these consultations.

The Mouvement pour les arts et les lettres represents over 10,000 professional artists, artisans, writers and cultural workers. For 10 years, the MAL has been advocating for a substantial increase in public funding for the arts and culture in Quebec and Canada. This call for more funding has become all the more pressing in light of the growing challenges in terms of how Canadian creative content will

position itself and how it competes in the new digital world economy.

To meet these challenges, our brief lays out six intervention priorities: intervention in the chain of research, creation, production, promotion and distribution of works by artists from Quebec and Canada; intervention in the sustainable development of arts and culture; intervention to enable better access to basic and applied research in the arts; intervention for international promotion and distribution; restoring cultural diplomacy; and, lastly, intervention in the digital economy.

These six priorities translate into three recommendations. Basically, these recommendations have not changed in years. However, they have become more urgent because our various sectors seem incapable of integrating very talented and successful new artists, they seem incapable of dealing with the increased costs of production, promotion and development of new markets, or with the rising costs of national and international distribution, and, lastly, they seem incapable of helping to improve, even a little, the living and working conditions, or the pay, of artists and those who work in the arts and culture sector.

The recommendations of the Mouvement pour les arts et les lettres are shared by other Canadian coalitions as regards the Canada Council for the Arts and the implementation of new measures to support the promotion and distribution of our arts.

The digital reality is catching up with us very quickly, and if we are to skilfully negotiate these new changes, we will have to count on strong support measures and commensurate funding.

Our first recommendation is that the budget of the Canada Council for the Arts be increased to \$300 million to help close the gap between what is needed and what the council can give, because this gap is increasingly affecting the dynamism and vitality of our sectors, including our ability to innovate and to stand out in an extremely competitive environment.

The digital universe is having a huge impact on us and will provide us with many more opportunities to create, promote and distribute our works. We therefore have to occupy this territory with audacious Canadian works, otherwise we risk becoming marginalized.

Our second recommendation is to restore the funding for the promotion and distribution of works by artists from Canada and Quebec. Day in and day out, we see the damage being done because these programs were eliminated. Please understand that artists earn a lot of income from the distribution of their work. Failing that, artists and workers cannot find work.

Soon, that is, by November 1, the International Exchange for the Performing Arts, CINARS, will reveal the impact the cutbacks have had on its ability to find new markets and on its touring productions.

Therefore, my second recommendation is to reinvest \$25 million each year in international support and distribution.

My third recommendation deals with the new digital economy and the fact that we should have strategies which are adapted to our sectors, and the financial support to go along with that.

Thank you.

• (0920)

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

Next,

[English]

we have the Certified Management Accountants of Canada.

**Mr. Richard Monk (Past Chair, Certified Management Accountants of Canada):** Mr. Chairman, committee members, fellow witnesses, ladies and gentlemen, I'm very pleased to be with you this morning to represent the Certified Management Accountants of Canada, also known as CMA Canada. Thank you for inviting us.

In our submissions to this committee over the past six years, we have consistently advocated for policies aimed at stimulating the growth of productivity. According to experts, the essential components of productivity are human capital, physical capital, and innovation. We prefer to focus on innovation, or what we call creativity, because it represents the extraction of value from the other two components, namely, physical capital and human capital, through inventiveness.

CMA Canada believes that increasing productivity growth is Canada's top economic challenge. Why? Because a country's productivity is linked closely to the standard of living of its citizens.

Unfortunately, CMA Canada's productivity record over the past decade has been underwhelming. In fact, according to a recent report prepared by TD Bank, throughout 2000 to 2009, productivity growth slowed further, to a depressing 0.7% per year. This most recent decade has bordered on catastrophe.

Steps must be taken to improve productivity. CMA Canada recommends that the committee focus its attention on three areas to drive innovation and creativity: one, post-secondary education; two, basic skills training; and three, investment in research and development.

Very few investments provide the economic benefits that education does. A major part of our future success as a country is linked to developing and maintaining a highly skilled workforce. In particular, boosting innovation will depend on increasing an individual's skills within the so-called STEM disciplines: science, technology, engineering, and math.

Therefore, CMA Canada encourages the federal government, either on its own or in partnership with provincial governments, to make selected investments in post-secondary education designed to boost the creative capacity of students entering the business community. Initiatives could include grants or tax incentives that would encourage more companies to participate in creating co-op and internship opportunities, fellowship programs providing work experience, scholarships to students at the undergraduate, graduate, and post-doctoral levels, with a particular focus on the STEM disciplines, and grants or tax incentives permitting university and college faculty to spend up to one year in an industry position, thereby increasing business-academe collaboration.

Mr. Chairman, as many as 40% of working Canadians lack the basic literacy skills needed to participate in a knowledge economy. Poor basic skills act as a drag on economic growth. Literacy skills, as well as basic and intermediate numeracy skills and problem-solving skills, are essential to expanding creative capacity. Therefore, CMA Canada recommends that the Government of Canada invest, either directly or in partnership with provincial and territorial governments, as well as in collaboration with private sector partners, in literacy, numeracy, and problem-solving skills programs.

Our third and final recommendation is with regard to investing in research and development. On this front, CMA Canada is pleased that the federal government announced two weeks ago the appointment of a panel of experts to consult with Canadians on how the government can cultivate business investment in research and development. A long-standing and serious issue for Canada is the relative lack of investment in R and D by our business sector. CMA Canada intends to participate in this important review.

A key public policy tool encouraging investment in innovation is a scientific research and experimental development tax credit. There is room for a further enhancement of this program that will encourage business participation. We believe the program would be improved by extending the refundability provision of the SR and ED tax credit, currently available only to smaller businesses, to claimants of all sizes. This would encourage smaller businesses to grow and also would recognize the innovation advantage of larger companies. As an alternative, the government could permit larger claimants to apply the tax credit against other federal government levies, such as EI premiums.

In closing, Mr. Chairman, we are well aware that the Government of Canada is running a large deficit and that budget 2010 announced austerity measures for the years ahead. Nevertheless, we urge the committee to take a long-term view of Canada's fiscal condition. As our recommendations to you indicate, CMA Canada believes that the focus should be on long-term outcomes that will benefit Canadians.

Thank you very much. I look forward to your questions.

• (0925)

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

Finally, we'll hear from the Certified General Accountants Association of Canada, please.

[Translation]

**Mr. Denis St-Pierre (Chair of the Tax and Fiscal Policy Advisory Group, Certified General Accountants Association of Canada):** Mr. Chairman and distinguished members of the committee, thank you for giving CGA-Canada the opportunity to take part in the 2010 pre-budget consultations.

We are pleased to appear once more before the committee. The committee is gathering viewpoints on fiscal and program spending priorities in preparation for the upcoming federal budget.

[English]

In view of CGA-Canada's deep-rooted concern and interest in small and medium-sized enterprises, we propose one overarching recommendation: that the Government of Canada provide further and meaningful support to SMEs and entrepreneurs. How? By improving the taxation and regulatory environment for Canadian businesses. Given the role SMEs play in Canada's economy, the needs of SMEs should be at the top of the public policy agenda.

I would like to spend the next few minutes outlining strategies to unlock the potential of the SME sector. These strategies emanate from our recent forum on SME issues convened by CGA-Canada and CPA-Australia. These themes also reflect work that was just completed with CPA-Ireland on entrepreneurship.

First, appoint an independent panel of experts to review Canada's tax regime to ensure the system is simple, fair, and efficient. While personal and corporate income tax rates have come down over the years, Canada's tax system has kept on growing. It's unnecessarily complex, cumbersome, labour intensive, costly to administer, full of red tape, and difficult to understand. Being a tax partner in an accounting firm, I believe this is true. We've said it before and we believe now is the time: we must modernize Canada's tax regime.

Second, implement a sunset provision for unlegislated tax proposals. We need an effective process to address the backlog of technical changes to be made to the Income Tax Act. Frequently, too much time elapses between measures being announced and actually being implemented. In the interim, taxpayers, professional accountants, and even the CRA prepare for government policy, which involves maintaining records and forms—sometimes forms that don't even exist for several years—not knowing if the legislation will come forward at all. To correct this, CGA-Canada recommends a sunset provision for unlegislated proposals. In effect, if a tax policy change is announced and not incorporated into legislation within a reasonable amount of time, the measure would lapse. This is in place in Britain and it appears to be working.

Third, introduce a Canadian taxpayer fairness code. In budget 2010, the federal government spoke of the issue of strengthening taxpayer fairness. CGA-Canada supports a Canadian taxpayer fairness code, which includes the guaranteed right of a Canadian business to receive written tax rulings that would clearly define the CRA's expectations of SMEs. The CRA should consider making its policies available to the tax community online, for example. This would strengthen transparency and accountability and also facilitate compliance.

● (0930)

[Translation]

Fourth, take immediate and aggressive action to reduce the overall regulatory burden on SMEs. While there have been initiatives at the federal level, there is more work to do. For instance, the government needs to deliver on its 2010 budget commitment to establish a red tape reduction commission.

Canada's governments need to get much more serious to achieve meaningful results and reduce the overall regulatory burden on SMEs, which continues to cost businesses about \$30 billion a year.

Last but not least, all governments must continue working towards revitalizing the Agreement on Internal Trade. Remove the barriers—once and for all—that limit Canada's interprovincial trade and labour mobility, and harm our international reputation as a place to do business.

[English]

Mr. Chairman, thank you for your time.

Madame Presseault and I will be pleased to respond to any questions or comments.

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

We'll start with members' questions.

Mr. Szabo, for seven minutes, please.

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

I want to start with the hydrogen presentation, simply because it's an area we haven't had enough attention on.

You mentioned that \$60 million over the five-year period would be roughly what you're looking at. Can you briefly update us on where the technology is and where that \$60 million would go?

**Mr. John Tak:** Thank you very much.

To be specific, the good news is that the product is selling today and that it's an industrial market. Those early markets are for materials handling, such as forklift trucks, fuel-cell-powered forklift trucks using hydrogen as the fuel, and for telecom backup systems in the United States that need longer run times. After Hurricane Katrina hit, they realized that two hours of battery backup time wasn't working.

**Mr. Paul Szabo:** Okay. That's where I was going with the next part. How do we ramp that up to the economies of scale that are going to make it competitive?

**Mr. John Tak:** There is an early premium over fuel cell products they're selling today because they're initially in low volumes. Covering part of that premium increase creates an incentive for industrial users to purchase those products. This isn't a supposition. The U.S. has that tax credit now and it's having that exact same effect. That will ramp up volume and help drive down costs to the point where you won't need that initial incentive to stimulate the market.

Just as an example, Walmart is actually building a brand new distribution centre. All of the forklift trucks in that centre will be powered by fuel cells coming from Canada. So this is no longer a supposition. We know now that end users are purchasing these products when the appropriate incentives are in place.

● (0935)

**Mr. Paul Szabo:** Thank you.



I'd like to move on to the CMA and Mr. Monk. Your presentation was excellent. I really appreciate the input.

Very few people talk about productivity, because it's really hard to define for a lot of people. How do you get at it—as you put it—with R and D basically being the way we can harvest the benefits of our human resources and others?

I'm kind of interested in the reluctance of both the CMA and the CGA to address the deficit: the timing in dealing with it, and some of the key items, such as the advisability of delaying the corporate tax cut. I wonder if each of the groups could give their views on the economic condition of Canada.

**The Chair:** Mr. Monk.

**Mr. Richard Monk:** We realize that Canada is facing a substantial deficit that has to be addressed, but our presentation here is focusing on productivity with a long-term view. Over the long term, studies show that productivity increases the wealth of citizens in the country. Our presentation here is focusing on that, not necessarily on ways of reducing the deficit as it stands right now.

**Mr. Paul Szabo:** Thank you. I appreciate it.

**Mr. Denis St-Pierre:** I think CGA-Canada is on the record as supporting the stimulus package, but we're also on the record about getting out of the stimulus.

I personally advise clients on purchasing businesses and structuring their affairs. When we do these kinds of things, there has to be stability for the medium term for the client. Tax cuts were announced. There are measures in place to get out of the deficit. CGA's Canada position is to stay the course and continue to focus.

There is a plan. If there is a radical change in that plan because of deficit issues, it might create an unstable environment for the clients and the economy as a whole. We believe that we should just stay the course. There is a plan to get out of the deficit and I think that would create much more stability for the economy.

**Mr. Paul Szabo:** Continuing with CGA on the modernizing of the tax regime, you talked very briefly about sunset provisions on changes that haven't been enforced. Most of them are effective immediately, whether or not the legislation is passed. Is there anything in that little treasure chest you have on changes that might be worth pursuing in the shorter term on tax fairness, opportunities, etc.? Is there something there that you want to highlight for us that CGA might want to recommend to the committee?

**Mr. Denis St-Pierre:** Had I been able to bring an Income Tax Act, I would have done a simple thing and just flipped it over. The grey parts in the Income Tax Act are the proposed changes. When you say that tax is a grey area, that has become reality right now. Simply flip over an Income Tax Act and look at the grey sections: it's full of proposed measures.

Some of them, like proposed section 56.4, date back to 2003. We're supposed to keep data on income tax sections that do not exist yet, with forms that do not exist, and when they come into legislation, we'll have to back-file for seven years. It's an incredible burden on the taxpayer.

It's also unfair in the sense that you're supposed to know your affairs are done after a certain time. After more than three years, to

me, the sunset provision should be implemented so that taxpayers have a sense that it's final, that they've filed their tax. But right now, there's just too much tax baggage out there.

● (0940)

**Mr. Paul Szabo:** Okay.

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

*Monsieur Paillé, s'il vous plaît.*

[Translation]

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

Ms. Hébert, I was looking over today's agenda a little earlier on. I was wondering what you would do, surrounded as you are by combine-harvesters, steel, batteries, mines and two groups of accountants. I told myself that it would do them good to have you here.

Further, our anglophone colleagues never wonder whether they should express themselves in English: they just speak English. So, thank you, Ms. Hébert, for having spoken only in your language, since respect begins with self-respect.

That being said, you highlighted increased challenges for the arts sector. I really liked your use of the expression sustainable development, which reflects the times we live in. For all intents and purposes, you are asking that governments invest more and increase their commitment towards the arts sector, and to treat it as more than just the flavour of the week. You are asking governments to take a long-term view, especially as regards international promotion of the arts. I believe that everyone here, in every sector, understands that when you decide to organize a trade fair, whether it be for steel or batteries, that it takes more than a year to do so. You also have products to sell.

I would like you to speak to that in greater detail. I would also like you to explain your expression “cultural diplomacy”: It seems that there have been major cutbacks in any international support we give to artists. If I understand correctly, as soon as artists leave a country, they are on their own.

**Ms. Lorraine Hébert:** Companies have to work very hard to position themselves in the market. This takes a lot of time and a lot of energy, and we have to build on the work which has already been accomplished. In the past, not only did a government-supported company have to do the work on the ground, but that company also had access to an entire network of cultural officers in our embassies, whose specialty was to widen these networks, to stay plugged in, and to organize promotional events every time artists performed abroad. This is very important for new artists. It is extremely difficult to gain a foothold in another market. However, everyone says so, we have exceptional artists who will not be able to gain a foothold abroad if we do not have people and measures on the ground to help them.

**Mr. Daniel Paillé:** As far as young artists are concerned, we were talking about their living conditions. Last year, we had introduced a measure to allow for income averaging. I imagine that you would respond that this is a good thing as long as there is a revenue.

Don't you have the feeling that by reducing the amount of money spent on promotion, cultural diplomacy and the budgets of departments, this translates into an abdication of Canadian culture?

We will become marginalized and Canadian culture will increasingly resemble American culture. At that point, Quebec culture will be in a difficult position, because one of the two governments has abdicated its responsibility, don't you think? In that case, don't you think it would be better to take all the money earmarked for culture and send it to the place which is closest to where culture is being created, namely to the provincial governments including, of course, the Government of Quebec?

**Ms. Lorraine Hébert:** I am very frustrated. I will speak on behalf of the world of dance, because I represent dance companies. If the Canada Council for the Arts had not supported these companies in the 1980s, dance would not have flourished as much as it did. In the meantime, the Government of Quebec and the Conseil des arts et des lettres du Québec have stepped in. That is why I am frustrated.

I believe that our councils of the arts and our governments, as the gentleman said with regard to skills development—must work together as long as we live together.

• (0945)

**Mr. Daniel Paillé:** I believe you are right. We do not look down upon what has come before us, but we are turned towards the future.

There is something else. You talked about the financial reality. You very quickly said at the end of your presentation that we would need strategies and funding. I have a minute left, and I will give you that time to talk a bit more about that.

**Ms. Lorraine Hébert:** We are exploring these issues in every one of our sectors. The federal government has held national consultations, because it intended to develop plans of action. That being said, the government's focus was too much on industry, and we are not an industry. We need strategies which are adapted to who we are, because we are content generators for the industries.

**Mr. Daniel Paillé:** I have one last thing. You said that in November 2010 you will publish a document on cutbacks. I would ask you to send it to us.

In 10 seconds, could you tell us about the Société Radio-Canada's support?

**Ms. Lorraine Hébert:** Do you mean its support for arts and culture?

**Mr. Daniel Paillé:** I'm talking about the arts.

**Ms. Lorraine Hébert:** They still have some work to do.

**Mr. Daniel Paillé:** Thank you.

[English]

**The Chair:** *Merci, monsieur Paillé.*

Mr. Menzies, please.

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

Thank you to all our witnesses for coming here today.

Mr. Mains, I will start with you. You raised this issue with me about the tariffs into Russia and a large lack of understanding. It wasn't just Russia, but Ukraine, I understand, and many of those countries. Can you quickly give us a bit of background on the Canadian technology— and Ms. Block will recognize this—on the incredible technological advances in the agricultural machinery

equipment that comes out of Saskatchewan? There's more than just potash that comes out of Saskatchewan.

**Mr. Howard Mains:** Thank you for that, Mr. Menzies.

As you mentioned, there is some incredible technology developed in western Canada. A number of Canadian companies were confronted with this problem, not only MacDon, with the headers on the combines, but also a couple of Saskatchewan companies that make what are described as air seeders.

Because of Canada's long history in small grains, the technology that has been developed in Canada has increased the productivity for grain farmers in western Canada as well as other parts of the world. It is just astonishing to see how much ground can be covered by one farmer, by one operator using seeders that are now over 80 feet wide and are planting a quarter of a section of cereal in a matter of hours, versus the days it took before now.

The trade restrictions put in place by Russia and the Ukraine last year affected Seed Hawk, I think, and I'm trying to remember the—

**Mr. Ted Menzies:** There was Bourgault, I believe.

**Mr. Howard Mains:** Yes, Bourgault. There were two Saskatchewan-based companies that were affected.

**Mr. Ted Menzies:** Are those tariffs still in place?

• (0950)

**Mr. Howard Mains:** Yes.

**Mr. Ted Menzies:** That's what I was afraid of.

For those who haven't been to other grain-producing countries in the world, all over Australia you'll see Saskatchewan, Manitoba, and Alberta technology. All over Eastern Europe, we're a leader in that.

On the tariffs that we eliminated this year in budget 2010, as a rolling out, I'm sure your members appreciated that because they're buying, whether it's steel or whether it's parts from other parts of the world. Did those tariff eliminations help?

**Mr. Howard Mains:** The members of the Canadian Manufacturing Coalition, which includes a couple of members around this table, certainly appreciated that. I think Jay Myers at the CME has more recent information about that.

Ron, you might be able to comment about the specific investments that have resulted, but yes, anything that reduces the input costs for the manufacturing sector is certainly appreciated. I think the CME, in their presentation, did present the committee with some data on that.

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

My question is for Mr. Tak. Fourteen and a half thousand jobs is what we're talking about, and \$1.2 billion in revenue, so this is a growing industry.

Explain a fuel cell in layman's terms.

**Mr. John Tak:** Thank you. That's a great question because there are a lot of issues. People think, oh, it's a fuel-cell car. A fuel cell is simply a type of battery.

For a battery, the chemistry is inside the battery. We're all familiar with that. In a fuel cell, the chemistry is on the outside of the battery, usually in the form of hydrogen or natural gas—anything that carries hydrogen. You put the chemistry in and it makes electricity.

A fuel cell can be the size of a credit card. It can be the size of a laptop. You can scale it up for any application. It's simply a type of battery with the chemistry in and it makes electricity.

**Mr. Ted Menzies:** In what form do we export it?

**Mr. John Tak:** Currently we have early industrial markets that can afford a higher price. Those are in materials handling, for forklift trucks, where they're replacing lead acid batteries with fuel cell power packs that can run twice as long and that drivers can refuel in under one minute themselves, and as backup power for telecom towers, again to replace battery applications, because they run longer. But all fuel cells use a battery together; this isn't about batteries versus fuel cells. There's a growing market for both of them.

**Mr. Ted Menzies:** Are there retrofits available for existing equipment or is this only for new manufacturing?

**Mr. John Tak:** The target is for new equipment because ideally you design a product to use a fuel cell from the ground up. The forklifts are all retrofits; they're existing forklifts in warehouses. You just slide out the lead acid battery and slide in a fuel cell.

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

To the Mining Association and Mr. Stothart, there were articles this morning about rare earth metals. Need we be concerned when China says they're going to close their borders? It's just like Russia saying they're not going to export wheat. Is that a little troubling?

**Mr. Paul Stothart:** It's an interesting area, for sure. Right now, China controls the vast majority of rare earth production and processing. There's a lot of investment activity taking place in Canada, probably in four or five provinces and in a couple of the northern territories.

**Mr. Ted Menzies:** Will this benefit our rare earth extraction sector?

**Mr. Paul Stothart:** There is a need for Canada to bring some of these mine proposals into production. It's going to take a couple of years.

The movement of rare earth around the world today is fairly small. It's a very strategic area as it relates to clean technology, defence technology, and communications, but the movement is still fairly small. I think there is a need for Canada to bring some of these mines into production.

The U.S. is facing the same kind of issue, as are some European countries. There's some concern that the flow of this today is largely controlled by the Chinese. It's not just rare earth. You see it with some other minerals as well. There are some Chinese export constraints on various minerals. There's an effort to control as much of the mineral flow within your own country as possible. We're certainly seeing that in China in a number of areas.

**Mr. John Tak:** Most of the lithium for lithium batteries—about 70% of the world's supply—is controlled by Bolivia. That's a real issue.

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

We'll have Mr. Brison, for five minutes.

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

The discussion this morning on science, research, and development and their importance to the jobs of tomorrow, I thought was important. For some reason, despite quite a significant level of government investment in science in Canada, we're not good at commercialization yet.

Our commercialization rates pale in comparison to those of many of our competitors and trading partners. Why is that and what public policy prescriptives should we be implementing to address it?

For instance, everyone is talking now about Israel and some of what they're doing. If you look at our historic lack of commercialization, combined with the current challenges in the VC industry, I think we have to take action. I'd be very interested in your insights on how to do the research development science and on how we're going to create the green technology jobs of tomorrow.

I think Mr. Monk spoke to this. Mr. Tak spoke to it. Some of the technology that can be developed and commercialized is even in the mining industry. I'll keep it fairly broad in terms of who responds.

• (0955)

**The Chair:** Mr. Monk.

**Mr. Richard Monk:** Thank you, Mr. Brison.

You're correct in saying we're slow on the commercialization side. That's an issue we are facing.

First, you need to have people investing in the research and development, and we are getting some of that, but we're probably not getting as much as we should. That's one of the reasons we were recommending that the tax refundability provisions be provided to larger corporations as well as smaller corporations—to get them investing. Having this refundability, you then generate some cashflow, which may assist in commercialization.

The other side of it would be collaborating with the various universities and colleges and with the business community to develop some strategies on how to enhance the commercialization of some of this research product.

**The Chair:** Mr. Tak.

**Mr. John Tak:** That's a very good question, one that is hard to answer in a few seconds, but there are sometimes conflicts with traditional industry with regard to the innovation we create. Right now, innovation is a subset of Industry Canada and there is a minister of state for innovation. It might be interesting to look at a separate department that looks solely at innovation.

In Ontario, the agriculture sector is very supportive of biomass, because you sell more corn. In B.C., the forestry sector is very supportive of biomass, because you sell more wood fibre and lumber. But any sector that doesn't have a traditional stakeholder base, such as new technology like the hydrogen and fuel subsector, doesn't have that industry out there advocating for it.

Separating traditional industry from innovation and focusing on each separately may be an interesting approach to see how we can ensure that we commercialize the new and bright future industries and the innovation that takes place in Canada and ensure that we get the benefit in Canada, rather than seeing that innovation go to other countries when it's ready to be commercialized.

**The Chair:** There are 45 seconds left.

Mr. Stothart.

**Mr. Paul Stothart:** I'd just add that there have been a lot of studies over the years as to why Canada isn't more effective at commercializing and I wouldn't have a lot to add to that.

In the mining sphere, certainly there is a lot of attention being paid—and a lot of need for more attention—to tailings management and how to better manage the waste products of the mining industry. A lot of money is being invested in the oil sands in trying to manage the tailings ponds better. Suncor has added a new polymer to the tailings that will help them dry much more quickly and then they can be reclaimed.

**Hon. Scott Brison:** But if you look at some of the innovation that's coming out of our traditional sectors—for instance, the extractive sector and the oil and gas sector—we have to consider what we can do in terms of government policy to encourage your members to spin off those technologies, perhaps with new companies, new ventures that will be valued differently and that could attract separate pools of capital.

There has to be a way that we take what is already going on in terms of innovation within your sectors and encourage your members to spin them off in terms of new ventures. And that's a longer discussion, I realize.

• (1000)

**The Chair:** I'm sorry, but yes. My friend Mr. Brison is bumping up against a minute over time, and that's a big question, so we'll have to return to that in the next round.

*Monsieur Carrier, s'il vous plaît.*

[Translation]

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

I have a question for Mr. Stothart from the mining industry. I read your statement with great interest. From your document, I understand how important the mining industry is to this country. I am aware of this because I am an engineer. In fact, my son worked at the Raglan mine in northern Quebec. I am therefore very aware of how important it is. However, I would like to talk about the environment. You have a chapter on the environment. You recognized that this is not an unimportant issue for the mining industry. I believe that the environmental consequences of mining are still very significant.

I had the opportunity to visit a gold mine in another country, namely Burkina Faso. The environment seems to have been well protected there, both the physical environment of the mine and the place where the population lives. However, the record of the Canadian mining industry abroad is not very good. This is why we introduced a bill which is being debated. You mentioned this a little earlier. Bill C-300 would regulate or impose environmental

standards. We are trying to apply them here, but when we engage in mining activities abroad, it seems we forget them. I would like to hear what you think about Bill C-300. I think you do not support it. I would like to hear some good arguments for your position.

[English]

**Mr. Paul Stothart:** Thank you very much for the question.

Certainly, the mining industry takes its responsibility in the environmental and social area very seriously. I would highlight the mining industry's contribution to the whole emergence of the clean energy economy and the fact that minerals are essential for hybrid cars, catalytic converters, and lightweight materials, etc. There's a harmony between those goals.

On Bill C-300, I think our main concern is that the mechanism proposed doesn't really bring any due diligence or due process to it. It's a mechanism that would be out there basically to damage companies' reputations. Companies' reputations would be damaged over the period of a year or two until there is some resolution brought to whatever the complaint may be.

There are already two mechanisms that exist today for people who want to complain about the operations of a company overseas. There's the OECD counsellor and the national contact point within the Foreign Affairs department, and there is the CSR counsellor, who has been established and has laid out a process that she would envision for resolving disputes.

There are already two mechanisms that exist. We don't see the need for a third, especially one that has a very low regard for due process.

[Translation]

**Mr. Robert Carrier:** I wonder why you think that the reputation of mining companies will be affected by a bill. Did you know that already many environmental regulations are not respected? Don't you think that it would be an encouragement or an advantage for the Canadian mining industry to know that it is respecting a very demanding law?

[English]

**Mr. Paul Stothart:** It's not a concern with that. It's just a concern with the fact that anybody could lodge a complaint, whether it's a competing company in another country.... Then, the process in which the complaint is being investigated, that might take who knows how long. This sort of spectre of a Canadian company being investigated by its own government would hang there for a year or two.

So it's not that companies aren't respecting laws abroad and implementing extensive CSR programs in their own right. It's the fact that this mechanism is out there for anybody to complain, whether it's a competing company or another company from another country, and this sort of spectre would hang there for a year or two as it's being investigated.

• (1005)

[Translation]

**Mr. Robert Carrier:** I will use my remaining minute to ask a question of Mr. Monk.

I was pleasantly surprised by your presentation, because you talked about human capital. You are a certified management accountant. I think it's a good thing that you are focusing on human capital. I would like to take the opportunity, given the fact that you are here and that you are open-minded, to ask you about the Guaranteed Income Supplement. Indeed, you often are called upon to deal with income tax returns. As it now stands, people have to apply for the GIS. So could the government automatically send people these forms if they are eligible?

[English]

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

**Mr. Richard Monk:** Our submission didn't really address that issue. We were talking more about productivity—

[Translation]

**Mr. Robert Carrier:** Perhaps you have an opinion on that issue.

[English]

**Mr. Richard Monk:** No.

**The Chair:** *Merci, monsieur Carrier.*

Mrs. Block, please.

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

Good morning to all our witnesses.

I certainly appreciate the diversity that's represented on these panels, so I don't mind that we have folks from many different industries being represented today.

My first question is for the Association of Equipment Manufacturers.

I'm looking at the cover letter you sent with your submission. You state that you would urge the federal government to modernize CCA rates to allow equipment buyers to more rapidly depreciate their investments in new capital equipment and specifically to increase the depreciation rate for CCA class 10 from 30% to 40%. You also mention the significant environmental benefits in doing that.

What is the economic benefit of increased depreciation rates for investments in machinery?

**Mr. Howard Mains:** Thank you for that, Mrs. Block.

The first thing about new investment or investment in new technologies is that typically the new technologies that are being deployed, whether they're being deployed in a mine or a foundry or whatever the industry might be, use a cleaner technology. In the case of construction and agriculture, that equipment, the tractors and the bulldozers, has what are described as tier 4 engines, EPA tier 4 engines. Those are new technologies that are coming into effect in the model year 2011 and have a much lower emissions standard.

With regard to the economic benefit, though, and what more rapid CCA rate claims allow, it increases the cashflow. According to the report tabled with the committee from the Canadian Manufacturers and Exporters, for every 1% increase in cashflow to a company that's making investments in new technologies, there's about a 65% increase in the investment of that new technology.

More cashflow through faster writeoff of investments results in even greater investment in new technologies, and that all leads into the productivity cycle that a number of the people around this table spoke about this morning.

**Mrs. Kelly Block:** Thank you.

My second question is for the Canadian Hydrogen and Fuel Cell Association.

We know that the Government of Canada works together to lead in the development of hydrogen and fuel cell technology in Canada. My question is in regard to your policy request number 4, the hydrogen and fuel cell commercialization road map. Can you tell me more about this road map and the government's role in updating it?

• (1010)

**Mr. John Tak:** Yes. There was an earlier road map done. Industry Canada and NRCan lead together in developing these technology road maps.

We've come quite a ways in terms of developing the technology. We're starting now to sell it, so it's the right time now to look at that road map and see what we did right from the first road map, and what we did wrong, and how we need to adjust that.

For example, we're moving along, but there was the billion-dollar clean energy fund that came out in January of last year, and the hydrogen fuel cell sector received zero from that fund. So we're trying to figure out if we need to take a bit of a different approach here in the areas we commercialize in.

**Mrs. Kelly Block:** So you would be saying that the government's role is to provide the funding to continue to develop the road map?

**Mr. John Tak:** Those road maps are funded by Industry Canada or NRCan. It's a series of road maps they do for other sectors. It's a kind of methodology they have that they use to advance technologies.

**Mrs. Kelly Block:** Can you perhaps comment on why the hydrogen sector wasn't part of that billion-dollar clean energy fund?

**Mr. John Tak:** I've touched on this question of innovation and where it comes from, and sometimes it's tied to economic development rather than innovation. Look at carbon capture and sequestration. It's a necessary technology, but it's going to a sector that makes a lot of profit, and it's tied to a very traditional sector. biomass. I think \$1.4 billion went to ethanol. Is that economic development or innovation?

I think there's a real need to look at what is innovation and what is economic development. We will create 14,500 jobs by 2020, but we're not creating them today. It's a really interesting challenge. Perhaps we didn't meet that economic stimulus goal in the short term for that investment.

**Mrs. Kelly Block:** Thank you.

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

Mr. Pacetti, please.

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

Thank you to the witnesses for appearing.

I think it was clear after you guys presented, and then it becomes more difficult in terms of trying to come up with some solutions, because of the varied backgrounds and different briefs we get.

[Translation]

I would like to begin with you, Ms. Hébert. In the second point, you talk about sustainable development in a cutting-edge sector, but perhaps I will begin with your recommendation of \$25 million.

**Ms. Lorraine Hébert:** Are you talking about broadcasting?

**Mr. Massimo Pacetti:** I'm talking about promoting our programs abroad. You talk about \$25 million. I already put this question to other groups who had made a similar request. Who do you think should manage this program?

**Ms. Lorraine Hébert:** That's a good question. After thinking about it, I think that the Canada Council for the Arts is probably in the best position to manage these measures, because of its knowledge of what's happening on the ground.

**Mr. Massimo Pacetti:** That was not clear because some people told us that it would be better for the Department of Foreign Affairs and International Trade to manage these programs. The groups did not want the Canada Council for the Arts to do so because the \$25 million might be subsumed in the \$300 million fund. Perhaps that's why. In my view, the Canada Council for the Arts would be doing the same thing.

**Ms. Lorraine Hébert:** It would do a good job, but that should not prevent the Department of Foreign Affairs and International Trade from doing its part in the area of cultural diplomacy, by restoring the budgets in our embassies and the officials whose job it was to work the cultural networks.

• (1015)

**Mr. Massimo Pacetti:** I thought that is what you would say. Which brings me to my second point. You indicated that the Department of Canadian Heritage, with its Tomorrow Starts Today program, and the Canada Council for the Arts, already overlap in certain areas.

Would new problems be created if a third department or a third organization was involved in distributing the funding?

**Ms. Lorraine Hébert:** They do not do the same thing on the ground. The Department of Canadian Heritage has programs which complement those of the Canada Council for the Arts. When the offices for culture still existed, the two institutions did very different things, but their work complemented each other.

**Mr. Massimo Pacetti:** There was no overlap.

**Ms. Lorraine Hébert:** No.

**Mr. Massimo Pacetti:** In the arts sector, in Quebec, we have a vision which is a little different. There is no doubt that the two cultures are different. There is no doubt about that. But that's not what I'm talking about.

However, Quebec addresses the issue of culture in a different manner from how it is done in the rest of Canada. Increasingly, the arts are a way for business people to set themselves apart. At the Olympics, companies from Quebec were involved in the opening ceremonies. When a company is launched, there will be a show featuring artists as a way to present the company.

This happens a lot in Quebec, so why isn't it happening elsewhere in Canada? Why don't we see the same mix, the same agreements, the same partnerships? Why don't we see this kind of thing happening more often?

**Ms. Lorraine Hébert:** It depends on the level of development of the disciplines in the various regions of Canada. There is a varying level of support on the part of municipalities and provinces. Consequently, people are at different levels of development.

**Mr. Massimo Pacetti:** If we stressed the importance of art and culture as a commercial activity and that the sector was in need of development, would that be a better approach?

**Ms. Lorraine Hébert:** I think we have to be careful with terms like "commercial activity." Artists are much closer to the innovation side of things than to economic development, in the sense that the witness talked about earlier. A distinction must be made.

**Mr. Massimo Pacetti:** Thank you very much, Ms. Hébert.

[English]

Just quickly, Mr. Tak, we see a lot of people investing in hydrogen cells, and we see that the government has invested. In terms of your percentages, I think you said you're up to 80% private money versus 20% public money.

**Mr. John Tak:** Yes.

**Mr. Massimo Pacetti:** At what point do we get rid of the public money?

**Mr. John Tak:** That's a great question...a great question. Industry Canada shows that for every dollar of private sector investment in the biotech sector and life sciences, there's more than a dollar matching of public funding. So right off the bat, our sector is hitting the ball out of the park, but in energy—

**Mr. Massimo Pacetti:** I'm sorry, but the argument is that everybody else who comes here says the same thing. Some may say five to one, some may say ten, and some say a hundred to one.

**Mr. John Tak:** Sure. Let me answer that question.

**The Chair:** Very briefly.

**Mr. John Tak:** The answer to this question very simply, in a word, is that there is no energy we use on this planet that does not have some combination of industry and government policy. The government has rightly legislated that 5% of gasoline will be ethanol. That's not industry driving this. That is the government.

The IEA, the International Energy Agency, announced a month ago the global subsidies for the oil and gas industry are \$580 billion. There is no energy that doesn't have some combination of subsidy in it—it always will.

**The Chair:** Thank you.

Thank you, Mr. Pacetti.

I'm going to take the next Conservative round. I want to start with CGA.

I found your proposal very interesting with respect to the sunset provision for unlegislated proposals. But perhaps one reason for the fact that there are so many grey areas in the Income Tax Act is that every time Finance proposes something to address a problem, or to try to remedy a situation, you get all these other groups coming forward to say that in fact while they've tried to remedy a situation, what they've done has had a lot of unintended consequences.

So therefore, they're perhaps being cautious and trying to do as much consultation as possible. That may not apply to the 2003 provisions, but certainly within the last few years it does. Is this the reason for that? Or do you not see that as a valid excuse for some of the grey areas?

**Mr. Denis St-Pierre:** Well, I practise in the area of tax, so I do see where you're coming from. Just look at the TFSA when it came out.... Revenue Canada right now is constantly giving out rulings because people are trying to circumvent the rules and trying to do certain things.

I do appreciate what you're saying. However, maybe the answer is that the system is so complex and so convoluted that taxpayers don't know really how they should file. Maybe that's why there are so many grey areas: because people just cannot understand the legislation. It's too complex. As for the new laws right now, if they were simpler and easier to follow, perhaps people wouldn't go into all this great detail to circumvent the law.

● (1020)

**The Chair:** So in addition to your recommendation, which I'm sure the committee will consider, should we also consider another tax reform commission to look at it en masse? That has been recommended to me by some of the chamber folks in Edmonton. They say we need a commissioner to look at it en masse to propose some wholesale changes.

**Mr. Denis St-Pierre:** I do concur. That's part of our presentation. We recommend that an expert panel review the system as it is. Whatever the form, whether it's an expert panel or this committee, as you're explaining, I believe it's time for reform of the tax system.

**The Chair:** Okay. I appreciate that.

I did want to talk about the two-year writeoff for CCA for five years. I appreciate the recommendation. Obviously I've recommended this in the past, but I just want to challenge the groups here today, because you know what the finance department is going to say, and you know what the Privy Council Office is going to say, which is that if it's a five-year writeoff, it's an immediate fiscal cost to the government of at least \$2.3 billion, if not \$2.8 billion.

I know your groups will argue that it's a tax deferral, but that is something the Minister of Finance is going to have to deal with immediately—that it is an upfront fiscal cost—and he's going to have to be convinced that there is an economic benefit.

Now, Mr. Tak provided some information with respect to hydrogen, but I would just respectfully state to the groups that you're going to have to make a strong argument with respect to some immediate economic benefits that can be seen to be providing revenues to the government immediately.

Would any of the groups want to address that, Mr. Mains, or Mr. Watkins, Mr. Stothart, with respect to the accelerated capital cost?

**Mr. Ron Watkins:** Perhaps I can start.

First of all, thank you, Mr. Chair, for that advice. We're certainly aware of that argument.

That is why, from our point of view, it's important, not simply for our own industry but for the manufacturing base, to have access to this kind of provision. You know, we're coming out of a recession where cashflow really took a hit. As the analysis by CMA and others has shown, that translates directly into the next cycle of what's available for investment in R and D and other measures.

Can we use a tax measure like that to accelerate investment? I think that really goes to a more fundamental thing, which is that we need to grow our way out of the situation. This is all about growth and innovation, and I think those are strong public policy interests. While I recognize that obviously there's a fiscal impact, there's also an impact, frankly, on our economic development prospects. We need to capture that next wave of investment, and this is the time to move on it, I think.

**The Chair:** I appreciate that, but the more specific examples we can get as a committee to help us deliberate on that, the better.

I have time for one more quick question.

With respect to SR and ED refundability, which I believe was mentioned by you, Mr. Monk, that's a fairly expensive proposition. Have you costed out your recommendation on allowing it to apply to all companies?

**Mr. Richard Monk:** No, we haven't costed that out yet. We are looking at the innovation and generating the productivity that would result from that on a long-term basis. We haven't looked at the short-term cost on that.

**The Chair:** Thank you.

I do have time for a quick round for....

This room cost \$6 million but we don't have a clock in the room.

**Voices:** Oh, oh!

**The Chair:** At any rate, it's a Liberal round. I know that Monsieur Paillé also had some questions, but it's up to....

Go ahead, Mr. Pacetti.

**Mr. Massimo Pacetti:** Perhaps I can start. I have just a quick question that I'd forgotten to ask the CGAs.

As a CGA and as an accountant who practises—I first have to put in that disclaimer—I can't agree with your presentation any more. But we had this discussion, in terms of trying to simplify the tax act, with the financial executives who were here. My problem with their presentation was that they said, "Let's make the tax act easier", and then the next two recommendations made the tax act even more complex.

Is there a specific example you can give us that right away we can cut the tax act in half—without having to go through an expert panel?

**Mr. Denis St-Pierre:** Look at proposed section 56.4 and the Fortino and Manrell decisions at the Supreme Court. They were taken...well, one, at the FCA, was taken out of proportion.

This is just an example of when people get carried away when they write: 56.4 is a perfect example.

**Mr. Massimo Pacetti:** And for other people in the room—except for me—who don't know what 56.4 is...?

**Mr. Denis St-Pierre:** It's for when you sell a business and you sign a non-compete or something like that. It was blown out of proportion. It made for a very convoluted and long piece of legislation, retroactive to October 7, 2003.

There's an example. You wanted one: that's one.

Madame Proulx has some comments as well.

• (1025)

**Ms. Carole Proulx (Vice-President, Government and Regulatory Affairs, Certified General Accountants Association of Canada):** Thanks, Denis.

[Translation]

Mr. Pacetti, I thank you for your question.

[English]

If you look at something more simple—I don't get 56.4 either—the total tax contribution survey that was conducted by Pricewaterhouse for the Council of Chief Executives looked at this pot of taxes collected. A total of \$10 billion was collected in taxes. Of the 46 taxes borne by the participants in the survey, 24 of those taxes generated 6% of income for the government. That doesn't make sense.

**Mr. Massimo Pacetti:** Another one that I remember from my tax courses was the capital gain versus investment income. I know that somebody was saying to perhaps reduce capital gain to even 37.5% instead of 50% taxable.

How about if we just tax everything at the same rate and reduce the taxable rate? Would that be an easy mechanism to rectify some of the complexities of the Income Tax Act?

**Ms. Carole Proulx:** I think there are a lot of ways that we can simplify it, and I think this tax panel needs to spend some time looking at it from every point of view, government and taxpayer.

**Mr. Massimo Pacetti:** Okay. Thanks, Carole.

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

*Monsieur Carrier, vous avez deux minutes.*

[Translation]

**Mr. Robert Carrier:** I have a follow-up question for Mr. Stothart, from the mining industry.

There is a great deal of media attention these days in Quebec regarding shale gas exploration. We hear that the mining industry is quite invasive, and that has raised significant public reaction. You are no doubt aware of that file.

I would like to know whether you think the mining industry is doing things correctly or not. Should it have done things otherwise in order to obtain public support for this type of gas extraction that is currently in the exploratory phase in Quebec?

[English]

**Mr. Paul Stothart:** Thank you for the question.

It's not an area where we have active members of our association. It is an area where there's an awful lot of investment taking place, especially in the United States, but also in other parts of Canada.

The argument is that in the U.S. the use of more natural gas could help to significantly reduce the use of coal and therefore reduce their greenhouse gas emissions. That's why there have been such significant investments in the U.S. in this area; it's viewed as a way to reduce their overall carbon footprint. That would be the environmental argument around that.

[Translation]

**Mr. Robert Carrier:** So none of your members are currently exploring or extracting that type of gas.

[English]

**Mr. Paul Stothart:** No, it would probably be companies within the Canadian Association of Petroleum Producers—the oil and gas association.

[Translation]

**The Chair:** Very well, thank you.

[English]

I thank all of you for being with us this morning, and for your presentations and responses to our questions. If there's anything further you'd like the committee to consider, please submit it to the clerk.

Monsieur St-Pierre, reducing the size of the Income Tax Act in some way would be very helpful.

Thanks, all of you.

Colleagues, we will suspend for two minutes and have the next panel come forward.

• (1025)

(Pause)

• (1030)

**The Chair:** If I can encourage colleagues and witnesses to take their seats, please, I will continue with our pre-budget consultations.

We have five organizations for this panel. First of all, we have the Green Budget Coalition; second, the Pembina Institute; third, the Canadian Housing and Renewal Association; fourth, the Canadian Community Economic Development Network; and finally, we have REAL Women of Canada.

Thanks to all of you for being with us here this morning. You each have five minutes for an opening statement. We'll start with the Green Budget Coalition.

**Mr. Andrew Van Iterson (Manager, Green Budget Coalition):** Thank you, Mr. Chairman and honourable committee members, for inviting the Green Budget Coalition to speak to you today. I'm joined by our chair, Barry Turner, from Ducks Unlimited Canada.



As you likely recall, the Green Budget Coalition is unique in bringing together 21 of Canada's leading environmental and conservation organizations, representing over 600,000 Canadians in groups such as Ducks Unlimited, Nature Canada, Équiterre, and the Pembina Institute.

Since 1999 we've been working cooperatively with the government to help advance strategic measures to advance long-term environmental sustainability. Our efforts were acknowledged in the 2005 federal budget.

We have identified four prime investment and savings opportunities for budget 2011, each of which is pivotal for ensuring prosperity for Canadians now and in the future. What is particularly unique about our recommendations, and which is probably different from most of what you've heard, is that one of our recommendations would help pay for most of our other three. They address a conservation plan for Canada, catalyzing energy efficiency growth, Canada's freshwater resources, and opportunities to save money by cutting environmentally harmful and counterproductive subsidies.

We're supporting the development of an ambitious, integrated conservation plan for Canada, focused on protecting Canada's remarkable ecosystems, wildlife, and wilderness heritage for future generations. This builds on the government's Speech from the Throne commitment last March to "build on the creation of more than 85,000 square kilometres of national parks and marine conservation areas as part of its national conservation plan".

Developing such a conservation plan will require federal leadership to bring together federal, provincial, and aboriginal governments, conservation organizations, industry representatives, and individual Canadians to develop a shared vision and a common path forward. At the same time, it's important to keep funding some of Canada's current conservation programs and to provide some funding for Parks Canada to continue moving forward in creating new national parks.

Fresh water is also central to Canadians. The government is continuing to make progress on this in most of its annual budgets, which we've appreciated. We're highlighting four opportunities this year, which range from only \$5 million, a one-time cost to start a national water efficiency program similar to the WaterSense program in the United States, to also protecting endangered species and a recommendation for waste water infrastructure. One of the keys there is that there are still a billion dollars in existing infrastructure funds that could be put towards upgrading water infrastructure in municipalities across Canada.

The other prime area I want to bring to your attention is a suite of counterproductive environmental tax and subsidy programs that still exist, but at best no longer justify their cost, and at worst really do damage the environment. There are four areas we're highlighting. One is tax subsidies for oil. There are four examples in our more detailed recommendations, all of which were mentioned in a memo from Deputy Minister of Finance Michael Horgan to Minister Flaherty on March 18. So we're not inventing these. These have been very prominently acknowledged as key subsidy measures. This would allow us to fulfill our commitments to the G-20 to phase out inefficient subsidies.

We'd also like to see an end to subsidies to AECL around nuclear power. If there's a deal to sell AECL, it should be done with an agreement that Canada is no longer on the hook for future liabilities.

As well, \$250,000 annually continues to go to the Chrysotile Institute in Quebec to promote subsidies that are widely acknowledged as environmentally harmful to human health.

Fourthly, there are some key measures we can take to harmonize our tax treatment of primary mineral extraction with recycling, which is the way of the future.

Overall, I would just encourage the committee to ask for this in your report, and to ask the finance minister to invest in a conservation plan for Canada in energy efficiency and our freshwater resources, and to pay for most of these investments by ending outdated and counterproductive subsidies to oil, nuclear power, speculative mining exploration, and the Chrysotile Institute. These measures will help create a truly sustainable, healthy economy for Canadians today and in the future.

Thank you.

•(1035)

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

We'll now hear from the Pembina Institute.

**Mr. Tim Weis (Director, Renewable Energy and Efficiency Policy, Pembina Institute):** Thank you, honourable Chair and members of the committee. I appreciate your having me here today.

I've handed out a small presentation, which you can go through.

I want to start by mentioning what the Pembina Institute is and where we're coming from. This is an important year for us, because this is our twenty-fifth anniversary. We were born in the wake of one of Canada's worst environmental industrial accidents, the Lodgepole blowout just outside of Edmonton, which was a sour gas blowout. It is still one of Canada's worst industrial accidents.

We were formed as a group that worked on keeping an eye on oil and gas but also promoted sustainable energy alternatives. One of the key alternatives I want to talk about today is investing in energy efficiency. We're a non-profit group and we're based across Canada. The handout I've given you gives a link to our publications, all of which are available online.

The other thing that I think is a bit unique about what we do, as you can see in one figure in our presentation, is the actual work we've done on the ground. These are some projects on renewable energy and energy efficiency that I have been involved in with first nations communities, so I can speak a little bit from the point of view of having done some of these projects and about some of the barriers we've encountered in trying to do them.

One of the things we've recognized, particularly in working with some of the smaller communities, is that the federal government really does lead the way in a lot of these programs. Having programs and support from the government really is key to catalyzing action.

On our next slide, you can see that one of the things we're up against is that an entire suite of energy efficiency programs comes to the end of its life this year. All of the ecoENERGY programs basically are coming to an end on March 31, 2011. What I want to emphasize is that there's a big opportunity for us as Canadians to reinvest in energy efficiency and to make it a priority going forward. Some of these programs have been very successful in catalyzing change, and I think it's important that we build on that momentum and not lose it.

I think there's a real concern that if there isn't reinvestment in this upcoming budget, a lot of that momentum, a lot of the industry that's been developed around those programs, could be lost. Not only is there an environmental danger, but there are jobs that could be lost, jobs that have basically grown up around some of those programs.

I think what's important, and what is the way we need to see this, is that investing in energy efficiency for companies, as well as for Canadians, is effectively equivalent to a tax cut. It's a permanent tax cut. If it's money you're not spending on energy every month, if it's money your business isn't spending on energy every month, it's money you have in your pocket to be reinvesting in Canada, to be reinvesting in the country.

I think that's the way we need to be perceiving energy efficiency. This is effectively a long-term tax cut. It's also one of the fastest and most efficient ways to reduce our emissions, whether it's greenhouse gas emissions or other air emissions. I think there's a strong case to be made for investing in energy efficiency.

As I said, we've made some gains, but there's still a lot to do. The ecoENERGY program for houses has been fairly successful. It's been in place since 2002. We've only retrofitted about 8% of homes in Canada. What we need to do is look at how we can get that to 100%. Most homes in Canada could easily be using 30% to 50% less energy than they're currently using.

We need to get beyond the investments we've made. How do we get the entire country up to code or up to a higher level of efficiency? We need to be working on an overall strategy, and I think that's where the progress that started with the Council of Energy Ministers really needs to be moving faster.

As I said, a whole suite of programs is coming to an end this year. I think it is important. The federal government has shown leadership in setting the bar, and we've seen all sorts of provinces follow suit and develop complementary programs. Really, the federal government has been an important leader in energy efficiency in the country.

I think a whole suite of things needs to happen. I don't want to dwell on them all right now, but I do want to talk about two key issues that I think are tangible and can be done right away.

The first is to reinstate the ecoENERGY program for retrofits for homes, because that has been a very successful program. We have a whole industry of retrofitters and builders, which puts a lot of

Canadians to work and at the same time saves money for Canadians. Setting targets to get all the way to 100% in retrofits is going to be important. That means starting where we're at right now, at 8% in retrofits, and figuring out how we're going to get to 100% within the next 30 years.

● (1040)

The other policy that I want to mention is the idea of green bonds and what that would be. It's effectively like Canada Savings Bonds; Canadians could invest their money in green bonds, but basically use that money to allow businesses and homes to overcome the capital hurdle that is a barrier to a lot of investments in efficiency. That would be another key area.

The reason we're putting this forward this year is that we recognize we're working in a difficult fiscal environment. This would be a way of overcoming the capital barriers to investing in efficiency, but doing it at a minimum cost to the government. We think those are two very practical things that could be done in the short term.

I appreciate your time.

● (1045)

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

Now we'll hear from the Canadian Housing and Renewal Association.

**Ms. Jody Ciufu (Executive Director, Canadian Housing and Renewal Association):** Thank you.

Good morning, Mr. Chair and members of the committee.

My name is Jody Ciufu. I'm the executive director of the Canadian Housing and Renewal Association. With me today is Dallas Alderson, our manager of policy and programs.

For over 40 years the Canadian Housing and Renewal Association has been the collective voice for the full range of affordable housing issues and solutions across Canada. Our members come from all parts of the affordable housing sector and include non-profit housing providers, municipalities, provincial and territorial governments, non-profit support services, and businesses. We speak for those who believe in and work towards safe, adequate, secure, and affordable housing for all Canadians.

On their behalf, I want to focus today on three main points from our brief. First, I want to acknowledge and thank you for your past federal funding. Second, I want to tell you that this funding has made a real difference in making housing more affordable for people across the country. Last, I want to urge you not to turn your backs on this success; I ask that the federal government keep funding affordable housing and working to end homelessness.

First of all, thank you for the \$2 billion investment in affordable housing over the past two years that was made as part of the economic stimulus measures. Our members—housing providers, municipalities, and provinces—are doing as much as they can, as fast as they can, to build and repair affordable housing, because the need in our communities is so high.

We value as well the significant investment in three major federal programs: the affordable housing initiative, which is a major source of capital funding for building new affordable housing; the CMHC renovation programs, often referred to as RRAP, which offer funding to preserve the housing that already exists; and finally, the homelessness partnering strategy, which puts money in the hands of communities to deal with the still increasing numbers of individuals and families who are homeless. Together, all three total almost \$400 million each year.

However, the backbone of the federal government's long-term predictable investment in affordable housing is approximately \$2 billion each year. This funding lets housing providers offer rents that are lower than market value. Through long-term operating agreements with social housing providers, federal subsidies allow over 600,000 households to access affordable housing.

My second point is that this funding has made a tangible and quantifiable difference to Canada: to our economy, to our society, and to our citizens. We have time for only the briefest of examples, but in Toronto, federal homelessness funding let more than 2,400 people move into permanent housing directly from Toronto's streets, parks, squats, and ravines, and a year later, 91% of them are still in their homes through the city's Streets to Homes program. That was done through the assistance of federal funding.

In 2006, the most recent period for which data is available, 1.5 million households, or almost 13% of all households in Canada, lived in core housing need. Core housing need means that these are people who can't find a home that costs less than 30% of their household income, that doesn't need major repairs, and that actually has enough bedrooms for everyone who lives there. While the number is still far too high, I want to tell you that it's almost 1% lower in 2006 than it was in 2001, and that's in large part due to the federal investment I've just described. These programs have made a real difference, and they need to be sustained, integrated, and in some cases bolstered to ensure that these gains aren't lost.

And so we come to our third point, which is to urge MPs to keep the success going and to maintain federal funding of affordable housing and homelessness programs. The economic downturn is all the more reason not to cut federal support for these programs. There is normally a lag between a downturn and the full effects of unemployment on people's living conditions, as moving from our homes is the absolute last resort for most of us. It's essential that those gains not be erased. While the overall decrease in the rate is good, some of us still are more likely than others to live in core need: lone-parent families, aboriginal households, and immigrants.

Finally, homelessness is still on the rise, despite the gain in core housing. It has already been announced that some programs are going to end. This is worrying us because the real backbone, as we've said, that \$2 billion worth of long-term operating agreements, absolutely needs to continue.

• (1050)

These expiry agreements are already running out. For instance, the Métis Urban Housing Corporation has had to sell 30 units that they owned in order to have enough money to fund repairs to the things they already have. So 30 households now have had to leave safe,

secure, affordable housing. This is the tip of the iceberg. Without the continued funding, this will happen across Canada.

Thank you very much.

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

Now we'll hear from the Canadian Community Economic Development Network.

**Mr. Michael Toye (Executive Director, Canadian Community Economic Development Network):** Thank you, Mr. Chair.

Members of the committee, thank you for the opportunity to present our recommendations today. I'm joined by Stacia Kean, a member of our board of directors from PARO Enterprise Centre in Thunder Bay, as well as Lynne Markell from the Canadian Co-operative Association, a member of our policy council.

Founded in 1999, the Canadian Community Economic Development Network is a national association of local organizations working on integrated approaches to economic and social development in their communities. We have several hundred members in every province and territory across the country, a membership representing an approach to development that integrates economic activities—the provision of needed goods and services—with social and environmental goals at the organizational and community levels. This is a movement for social innovation that has been growing both in Canada and internationally in recent years and is successful in large part because it inspires Canadians to take action on the challenges facing their communities.

The 2010 National Summit on a People-Centred Economy, held this past June here in Ottawa, brought together the leading national organizations and the community economic development cooperative and social economy sectors to produce joint recommendations on how to scale up the capacity for social innovation through community enterprise.

The recommendations outlined in our brief are, first of all, to create new investment and capital sources for community enterprises; to incorporate community enterprises into federal policies and programs and procurement; to provide stable, flexible support for community development organizations; to extend business development programs to community enterprises; to include community enterprises in the federal plan for poverty reduction, which the House is currently looking at; and to support community enterprises in international development.

Community enterprises have an important contribution to make to a stable and equitable recovery from the economic downturn. Canada has a valuable opportunity to adapt and implement policies and programs that have proven successful both internationally and in various provinces here at home. These recommendations are practical steps that will allow communities greater flexibility to innovatively design local solutions to complex challenges of poverty, shrinking labour markets, and fiscal constraints.

I'll now allow my colleague Stacia to illustrate some of the potential of these recommendations.

**Ms. Stacia Kean (Member of the Board of Directors, Canadian Community Economic Development Network):** Good morning, Mr. Chair and honourable members.

I'll give you some examples. I work in northern Ontario. Mike talked about needed goods and services. As a good example, we're working with the True North Community Co-op, which provides locally produced goods and services, particularly around food security, into northern communities. They currently have a model in Thunder Bay, a storefront operation with over 100 members, and we're working with this group to expand that model into first nations communities, where food security is a priority and a challenge.

I have another example with me. I don't know if this is a needed goods and service, but it is in northern Ontario. These are called "Nipigon Nylons". I always bring them to Ottawa. I definitely come from northern Ontario—I bring my wool socks with me.

**Voices:** Oh, oh!

**Ms. Stacia Kean:** This is an example of a group that we work with. It's a community enterprise. It's a group of women who meet and together have produced these socks and have introduced them into Nipigon, a small community outside of Thunder Bay's tourism strategy. Over the last two years, they've seen an increase in tourism activity in the area, which could be in part attributed to this program.

Some of the other benefits that come out of this are that it's a business, it's a linked business, and it's a business that's working for community development in also supporting micro-enterprises at the same time that it's providing really valuable training in skills to people who participate.

Another good example is that, of this group of women, one of the women has now run for and been elected to her city council.

We have these women who are initiating more community enterprises, having pickerel dinners, and baking blueberry pies. It's an example of how community enterprise generates more enterprise, and it's an example of how people involved in these programs who might otherwise have been more on the outskirts, or outside of their community and what's going on in the economy, are getting involved, generating real business revenues, and becoming really active important civic people in their community.

• (1055)

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

We'll now hear from REAL Women of Canada, please.

**Ms. Diane Watts (Researcher, REAL Women of Canada):** Thank you for inviting us to appear before this committee today.

REAL Women of Canada is a national organization of women from all walks of life and from differing economic, social, cultural, and religious backgrounds. We are united by our concern for the family, the basic unit of society.

Since our incorporation in 1983, REAL Women of Canada has promoted the equality, advancement, and well-being of women, recognizing them as interdependent members of society, whether in the family, workplace, or community.

The federal Conservative government is to be commended for eliminating some forms of discrimination against the family in taxation. Positive developments from a family perspective include: pension splitting for retired Canadians; making the spousal tax deduction equal to that of the principal earner; providing the \$2,000 tax credit for parents with children under 18 years of age; and raising the basic personal deduction in personal income tax.

We have four recommendations.

We recommend the end of tax discrimination against the single-income family. Federal tax policy discriminates against the career choice made by women who choose the career of full-time homemaker. For example, the child care expense deduction program provides to the double-income family \$7,000 a year in tax deductions for children under seven and \$4,000 for children seven to sixteen years of age, but makes no similar provision available to parents living on the salary of one parent and caring for children at home.

This inequity is based on the false assumption that parent-based child care has no expenses. In reality, all forms of child care have associated expenses. All children are of equal value, and their care should be so treated in law. Public policy should equally assist parents if they choose to care for their own children in the home environment. Child care costs exist because children exist, not because both parents work outside the home.

Another way to correct inequality in family taxation would be to recognize the family unit rather than the individual for tax purposes. Income splitting would address this preferential treatment for certain family configurations such as double-income families.

Our second recommendation is that the universal child care benefit possibly should be increased. Canadian families appreciate the popular universal child care benefit of \$100 a month for children under six. We recommend maintaining this benefit and perhaps increasing it.

Number three, government funding of day care must go directly to parents and not to day care facilities. Universal day care, now called early childhood education, denies parents a choice of child care alternatives by restricting government subsidies to regulated day care facilities, to the detriment of every other type of child care arrangement. This one-size-fits-all scheme will inevitably increase taxation, which will result in more and more women having to enter the paid workforce in order for the family to survive financially.

In Canada the provinces subsidize day care. Approximately \$10,000 a year is given to day care facilities for each child in day care, whereas a child cared for at home by a parent receives no equivalent support. No child should be given preferential treatment simply because both his parents are employed.

It is essential that child care legislation support a flexible system so that child care can fit the different needs of Canadian families. Fairness would occur if funding for day care went directly to parents, not to day care facilities.

Number four is to end funding of special interest groups. Status of Women Canada's so-called anti-discrimination objective is equality and "full participation of women in the economic, social and democratic life of Canada". Unfortunately, this is interpreted to exclude the contribution made by women who offer care and formation at home for their children, family members with health problems, and elderly relatives.

This is a serious bias. We have called for the disbanding of this department for many years. This department provides funding or grants for many women's organizations. No single government agency or ideology can represent the views of all Canadian women, as no single agency or ideology can represent all Canadian men. In order to provide a level playing field for all groups, to avoid government-initiated discrimination, and to decrease unnecessary government spending, the federal government, we believe, should end all special interest funding.

In conclusion, I would like to emphasize that the future of our country depends on the strength of our families. We believe that the family, which is the foundation of the nation, should be central to the formation of all public policy.

Thank you very much.

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

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

● (1100)

**Mr. Paul Szabo:** Thank you.

Let me comment to REAL Women that I remember giving a petition in the House, probably over 100 times, that referred to managing the family home and caring for preschool children as an honourable profession that has not been recognized for its value in our society. If that's the starting point, which I think it is, I tend to agree that we have to help people make choices that are fitting for their family. One size doesn't fit all.

I would like to turn to the Green Budget Coalition, which represents a broad range of groups that I think Canadians align themselves with. In fact, I think Canadians are probably hungry for more discussion about a green economy, climate change, and all of the related areas.

One of your areas of recommendation has to do with alien invasive species. You're looking for about \$215 million. The first thing that came to me when I was on the environment committee was that the IJC, which is the Canada-U.S. commission that looks at the Great Lakes part of it, has absolutely no teeth whatsoever. It never has done anything, and yet it is apparently the representative body

that's going to help us with that problem. When you look at the potential costs and damage of the Asian carp or something like that—and we've dealt with a few—for every one that you get rid of, like the zebra mussels, another two appear.

Have you given any thought to whether we need to recommend that the IJC seek a renewed mandate, one that gives them some teeth to deal with alien invasive species in the Great Lakes?

**Mr. Barry Turner (Chair, Green Budget Coalition):** No, we haven't, in short, and you're right about the IJC. It was established many years ago, as you know, and sometimes it's caught between a rock and a hard place because it has to deal with priorities, policies, and practices of the United States.

In terms of protecting the Great Lakes, Mr. Szabo, the last federal budget allocated some money for endangered species. But whether this government, or any government, could convince the IJC to sit down with the Americans to toughen each other's mandate and have more of a stick, shall we say, to punish polluters or punish those who damage our waters on both sides of the border is probably something for the two foreign ministries to debate, not the Green Budget Coalition.

**Mr. Paul Szabo:** Okay.

I certainly did like the idea of the green bonds. I think that was helpful. The other aspect I had not thought about before is the ecoENERGY retrofit and providing some attention to low-income families, which I think we could presume will never happen simply because there aren't the resources to be able to afford it.

You're looking at about \$1.25 billion for all of the retrofit. Have you thought it out? What mechanism would you propose in order to target that to low-income homeowners or dwellers?

**Mr. Tim Weis:** In the past, although it doesn't exist anymore, there was a program for low-income homes. The best place to look for that is at Green Communities Canada. They had a program outlined there that targeted how you would actually roll that program out. The program actually did exist—I think in 2005—but it doesn't exist anymore.

**Mr. Paul Szabo:** The last time I remember talking about retrofit and the credits that were available, the big discussion was on the requirement to have an energy audit both before and after to establish, first of all, that you qualified, and then that you actually did the work and it was successful. Is that really necessary?

**Mr. Tim Weis:** Yes, absolutely. You need to make sure you're getting value for your money as a government. You need to make sure the actual work is done and done properly.

**Mr. Paul Szabo:** The argument of the government has been that you're spending most of your money on the administration of the program. Do you agree?

● (1105)

**Mr. Tim Weis:** No, I don't think that's where most of the money has gone. It has certainly been a real cost, but I think it's an absolutely necessary cost if you want to make sure the right work—the targeted work—is done and you're verifying what the results are. There's no point inputting money to a program if you're not going to monitor its results.

**Mr. Paul Szabo:** The labelling of water equipment and other water-efficient fixtures and appliances makes so much sense. It's about \$5 million over five years that you're suggesting, which doesn't seem like a major investment. I think Canadians are really comfortable with seeing a label on, say, furnaces and other things like that. This is an efficient—

**A voice:** Or toilets.

**Mr. Paul Szabo:** Sorry?

But now, with the labelling we do have, people recognize that this program seems to work. Is \$5 million over five years going to be enough to kick it off?

**Mr. Andrew Van Iterson:** I have a sense that it would be, because about five times that is what it cost the United States. It's a pretty small-cost program.

**Mr. Paul Szabo:** Well, it is very small-cost, but I'm wondering whether it shouldn't be more in year one to launch it.

**Mr. Andrew Van Iterson:** I don't think more of that money would need to be spent up front. We're asking for \$5 million over five years.

**Mr. Paul Szabo:** Do you have any projections on what kind of water conservation benefits might be involved over the medium to long term?

**Mr. Andrew Van Iterson:** We don't have the capacity to make those kinds of estimates.

I'm checking to see if we have we have that kind of information from the United States....yes, comparatively, the U.S. accomplishments report found that in a year it saved 36 billion gallons of water and saved customers \$267 million. So roughly, if you take one tenth of that in Canada, it's 3.6 billion gallons of water and \$26 million to consumers every year. Just like energy efficiency, it has an annual payback. That's pretty good for a \$5 million investment.

**Mr. Paul Szabo:** Good for you. I think it's a great idea.

Thanks.

**Mr. Andrew Van Iterson:** Let me mention, too, just to follow up, that we sent all of you a detailed package of our recommendations about a month ago, which all of you should have received, and we'll be sending a further copy in November.

**The Chair:** Yes. Thank you.

Thank you, Mr. Szabo.

*Monsieur Paillé, s'il vous plaît.*

[Translation]

**Mr. Daniel Paillé:** Thank you.

I have some questions on housing for Ms. Ciufu. You deal with those challenges and have provided us with statistics regarding Toronto. I am the member for Hochelaga, and downtown Montreal, unfortunately, has a great many such clients. People living in the streets do not have a home. Consequently, 100% of homeless people do not have a roof over their head. Nevertheless, you did share with us some figures. You said that 13% of people in Canada lived in poor housing. There are people who need housing, and we haven't even mentioned children or newborns sleeping in drawers until another

room can be found. That happens. Your brief reveals that 25.7% of lone-parent families, 18.2% of immigrants and 20.4% of aboriginal households live in housing that is inadequate for their needs. I would like to thank you for raising our awareness of that.

I have three or four questions for you. I do not think you mentioned this, but it is in your brief. Concerning the program in the U.K., you state that the country is implementing a program that will upgrade 7 million homes by 2020. What I find especially interesting is the pay-as-you-save financing mechanism. Could we not also use that more generally? Given the information you have, do people who renovate their homes incur debt? Then, do they repay that debt according to the savings generated from the related renovations? In some ways, that would be like an energy mortgage. Is that the principle?

[English]

**Ms. Jody Ciufu:** I believe it is in the U.K. I'm sorry that I didn't refer to this more in our presentation, but as you're aware, the U.K. is going through a very terrible situation right now with their public housing.

But I believe that this is indeed the idea of the program and that there have been some successful instances, especially in social housing, of putting money into renovations, financed against the future savings. But it's a long-term process.

● (1110)

[Translation]

**Mr. Daniel Paillé:** You rightly point out that the funding agreements for all households covered by the CMHC are expiring. There are many households in that situation in Montreal and Hochelaga. When the mortgage on a housing complex has been paid off, that is generally when the roof, windows and heating system have to be redone.

You have informed us of this, but what has been the government's response? Is the government aware of the situation? We get the impression that things will end on March 31, 2011. Can you give us an idea of the government's response to your submissions?

[English]

**Ms. Jody Ciufu:** We have not heard.... Well, in fact, as everyone else has read, there are no plans at this point to continue the funding of the economic stimulus funding. So that's \$2 billion that we've used quite successfully. We have probably been successful at implementing about three quarters of that.

So we're nervous about that money, but even more so about the three programs that I spoke of: the affordable housing initiative, RRAP, and the homelessness strategy. We don't know for certain how that money will be used. We understand from Diane Finley that they will continue the funding, but we don't know how, and we don't know if the rules are going to change.

That is indeed why your question on whether everything will stop at 2011 is so important, especially in the long-term sense. The people on the ground who are delivering need to know. We are confident that the funding continues, but indeed, not how it will.

Secondly, on the last program, we have major concerns that the expiry of operating agreements will terminate as these agreements terminate. The problem is that it's so far in the future that I think we haven't done a good enough job of telling you what the effects are going to be when these agreements come to an end. We will have a lot of difficulty with people for housing.

Some will benefit. Some will be able to do well. We want to be able to see that model and apply it.

[Translation]

**Mr. Daniel Paillé:** The example you gave of the housing cooperative that had to sell off one-third of its units in order to finance the remaining two-thirds, and in so doing forced out one-third of the households, is something that is experienced everywhere. That is not fiction; that is a widespread fact. On this side, we do not think that the expiry of the CMHC agreements can be justified by a lack of money. When the government is able to waste \$1 billion in three days, it should make sense to invest \$2 billion a year to renovate CMHC housing units.

Let us talk about the CMHC surplus. We have introduced a bill to, if I may say so, "provincialize" that surplus. We would hope that the surplus amounts go to those closest to the ground. The CMHC appears to be concerned by the situation, but is there any way to tell the government that March 31 will be upon us very shortly? Have you used specific pressure tactics in that regard?

**Ms. Jody Ciuffo:** We will soon be having a meeting with Ms. Finley. We will also be talking to our members and MPs telling them that March 31 is around the corner. Our work now is to raise departmental awareness.

**Mr. Daniel Paillé:** With the 600,000 units that you represent, you have significant powers of conviction.

Thank you, Mr. Chair.

**The Vice-Chair (Mr. Massimo Pacetti):** Mr. Menzies, you have seven minutes.

[English]

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

Thank you to our witnesses for appearing here today.

I have a quick question for Ms. Kean: did you bring enough socks for all the committee members?

**Voices:** Oh, oh!

• (1115)

**Ms. Stacia Kean:** You can have a raffle or something.

**Mr. Ted Menzies:** Yes, but they are large enough to fit someone like Massimo?

**Voices:** Oh, oh!

**Mr. Ted Menzies:** Your feet, Massimo, just suggesting....

I am absolutely supportive of this community development. In my estimation, there's nothing that strengthens a community better than the community investing in itself.

I like where you started with your examples. Perhaps you could give us some other examples in your area or in some of the rest of your network where there have been positive developments.

**Ms. Stacia Kean:** Sure. Another one in Thunder Bay is that the organization I work for, PARO, has the PARO Presents gift store. We have the products of 80 local women, most of them older and aboriginal women, who have started their businesses through some of our micro finance and business development programs. They volunteer in the store, so they get training on customer service, marketing, and using a point of sale machine. Then, through that opportunity, they are able to either start their own storefront operation or network and grow their businesses.

**Mr. Ted Menzies:** When you say micro financing, what amounts...? To me, micro financing is like what I saw in Kabul, at \$6 or \$8. We must be talking different dollar figures here.

**Ms. Stacia Kean:** Yes. It's \$500 to \$5,000.

**Mr. Ted Menzies:** Okay. Good. I'm glad to see that it works as well here as it does in other countries.

**Ms. Stacia Kean:** Yes.

I have another great example. We were recently in Winnipeg for the Winnipeg community economic development gathering and took a tour of the city to see some of their really neat CED projects.

One was BUILD, a program for ex-gang members. BUILD is a construction company that has a partnership with the province to retrofit the toilets and electricity in all of the social housing. They have an operating budget of about \$1 million. They have a graduation rate of over 90%, with people either graduating into employment or continuing with their certification in training. As a result of the work they're doing, they will be saving the province over \$80 million in the next 10 years in energy costs.

To show some scale of community enterprises, there's the example I gave of the True North Co-op. It's a smaller enterprise. Then you can look at more urban areas. I think that part of the point we're making with CED is the scalability, and the opportunity for scalability that's there with the right kinds of financial tools to support that kind of growth.

**Mr. Ted Menzies:** That's right. That's what I find in my local communities as well.

Ms. Watts, is there a "REAL Men" group out there somewhere?

**Ms. Diane Watts:** Well, there's a need for a REAL Men group, but there isn't one.

**Mr. Ted Menzies:** I guess I can't help but support what you're suggesting: that the funding for day care should go to the parents. Of course, we recognize that as a government.

I have just a comment, if you will. We're trying to address some of the issues you raise about single-parent families and the universal child care benefit. There was a negative tax implication. We changed that in budget 2010. What other things would you suggest we could do taxation-wise to support single-parent families?

**Ms. Diane Watts:** Well, it's a very complex issue. We've come to the point where there's almost a necessity for two incomes for Canadians to live the type of life they want and to provide for their children. That makes it automatically difficult for the single-income family, whether there are two parents, or whether there's a single parent through widowhood, or choice, or whatever. That automatically kicks in when we get to the point in salary inflation and increased taxation....

I think the more we try to provide fairness to the single-income family, the more we'll create a society where perhaps the single-income parent won't be so disadvantaged. That's a very broad look at the picture, but this is why the single-income parent is having so much difficulty: because we're in the two-income system, and not always by choice. I think we've found many women really don't want to be. They want to be caring for their families at home, caring for the young children—and the teenagers often need attention.

There are many social activities where it's very difficult for the two-income family to provide the type of community and social surroundings for their children that previous generations were able to provide when there was a choice to live on one income and you didn't pay such a heavy price if you wanted to do so.

• (1120)

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

For the Green Budget Coalition, Barry, you and I have worked on a number of conservation projects and we've had some pretty good announcements in my part of the world, Doc Seaman's being a large part of it. I haven't balanced it off against some of the other ridings, but we must have some of the largest conservation reserve projects in my riding in southwestern Alberta, with some, of course, being the most beautiful parts of Canada. I'm sure you would agree with that.

**Mr. Barry Turner:** Is that a comment, sir, or a question?

**Mr. Ted Menzies:** Well, it's a loaded question, if you will.

**Voices:** Oh, oh!

**Mr. Ted Menzies:** Just very quickly.... I do want to get on to the water issue, but we do have some great projects.

Mr. Szabo brought up a good point about water. Who is looking after this? Who's electrifying that fence that's keeping these carp out of the Great Lakes? Who should we be going to in Montreal to tell them to stop dumping raw sewage into the St. Lawrence river in such huge, massive volumes? And to other cities, west coast and east coast...? Who should be doing that, if not you guys?

**Mr. Barry Turner:** Or you?

**Voices:** Oh, oh!

**Mr. Barry Turner:** I don't mean to be flippant—

**Mr. Ted Menzies:** No, I know. It's a fair point.

**Mr. Barry Turner:** —but it's pretty tough. In this country, with the jurisdictional divisions—as Mr. Mulcair knows, as former Minister of the Environment in Quebec—it's very frustrating for the feds to put their finger on environmental issues and say, “We think you should do this” or “You should do that”. The provinces will say, “It's none of your business”. It's a challenge.

On dumping sewage into rivers, lakes, and streams, the government has allocated many billions of dollars for waste water infrastructure programs in cooperation with municipalities and provinces.

Continue to do that. It's astounding that we're still polluting our rivers and dumping raw sewage. In this day and age it's unacceptable, so we encourage you to keep allocating funds for infrastructure issues across the country.

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

**The Chair:** Thank you.

*Monsieur Mulcair, s'il vous plaît.*

[Translation]

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

I would like to thank all participants. This morning, I will have learned something about the kind of socks to wear in northern Ontario. It is always pleasant to have a little fun at the start of a meeting on such weighty matters. That in no way diminishes the importance of what is done in the area of regional economic development. I would like to thank the presenters from the Canadian CED network.

My questions are for the representatives of the Green Budget Coalition and the Pembina Institute. Those two organizations need little introduction in Canada. Year after year, the Green Budget Coalition conducts work that is so thoughtful and devoid of even a hint of partisanship. Their budgets are full of common sense and inevitable conclusions.

I would first like to thank Mr. Turner who is not only the chair, but also a former member of the House of Commons. He is dedicated, and devoted, even, to that important work. He also works for Ducks Unlimited Canada, which I believe is one of the best organizations in Canada that helps protect wetlands, that are key to protecting water quality. We must protect them because they help to clean our waterways. They act as filters.

Welcome, Mr. Turner. You're proof that there is life after politics, even if we have to come back to politics from time to time. I would like to congratulate you on the work you do.

I have a question, or rather an invitation for Mr. Weis. I would like him to elaborate further on a complex topic. This is something that is well understood by stakeholders, but is not so obvious for the public. You did a good job in your presentation, but since your time was limited, I would like to give you a little more opportunity to expound on the issue.



You touched on the issue of green bonds. I would like you to give us a few more details. Given the current lack of capital, what would be the economic impacts of sustainable investments in our society, both in the long term for future generations and short term for us? I will give you some time to reflect on that. I find the issue too important to limit it to this very circumscribed meeting.

[English]

**Mr. Tim Weis:** Thanks for the question.

It is a difficult concept, the financing of some of these projects, particularly when projects make sense economically on their own—and that's often the case. In energy efficiency there are projects that will pay for themselves. So when you look at it on a balance sheet, it can be puzzling as to why people wouldn't invest in some of those projects.

I think the concept of the green bonds is effectively to either help lower the risk of getting that capital or to make those types of investments meet hurdle rates by lowering the actual costs of borrowing. That's kind of the concept. The idea, ultimately, is to create a pool of money that the government would back by allowing individual Canadians to invest their money in that area. We do see that it would have a cost to it, because the government would have to back those loans and there probably would be some defaults, and there would be administrative costs as well.

But ultimately you could create a pool of money that Canadians could use to invest with, either in energy efficiency upgrades or, theoretically, in renewable energy projects as well. Here, we're sort of targeting energy efficiency, but ultimately you're creating that pool of money that is low risk and has a low cost of interest, I guess. So you can make those investments in projects that ultimately have a payback on them, but may have either a high capital barrier or a lower return on investment than otherwise would be made in the private sector.

● (1125)

[Translation]

**Mr. Thomas Mulcair:** In the same way, in the U.S., municipal bonds have often been seen as attractive investments, especially because of their tax benefits, since they are ways to finance public works that are of general interest. That is something that could be transposed here, given the interest to build sustainably for future generations, rather than to leave them with the sizeable deficits we see today. We can take the money that is available and build something that will be of use to them, including clean and renewable energy.

Mr. Van Iterson, it is a pleasure to see you again. Like we have just done with Mr. Weis, I simply wanted to ask you a question and allow you to share with us your analysis. Twenty years ago, Porter's hypothesis reminded us that it was possible to implement environmental regulations while making our society more effective and productive. According to Porter's hypothesis, environmental rules lead to greater effectiveness. And yet we are still stuck in a reasoning that opposes economic development and respect for the environment. That is passé, that is what people a generation ago thought, but we do not seem able to go beyond that.

Year after year, the Green Budget Coalition does remarkable work. If someone came up to me and asked what to read to understand the future, how to make sense of what is being done in terms of the environment and how to envisage the future, I would suggest they read the document that you publish every year. It is that clear.

How come Canadians are still in the grip of a debate opposing economic development and environmental protection, as if the two could not go hand-in-hand?

[English]

**Mr. Andrew Van Iterson:** Thank you very much for your kind words. We certainly appreciate your support for the work. We obviously put a lot of diligent effort into producing our document each year.

Why are we still having those debates? If you look to Europe, you see that they're huge steps ahead of us in terms of what they're looking at and in seeing that the idea of "waste" should be an old term that we should be eliminating. Waste should simply be energy streams and resource streams for other purposes.

We're still in a situation such that if a company looks to be environmentally responsible, there's a cost to them, and they have to see whether they're willing to meet that cost. Probably, if there are stakeholders, if their investors see it, they might not support it. We need to shift, through fiscal changes, as you well know, to a point that businesses that take environmental leadership actually make more money, while companies that are laggards are paying a greater cost.

Obviously there's a lot of pressure for fiscal restraint in this budget. I don't think we're going to see a lot of money spent in the next budget, even though it could pay off in the future. But this is a prime time to cut counterproductive subsidies. We've made a commitment at the G-20.

I'd like to point out, with some really thorough research, that we could save \$760 million a year, the two prime areas being the Canadian development expense and the Canadian exploration expense. I would encourage you to ask Minister Flaherty to simply bring tax treatment of oil to the same level with other—

● (1130)

[Translation]

**Mr. Thomas Mulcair:** Thank you very much. I just wanted to end by reminding people that, contrary to the claims that are often repeated by the Conservatives, Canada is no longer the country with the highest economic growth rate of the G7; that award goes to Germany. And that country fuels its economic growth by complying with environmental rules.

[English]

**The Chair:** *Merci, monsieur Mulcair.*

Mr. Brison, go ahead, please.

**Hon. Scott Brison:** Thank you, Mr. Chair.

I'd like to start off with both the Green Budget Coalition and the Pembina Institute.

I'd appreciate your analysis on how the Canadian government stimulus package over the last two years compared internationally with other countries' stimulus packages in terms of investment in green economic measures—everything from electric grid and smart grid to modernizing energy production, to green technology. I'd appreciate your insight as to that comparison.

**Mr. Tim Weis:** We did an analysis of both budgets for the past two years and found, in comparing the States and Canada—there was other analysis that compared Europe to Canada and other countries—that by and large the investments were in the energy efficiency realm. We did it on a per capita basis; obviously the United States is 10 times the size of Canada.

On a per capita basis, energy efficiency in both packages was on the order of 5:1 or 6:1 in terms of per capita investment. Investment in renewable energy in the States was about 10 times what was going on in Canada. The Americans really had a much bigger investment in the last two budgets than we saw in Canada, relatively speaking.

Having said that, there were some commendable things in both budgets, particularly the reinvestment in the home retrofit program in Canada, as well as the clean energy fund. There were some things in Canada that were commendable, but on a relative scale, the Americans, on a per capita basis, made much higher investments.

**Hon. Scott Brison:** I like the green bonds idea broadly. If you look at the Canada Saving Bonds as they are now, people don't participate to the extent they once did; people are looking for secure investment vehicles, and you could almost see a victory bond type of appeal to citizens to invest in green infrastructure and that sort of thing. I think that's a good idea.

I have a question for REAL Women.

Ms. Watts, thank you for appearing before us today. I do agree with you that it's important that Canadian women have choice. Would you agree that one of the reasons that we have more two-income families today is partly that women are exercising their choices and choosing to work outside of the home in many cases?

**Ms. Diane Watts:** In many cases they are, and we're in favour of women having a choice. Members of our organization come from all professions. We are in law and medicine. We have helicopter pilots in our organization. We have businesswomen. We have grandmothers who haven't worked outside the home and mothers who want to be in the home.

It's important to recognize that there is a variety of choice out there for men and for women. Of course, in many cases, women who want employment can't get the specific employment they want. That is something we would want to alleviate, but we are in a situation—and I think even the feminists admit this—in which many women are really stressed because they have very serious concerns about the care of their families, and they find a conflict between their employment and their responsibilities within the family—

**Hon. Scott Brison:** I agree.

• (1135)

**Ms. Diane Watts:** —and sociologists and psychologists recognize that men are different. They don't feel conflicted as much as women do.

**Hon. Scott Brison:** I agree. I hear from a lot of women in my riding who feel very stressed. They are people who have careers outside the home and are mothers and parents. They are telling me that they want to have the choice of a really good early learning and child care system, and that one of the stresses they have is not having quality child care spaces in a regulated and dependable system.

What would you say to those women who simply want to have that choice of being able to have that good high-quality care, not just child care but early learning?

**The Chair:** You have about 30 seconds, Ms. Watts.

**Ms. Diane Watts:** Our position is that there should be a wide variety of child care. It could range from the large institutions, if parents want it, to the medium-sized neighbourhood facility, to the ethnic religious group, to the choice of staying at home, or to the choice of having a relative care for the child. Nobody should be penalized for making any of those choices.

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

*Monsieur Carrier, s'il vous plaît.*

[Translation]

**Mr. Robert Carrier:** Thank you.

I wanted to comment on something Ms. Watts said.

We meet with dozens of groups, and this is the first time I hear an organization that wants to cancel the funding of other interest groups. You have negative words for representatives of businesses, unions, sports organizations and lobby groups, and you specifically single out groups that promote day care centres. Groups come before us to promote their views. It is up to the committee and the government to take stock of all that and establish priorities. Witnesses must not diminish other groups by saying that they are unimportant. I think that we are able to make the distinction and act as arbiters. We all represent ridings of approximately 80,000 voters. Consequently, we are well placed to take the pulse of our constituency.

I have only five minutes, and I simply would like to say that I find it regrettable that you diminish other groups. That is all.

**Ms. Diane Watts:** [Inaudible—Editor] We meet groups that are subsidized, and we do not feel treated on a par with those groups.

**Mr. Robert Carrier:** I know, no one is on the same footing—

**Ms. Diane Watts:** Some ideologies are funded by the government, while other pro-family groups are disadvantaged.

**Mr. Robert Carrier:** I have taken good note of your comments.

**Ms. Diane Watts:** It is for that reason that we mention other groups.

**Mr. Robert Carrier:** I wanted to ask the representatives from the Green Budget Coalition a question. I have only five minutes, I'm afraid; I do not have half an hour. I also agree with Mr. Mulcair's comments about the good work you are doing.

However, when I read your presentation, the perspective seems a bit rosy to me. You give an example of a problem that exists elsewhere: the oil spill in the Gulf of Mexico. Since it happened elsewhere, it is easier to talk about.

The big problem, as was said earlier, is the contradiction between economic development, which we all want, and protection for our environment, which is not always obvious, when it comes to our prosperity and our lives.

What is your take on this? In Alberta right now, there is the problematic development of the oil sands, which is even encouraged through tax credit. A company has just been sentenced to pay a fine for having caused the death of thousands of birds. As a result of this situation, people are talking about Canada everywhere in the world.

In Quebec, we are hearing about the gas that would be extracted from shale by injecting water and chemicals into the soil. Many people see this as a good potential source of income, but the public is concerned about sound and environmental pollution, to begin with, as well as contamination of the groundwater.

Although no study results have been released, companies are in the process of drilling. So I think there is a shortcoming with respect to the type of operating plan that the government should put in place before developing natural resources, in order to be able to predict the short- and long-term negative impacts on our environment.

I would like to hear your comments on that.

[*English*]

**Mr. Andrew Van Iterson:** Thank you very much for the question and for your kind words.

You mentioned some of the many unfortunate environmentally damaging events that have been happening, such as the oil leak in the Gulf of Mexico. We have seen the flood of toxics in Hungary, which is just deplorable. These are the kinds of things that could happen in Canada, but worse so, if we don't resist the temptation to cut Canada's environmental programs in the coming federal budget. The payoff is not worth it, so please encourage the minister to maintain Canada's environmental protection funding.

On the specific energy issues, I'll defer to Mr. Weis.

• (1140)

**The Chair:** You have 30 seconds.

**Mr. Tim Weis:** I'll just make one really quick comment. I think the one thing we should put back on the table is this question: what is the strategy for Canada's energy development? We talk about the

shale gas opportunities in Quebec and the oil sands development in Alberta. We don't have a strategy in terms of why we are developing these resources and what our ultimate goal is.

I think that's something that needs to be put back on the table: what is Canada's energy strategy going forward? There's a lot of support for that within private industry as well as within the green movement.

**The Chair:** *Merci.*

We'll go to Ms. Block, please.

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

My first question is for you, Ms. Watts. Thank you very much for your presentation this morning.

Recently I had the opportunity to meet with a constituent to discuss his financial situation. He expressed his desire to see income splitting or joint farming introduced into the Canadian tax system. What struck me the most about the meeting, however, was that right now his stay-at-home wife and his children are, in his words, merely a tax credit. I'm wondering if you'd like to share your thoughts on that comment, and then perhaps just expand a little bit on your recommendation for income splitting.

**Ms. Diane Watts:** In terms of taxation, we feel that the family has been neglected for quite a few decades now. This is why, when we examine the taxes paid by families, we notice a tremendous discrepancy, in that the single-income family pays several thousand dollars more than the two-income family earning the same amount as a unit. We want some rectification of that, so that the single-income family is not punished for making that choice.

There are a lot of pressures, on women especially, to work. Many women try to work part time to alleviate the difficulties that the trend to the double-income family has created for the single-income family. Income splitting would be an important solution for that, an important recognition of the work done by the parent who cares for the children.

The children are our next generation. They need to be cared for. It's a very profound thing that can't always be described. Even the psychologists and social workers don't always understand the entire functioning. There are many studies, of course, that indicate—and previous generations have recognized this—the importance of parenting, the importance of mothering, the importance of fathering.

It's not just a matter of taxation. It's a matter of preserving an important institution that affects the educational system, the health system, the economy, and the entire country.

**Mrs. Kelly Block:** Thank you.

**Ms. Diane Watts:** We're hoping for some consideration for the family on every level.

**Mrs. Kelly Block:** Thank you very much.

My next question is for CHRA.

Our government understands that having a safe and affordable place to live and to call home is important to all Canadians, which is why, as you've pointed out, we've made historic investments of \$2 billion last year and going forward in this year.

I've had the opportunity to attend a number of groundbreakings, and then grand openings, of some housing projects that have been completed in my riding. I have to state how impressed I've been with the quality of the affordable housing projects that have been built in my riding, and I'm sure that's happening across Canada.

You've highlighted that the funding will continue to 2014, but that the CMHC suite of renovation programs is coming to an end as of March 31, and you mentioned that you will be meeting with Minister Finley to discuss this with her.

What will you be telling her?

**Ms. Jody Ciuffo:** We'll tell her quite a bit of what we've told you. These programs have made a phenomenal difference across the country and they're absolutely needed, especially the ecoENERGY retrofit. That made a huge difference. It really matters to low-income Canadian to have to decide between rent and food. These are real issues for them, so it makes a difference to people.

We'd even like to see a bit of a screen on any future ecoENERGY program, as Mr. Szabo has mentioned, to ensure that a certain portion of it is made available to social housing and affordable homes. It'll make the most difference there, in that the money will go right back into the economy.

• (1145)

**Mrs. Kelly Block:** Do you mean that you'll be telling her to continue with this suite, but you won't be recommending any changes to the suite of programs or to the funding levels?

**Ms. Jody Ciuffo:** We would like to see the stimulus funding continue. There's no question about that. That sort of capital funding into the system is absolutely needed, but as to the rest, we would say, "Please continue as is". With funding, of course, more is always better, but what you're doing now is working, so please don't stop those programs.

**Mrs. Kelly Block:** Thank you.

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

Go ahead, Mr. Pacetti, please.

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

Thank you to the witnesses.

I'll ask the money question first, and then I'll go to the Green Budget Coalition.

Mr. Toye or Ms. Kean, in your brief, you have six recommendations. Not one of them is asking for money. Am I reading the brief properly?

**Mr. Michael Toye:** I think recommendation 3 involves some of the existing funding programs, especially Industry Canada's community development program, which funds community futures

development associations across the country and community economic development corporations in Quebec. That's currently up for renewal, so we would encourage that to stay in funding.

**Mr. Massimo Pacetti:** How much is there?

**Mr. Michael Toye:** In that particular program? I'd need to check.

**Mr. Massimo Pacetti:** The reason I'm asking is that in Quebec the development agencies are getting money, but it's on a yearly basis and there's no planning, so the money is getting transferred too late and it's not being as effective as it should be. The fact that it's such a small amount...it should be distributed earlier, perhaps over a three- or five-year period.

**Mr. Michael Toye:** My understanding is that the original agreement was a three-year funding commitment and that it has been renewed for one year.

**Mr. Massimo Pacetti:** So now we're back to square one and it takes forever to get a commitment from the government. I'm wondering why it wouldn't be more predominant in your brief.

I look at the first point, which is, "Improve the regulatory and investment climate for community enterprises". What would be the barrier for you to not be able to promote community enterprises?

**Mr. Michael Toye:** In terms of legislative changes federally, we've just adopted a new non-profit act, and provinces have as well. In many jurisdictions, for example, there are no multi-stakeholder cooperatives, which is by far the most popular legal structure for social enterprises to be created. We have that in Quebec, and it has really unleashed a flourishing of entrepreneurship and new commercial enterprises in every jurisdiction where that's been created.

**Mr. Massimo Pacetti:** Is it to make it easier for the delivery of the community services?

**Mr. Michael Toye:** Exactly: they facilitate collective entrepreneurship.

**Mr. Massimo Pacetti:** I'm sure we can talk about this at length.

I'd like to get to the Green Budget Coalition. I want to commend them for finally making it a little bit simpler, easier and more understandable. But when I look at the numbers, I see that they're still huge. One of the items—sewers, I think—is billions of dollars over a short period of time. Is this ever going to get rectified? Is the government going to be able to come up with \$6 billion over five years?

**Mr. Andrew Van Iterson:** The numbers have changed a little bit from what we submitted to you in the longer document. We've had extensive discussions with Infrastructure Canada. There is \$1 billion in money funded by this government that is still available and could be put into waste water infrastructure.

**Mr. Massimo Pacetti:** It could be, but is it going to be?

**Mr. Andrew Van Iterson:** We are asking you to give strong directive to the government that it—

**Mr. Massimo Pacetti:** No, no. I understand, but why select waste water? Even if it does, where's the other \$5 billion going to come from?

**Mr. Andrew Van Iterson:** This is the long term. It's expected to be a 30-year effort to implement this. This is as much about the environment as it is about the human health issue.

**Mr. Massimo Pacetti:** I agree in terms of the principle. I'm talking about the money issue. How do we get the government to commit to it when governments have more of a short-term vision than a long-term vision?

**Mr. Andrew Van Iterson:** Maybe if we could give them all nice warm socks—

**Voices:** Oh, oh!

**A voice:** Very good.

**Mr. Massimo Pacetti:** Yes, so before my time is up, Mr. Weis, regarding these green bonds, can you just explain that to me? Is there anybody issuing the green bonds? Does your institute issue them? How does it work?

• (1150)

**Mr. Tim Weis:** It would run effectively in the same way—

**Mr. Massimo Pacetti:** It “would run”? So that means it's not running?

**Mr. Tim Weis:** It doesn't run right now, not yet, no.

**Mr. Massimo Pacetti:** So this is a conceptual thing?

**Mr. Tim Weis:** You can look at Europe, where there are similar examples, and there's also a web page called GreenBonds.ca.

**Mr. Massimo Pacetti:** Can I issue a \$6 billion bond to clean up or invest in waste water infrastructure across Canada?

**Mr. Tim Weis:** There's no reason you couldn't.

**Mr. Massimo Pacetti:** Who would do that? Who can we push to do this?

**Mr. Tim Weis:** It would be the federal government that would set it up in the same way as Canada Savings Bonds are administered. You would have to set up criteria in terms of who could apply for those sets of programs, who could ultimately invest.

**Mr. Massimo Pacetti:** So you would want the government to set it up? It wouldn't be a non-profit organization or...? Could we set it up as a PPP or...?

**Mr. Tim Weis:** The government has to backstop it. The government backstopping is really what makes it function. Someone with a credit rating like the federal government's needs to set it up and set the rules for it.

**Mr. Massimo Pacetti:** Okay.

Thank you.

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

I'm going to take the next Conservative round.

I did want to follow up on that. It's interesting that Andrew Sniderman, who was a parliamentary intern in my office for a period,

was one of the gentlemen who worked on the green bonds initiative. I'm sure you know Andrew quite well.

I want to follow up with Mr. Weis.

Welcome, Mr. Weis. It's nice to have another Edmontonian here.

I have a lot to say, but it's.... I find it a bit troublesome when we focus a lot of our environmental criticism on industry and companies and very little of our criticism on citizens or people themselves. We seem to disassociate our own actions as citizens in this country from what companies in fact are doing.

Just look at this room. Look at the amount of energy that's being consumed by us sitting here, and the number of lights on, and the carbon emissions as a result of that. Oil companies are not producing oil for the fun of it: they're producing oil because people are driving vehicles all around. Are we letting people off the hook to an extent in terms of what they're doing?

I'm going to go on to a further subject. I think the whole issue of urban sprawl is probably one of the biggest environmental issues we have, and frankly, it's in my own riding. My own riding grows 10% a year. I grew up in a bungalow in Edmonton, in Lansdowne, which is very close to where you live. Six of us lived in a bungalow. We shared rooms. It was just what you did at that time, in the 1970s, but now when I walk around my riding, I see homes that are six times the size of what they used to be. So even if we implement all the efficiency measures that we choose to, which we should, that is still a massive challenge that—

I'm sorry, Mr. Mulcair? My question is for Mr. Weis—

**Mr. Thomas Mulcair:** I'm sorry to interrupt.

**The Chair:** Is this an issue that nobody is addressing, frankly, because it takes much more political will to tell citizens that they can't have homes that size or expand a city to that size because it causes more stress on public infrastructure? Nobody is really saying that in the environmental movement, frankly, to my mind, in the same way that we're focusing our criticisms on industries of all types.

**Mr. Tim Weis:** I don't think you can say that no one is suggesting those things aren't real issues. I think there definitely are other NGOs that deal with those issues. Most of those, particularly urban issues, are more local issues, and it's difficult for the federal government to get involved in urban sprawl, but I think the one tool that the government does have is to start putting a price on things we don't want.

If you don't want urban sprawl and you don't want these houses that are consuming huge amounts of energy, then putting a price on pollution or putting a price on carbon is one way to help discourage that. It's definitely one of the fiscal mechanisms at your disposal. Start allowing or encouraging people to make investments in other areas by making it unattractive to invest in things that pollute.

**The Chair:** I'll give you one example. I know a lot of inventors across Canada and then there are companies like in ENMAX in Alberta. They are doing very simple things such as taking the waste energy from a furnace and utilizing it to heat a hot water tank. There are things like that.

Of the programs you've identified here, which programs are effective in encouraging that kind of investment and then adoption by people in the community?

**Mr. Tim Weis:** Maybe I'm not understanding the question. Are you referring to ENMAX's...?

**The Chair:** Yes, ENMAX is one company doing that. They're capturing a lot of waste heat and then utilizing it in the home so you don't have to use as much in the first place.

**Mr. Tim Weis:** Right. Well, I think that particular example, or the other programs.... ENMAX is a good example of a utility that is doing some pretty progressive things, but they've had to apply for some money to do some of those programs, and I think that's an example of how a green bonds type of initiative would enable companies to have a pool of capital. They would ultimately pay it back, but they could get their hands on it to take some of those initiatives.

I think that at that level, at a company level, a green bonds initiative would be a way to have that capital out there for companies to be able to invest.

• (1155)

**The Chair:** I have about 30 seconds left. I would like your quick comment on the panel we've established to look at water with respect to the Athabasca River. We also have some new technologies coming out, including the Suncor dry tailings technology, part of which was developed at the Devon Research Centre in my area.

Have you seen improvements there? Are you positive about these two developments? Could you comment?

**Mr. Tim Weis:** I'm a renewable energy guy, so I can't really comment on oil sands. To the extent that I can, I will say that I think we have seen some improvements, but I think we're concerned about the pace of development compared to the pace of those improvements. We have seen things going.... There are some good things to mention, for sure.

**The Chair:** Mr. Turner, do you want to comment briefly?

**Mr. Barry Turner:** Mr. Rajotte, I think you're suggesting a mild form of revolution in this country with respect to Canadian consumption of electricity and water. We are the greatest wasters of those two resources in the world. We're completely spoiled as a people. It's been too cheap.

Until recently, most houses in Calgary didn't even have water meters. That's astounding. Talk about waste. You wash your laneway with your garden hose. It's insanity. Put a price on it and people will stop doing that.

**The Chair:** Thank you.

I just want to finish with Mr. Szabo.

Ms. Kean, I just want to mention that the Grey Cup is in Edmonton this year, November 28. If history is any guide, it will be minus 22 degrees, so socks would be welcome.

Mr. Szabo, a brief round, please.

**Mr. Paul Szabo:** From the Canadian CED Network, one of their statements is that estimated cost of poverty to society in Canada is between \$24 billion and \$30 billion annually. This is a very large number and of course it's a significant challenge.

What it draws to my memory, though, Mr. Chairman, is that it sounds like about the same estimate of the underground economy in Canada and what it costs. Because of the stimulus program, I want to ask if anybody has any comments about one of these areas, about throwing a lot of money out there and getting a lot of people coming in and out of the business: it appears that one of the realities is that everybody gets two quotes for a job, one with GST and one without. That is the underground economy operating and we know it.

If people had an incentive to get the invoice with the GST charged, if they were eligible for a refundable tax credit of the GST paid, it would bring in businesses that have been working under the radar. I wonder if you think that something like that, or any effort whatsoever, should be addressed now on the underground economy so that we have the resources necessary for many of the programs that you've raised here.

**The Chair:** Mr. Turner.

**Mr. Barry Turner:** Instead of a tax rebate, which is mechanical, administrative, and costly to manage, why not just lower their personal income taxes and give them more money in their pockets every year?

**Mr. Paul Szabo:** You need the invoice from that business that provided the service, with the GST, and then you can get the GST back. If you don't have that, you get a piece of paper that just disappears. You file the piece of paper with your tax return. The business won't do business with you if you insist. That's the key.

**Mr. Barry Turner:** I guess there's no magic bullet, is there?

**The Chair:** Mr. Toye.

**Mr. Michael Toye:** I would just add that some of the base community economic and development and social economy activities are bringing people into the formal economy. At the very margins it's expanding cooperative basic small enterprise; it's expanding the formal economy from where informal underground economic activities may have been before. So that's another step in that direction, sir.

**Mr. Paul Szabo:** That's a good point.

All right, it's just food for thought—the underground economy.

**The Chair:** Thank you.

I want to thank all of you for being with us here today and responding to our questions. If you have anything further for the committee to consider, please submit it to the clerk.

Colleagues, we do have a meeting this afternoon at 3:30 in Centre Block with the Governor of the Bank of Canada. We'll see you there.

Thank you.

The meeting is adjourned.









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