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## **Standing Committee on Finance**

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**EVIDENCE**

**Wednesday, October 5, 2011**

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**Chair**

**Mr. James Rajotte**



## Standing Committee on Finance

Wednesday, October 5, 2011

• (0900)

[Translation]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** Good morning, everyone.

[English]

Welcome to the Standing Committee on Finance, meeting number 14, as we continue our pre-budget consultations. It is wonderful to be here in Montreal.

I want to thank all of the witnesses for coming in. And I thank all of our colleagues for being here as well.

We have six presenters in the first panel this morning.

[Translation]

We will start with the Conseil du patronat du Québec.

[English]

Second, we have the Canadian Hospice Palliative Care Association.

[Translation]

Then we will move on to the Manufacturiers et Exportateurs du Québec, the Société de transport de Montréal, the Fédération des travailleurs et travailleuses du Québec, and finally the Confédération des syndicats nationaux.

You will have five minutes in which to make your presentations. Then the committee members will ask you questions.

We will start with the Conseil du patronat du Québec.

**Mr. Georges Dick (Vice-President of the Board, Conseil du patronat du Québec):** Good morning. Thank you for giving us the opportunity to join you today in your pre-budget consultations. My name is Georges Dick; I am the Managing Director, Hydropower and Dams, for AECOM Consultants Inc. I am also the Vice-President of the Board of the Conseil du patronat du Québec. With me today is Norma Kozhaya, our chief economist.

The Conseil du patronat du Québec brings together employers and companies in Quebec in all sectors and of all sizes. Our primary mission is to ensure that our companies can grow in a business environment in which they and their employees can prosper.

With that, I will give the floor to Ms. Kozhaya.

**Ms. Norma Kozhaya (Director of Research and Chief Economist, Conseil du patronat du Québec):** Good morning. Thank you for inviting us.

For the Conseil du patronat, the overall objective of the upcoming budget is to maintain the best possible conditions for sustainable prosperity in an uncertain global climate. Among the areas of focus that will allow this objective to be achieved, in our view, are the rigorous control of public spending and investment in infrastructure and innovation. Other aspects are of equal importance, but I will come back to them a little later.

The very unpredictable global economic climate requires us to be highly vigilant. As a result, Canada must also commit to prudent budgeting, specifically in order to provide elbow room, to be able to intervene where necessary, and to allow us room to manoeuvre in the event of another economic slowdown or recession. In that regard, the Conseil encourages the government to continue its efforts to return to balanced budgets by 2014-2015 by ensuring better control of spending, notably through the strategic review and without affecting transfers to the provinces.

Investments in transportation infrastructure are essential if the economy is to function smoothly. Quebec, in particular, is facing urgent, major problems with its transportation infrastructures. It is important for the federal government to do its part in funding these projects and to continue contributing to an efficient and effective transportation network in Quebec. We are thinking in particular of the rebuilding of the Champlain Bridge. We read in *La Presse* this morning that the announcement could come as soon as today. We certainly support the movement in that direction. We also have in mind projects such as the rail shuttle between Montreal airport and downtown.

Other essential ingredients of sustained economic growth are innovation and improved productivity. Canadian businesses unfortunately continue to fare less well in these areas. More must therefore be done to correct the situation. We are specifically thinking about simplifying the processes within the existing resource envelope. It's not about more contributions; it's about better contributions. The assistance must contribute more to innovation, wealth creation and increased productivity.

Among the other recommendations we make in our brief, let me mention investments in training that are better targeted and better tied to the needs of the market, with special attention paid to the needs of workers who are not eligible for employment insurance. We attribute equal importance to a review of the employment insurance program and to the increased need for combatting tobacco smuggling. We welcome the plan to reduce corporate income tax. We support the negotiations for economic partnerships with other economies such as the European Union, India and China, and the lightening of regulatory and administrative burdens.

In conclusion, we would like to take advantage of our time here to express the hope that Quebec will be entrusted with a significant number of the contracts to be awarded under Canada's National Shipbuilding Procurement Strategy. We think that this would serve, not only to create jobs in Quebec, but also, most importantly, to maintain, strengthen and develop our cutting edge expertise in this area.

Thank you very much.

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

[*English*]

Next we will hear from the Canadian Hospice Palliative Care Association, please.

**Ms. Sharon Baxter (Executive Director, Canadian Hospice Palliative Care Association):** Good morning, and thank you for the invitation to come and speak today. I'd like to take a few minutes to point out why investing in good end-of-life care is not only timely but also the necessary and the right thing to do.

Last year the Canadian Hospice Palliative Care Association presented at this committee with one of our champion council partners, Mike Sangster, from Telus Communications. We continue to engage new and existing partners in dealing with the end of life in a more comprehensive and integrated manner.

I'd like to thank the government for supporting the Canadian Hospice Palliative Care Association and the Quality End-of-Life Care Coalition with a \$3 million grant to work on hospice palliative care integration. We hope to have that up and running in December.

There's more that we need to do, and all parties and all members need to be involved in this issue. In fact, all Canadians are going to need to be involved in this issue to make a difference. We want to challenge you all to go and visit a hospice or palliative care program in your ridings in the next three to six months. I think it's profound and it's a really important thing for all of you to do.

More than 259,000 Canadians will die each year, and most die in old age. Of those, only a small proportion receives quality hospice palliative care.

Seniors make up the fastest growing age group in this country, and in 2003 an estimated 4.6 million Canadians were 65 years of age or older. Their deaths affect up to five family members. Over 1.25 million Canadians were caring for dying loved ones in that year. Yet, in Canada, only 16% to 30% of Canadians—depending on where they live—who die now have access to hospice palliative care services. It's profoundly low.

The need is urgent and our capacity to respond is limited at this point in time. We need to look at how we can ensure that all Canadians have access to hospice palliative care.

The Economist Intelligence Unit put out a report in July 2010 that ranked Canada ninth out of 40 countries in how it did with hospice palliative care. It was not a terrible showing, but we can do much better. One of the startling facts was that 25% of the costs of dying in the last year of one's life in Canada are actually out of the pockets of Canadian patients and families. We came in 27th out of 40 countries in that regard. We really need to look at that, as it raises the question

of how 26 countries did better than Canada. I think we really need to start to look at that.

The Quality End-of-Life Care Coalition, a coalition of 35 national groups, put out a blueprint for action. We've given you copies of it. They made four recommendations that still stand today. It's a 10-year blueprint. We understand that this is something that we all have to engage in over the next 10 years.

Of the four big recommendations, one was to ensure that all Canadians have access to hospice, palliative and end-of-life care. High quality palliative and end-of-life care must be integral to the health-care system—and it isn't today. It is really very much an add-on situation and many Canadians are not being referred. We want to provide more support for family caregivers. We realize that some measures have been taken in the last little while around accommodating family caregivers, but we need to do much more.

Also, in our roster of ideas in the blueprint for action, one that I want to touch on today is revisiting the compassionate care benefit to assist Canadian families. It needs to be increased. It's only six weeks of paid coverage, or eight weeks' coverage, and it is at an EI-based level. If you don't qualify for EI, you don't qualify for it. So there are things that we need to do around that.

The third area is improving the quality and consistency of hospice palliative care, and looking at investing in research.

Then, the last area was encouraging Canadians to discuss end-of-life care. We have a new campaign called the Speak Up campaign. It's something that we need to encourage Canadians to engage in. It's one of those things that we often don't talk about with our loved ones.

So we feel that quality end-of-life palliative care is the right of every Canadian, yet not every Canadian has access to these services.

Tomorrow I'm presenting to the Senate Committee on Social Affairs, Science and Technology, which is examining the progress that we've made in implementing the 2004 health accord. This is an important step, and as the government starts conversations with provincial and territorial governments on a 2014 accord, or whatever that's going to look like, we stress that the provision of quality end-of-life care must be looked at across all settings, across all diseases, across all professions, and across all ages, and must be integrated into our future thinking. We don't have the time to delay

● (0905)

The Canadian Hospice Palliative Care Association and its many partners look forward to working with the government and anticipates that actions that will be taken on many of these recommendations.

**The Chair:** Thank you very much.

[*Translation*]

We now move to the representative from the Manufacturiers et Exportateurs du Québec.

● (0910)

**Ms. Audrey Azoulay (Director, Research and Government Relations, Quebec Region, Manufacturiers et Exportateurs du Québec):** Thank you, Mr. Chair.

My name is Audrey Azoulay. I am the Director of Research and Government Relations for the Manufacturiers et Exportateurs du Quebec. I thank the committee for being willing to listen to our organizations's recommendations during these consultations.

Before listing our recommendations, I would like to make two comments. The first is specifically about the manufacturing sector. Mr. Chair, it has been a long time since we have seen a real resurgence in activity in the manufacturing sector. We have been able to discern some cyclical upswings, but nothing that has shielded us from the downward trend in employment. Depending on the sector and the company, there has at times been very good investment news, but, on the whole, investment is not going up. This fact has a number of causes. Of course, there is the performance of the Canadian dollar over the last 10 years. There is also the intense competition from developing countries in particular, and likely a number of others. Whatever the reasons may be, it is vital to boost manufacturing. Here in Quebec, we call it a manufacturing priority. I would like to highlight this because the priority is important to grasp. In that light, I will quickly go over some of the arguments.

Let us start with the manufacturing sector. We must count on it if our trade balance is to improve. In Quebec specifically, we are really in the red. In our view, if we continue along the same lines, we will run into imbalances on a macroeconomic scale that will not be tenable.

In addition, research and development activity, the value we get from them and the bringing to market of highly value-added products is clearly built on a solid manufacturing sector.

Another argument is that the primary source of increased productivity in our economy lies in manufacturing activity. The argument is supported by figures.

The development of the natural resources we have in abundance must be supported by the manufacturing sector, where, of course, their true value lies.

Finally, very many quality jobs in the service sector depend, as do those in manufacturing itself, on a strong manufacturing sector.

In general terms, the manufacturing sector makes up a fifth or a sixth of the economy of Quebec, as it does for the economy of Canada. This sector must be considered the key to wealth creation and it must be strengthened. We really cannot wait any longer.

I would like to stress that, with our demographics and with the world economy in my view becoming unstable by nature, we cannot afford to lose a single point of economic growth. In recent years, and despite ever-tighter budgets, the federal government has continued to build economic growth in Canada using measures that we have supported and that we still support. These are the lowering of income tax, the two-year accelerated capital cost allowance, the elimination of tariffs on imported machinery, and the incentives associated with the harmonized sales tax in some provinces.

All these measures were positive for the manufacturing sector. We think this course should be maintained and that on-going attention should be paid to the corporate tax structure. Certainly, we must not stop now. We are not opposed to the sustainable rationalization of public finances. In fact, it seems necessary in the context of a

globalization where it is certainly not the first time that our competitiveness has been called into question.

We have three recommendations in the area of taxation. First, we think that the two-year accelerated capital cost allowance on the import of manufacturing and processing equipment should be made permanent. Among other things, this fits logically with the speed at which technology is evolving today.

Our second recommendation is that the research and development tax credit be reimbursable. Mr. Chair, research and development is an extremely risky investment, whose results will likely not be seen for a very long time. Cash flow really is necessary to encourage research and development in a visible and tangible manner.

The third recommendation is intrinsically linked to the first two. True investment does not exist without investment in human capital. They go together and they must be considered together. We recommend that the government encourage employee training to a greater extent using a tax credit that would be applied against employment insurance premiums.

• (0915)

We feel that this recommendation has considerable merit: the more training people receive, it follows that the less employment insurance they need.

I will conclude by saying that, as a general principle, to reduce social charges on the payroll is also to reduce a fixed and regressive tax on human capital. We are strongly committed to our third recommendation.

**The Chair:** Thank you, Ms. Azoulay.

Now over to the representative from the Société de transport de Montréal.

**Mr. Marvin Rotrand (Vice-Chair of the Board, Société de transport de Montréal):** Good morning, Mr. Chair and members of the Standing Committee on Finance. Welcome to Montreal.

I do not feel that I have to convince you that investment in public transit is good for Canadian society. That goes without saying. Not only does it improve mobility and flow, it also reduces the need to invest in roads. It reduces traffic congestion. The Government of Quebec tells us that traffic congestion makes us lose an annual \$1.5 billion in productivity in greater Montreal.

Investments in public transit provide structure. I have always said that the main argument in favour of public transit is an economic one. The environmental advantage is not to be ignored by any means, but the main argument is economic. Investments in all new public transit infrastructure projects must be increased. Greenhouse gas emissions are simultaneously reduced.

In our view, a lack of investment in public transit causes Canadian cities to lose productivity and, at the same time, adversely affects the residents' quality of life.

We are not here today to convince you that something must be done. Our role is rather to set off a debate about how things are going to be done, how much is going to be spent, when it is going to be spent and where the money will come from.

In December 2009, the City of Montreal, where I am a city councillor, adopted the Canadian Urban Transit Association's Vision 2040. We in fact demanded the same things as CUTA, such as that public transit become part of government policy, that investments be used not only to expand services, but also to encourage innovation so that the public transit system can become modern and efficient. That will help Canadian manufacturers to increase their markets overseas. We also subscribe to the view that public transit must become greener by increasing its energy efficiency so that greenhouse gas emissions are reduced.

[English]

The future of public transit is an electric one. Currently we are doing the switchover here in Montreal. We're beginning to plan for a point in 2025 that will have zero emissions, which, you can understand, in terms of infrastructure, means a major challenge.

I'd like to inform the members of the committee that the Société de transport de Montréal, in case you do not know, won the American Public Transportation Association prize as the best transit agency in North America for 2010-11. It's a huge distinction. We were the first among the over 1,500 transit agencies that are members of APTA. They gave us the prize because we were able to augment ridership and have better customer satisfaction, good customer retention, and better and more frequent services. That is largely because a consensus exists in Montreal for public transit. The city and agglomeration councils were able to increase funding to us for our operational budget from \$241 million a year to \$390 million. But we have now reached the limit of what municipalities can do.

Over the last five years, we've increased metro services by 27%. That includes, however, an extension of three new stations. In real terms, we have increased metro services by 17% and bus services by 16%, and we have gained and retained 8% more riders than we had before.

These are enormous figures, but we face the reality that we have current needs of \$11 billion for new infrastructure. They're absolutely necessary projects; none of these are to go beyond what we currently can do. We have \$4 billion for new metro cars coming up.

I'll finish rather quickly, Mr. Chair, and I'll add my other remarks in the free speech section.

We have three fundamental recommendations.

[Translation]

The first is the creation of a national public transit fund to provide stable, long-term capital funding.

[English]

Some people call that a national transit strategy. Others call it something else. Whatever it is,

[Translation]

we need it.

● (0920)

The Government of Canada has announced that it will make the gas tax fund permanent. We recommend that this be indexed.

Third, public transit must be made a part of the long-term public infrastructure program. That means replacing the Building Canada program with a new long-term infrastructure program.

Thank you.

**The Chair:** Thank you very much.

Now we move to the Fédération des travailleurs et travailleuses du Québec.

**Mr. Yvon Bolduc (Chief Executive Officer, Fonds de solidarité FTQ, Fédération des travailleurs et travailleuses du Québec):** Mr. Rajotte, members of the Standing Committee on Finance, good morning. I would like to thank you for having us here today.

My name is Yvon Bolduc, and I'm the chief executive officer of the Fonds de solidarité FTQ. With me is Mr. Mario Tremblay, the vice-president of public and corporate affairs at the Fonds de solidarité FTQ. This morning we are presenting the joint brief of the Fonds de solidarité FTQ and the FTQ, the Fédération des travailleurs et travailleuses du Québec.

Our brief will focus on a single topic: the importance of the venture and development capital industry in Quebec. Why is this important? It's important for the employment, innovation and productivity of companies. We will also speak about the importance of the existence of these workers' funds, which play so important and fundamental a role that the program is recognized in Quebec and across Canada.

The Fonds de solidarité FTQ was created in 1983 to address concerns about employment and economic development. I would like to thank the two levels of government for sustaining the Fonds de solidarité FTQ and other workers' funds for close to 30 years now. I want you to know that we are part of the solution. Actually, the fund has net assets of about \$8 billion. We have a record high of more than 583,000 shareholders who represent 14% of the Quebec labour force. Fifty-eight per cent of the investors are unionized, while the remaining 42% are not.

The solidarity fund currently provides funding for 2,129 businesses, primarily SMEs in all regions of Quebec. The value added of those businesses amounts to almost 8% of Quebec's total GDP.

Over the past 10 years, the Fonds de solidarité FTQ has directly invested close to \$6 billion in businesses and specialized private funds, including \$1.5 billion in sectors such as the new economy and life sciences, making the fund a leader in venture capital in Quebec.

However, I think that the private investment industry has recently gone through several bad years, especially in fundraising, with 2010 and 2011 being particularly weak. Quebec was less affected by this decrease. Venture capital funds established in Quebec accounted for 42% of all commitments in Canada, far outstripping the ratio between the Quebec and Canadian economies.

Quebec's strong financial support for SMEs stems primarily from the ability of labour funds, especially the Fonds de solidarité FTQ, to attract Quebecers' retirement savings and use those savings, which constitute a new source of funding, directly to provide equity funding for private companies or by contributing to independent private funds.

I'd like to quote Gregory Smith, president of the Canada Venture Capital Association, who said:

[English]

Quebec has been a leader. But no one province or one fund can prop up the entire industry. You need to work in collaboration. If all the provinces had a strategy as robust as Quebec, you'd see a market pickup.

● (0925)

[Translation]

I'd like to point out that, because the labour fund model, especially where it is well structured and complements other financial institutions, helps promote and develop saving habits and allows those savings to provide equity funding for private businesses, we endorse and approve of the recommendation made by the Standing Committee on Finance in its December 2009 report, which was to increase the labour-sponsored funds tax credit to 20% of eligible investments.

This proposal is especially responsible in difficult financial and economic times, because the tax credit not only supports a program that is vital to the future of Canadian businesses, but also enables both levels of government to recover their investments in an average of three years, according to studies carried out in 2010 by the Montreal firm SECOR and Regional Data Corp. in Ottawa. This would ensure strong support for the funding of businesses, venture capital and innovation, and would encourage saving for retirement, which has become a major issue for all Canadians and all governments in Canada.

**The Chair:** Thank you very much.

Lastly, I give the floor to the representative for the Confédération des syndicats nationaux.

Go ahead.

**Mr. Pierre Patry (Treasurer, Confédération des syndicats nationaux):** Mr. Chair, I would like to thank the Standing Committee on Finance for its invitation to the CSN. We are pleased to be here to share our point of view.

The Confédération des syndicats nationaux is a trade union organization composed of 2,100 unions representing over 300,000 members primarily residing in Quebec.

The economic crisis of 2008 and the great recession should have demonstrated the importance of government in a mixed economy in which all parties have a role to play in economic and social development. Governments and individuals throughout the world have paid very dearly for the years of financial sector deregulation, which led to the virtual bankruptcy of the sector.

Unfortunately, as we came out of the recession, most of them quickly reverted to their orthodox vision of the economy, a vision in which government intervention is often regarded as an obstacle to

the private sector and the public sector is by definition less effective than the private sector.

While some countries are showing large budget deficits coming out of the financial crisis and recession, the Canadian government's budget deficits are modest. The difference in the case of public debt is even more in Canada's favour compared to other countries. Unfortunately, the Harper government decided to balance the budget by 2014-2015, which we feel is unnecessary.

To achieve that objective, the 2011 budget adds to the cuts already announced by calling for new recurring cuts of \$4 billion starting in 2014-2015. In the fall of 2011, federal departments and agencies will have to propose ways to reduce their spending by 5 to 10% to Treasury Board. The CSN sees no need for this. Not only could the government live with a deficit for a few years longer, the time it will take for growth to start again on a firm foundation, but it could also have been much more prudent in its tax policy.

Since the Harper government came to power, cuts to income and other taxes have been made in budget after budget, both for corporations—mainly for them—and for individuals. Even when the recession had become a fact, the government chose to retain the corporate tax cuts handed out in earlier budgets. From that perspective, it is foreseeable that the tax cutting strategy adopted by the Harper government will ultimately undermine important government missions.

With respect to the employment insurance program, the CSN reiterates what it has called for, first for reasons of fairness, but also for economic reasons. We believe that it is urgent that changes be made to the employment insurance scheme to improve access, increase benefit rates and eliminate the waiting period.

Similarly, the CSN reiterates what it has said regarding federal transfers for social programs. In health care, even with average funding increases of 6% in recent years, the system is hard pressed to meet all of the public's needs. Clearly, we must be sure that in 2014 those transfers are renewed in accordance with the present formula. In the area of postsecondary education, the Government of Quebec is still waiting for the additional \$800 million that would bring it back up to the 1994-1995 level of federal funding.

A number of other social problems call for genuine involvement by the federal government. The situation of aboriginal people in Canada is a national scandal that just keeps going. Their unemployment rate is twice the rate for the general population. As well, while Canada ranks eighth in the human development index, First Nations communities rank 78<sup>th</sup>.

Lastly, we think the Canadian pension system should be reviewed. It is necessary to reform the Canadian pension system by taking all of its components—public and private—into account. The public cannot simply count on the pooled registered pension plans recently announced by the federal government. Although employers will be responsible for enrolling their employees in those plans, this does not mean that employers will make any contributions.

Public consultations would make it possible to assess the options available for modifying the Canadian pension system to ensure that it in fact provides income security for retired workers. Options that must be seriously discussed and assessed include improving the public plan and creating mandatory supplementary plans that would cover all Canadians.

We also feel that an effort must most certainly be made in the area of sustainable development. Just this morning, we read in the papers that, even though the government committed itself to less ambitious objectives than those of the Kyoto Protocol, it will not even be able to achieve its objectives. In 2020, the greenhouse gas emissions will be much higher than they are now. Effort must be made in this area to reconcile economic development, the environment and social development in a perspective of sustainable development.

This completes my presentation, Mr. Chair.

• (0930)

**The Chair:** Thank you very much.

We'll start with Mr. Mai.

You have five minutes.

**Mr. Hoang Mai (Brossard—La Prairie, NDP):** Thank you, Mr. Chair. First, I'd like to thank the witnesses for being here today. I would also like to welcome by colleagues to beautiful Montreal and the beautiful province of Quebec, which I call home.

We have asked the Standing Committee on Finance and the government for more investment in infrastructure. We insisted on the fact that it was important, especially now. I especially insisted on the case of the Champlain Bridge. But the government said that it's not necessarily the time to invest or that there are other priorities, like tax cuts.

My question is for the STM representatives. What is your vision? Should we invest, have a national infrastructure plan? Why is it important to have it now?

**Mr. Marvin Rotrand:** The Canadian Urban Transit Association clearly said that \$40 billion needs to be invested between 2008 and 2012 in public transit infrastructures. But the current programs count only \$20 billion. So there is a shortfall of \$20 billion. We need to come up with a strategy to make up for this shortfall because the current challenge is not just to reduce congestion, to maintain—and perhaps increase—current service and have a very high ridership; we also need a longer term vision.

According to the OECD, Canada is the only industrialized country that does not have a national public transit strategy, which is why the Montreal city council, with members from three different parties, unanimously adopted Vision 2040. We aren't telling the government what to do and we aren't promoting the private bill that Ms. Chow just introduced in the House of Commons. We are simply inviting the government to focus on the need for a national fund, for long-term, foreseeable, indexed funding, that will support fixed assets.

I spoke earlier about the \$11 billion we need at the STM. Our strategic plan is ambitious.

[English]

I don't know if you speak English, Mr. Mai, but I'll say this in English for everybody's benefit.

We are rivaling the 1940s in terms of our ridership. We're almost breaking the level in 1949, which I think was our best year. We're at 390 million riders a year, but our strategic plan calls for 540 million in 2020. We can do it if we have predictable sources of funding for the long term. That's why we're making these three recommendations today.

[Translation]

**Mr. Hoang Mai:** Thank you.

I will now address Mr. Patry of the CSN. You said that, in times of economic downturn, government policy is to continue cutting corporate taxes.

Could you tell us how investing in sustainable development can also be good for the economy?

**Mr. Pierre Patry:** I would like to go back to what the STM representative said. In Montreal and across Quebec, there are significant shortcomings in this regard. When investments are made in public transit, jobs are created at the same time. For instance, in La Pocatière, Bombardier created jobs that helped the region survive. The fact of the matter is that a significant drop in employment at Bombardier would create problems in that region of Quebec.

However, we can encourage sustainable development by expanding our public transit network in Quebec, while reducing greenhouse gas emissions. I think that we can make those kinds of investments. That's why a group in Quebec was created. The group is called Écotech Québec, and it studies all matters related to clean technology that tie job creation to the development of new industries. For instance, an attempt is being made to develop more energy-efficient cars and even electric cars. That way, we would reduce greenhouse gases while promoting economic development and encouraging the creation of quality jobs. It's possible to do all that at the same time.

• (0935)

**Mr. Hoang Mai:** We urged the government to invest and act now. However, the government has decided to keep the tax cuts in the budget. Do you think that's the right way to go forward?

**Mr. Pierre Patry:** We don't think that's the right way to do things. We actually criticized the cutting of corporate taxes from 16.5% to 15% as of 2012, while the country is in a budget deficit.

In addition, as we mentioned in our brief, tax cuts are being made while federal public service jobs are being eliminated. This summer, jobs at Environment Canada were cut. We also need to tie in the need for a sustainable development policy. That has an impact on all communities.

We think that investments need to be made now. The Canadian deficit is actually not very high. In terms of the gross domestic product percentage, it is among the lowest in the world. Canada's debt-to-GDP ratio has decreased by half over the last 15 years. Therefore, Canada has some flexibility that many other countries don't, but, unfortunately, it's not taking advantage of it. We think that investments need to be made now to encourage economic development.

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

[English]

We'll go to Ms. McLeod, please.

**Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC):** Thank you, Mr. Chair.

Certainly, it's our pleasure to be here on a sunny day and looking at the beautiful fall colours. It's always a treat to be in eastern Canada. We don't get the colours out west that you do here.

I'd like to start with a question for le Conseil du patronat du Québec. We're talking about Canada absolutely being in a better position in terms of our deficit. But in terms of increasing spending, we see what's happening in Greece where people there have not got that country's deficit under control.

Could you talk about the real-life implications for you and your members if the government continues to add to the deficit.

[Translation]

**Ms. Norma Kozhaya:** Of course. Thank you for the question. We used Greece as a good example. Unfortunately, other European countries are on the same track. We are seeing the consequences of unchecked deficits and public spending increases, and the devastating effects that can have on the countries in question.

In Canada, we were lucky enough to be in a good financial position when the recession began. That enabled the government to implement an economic action plan that was helpful, through enhanced employment insurance benefits and infrastructure projects, among other things. So there was some room to get involved, and the government took advantage of it.

However, we still need to be prudent and vigilant, and keep spending under control, since we must have a long-term vision in addition to a short-term one. You could say that, in the short-term, the deficits are not very significant, but they can increase quickly if we are not careful. So we must always think about long-term sustained growth and about the long-term effects of a serious deficit and debt problem.

You'll no doubt recall that, in the mid-1990s, Canada had a substantial deficit of 6%. That led to some difficult decisions. Therefore, we have to be careful not to fall into the same trap once again.

[English]

**Mrs. Cathy McLeod:** Thank you.

Perhaps to the same group again, you certainly will have heard some of the other witnesses and also the great debate on raising corporate tax rates.

Could you talk about the real life implications? Obviously, our government has felt it's very important to have the tax structure that we do. Could you talk about that in terms of you and your members.

• (0940)

[Translation]

**Ms. Norma Kozhaya:** Clearly, for our members, for Quebec employees and companies, tax cuts were more than necessary. We operate in a context of global competition—which is increasingly competitive—where other emerging countries may operate in different environments. In order to set ourselves apart, we have to be competitive through competitive tax rates, among other things, as there are many factors we have no control over. We cannot control what's happening in the United States and Europe, but we can control Canada's fiscal environment.

The best way to boost private investments is to ensure profitability, ensure that taxation allows investors to generate solid profits. Speaking of taxation, I want to point out that, until very recently, Canada's tax rates were among the highest of all OECD member countries. We were third on the list, with very high rates. We were lucky to have a healthy American neighbour and a weak dollar. However, the situation is now completely different, as we have a weak American neighbour and a dollar at par. So we need to find another way to help and have competitive tax rates. That's the best way to boost private investments and create jobs.

A number of studies show that cutting corporate tax rates is beneficial for employment, for private investments, for productivity and, thus, for salaries. Our population is aging, and labour shortages are expected. We have to offset those disadvantages through higher productivity, quality jobs and higher private investments.

[English]

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

**Mrs. Cathy McLeod:** It's too short for my next question.

**The Chair:** Thank you, Ms. McLeod.

[Translation]

Mr. Trudeau, you have five minutes. Please go ahead.

**Mr. Justin Trudeau (Papineau, Lib.):** Thank you, Mr. Chair. Welcome to Montreal. It's good to have you here.

Since Ms. Kozhaya talked about this, my first question concerns corporate taxes. The corporate tax cuts were implemented by the Liberal government during a period of budgetary surplus, and it did make us very competitive.

Do the CSN and the FTQ feel that corporate tax cuts—which did help, as the Conseil du patronat du Québec said—in a deficit situation have prompted companies to start hiring again, to create more jobs?

**Mr. Pierre Patry:** That may have been the case, but that's not what we have seen. Tax cuts have not resulted in increased employment. However, I do want to clarify one thing: we are not against targeted measures that would actually encourage job creation. Research and development has been discussed. We also agree that additional tax credits for research and development could be effective in terms of employment. Similarly, the accelerated depreciation of equipment is not necessarily a bad measure, especially during a recession, in terms of job creation. However, during a recession, we do by far prefer targeted measures to ones that cut corporate taxes but don't necessarily affect job creation, since companies that don't generate profits don't pay taxes anyway.

I also want to point out that tax cuts do not help increase companies' productivity. In reality, the main factors for increasing productivity are education—actually, cuts to higher education can eventually affect productivity—and investments in equipment. So we need to do a lot more in terms of those factors than in terms of corporate tax cuts.

**Mr. Justin Trudeau:** Thank you very much, Mr. Patry.

**Mr. Yvon Bolduc:** I want to add that, at times, a shortage of skilled workers may coincide with a very high unemployment rate. In terms of that, I think we need to focus on training and enable the unemployed or those going through difficult times to get back on track by providing them with training that would lead to more meaningful jobs. I think that's very important for Canada's future.

**Mr. Justin Trudeau:** Thank you very much.

I would like to talk a bit about employment insurance.

Ms. Azoulay, from *Manufacturiers et Exportateurs du Québec*, talks about lightening the burden imposed on the payroll. The *Conseil du patronat* says—and this is key—that we have to ensure that the funding of the employment insurance system respects employers' capacity to pay. As of January 1, 2012, we will face an increase of 14¢ per \$100 in wages for employers, and 10¢ for employees.

Do you think that measure will make it possible to hire more workers, increase the number of jobs, or will it actually have the opposite effect?

• (0945)

**Ms. Audrey Azoulay:** I want to start with a general comment about payroll taxes.

Payroll taxes are a lot lower under the federal fiscal framework than they are under the provincial one. It's true that payroll taxes are something of a sensitive issue in Quebec, where they're terribly high. It's a flat and rigid tax, which doesn't take into consideration company profits. Therefore, it stands to reason that, every time payroll taxes are increased, regressive taxes are increased. They're even more regressive for small companies, obviously. We feel that any kind of a payroll tax cut—we suggest tax credits for training—is a very positive measure.

In Europe, a lot of emphasis is being placed on payroll taxes. Yet, almost all European Union member countries are currently looking into what's referred to as a social value-added tax or VAT. It consists in transferring payroll taxes to a consumption tax. All tax experts agree on the efficiency of such a measure. I think the idea is fairly

widespread: we need to stop taxing human capital. That's pretty basic in terms of economic growth. During a labour shortage, human capital needs to be accumulated and trained, and wages need to be raised. It all ties in together.

**Mr. Justin Trudeau:** So this \$1.2-billion tax on employment is not necessarily a good thing.

Would anyone from the *Conseil du patronat* like to comment?

**The Chair:** Please keep your answer very short.

**Ms. Norma Kozhaya:** Increasing payroll taxes is indeed undesirable. That's not what helps create jobs or increase wages. The employment insurance deficit is a real problem. We need to look into it and come up with a solution.

We think that the government should also consider making a greater contribution to the Employment Insurance Fund. We shouldn't forget about the surpluses used in the past.

**The Chair:** Thank you.

[English]

We'll go to Mr. Jean, please.

**Mr. Brian Jean (Fort McMurray—Athabasca, CPC):** *Merci beaucoup.*

Thank you very much for coming today. I hail from northern Alberta, the oil sands country, and it's a pleasure to be here. I often visit Montreal and I very much enjoy it.

I think all members and guests here today would agree that when you manage an economy as large as Canada's, you must look at having both a long-term vision and a short-term vision. Indeed, I would suggest that the short-term vision was the \$45 billion in the economic action plan and the other stimulative measures that our government put forward in 2006 and since that time.

The FCM, the Federation of Canadian Municipalities, identified a \$123 billion deficit at that time. Of course, they encouraged the \$45 billion being leveraged between the provinces and municipalities, to get somewhere in the neighbourhood of \$123 billion. All of that stimulus money, by the way, hasn't been spent yet. In fact, much of it hasn't finished, and much of it hasn't been paid, but it is in the process now. Of course, that will give us a short-term boost in jobs, as well as a long-term increase in the quality of life.

I think that's very important, as are the tax cuts. I don't know if anybody read the *Montreal Gazette* this morning, but we have now received from *Forbes* magazine the number one ranking in the world for business investment. If you read the article, it clearly indicates that is the result of our having the lowest taxes in the G-8 and G-20. So I would suggest that the long-term outlook is going to give us a lot of jobs in the future.

My remarks here are really more of a speech, it appears, but I will advise all members here who don't recognize it.... You're invited to my home too. I've lived there for 45 years, since the time there were 1,500 people in Fort McMurray. Nonetheless, what I will advise members of is the infrastructure deficit that still exist across the country. I don't think there's any greater infrastructure deficit than in my home. If you want to know how long we wait in lineups, it's three to four hours to go 30 kilometres. We have the most dangerous highway in the country right now, Highway 63, which takes some people from this area, some people from across Canada, very often—in fact, monthly.

So I know what infrastructure deficits are, I can assure you. I think this government is doing a very good job in relation to business investment and infrastructure. We actually put \$150 million into the twinning of that highway, which hasn't been done yet, but I'm hoping it will be done very soon.

I do want to premise my question by indicating that I—and all Albertans, I think—recognize that Quebec funded the west for many years. In fact, up until the middle of the last century, we needed Quebec to support us. They did so, and we appreciate that, because your economy was so rich with manufacturing. But today, 26% or 27% of the TSX, for instance, is from oil sand companies. We employ somewhere in the neighbourhood of 5,000 Quebeckers, 120,000 people across the country—and that number is going to rise to over 200,000.

We have a dilemma in northern Alberta and a dilemma in Canada, in that there are people from outside this country who continue to fearmonger about the oil sands being environmentally unfriendly. As a person who's lived there my whole life and raised my children there, I can assure you that is not the case. Less than 1% of the boreal forest is disturbed, and 100% of that forest is going to be reclaimed. In fact, just a little while ago, the founder of Greenpeace indicated that the reclaimed land was going to be better than the original land.

The question I have for you, seeing that we are a large payer of the bills across the country right now.... And we have no problem doing that, as together, we're clearly stronger united than separated—all of us. But how do we deal with these fearmongers who are receiving profits individually and as organizations, profits that are clearly dependent on their fearmongering and spreading of untruths? You may wonder why I'm asking this question, but clearly, as a country, we need to keep the oil sands going in order to fund projects across the country, such as new bridges, and repairs, to deal with the infrastructure deficit.

How do we deal with that as a country and make sure we take steps to stop them?

• (0950)

**The Chair:** There are about 40 seconds, so we should maybe have one person address that.

Monsieur Rotrand.

**Mr. Marvin Rotrand:** Thank you, Monsieur Jean. I understand you have a preoccupation with some of the debate in the United States and elsewhere about the future of the oil sands. I'm going to turn your question around a little bit.

I was struck by what Ms. McLeod said in terms of her concern about deficits, but I see investments in public transit like a doctor would see good cholesterol and bad cholesterol. When you create jobs, you're also creating demand for public transit and putting more pressure on transit, which is actually the solution to keeping the economy fluid. So the investments in public transit are actually the good cholesterol and should be seen apart in your thinking from other investments that may have an impact on the deficit.

I've often said that it's unfair to target current government as being insensitive to public transit. It's just not the case. I go every year to Ottawa as part of ACTU's lobby days and we talk to members of all the parties. There's a common concern among all four parties represented in Parliament about how we are going to improve transit to make Canada economically competitive. We all have the same line, we just talk in different ways about how we want to do it.

What I say is that you're producing the gas, the gas tax is a way to fund us. You might want to consider the indexation of the gas tax as a way to help us and help yourself.

**The Chair:** Thank you very much.

We'll go to Mr. Marston please.

**Mr. Wayne Marston (Hamilton East—Stoney Creek, NDP):** Thank you, Mr. Chair.

First of all, I want to say to my friends in the FTQ that René Roy, one of your past presidents, was a good friend of mine. I bargained with him and the communication workers years ago. I experienced first hand the Quebec solidarity fund, because I worked for Bell Canada when it got out of installation repair for a short time. You put together the package that developed Entourage, which saved about 1,500 to 1,800 jobs at Bell Canada.

One of the things we've heard a number of people at this committee talking about, especially in the very first days of the committee, is that it isn't the time for the federal government to withdraw from investment, because we have a hike in indebtedness among Canadians. We have some serious concerns in the business community, and legitimate concerns, if they're hanging on to their cash because they're afraid of a bank crunch.

I'm hearing today from several of you about investment in infrastructure and green technologies. We're sitting with a 7.3% unemployment rate, or about 11% if you include those who have quit trying. In the last panel we had yesterday, we had people from the education sector, that is, the community colleges. Today you mentioned people who are unemployed as well. There has to be a method of bridging....

One of my more direct questions would be whether you think it's reasonable to ask the federal government to postpone the date of balancing its books by a year or so, to invest right now, because we're seeing volatility in our markets. This has been going on for a long time, and the repercussions of it are going to be quite horrendous in the long term. I'd like your response to that if, you would, please.

● (0955)

[Translation]

**Mr. Yvon Bolduc:** Thank you for your question and your positive comments about the Fonds de solidarité FTQ. As I said earlier, the first thing employers should do is staff positions and hire people for skilled jobs. However, there is a high unemployment rate. Therefore, we must find a way to move those workers into skilled jobs.

In addition, considering the recent developments in the global economy, there is some cause for concern. Will demand remain as high as it has been? Will emerging countries remain the powerhouses they have been over the last two years? Demand in the U.S. is rather low.

What can we do to maintain a healthy economy? We must make short-term investments, while keeping an eye on the long-term situation. We have to focus on innovation and productivity, and ensure that our companies make investments. To do that, we must create programs to facilitate investments in company productivity enhancement.

Our dollar is strong and our economy is healthy, but we have to find new markets. We have to find new ways to market products and encourage transferring unemployed workers to higher quality jobs.

[English]

**The Chair:** You have one minute, Mr. Marston.

[Translation]

And Mr. Patry....

[English]

**Mr. Wayne Marston:** If he'd like to respond, that's fine.

[Translation]

**Mr. Pierre Patry:** Let's not forget that in late 2008, Canada had to have a political crisis before the government decided to put forward an economic stimulus plan, which Canadians and every opposition party had been calling for.

We cannot wait for a recession to hit before taking action. There are plenty of troubling signs around the world. In the U.S. and in Europe, people are calling on the government to take immediate action. Fortunately, Canada is on solid economic footing. No one wants to see Canada turn into Greece, Italy or Portugal. With a net debt to GDP ratio of 35%, as compared with 75% or 100% in most developed countries, we do have room to take short-term measures. We need to stay on track for the long term, but if we don't take action in the short term, we will all pay the price down the road. Canada does indeed have the ability to respond.

**The Chair:** Thank you.

[English]

Thank you, Mr. Marston.

We'll go to Mr. Adler, please.

**Mr. Mark Adler (York Centre, CPC):** Thank you, Chair.

It's great to be here in Montreal.

I want to thank all of the witnesses for appearing here today. My question is for the Conseil du patronat du Québec.

My colleague, Mr. Jean, alluded to the *Forbes* article yesterday, and I'm just going to quote from that:

Canada ranks No. 1 in our annual look at the Best Countries for Business. While the U.S. is paralyzed by fears of a double-dip recession and Europe struggles with sovereign debt issues, Canada's economy has held up better than most.

...Canada skirted the banking meltdown that plagued the U.S. and Europe.

...Canada is the only country that ranks in the top 20 in the 10 metrics that we considered to determine the Best Countries for Business.

Clearly, Canada has been doing something right over the last five years. I want you to comment on that.

I also want you to comment on some of the suggestions that we need to raise taxes, that when it comes to the economic action plan we've been following for the last number of years, the whole baby should be thrown out with the bath water, and we should choose another course, a course of high taxes and government spending.

Based on your earlier comments, would you think that is a good thing or a bad thing?

● (1000)

[Translation]

**Ms. Norma Kozhaya:** We believe that the income tax reduction plan for both corporations and individuals is definitely the right approach to take. I am certain that is what has helped make Canada the place to invest and kept its economy so much healthier than all the other countries around the world—or most of them, at least—in the face of this recession. We must build on these positive measures in order to achieve sustained growth, economic and otherwise, in the long run.

Many employers and businesses in Canada that have moved into other countries, that have made investments and met with stakeholders, have said the same thing about Canada's ability to weather this storm—because it has weathered this recession. We have truly set the bar. Clearly, we have a solid banking system and our fiscal house is in relatively good shape. The right steps were taken, and we must build on that advantage.

Raising taxes, in our view, is never conducive to improved economic growth, more employment, better productivity or higher investments—quite the opposite. We need to find ways to stay competitive, and creating a competitive tax and regulatory environment is one way to make that happen. We are fortunate to have a country, an economy, that has taken that approach. It's the right thing to do. Once again, I want to state that maintaining tight control of public spending is the right thing to do.

Naturally, some decisions need to be made, and some transfers to the provinces are essential. So far, there has been no mention of cutting transfer payments to the provinces. On the contrary, health and education transfers should continue at the levels planned. That is a good thing for the provinces.

However, reducing the tax burden on corporations and individuals is, once again.... We must not forget individuals. Incentives to work need to be in place, and workers need to be rewarded, not penalized, for their efforts. This is especially important because not only is Canada's skilled labour force getting older, but it is also shrinking and a shortage is on the horizon, as I have said. Skilled workers are also in demand around the world, so Canada needs to appeal to both workers and businesses.

[English]

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

**Mr. Mark Adler:** I have a quick question, and then I'm going to go to Mr. Patry.

Do corporations pay taxes or are they passed on through as an expense?

[Translation]

**Ms. Norma Kozhaya:** That is an excellent question for an economist. Corporations, as entities, do not pay taxes. Shareholders pay the taxes, as do consumers through higher prices and workers through lower wages, and that offsets higher taxes.

**An hon. member:** Leave the corporation....

**Ms. Norma Kozhaya:** As a legal entity, the corporation pays, in theory, but it is really the shareholders, the customers and the workers who bear the tax burden at the end of the day.

[English]

**The Chair:** Thank you.

Sorry, Mr. Adler. You have 10 seconds, and for a question and answer that's not enough time.

**Mr. Mark Adler:** No, it is. I need a one-word answer.

Mr. Patry, yes or no, should trade unions pay taxes?

[Translation]

**Mr. Pierre Patry:** Unions are non-profit organizations, so they do not pay taxes. They collect money that comes back to members in the form of services. Unions do not make profits. So there is no reason for them to pay taxes.

[English]

**The Chair:** Thank you.

[Translation]

Mr. Giguère, go ahead.

**Mr. Alain Giguère (Marc-Aurèle-Fortin, NDP):** Thank you, Mr. Chair.

My first question is for the Conseil du patronat du Québec and has to do with R & D credits. Do you want to use them to introduce products into the market? If not, is it just a matter of accessing those credits?

**Mr. Georges Dick:** That is an extremely important question. The biggest problem is indeed access to those credits and the fact that they depend on tax auditors' assessment of the R & D program. They determine whether the R & D activities you have initiated are deemed acceptable.

A corporation that establishes an R & D program has no certainty that the activities it has undertaken will make it eligible for tax credits. Furthermore, it receives those tax credits after it has done its R & D. So, there is clearly an issue in terms of the cash assets needed to fund any R & D activities. Larger scale or riskier projects are often carried out in partnership with other corporations. New companies are set up to undertake those activities and potentially introduce products into the market. That means these companies do not pay taxes. It takes them years to become profitable, so they cannot access those tax credits.

• (1005)

**Mr. Alain Giguère:** In Quebec, any municipal or provincial funding received must be deducted from R & D spending.

**Mr. Georges Dick:** Yes, those are grants, and they are deductible.

**Mr. Alain Giguère:** That is not the case in the other provinces. That was just a comment I wanted to make.

You also said that the three-percentage point reduction in tax rates set out in the most recent budget would cost the government just \$100 million. I would like you to provide your documentation, that is all. Much appreciated.

Ms. Azoulay, I believe you also had a few problems as far as research and development goes. You are calling for a refund, and understandably so, insofar as R & D credits are often reused to fund the following year's activities. But there as well, you have a problem. Is it an accessibility issue? If not, do you want them to be broader in scope, applicable to market promotion? What is your issue?

**Ms. Audrey Azoulay:** My issue has more to do with the need for a strong pro-R & D message, encouraging R & D policy and investment. The program already exists with all its benefits and drawbacks—I must admit that I am not that familiar with them—especially in terms of eligibility criteria, which I feel are very restrictive for SMEs given all the paperwork involved. You may see that as merely a detail, but it changes things. The result is that many companies cannot access these credits. Even when they try, the drawbacks ultimately prevent some companies from achieving the desired outcome. I don't think I am telling you anything you don't already know by saying we need to invest much more heavily in innovation in order to move beyond the barriers to competition we currently face and will continue to face tomorrow, the day after and well into the future.

**Mr. Alain Giguère:** Thank you.

I have to ask you another question about social security taxes and payroll. In Europe, they are much higher than in Canada. At one point, you said something very interesting. You said we could replace it with a goods tax, a consumption tax. It is quite possible that the committee could eventually recommend a total overhaul of tax law. Could you suggest a few approaches?

**Ms. Audrey Azoulay:** Even though I am in the middle of educating myself on the topic, I can say that what is known as the social value-added tax or VAT is basically a transfer of the payroll tax to a consumption tax. Some northern European countries and Germany have done that. You can appreciate why that would interest an organization like ours. We are starting to see a lot of research showing the very positive correlation of this transfer to a so-called social VAT and exports. It is simply a matter of moving towards a much more efficient tax regime, closer to a consumption tax.

**Mr. Alain Giguère:** Thank you. I don't have much time, so I must cut you off there.

**The Chair:** Thirty seconds left.

**Mr. Alain Giguère:** If we continue to contribute so little to public pension funds, what will happen to workers who will be retiring in thirty years or so?

**Mr. Pierre Patry:** In Quebec, 40% of people have a private pension plan.

The system is built on public plans, employer or private pension plans and personal savings. In that sense, the labour fund is an excellent vehicle for personal savings. Now if we do not increase contributions to public pension plans, such as the Canada Pension Plan and the Québec Pension Plan, which, today, are designed to replace approximately 25% of retirement income, many people will certainly be condemned to the poor house.

So, not only do we need to take action at that level, but we also need to have private pension plans that employers contribute to, not just workers. People are in debt up to their eyeballs. They don't save and end up living in poverty come retirement. In the long run, the economy suffers.

**The Chair:** Thank you.

[English]

We'll go to Mr. Van Kesteren, please.

•(1010)

**Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC):** Thank you, Mr. Chair.

And thank you all for coming.

We had an opportunity to come here a little earlier yesterday and to visit your incredibly beautiful city. We did a lot of walking around.

I have to tell you that when we travelled in from the airport we saw some serious infrastructure problems, and you've touched on those too. You also spoke about the costs and, you're absolutely right that the costs are off the charts.

I want to ask the following question, however. There was a recent report on corruption in construction. As a member of Parliament, it's my responsibility, when we decide on spending throughout the country, to respond to my constituents' questions about what is being done to address these problems.

So I want to give you that opportunity, Mr. Rotrand, to respond. What have you done in city hall, for instance, to combat that and maybe to correct it? Maybe you could just expand on that briefly.

**Mr. Marvin Rotrand:** Mr. Van Kesteren, welcome to Montreal.

You're asking a very important question. There is a debate about this issue in Quebec society right now. There have been a lot of accusations, lots of innuendo, and very little proof, but there is still a great deal of public concern.

I think there's an overwhelming consensus in Quebec that the Government of Quebec should launch a public inquiry into the construction industry. In fact, Montreal city council has adopted a resolution on this, not once, but twice, and that's exceptional for us, as we're not a provincial opposition party. However, on a municipal level, the elected officials are reacting to what they're hearing from their constituents.

In terms of our own governance models, we've put together a series of reforms internally to ensure there isn't collusion between construction companies when they respond to public bids.

I wear two hats: one at city council and one at the transit commission. And I can assure you that we have rigorous control over our contracts in both areas. But there are limits to what we can do. There are provincial laws that kick in. The lowest bidder is always going to get the contract, but we can't be sure 100% of the time that there hasn't been any collusion between the lowest bidder and other construction companies.

That's what the Government of Quebec is looking at right now. They've set up an anti-collusion squad. There are investigations. There have been a lot of discussions recently about the Duchesneau report. The government is going to have to react to that in some way, and I don't want to preclude what they will do or to comment or make a value judgment on how they're handling the situation. I don't have all of the facts they may well have.

But we as a transit operator are saying that we can provide Canada with a great future. We've done wonderful things in Montreal, but there is a limit to what municipalities can do on their own. We're going to need your help and the help of the Government of Quebec as well. We have a slightly different model from the other provinces. The funds you provide go through the SOFIL before they get to us.

But clearly, whether you decide to lower taxes or to invest and put off deficit reduction, we think transit should be looked at in an entirely different way.

As I mentioned before to Ms. McLeod and Mr. Jean, we're the good cholesterol that makes the economy run at the same time as we protect the environment. So we hope you will take that into account regardless of the recommendations you ultimately make.

**Mr. Dave Van Kesteren:** Thank you, sir.

Mr. Patry, I just want to clarify something. You said we had a 37% deficit, but if you combine the federal, provincial, and municipal levels, we're at about 87%. That's just something that we all have to realize.

And very quickly, could I just ask Madame Azoulay a question? It's very important being in the export business. You mentioned the fact that we can no longer depend on an expanding economy in the United States. Our government has been very active in reaching free trade agreements. We have a number of them in this hemisphere and, of course, we're expanding now to Europe. How important is that to your organization, and where do you think that should go?

[Translation]

**Ms. Audrey Azoulay:** There are indeed some very positive initiatives being undertaken right now to open up some economic space and establish trade agreements with Europe, India and others. Obviously, we support all of those endeavours and we offer our full cooperation. In fact, we have no choice: our economy and our businesses absolutely have to enter the international arena. It involves more than just trade agreements, but it does start there. Does that answer your question?

• (1015)

[English]

**The Chair:** We'll go now to

[Translation]

Ms. Boutin-Sweet.

You have five minutes.

**Ms. Marjolaine Boutin-Sweet (Hochelaga, NDP):** Good morning and thank you. I want to welcome you all. Montreal is a beautiful city. I encourage you to see as much as you can.

I was quite surprised to hear both the Conseil du patronat du Québec and the CSN say the same thing about employment insurance. Both said it was necessary to make employment insurance more accessible. And there are more and more forms of atypical employment, people who work on contract and so forth.

I would like both organizations, beginning with the Conseil du patronat du Québec, to tell us how they think it would be possible to improve access to EI.

**Ms. Norma Kozhaya:** Although we can agree with the CSN on a number of things, when it comes to access, we don't necessarily share the same vision. We believe in the importance of improving access to training under the EI system. For instance, Manufacturiers et Exportateurs du Québec suggested tax credits or an EI contribution exemption for employers that offer training. Training is essential, in our view. Investment in technology is fine, but it needs to go hand in hand with an investment in training.

**Ms. Marjolaine Boutin-Sweet:** Forgive me for interrupting, but I was talking about the workers.

**Ms. Norma Kozhaya:** If employers provide workers with access to training, to skills recognition, and if that training and those skills benefit the company, employers will offer workers more. It will enhance a worker's mobility if, for some reason, the employer has to lay people off. Being well-trained and having their new-found skills recognized will help them find another job. That is how I see workers benefiting from this measure.

**Ms. Marjolaine Boutin-Sweet:** Thank you.

Mr. Patry.

**Mr. Pierre Patry:** First off, it is important to keep in mind that as a result of successive EI reforms, today, less than half of all unemployed workers are entitled to receive employment insurance. In addition to those reforms, the labour market has changed. You mentioned atypical workers and the fact that fewer and fewer people can access EI.

We believe the eligibility thresholds need to be reviewed: if the number of hours changed to 360, EI benefits would be more accessible. Get rid of the qualifying period, which unfairly penalizes people—going two weeks without pay is no small feat. Raise the replacement rate from 50% to 60% and create a program to help older workers.

A large number of people in the manufacturing sector have lost their jobs. When someone older than 55 loses their job, it is incredibly tough for them to upgrade their skills, especially if they didn't get adequate training to start with. So we need to build a bridge to provide these workers with a decent income until they retire. Two or three years ago, research showed that similar support programs for older workers would cost the Canadian government around \$200 million. That's just a drop in the bucket, and it would help these people live in dignity until they retire.

**Ms. Marjolaine Boutin-Sweet:** My second question has to do with public transit in Montreal, so this is for the Société de transport de Montréal.

First, I would like to congratulate you on increasing ridership in Montreal. That just goes to show that the better services get, the more people use them. As I see it, a comprehensive plan is key.

Second, I want to discuss a plan that would be tailored to Montreal specifically. As a Montrealer, I have noticed two things. One is that cities like Vancouver have an excellent train that goes from the airport to downtown, which is not the case in Montreal. You touched on it, but could you elaborate further? The other thing I have noticed is that the east-west connections are great, even though they could stand some improvement, but the north-south connections are inadequate. Could you comment on that as well, please?

**Mr. Marvin Rotrand:** First of all, the city of Montreal adopted a transportation plan in 2008. The STM has a strategy, which the agglomeration council will be adopting as early as next month. It sets out three different scenarios. The preferred scenario is the one aimed at increasing ridership to 540 million passenger rides by 2020.

We have already begun working on certain aspects. We plan to increase our bus fleet. Right now, we have 1,680 buses, and by 2020, we want to have 2,100.

We plan to expand the metro network. The Government of Quebec has already agreed, in principle, to three expansion projects: the blue line, eastward to Pie-IX Blvd and the borough of Anjou; the yellow line on the South Shore; and the orange line, north of Côte-Vertu, to create a loop with the Laval line.

These projects represent major investments. The plan is in place. The funding has not been secured. The STM and the city are studying the part of the transportation plan that calls for the addition of a tramway and streetcars in the short term.

So all the plans are in place to improve service. We can genuinely compete with the best Europe and Asia have to offer if we get the funding we need. Nevertheless, we do only what we can afford. Right now, transit fares account for about 45% or 46% of our costs. Fares are low in Montreal, and we want to keep it that way.

While maintenance work was being done on the Jacques-Cartier bridge, public transit experts from Europe came to Montreal for a few days to take part in discussions with us. We learned that Europe has systems that are even cheaper. What it boils down to, then, are subsidies from higher levels of government.

• (1020)

**The Chair:** Thank you.

Mrs. Glover, please go ahead.

**Mrs. Shelly Glover (Saint Boniface, CPC):** Thank you, Mr. Chair. Good morning, everyone.

I have three quick questions, but I only have five minutes. So we will go over them quickly.

I will start with a question for Ms. Azoulay. I will ask my question and give you a few minutes to think about it. The 2011 budget includes an accelerated capital cost allowance for investments in machinery and equipment.

Can you give us some specific examples of the investments made by your members as a result of this allowance? I would like you to give us some examples of investments in advanced machinery.

I would now like to ask Ms. Baxter a question.

[*English*]

As you know, in Budget 2011 we included some very important supports for caregivers, including—and I think it was already mentioned earlier—the family caregiver tax credit, and the elimination of the \$10,000 limit on the amount of eligible medical expenses for caregivers who can claim the tax credit for those, et cetera.

As we're planning for the next budget, I'd like to know whether these are good measures or steps in the right direction?

**Ms. Sharon Baxter:** The needs of Canadian families and the caregivers who are required to take care of ill and dying Canadians are complex because families are different.

**Mrs. Shelly Glover:** Ms. Baxter, I'm sorry to interrupt, but I have three questions and five minutes only.

**Ms. Sharon Baxter:** In our blueprint for action, we lay out about seven different ideas.

**Mrs. Shelly Glover:** And I read them.

**Ms. Sharon Baxter:** The tax credit is a great idea, but the \$300 doesn't go that far. I think we need to think about how that actually gets in the pockets of Canadians.

Also, caregivers are often aged. If you're not earning income, some of the tax benefits we've come up with are not going to benefit them. I think we need to look at a number of different initiatives; there's not one be-all and end-all measure.

I think the compassionate care benefit has been underutilized by Canadians, for a number of reasons. It was marketed poorly and it is also fairly inflexible in some areas. I think we can do it. It's a great program. I think we can do a lot better with it. I don't think it has to cost billions of dollars.

We need to look at some of that. We're on the right track, but I think we need to look at more of a basket of different types of things that will help. Not everything will help every family.

**Mrs. Shelly Glover:** Thank you very much.

Madame Azoulay.

[*Translation*]

**Ms. Audrey Azoulay:** I do not have specific examples of companies that have made specific investments. We need to understand that this type of measure simply gives a little breathing room in terms of funding, investment and incentives to invest. I think that is all we really need to understand.

This was like a breath of fresh air for our members.

**Mrs. Shelly Glover:** Okay. Could you send us some examples? Could you ask your members to provide the committee with the examples at a later time?

**Ms. Audrey Azoulay:** With pleasure.

**Mrs. Shelly Glover:** Thank you.

My third question is for Mr. Rotrand.

[*English*]

I'll switch to English, as it's the first language of both of us, I believe.

As you know, our government introduced a tax measure, the public transit tax credit, for individuals.

I'm very pleased to hear that you have encouraged more ridership. I think that's great and want to congratulate you on that. Do you think this tax credit has helped to encourage that ridership? Do you think it is a good tax credit that should be kept?

**Mr. Marvin Rotrand:** We support it, Ms. Glover. It has actually had an impact. We're also urging the extension of the tax credit to all the provinces and are urging the federal government to extend that as well.

Ridership gain and ridership retention are really key to all of the transit systems in Canada. I've noted that some of the other systems in Canada are having the same financial difficulties as we are having.

Mr. Rajotte, I believe, is from Edmonton. We were out there a few years ago for a conference. Edmonton Transit System is excellent. There's a wonderful debate in Edmonton about the role of transit. I was really surprised, as Alberta is actually a leader in public transit.

• (1025)

**Mrs. Shelly Glover:** Do you think this credit helps there as well?

**Mr. Marvin Rotrand:** Yes, it does help there.

**Mrs. Shelly Glover:** Okay. Thank you.

I think I have 30 seconds.

[Translation]

**The Chair:** Yes.

**Mrs. Shelly Glover:** If any other organizations have specific examples of investments made using the allowance I was talking about, it is very important that you share them with the committee. We can then assess the impact of the allowance and see how it can create jobs. In my view, the 600,000 jobs that have been created since the recession in July 2009 show that the measure has been positive.

If you have examples, the committee would like to know what they are. Thank you in advance.

**Mr. Marvin Rotrand:** We are going to send you something in writing, as per your request. We are in favour of this type of credit and we believe it is important to share the information with your colleagues.

[English]

**The Chair:** Okay.

[Translation]

Thank you, Mrs. Glover.

[English]

I just want to follow up on Madam Glover

[Translation]

and Ms. Azoulay. I would like to discuss your first recommendation. It was a measure in the 2007 budget.

[English]

The primary challenge for us as parliamentarians is to show the benefits of that measure

[Translation]

since 2007.

[English]

So I would just follow up with her on that.

[Translation]

I would like to thank you for participating in this morning's meeting. I would also like to thank you for your presentations and for answering our questions.

We are now going to proceed to the second panel. Thank you.

[English]

Colleagues, I will suspend the meeting for minute.

•(1025)

(Pause)

•(1030)

[Translation]

**The Chair:** Dear colleagues, we are now going to hear from our second panel of guests. We have representatives from six organizations. We will start with the Union des consommateurs.

[English]

Second is Bell Canada. Third, we have the Association of Universities and Colleges of Canada. Fourth is the Climate Action Network of Canada. And fifth, we have the Canadian Federation of Agriculture.

[Translation]

Lastly, we will hear from a representative from the Agence métropolitaine de transport.

Welcome to this committee. You each have five minutes for your presentations. The committee members will then ask their questions.

We are going to start with the Union des consommateurs.

**Mrs. Élisabeth Gibeau (Social and Fiscal Policies Analyst, Union des consommateurs):** Good morning. Thank you for inviting us to share our views on the directions in the upcoming federal budget.

I will start by briefly introducing our organization. The Union des consommateurs is a federation made up of several family economics cooperative associations (ACEF), which are spread across Quebec and which give financial advice to people who have trouble making ends meet. So those people go to the associations to find out how to consolidate their budgets. The associations felt the need to create a federation in order to be able to handle files across the province, especially in terms of social and tax policies, in order to help Quebec consumers maintain a decent standard of living.

What brings me here today? You identified a number of issues in the instructions on how to write the brief. Our presentation will focus on the first issue. To achieve a sustained economic recovery, we believe it is important to put efforts into one priority: combatting inequality and poverty. Don't be surprised if this is where you find me.

We believe that the costs associated with poverty are enormous and, if nothing is done to improve the living conditions of people with low incomes, the human and financial consequences will only become more severe and harm all social and economic sectors. So this is of great importance to us.

We see that the most prosperous societies at the moment are those that have succeeded in reducing income disparities between their wealthiest and poorest taxpayers to the extent possible. In our view, effective redistribution of wealth is of paramount importance.

It seems to us that Canada is moving farther and farther away from that formula. The Conference Board released a study this summer, indicating that Canada came fourth among the 215 countries that were assessed based on the increase in income inequality. We believe this is a major setback since, not too long ago, we were able to boast about being one of the most egalitarian countries in the world.

We are very concerned about the record levels of debt among members of the public observed in recent years. We see this as the evidence that Canadians are finding it increasingly difficult to make ends meet without using some form of credit, in particular because of wage stagnation over the last 25 years.

We make the following recommendations. In order to guarantee a sustained economic recovery, we need to accomplish three things. First, access to employment insurance benefits should be improved so that more than half of the unemployed can be eligible. At the moment, less than half of the unemployed have access to employment insurance. Second, we recommend that existing social program funding, legislation and transfers be maintained. Third, we have to take action against the fierce tax competition currently underway at the international level, which is pushing Canada down the tax base list.

In terms of social program funding, legislation and transfers, a number of things are important to us, including maintaining the Canada Social Transfer. We also think it is very important to refrain from changing the Canada Health Act and anything related to taxes. So we need to try and make the taxation system more progressive. We now only have three tax brackets in Canada; the U.S. has six. We know that the more brackets there are, the less of the tax burden the middle class has to bear.

We have recently read in the papers that the government is toying with the idea of lowering corporate taxes even further in order to allow businesses to deduct the losses of their subsidiaries. That seems to us to be the wrong path to take, given that the Harper government has dropped the corporate tax rate on profits to 19% in 2008 and it is soon going to lower it to 15%.

• (1035)

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

**Mrs. Élisabeth Gibeau:** Perfect.

We can see that, starting in 2013, the federal treasury is going to deprive itself of \$5 billion dollars annually. In our view, that is a huge amount and the government should not keep lowering corporate taxes.

Similarly, in terms of international tax competition, Canada has seen the largest tax reduction in all OECD member countries. Even the OECD has issued an alarm, saying that if we do not do something about it, we could be on the verge of a global tax crisis that could hurt economic activity.

The tax burden cannot be carried by labour and consumption alone. The upshot of inaction would be a loss of revenue for governments and a downward spiral in economic activity.

I will leave you with that.

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

[English]

We'll now hear from Bell Canada, please.

**Mr. Wayne Tunney (Senior Vice-President, Taxation, Bell Canada):** Good morning, members of the committee.

I'm Wayne Tunney, senior vice-president, taxation, at BCE and Bell Canada. Thank you for this opportunity to present Bell's views on what the Government of Canada can do to address the financial and economic well-being of Canada, as part of the next federal budget and, indeed, as part of important public policy decisions.

Bell is Canada's largest communications company. We employ 57,000 people. We provide stable and secure pensions to over 33,000

retired employees and their beneficiaries—and I understand from the discussion earlier this morning that one of them is with us today.

Each year we invest about \$3 billion in capital expenditures, purchase approximately \$7.5 billion worth of goods and services in Canada, and spend as much as \$800 million annually in research and development.

For purposes of Budget 2012, Bell has three recommendations that we believe the Government of Canada should move on. These relatively minor changes are consistent with the government's commitment to fiscal responsibility and, if implemented, would encourage additional innovation, more investment, and critical economic growth in all areas of Canada, both urban and rural.

First, we recommend that the federal government accelerate the CCA rates for broadband network investments. Bell invests billions of dollars to enhance the speed, capacity, and reliability of our networks, but the business case for investing in broadband networks and the pace at which these investments can occur continue to pose challenges. There also remain serious concerns over the urban-rural digital divide.

To help address these challenges and concerns, the federal government should implement modest tax changes that will lead to increased private sector investments in next-generation networks for both rural and urban Canada. More specifically, Budget 2012 should include increases in the CCA rate to 50% for classes of assets most closely associated with broadband networks, and to 100% for those same assets where the investments are being made as part of Broadband Canada's rural initiative in areas identified as underserved.

Our second recommendation is also designed to increase investment in innovation. In our business, research and development is critical. It leads to new products and services, state-of-the-art networks, and the creation of high-quality jobs. In Canada, we have over 1,600 dedicated scientists and technicians who work for our company and are doing nothing but R and D annually.

For Bell and others, the federal government's scientific research and experimental development program, SR and ED, is crucial to our R and D efforts, but there's room for improvement. More specifically, a slight modification to the Income Tax Act would make certain hardware and software costs associated with controlled trials outside the lab, and initial integration tests of new applications, eligible for SR and ED income tax credits. The costs associated with these kinds of tests and trials are part of the developmental cycle. They are incurred to prove an initial hypothesis and to fully test a new product or service, and they help us overcome technical issues in advance of production and commercial delivery.

The third and final recommendation I will make today has what I hope is a familiar ring. It, too, is about supporting greater investment in innovation. Today we are witnessing first-hand the rapid transformation of wireless technology into an instrument of national competitiveness and productivity. This achievement is the direct result of billions of dollars of investment in infrastructure by the Canadian wireless industry and hundreds of millions of dollars invested annually in R and D and in network improvements and enhancements.

Moving forward, however, an essential ingredient is missing, and that ingredient is spectrum.

Members of the committee, the government has already announced that it plans to auction the 700 megahertz spectrum at some point in the future, and the 700 megahertz spectrum is in very limited supply. Given its technical characteristics, it's absolutely key to enabling national wireless carriers to build out next generation of 4G LTE networks in both urban and rural areas. At the same time, the 2,500 megahertz spectrum, which the government is also expected to make available, is well suited for wireless providers who focus only on urban and regional areas.

We strongly recommend that the government design the upcoming auction with no set-asides or caps. With the government conducting an open auction, wireless service providers with a commitment to serving all Canadians and a track record of investing in Canada and creating jobs in Canada, and of introducing technological innovations to all Canadians in all parts of the country, will have a fair opportunity to acquire 700 megahertz spectrum.

• (1040)

To conclude, with the modest improvements to tax incentives and the sound policy choices we are recommending, 2012 can be a catalyst for greater capital investment and innovation.

Thank you for your time today.

• (1045)

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

We will now hear from AUCC, please.

[Translation]

**Mr. Paul Davidson (President and Chief Executive Officer, Association of Universities and Colleges of Canada):** Good morning. I am happy to be here in Montreal, the very place where the AUCC was founded. Incidentally, we will be celebrating the 100<sup>th</sup> anniversary of our association at the end of October.

Looking back, we see a century of growth, vitality and diversity. Looking to the future, we see how crucial education and quality research will be for a prosperous Canada.

[English]

Ladies and gentlemen, I really envy you. You've each earned the trust and confidence of voters in your communities, and for the first time in over a decade, you have a four-year mandate to achieve something extraordinary. This is something that members from all sides of the House can do together. It is an opportunity to build a better Canada.

Canada's universities recognize that we are facing a period of intense worldwide uncertainty. Universities are helping Canadians navigate through these challenging times. When the last downturn hit, the government moved quickly to create the knowledge infrastructure program, showing tremendous alignment in federal and provincial cooperation in an area of national priority. It has helped transform campuses across the country. From an idea to an announcement in six weeks and from an announcement to funding decisions in six months, it was an extraordinary event.

Next month, universities across the country will open their doors to showcase the upgraded, expanded and newly built facilities made possible through KIP. It is our way of showing Canadians the lasting value of smart stimulus. There will be more than 59 public events that will demonstrate how KIP is improving the quality of the research and the learning experience of Canadian students. We hope you will join us at those events on campuses across the country next month.

This year, Canada's universities welcomed the largest incoming class ever, because students and their parents recognize the value of a university degree. Through the last downturn, from 2008 to 2010, there were more than 300,000 net new jobs created for those with a university degree, compared to 430,000 jobs lost by those with no post-secondary education. We will need to continue to increase university participation even more to meet the needs of an aging society in which the number of retirees will double while the workforce will grow by just 8%.

[Translation]

Let me now turn to the 2012 budget. We recognize that the recovery remains fragile and that we will need to be flexible in the coming months.

[English]

The government is to be commended for sustaining investment in research, even during a downturn. These investments are yielding results for individuals and communities. In the past, this committee has asked me to elaborate on these results. I am pleased to say that today we are releasing new information to all members of Parliament about the value of research to Canada's prosperity.

For next year's budget, we have three major priorities.

The first is in the area of university research. Funding through the three federal granting councils and the Canada Foundation for Innovation not only supports new discoveries, products, and processes but also allows faculty to engage students in hands-on research. That gives students the analytical and innovative skills they need to thrive in today's knowledge-based economy.

The second is to enhance links to the private sector and to build a stronger innovation culture. We need to link university student and faculty more closely with private sector partners to build greater collaboration and networks. What's needed now is a new mechanism to help business engage new talent and to help highly qualified graduates connect with Canadian enterprises, with the help of a new funding mechanism for creating job experiences in the private sector for Master's and Ph.D. graduates.

Finally, we need to improve Canada's educational connectivity to the world. Last year at this committee, I spoke about our interest in India. Last November, Canada's universities committed \$4 million of their own resources to promote student mobility and research collaboration with India. And there is more to be done. We are also very pleased that the Prime Minister has announced that the Governor General will lead an AUCC mission to Brazil in the spring of 2012.

Why do I keep coming back to the issue of educational connectivity? It is simply because of scope, scale, and urgency. Brazil has just announced a scholarship program that will send 75,000 of its students abroad. China has increased its enrollment by two million in two years, and India will surpass each of the G-8 countries in research productivity within the life of this government. As a country, we need to be able to seize these opportunities to connect with growing markets, especially when our competitors cannot. That is why our third priority is a significant global research fund, focused on priorities such as Brazil and India, to enable more students and faculty to participate in international collaborative research and to create the links that are essential to prosperity in the years ahead.

[Translation]

In conclusion, we are pleased to see that others have followed our recommendation to improve access to education and set young aboriginal Canadians up for success. This continues to be a burning national issue for us.

• (1050)

[English]

We need to make sure that this generation of students is the best educated and prepared to meet the challenges our country is facing. We believe that a research-enriched, globally engaged university experience within a culture of innovation is the best way for Canada to prosper as we navigate through a changing world.

Merci.

**The Chair:** Thank you very much, Mr. Davidson.

We'll hear now from Climate Action Network Canada, please.

**Mr. Graham Saul (Executive Director, Climate Action Network Canada):** Thank you very much.

My name is Graham Saul. I'm the executive director of Climate Action Network Canada, Réseau action climat Canada. Climate Action Network is a coalition of 75 Canadian organizations that are working together to push for action on climate change. It includes faith-based organizations such as the United Church of Canada, aboriginal representation such as the Assembly of First Nations, labour unions such as the Canadian Labour Congress, international development organizations such as Oxfam and, of course, a wide range of environmental groups such as WWF Canada and the Pembina Institute.

I'm here on behalf of the members of Climate Action Network to ask the finance committee to recommend cancelling over a billion dollars in subsidies to the oil, coal, and gas industries.

We have four reasons why we think you should consider doing this: first, from a climate change policy perspective, these subsidies take us exactly in the wrong direction; second, the oil industry does not need these subsidies; third, Canadians do not support these subsidies; and fourth, you are trying to balance the books, you're trying to save money, and we are offering a billion dollar solution. So let me quickly go through each one of these issues.

Regarding the first reason, every national science academy in the world, without exception, is telling us that burning oil, coal, and gas is releasing greenhouse gases and causing climate change and that if we don't take action, the implications are going to be catastrophic. So what we need to be doing is developing policies that encourage us to move away from our dependence on oil, coal, and gas, and ramp up the efficient use of renewable energy and energy conservation.

While this government has made improvements in the past few years, including the 2007 and 2011 reductions in fossil fuel subsidies, the overall direction of the budget has often been in the exact opposite direction of where we need to be going. For example, we have chosen to continue to provide more than a billion dollars in subsidies to the oil, coal, and gas industry, while phasing out the only major federal program designed to support renewable energy, the ecoENERGY for renewables project. So we're supposed to be going in this direction, and we're actually going in that direction from a climate change policy perspective.

Second, the oil industry does not need these subsidies. There may have been a time in the history of the development of the Canadian oil sector when there were fledgling industries that could benefit from significant support to improve their competitiveness and to grow and establish themselves. Those days are long gone. The oil industry in Canada is competitive, it is large, it is powerful. It does not need more than a billion dollars in subsidies every year to maintain its competitiveness and to continue to grow.

Third, Canadians do not support these subsidies. We have polled on this issue, and what we have found across the board is that whether they are likely Liberal voters, likely Conservative voters, likely NDP, Bloc, or Green voters, when asked, Canadians agree that we have better things to do with our resources than provide subsidies to some of the richest companies in the world.

Fourth, and finally, you are trying to balance the books, and we respect that. You are making difficult decisions, and we understand that. And you are trying to save money, and we are offering you a billion dollar solution on how you can do just that. So from our perspective, this is a win-win-win-win scenario.

We very much appreciate this opportunity to present to the committee. We would be happy to provide additional information on the exact nature of the subsidies. I'd refer you to a recent exhaustive study done by the Geneva office of the International Institute for Sustainable Development, as well as the recommendations of the Green Budget Coalition, which is prioritizing this issue in its intervention.

Thank you very much.

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

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

**Mr. Ron Bonnett (President, Canadian Federation of Agriculture):** Thank you.

Thanks for the opportunity to present to you today. My name is Ron Bonnett. I'm actually a farmer but also the president of the Canadian Federation of Agriculture.

The CFA speaks on behalf of the farming industry to make sure that it becomes a viable and strong industry, not only for the farmers we represent but also for the communities we live in.

I think agriculture right now is uniquely positioned to be one of those success stories going forward. We're seeing rises in commodity prices. We're seeing demand increasing. Canadian agriculture is uniquely positioned to take advantage of the opportunities that are coming up worldwide. What we need is the government's support to make sure that we have a competitive environment, and a broad-based policy that really focuses in on the types of things agriculture needs.

I'm going to make a couple of general comments as well as some comments about some specific tax measures that we need to move forward. In general, right now we have a set of risk management tools in place. The Canadian government has worked with industry to put those in place. They have worked, in many cases, to help farmers through some of the rough periods. They include such things as some of the aid that went out because of drought and the wet conditions last year.

Those tools have helped us recover from disasters. A good example would be in the grains and oilseeds sector, which is doing very well right now. For the previous six years, a number of farmers would have been out of business, if it hadn't been for the supports that are available. We'd encourage the government to maintain the current funding for business risk management programs. However, we do recognize that there will likely be some changes that need to be made, because, in some sectors, the programs aren't working as well as they could. We would encourage the finance committee to ask Agriculture and Agri-Food Canada to work with stakeholders to develop that.

Specific tax measures that could be looked at in this year's budget should focus on the transfer of farms from one generation to another. We're seeing farmers aging and some young people wanting to come forward.

We have three specific recommendations. One is regarding the non-arm's-length sale of shares under section 84.1 of the Income Tax Act, which is used when one is transferring shares in a corporation to a family member, shares that are treated differently than if one is transferring those shares to a non-family member. Because it's a family member who is concerned, you can't take full advantage of the capital gains exemption. It's interesting that if my farm weren't a corporation and I transferred it directly to the kids, I could take advantage of it. If I transferred it to a corporation that's not related to me, I could take advantage of the capital gains exemption. But if I transferred it to my children who happen to have a farm corporation,

then they would not be allowed to utilize those advantages. That's one specific example.

The other recommendation is in regard to deemed proceeds or capital gains under subsection 55(2) of the Income Tax Act. It's not uncommon now for a generation to transfer a farm to several siblings, and you can take advantage of capital gains issues and tax measures there. However, if those two children were to split that farm, they couldn't do that because they're related. So there are some changes that are needed to that.

The final specific recommendation is in regards to reporting requirements. There is regulatory change T5013, which used to allow you to avoid some of the filing requirements that other groups had, if you had fewer than six partners. The regulation was changed so that now all producers must file.

• (1055)

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

**Mr. Ron Bonnett:** We would recommend extending that deadline.

The last general comment I would make would be around the issue of global competitiveness. We would encourage the government to really take a look at investments in research to help position Canadian agriculture at the forefront of the marketplace. We'd also encourage you to continue with the red tape reduction exercise that's been going on, because that can make a huge difference to the competitiveness of Canadian agriculture.

Thank you.

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

We'll now hear from...

[*Translation*]

the Agence métropolitaine de transport.

[*English*]

**Mr. Joël Gauthier (President and Chief Executive Officer, Agence métropolitaine de transport):** Thank you, Mr. Chair.

Good morning, members of committee. I'm Joël Gauthier, president and CEO of AMT, which is the diminutive of Agence métropolitaine de transport.

• (1100)

[*Translation*]

Good morning, everyone. Thank you for giving us the opportunity to make a presentation as part of your pre-budget consultations.

The Agence métropolitaine de transport (AMT) is the regional transport agency for the greater Montreal area. It takes care of planning, behaviour and development analyses, financial redistribution and the operation of metropolitan commuter rail and bus networks, as well as the construction of the metropolitan infrastructure.

The AMT is not one of a kind. Metrolinx, in the Toronto region, and TransLink, in the Vancouver region, are doing exactly the same thing as us.

We are here this morning to talk to you about investments in transportation, but also about transportation itself. The economic competitiveness of a country such as ours relies on a number of things. It can rely on its policies and taxation, but it also relies on the transportation system.

Freight transportation and public transit have a direct impact on the economic growth and the competitiveness of a country.

In the next few minutes, I am going to talk at length about the impact of traffic congestion on the productivity of a country. As I was telling you, transport is crucial for the development of the economy, for companies and for workers. It also affects people's quality of life.

In 2006, Transport Canada issued a study revealing that the cost of road congestion stood at some \$3.7 billion a year in Canada. The data are based on 2002 numbers, meaning 2002 dollars.

For the Montreal area alone, the total cost of traffic congestion is \$1.4 billion. Economic costs are recurrent costs. That is based on 2006 data. As you well know, the situation in the Montreal region has not improved since 2006, quite the contrary.

Based on Metrolinx or GO Transit data, it is safe to assume that the situation is roughly the same in the greater Toronto area. We feel that they are in a similar gridlock. In Toronto, the downtown area is between the 401 and Lake Ontario. As you know, traffic congestion is also very real in Vancouver, Calgary, Ottawa, Halifax, and Edmonton, might I add.

There are specific needs. To overcome traffic congestion, we have to offer people alternatives and those alternatives have to be competitive.

Look at the success we have had with the commuter rail system over the past 15 years in the Montreal area. We believe that, if we provide Canadians with public transit alternatives using efficient infrastructure, people are going to use public transit.

The key to increasing the use of public transit is to be competitive in terms of travel time from point A to point B. We must compete against automobiles and provide frequent service with a degree of comfort.

We want to see whether you think Canada should have a national public transport strategy or plan. Canada is the only G8 country that doesn't have a strategy or a plan.

We are also going to suggest setting up an independent fund for that purpose. There is no such fund. There is infrastructure funding, but the money can be used for roads and sewage systems.

Finally, we would like to talk to you about an independent fund dedicated to the development of clean energy for transportation. We are specifically referring to electrifying buses. This is the way of the future. China is already off and running.

Those are the three topics we would like to discuss with you.

Thank you.

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

We'll start with Mr. Mai.

You have five minutes.

**Mr. Hoang Mai:** I'd first like to thank the witnesses for being here today and for taking the time to send briefs and explain their position.

I'm also pleased that the committee has come to Montreal to see the condition of the roads. We passed the Turcot interchange when we arrived from the airport. My colleagues could see for themselves what our challenges are.

My questions are for the AMT representative. Yes, there's an issue with the Champlain Bridge, which is a national asset. I would like to know your vision, not only on the national transportation plan, but also on the fact that we must invest.

What could Canada gain from investing in renewable energies in the long term?

• (1105)

**Mr. Joël Gauthier:** Thank you for your question. Obviously, increased flow, whether on the Champlain Bridge or elsewhere in the network, has an economic impact, and that's not just limited to Canada. The situation in Toronto, in particular, is still more desperate than in Montreal when it comes to the economic costs of traffic congestion.

I didn't address the environmental impact earlier, since we are limited to five minutes, but they are there. In Quebec, the transportation sector is responsible for 38% of greenhouse gas emissions. For the Montreal region alone, 47% of greenhouse gas emissions come from the transportation sector. Are there things we need to do to reduce these rates? Obviously. Each time we use public transportation, we reduce these rates. One bus is equal to 50 cars that we take off the roads.

As for electric transportation, the Deux-Montagnes commuter train line serves the Plateau-Mont-Royal and Saint-Laurent districts. It's the only electric commuter train line in Canada, and it produces no greenhouse gases, while transporting 70,000 people a day.

**Mr. Hoang Mai:** Thank you.

My next question is for the Union des consommateurs representative. The government is talking about tax cuts. The government has said several times that a tax cut for big business would benefit consumers because, in the end, it's not the company that pays, but the people.

Do you think this contributes to the inequality in the distribution of wealth between the rich and the poor?

**Mrs. Élisabeth Gibeau:** Are you talking about the low taxation of businesses?

**Mr. Hoang Mai:** Yes, among others.

**Mrs. Élisabeth Gibeau:** Clearly, because we see from year to year that the reduction of the tax base is supported by the businesses. This means that to balance the government budget, money needs to come from other people and, right now, the money is coming from workers, individuals. By looking at the levels of the current tax scale, we see that this rests mainly on the shoulders of the middle class, which is the main support for the fiscal burden right now. It's only going to get worse. We think that this is in no way a direction to go in.

[English]

**Mr. Hoang Mai:** I have a quick question for, or maybe I could get a comment from, the Climate Action Network Canada.

We've been pushing for the abolition of subsidies to big oil because we also feel these do not help the economy.

Why are these subsidies still in place? Why are we still subsidizing the fossil fuel industry?

**Mr. Graham Saul:** I'm hoping that these particular subsidies are an anachronism of tax policy designed during a period when there was a sense that the oil industry was a more fledgling industry than it is today and needed the support to develop a critical mass to grow and establish itself.

A more critical interpretation would be that the overall energy direction of the government is to facilitate the rapid expansion of the oil industry, irrespective of the implications of that for our ability to do our fair share on climate change.

Depending on how you look at it, we think there's an opportunity for the government to move in the right direction and save money by reducing subsidies to an industry that does not require them, as well as to make a substantial move in the right direction in terms of climate change and clean energy, sending a strong signal that the government does take the issue of climate change seriously.

**The Chair:** Okay, thank you.

[Translation]

Thank you, Mr. Mai.

[English]

We'll go to Ms. McLeod, please.

**Mrs. Cathy McLeod:** Thank you, Mr. Chair.

And thank you to all the witnesses here today.

I think we covered very diverse topics, and it's always very complicated to get questions and answers in five minutes.

Because it's come up a couple of times, I want to briefly mention the Red Tape Reduction Commission. I think it's going to be very important and I'm actually very privileged to sit on that commission.

I think the CFIB feels that about \$30 billion is used up in unnecessary red tape, through all levels of government.

We've released what we've heard at the commission. But the next part is going to be the most critical, and that's what do we need to do about it? We're looking forward to that process going along in parallel to the budget process.

I have a couple of quick questions, and my first would be to the Association of Universities and Colleges. The ability to commercialize or move new technologies into the market is critical. You were talking about your second recommendation. Could you elaborate a bit more on how you envision it happening?

• (1110)

**Mr. Paul Davidson:** Thank you.

This is something that other countries do quite well. It's something that Canada can do better. We look forward to the release of the review of federal R and D spending in the next two weeks, which we think will buttress the arguments made by the Science, Technology and Innovation Council report last June. It showed that universities were doing an exceptional job in producing highly qualified talent, but that the business sector did not connect to that talent very well. So how do we make that bridge?

Other nations simply provide short-term internships of six to eight months for master's and Ph.D. students to work with private sector enterprises to make sure that the students get the early, real-life experience of working in an enterprise that needs to produce wealth; and secondly, that business can see the quality of the master's and Ph.D. students available in Canada.

I would add that despite our increases in enrolment in the country, we produce far fewer master's and Ph.D. students than competitors like the U.S., the U.K., or Germany. So the Council of Chief Executives, the Chamber of Commerce, and the Innovation Council have all been saying that we need to increase the number of graduate students and that we need to make sure those links exist to create a stronger Canada.

**Mrs. Cathy McLeod:** My next question is for Bell Canada. Can you talk about what would happen if your first recommendation were implemented? First, how much would it cost, and second, what would be the impact or the results?

**Mr. Wayne Tunney:** In 2010 we spent \$1.4 billion to expand our wireline network and \$300 million to expand our wireless network. Like every company, we generate a bunch of money and we then have commitments to spend that money, for example, to pay salaries and pensions. In 2009 we paid an extra \$750 million to fund the deficit in Bell's pension plan, and paid another \$500 million last year. We pay dividends to our shareholders, which is expected, of course, because we have 750 million shares. We then allocate a certain amount of money every year, obviously, to spend on our capital improvements.

In my view, the best way to understand what a greater tax deduction is, meaning a deduction that lets you write off more quickly for tax purposes the money you spend to expand your network... I'm on the CICA tax policy committee, and we met with Finance, as we do every year. We're aware that to go in and ask for certain things when the government is fighting a deficit, it ain't gonna happen. So this year when we were requesting certain items that we thought were critically important, such as the item you're talking about—which is a timing difference—rather than writing off an amount that goes into class 46 at 30%, let's write it off at 50%. That means, obviously, that there would not be a greater deduction two years down the road, because you've already deducted it.

**The Vice-Chair (Mr. Hoang Mai):** You have 30 seconds.

**Mr. Wayne Tunney:** What that means is that when we save money, because our tax bill goes down, we have more cash to expand. The analogy would be the following. Let's assume it costs us \$100 million to run a high-speed rail line between Toronto and Montreal—albeit, it obviously costs significantly more than that. But if we spend \$5 million a year, it's going to take 20 years to build that rail line. If we spend \$20 million a year, it's going to take five years. So to the extent that we can get a tax saving in the years when we're trying to expand our networks, it means that we can do it a lot more quickly. And because of the deferral aspect, we'll pay more tax when we don't have the deduction later on.

**The Vice-Chair (Mr. Hoang Mai):** Thank you very much. Your time is up.

[Translation]

Mr. Trudeau.

• (1115)

**Mr. Justin Trudeau:** Thank you.

As the Liberal Party spokesperson on youth, postsecondary education and sports, I cannot pass up the opportunity to speak to Mr. Davidson about barriers to education and education funding.

[English]

One of the things we keep hearing is that even though enrolments are up, the barriers to many students achieving undergraduate education—and, even further, master's and other graduate degrees—are increasing.

I'm interested in seeing the opposition a little bit. You're concerned about expanding and improving the relations with other countries in terms of research. Obviously that passes through international students in that, at the same time, we're using our international students as a source of financing because they pay higher fees than other students.

How does the AUCC see a resolution of that minor contradiction, that we're using our international students as a source of fees yet we need to have more and better relations with the international community of students and universities?

**Mr. Paul Davidson:** First of all, in a global context, Canada is seen as offering excellent quality education at an affordable price, in a safe, secure, and welcoming community. We have a competitive advantage in this, and we can grow that further.

Second, we've got capacity in many parts of the country to bring international students to Canada, so they can not only study and return to their country of origin but can also become Canadian citizens. It's a very effective way of attracting highly skilled newcomers to the country. At Thompson Rivers University, at Saint-Boniface, at the University of Winnipeg, it is really making a difference in those areas.

You're right that international students pay a higher fee. By international standards, it's competitive and affordable.

I also want to talk about the educational experience that those students bring for all Canadians. Internationalizing the classroom gives every student the opportunity to meet somebody from another country, with another language, with another set of experiences, and

that's going to be powerfully important as we strive to open up new markets in India, China, Brazil, and elsewhere.

**Mr. Justin Trudeau:** You mentioned briefly that an improvement to the path to citizenship would be an interesting measure. Is there enough done now, or would you like to see improvements in that?

**Mr. Paul Davidson:** There have been important changes in the last two years, including allowing international students to work while they're studying and enabling them to stay on past graduation for a period of time.

It used to be that if you indicated you wanted to study in Canada and you said you wanted to stay in Canada, it would be a mark against you in the visa application process. Now it's a mark in your favour. There are other things that universities are doing with their local chambers of commerce to welcome those international students. I'll point to Brock University's work with the chamber of commerce in the Niagara region to help international students create businesses in their first and second years while they're in Canada, so that by the time they graduate they'll have an investment in Canada they want to preserve and grow.

**Mr. Justin Trudeau:** One other aspect you talked about was increasing links, particularly around research, between universities and the private sector. One of my concerns in regard to that is the whole debate about the merits of pure research versus applied research. Where does the UCC stand in trying to resolve that conflict?

**Mr. Paul Davidson:** We think that pure, fundamental research is critically important. We also see the value of applied research. If you look at the diversity of Canada's universities, some put emphasis on one area, others put emphasis on another.

I'll give a very local example. This afternoon I'm going with my son, Michael Davidson, to ÉTS, école de technologie supérieure, where there are 4,000 students, 2,400 of whom have co-op placements. Moreover, 75% of that institute's research budget comes from small and medium enterprises. It's a fantastic place. If you have time in your visit to Montreal, or on another visit, you should check out the linkages that are happening there. ÉTS is re-investing in the downtown core of Montreal, attracting new entrepreneurs, high-tech talent, using digital infrastructure to make sure we have a new economy in the heart of downtown Montreal.

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

**Mr. Justin Trudeau:** I have a quick question for BCE. One of the realities is that 80% of us are living in cities here in Canada, but we obviously still have vast spaces and some very remote and rural communities. Are we doing enough as a society and as a government to encourage companies such as yours to reach out for 100% digital coverage?

**The Chair:** Give a very brief response, please.

**Mr. Wayne Tunney:** We can do more. That's where we believe the spectrum auction that's coming up will make a significant difference.

I don't understand spectrum more than many people in this room do, I suspect, but it was best explained to me that with 700 spectrum, if you have one transmission pole, it can go out with the little lines for five kilometres, while the 2500 spectrum can only go out one kilometre. When you think of the non-national carriers, when they come in, clearly they're going to make money in Toronto, Calgary, and Montreal. They don't worry about North Hatley, or whatever. Because we have the responsibility to provide for urban development, that 700 spectrum is critical because it will go out—and we care about going out beyond. Therefore, to exclude us, the national carriers, from being able to bid on 100% of it—because they will keep a certain part for these other carriers—is, in our view, not helpful to achieve what you're talking about.

• (1120)

**The Chair:** Thank you.

We'll go to Madam Glover, please.

[*Translation*]

**Mrs. Shelly Glover:** Thank you, Mr. Chair.

[*English*]

Welcome to all of our wonderful witnesses.

I have to say, Michael, you are the youngest observer of these committee meetings we've had. So welcome to you, and congratulations for winning the prize for youngest fellow to come.

I'm going to continue in the same vein, if you wouldn't mind, Mr. Davidson, with regard to research and development. Some have been very critical of our government's record on research and development. But in fact, since we were elected in January 2006, we have a track record that is stronger than any previous government. We actually rank first in terms of expenditures on research and development in the higher education sector as a share of the economy.

My question to you is this. What is your assessment of the government's record, and particularly of the measures and action plan that we put forward, measures that might have helped students to succeed?

**Mr. Paul Davidson:** We've been very pleased with the steady investment in research over the life of this government, and the government that preceded it. It is absolutely fundamental to our competitive advantage. I think in each of the last six budgets, there's been an increase in research and development spending.

That research is developing results for individuals and communities. There are challenges ahead, but let me first speak about the

fundamental difference it's made. It has created a globally ready and globally engaged university community that has the capacity now to engage at the highest levels around the world and attract researchers from around the world.

On the talent side, the creation of the Vaniers, the Bantings, and the Canada Excellence Research Chairs has attracted talent. It's front-page news in the U.K. now when European researchers come to Canada.

The challenge now is to sustain those investments. I'll make the analogy that the international research community is a lot like the international financial community: they respond to signals, they respond to rumour, they respond to speculation.

So having a steady increase, a continued investment, in research, in infrastructure, and people, will be critically important.

**Mrs. Shelly Glover:** Excellent. Thank you.

[*Translation*]

I would like to ask Mr. Gauthier a question.

Our government, the Government of Quebec and your agency announced a project here, in Montreal, involving investments from PPP Canada. I think this project, which focuses on trains, will improve the situation.

Could you take a moment to explain how PPP Canada is helping to reduce costs and increase efficiency.

[*English*]

**Mr. Joël Gauthier:** Thanks for your question.

We were, I think, the first project awarded money by P3 Canada, and we're very pleased about that. In fact, we're going to open the bid this Friday to start the construction.

I'm not sure whether P3 Canada is very well known in the community. For us, we've discovered it, but I think it was created in 2008 or 2009. I think the contribution of the federal government is a maximum of 25%.

The way it's structured is that you have to build a business case. You have to examine the way in which you will execute the construction, and by doing that you're examining the whole spectrum of PPP. It shows you that you can create value. You can mitigate your risk. You won't have cost overruns or surprises in terms of how you realize your project.

So we did the exercise with P3 Canada, and we were very pleased with the way it went. In fact, we filed for round three. It's under review at the moment, and we hope we can be successful in round three.

We've very pleased with the way the government has structured P3 Canada. We encourage you provide other money for P3 or to create other funds that could be dedicated to specific things, such as public transit.

• (1125)

**Mrs. Shelly Glover:** So to those who oppose that fund—because in a platform during the election, others said they would eliminate it—it sounds like you would absolutely support the fund. Again, it reduces costs, and is effective and efficient, is it?

**Mr. Joël Gauthier:** Absolutely.

**The Chair:** Thank you, Ms. Glover.

We'll go to Mr. Marston, please.

**Mr. Wayne Marston:** Thank you, Mr. Chair.

Just very quickly, Mr. Saul, we support your call for ending the subsidies. I'm not really going to ask you a question.

Mr. Tunney, you'll be pleased to know that I'm not drawing a Bell Canada pension. I took a buyout, so you're safe.

**Voices:** Oh, oh!

**Mr. Wayne Marston:** Now, Ms. Gibeau, we've been saying that the government should be flexible. They're moving to balance their budget. We're saying flex it out, go out a year or so, because we need to do some investing in Canada. Here, the Conference Board of Canada has talked about social infrastructure. They talked about engaging more Canadians in the job market, particularly women and aboriginals. For women, for instance, a child care program could be started. But I want to take it a little further.

In the last election campaign, the NDP talked about the lack of long-term care beds and basic home care, that we would have two social transfers to guarantee that.

To my mind, when I heard your remarks about protecting the Canada health and social transfer, I thought of the huge load on that transfer coming from poverty—which is 21%—and also from people being housed in hospitals who should instead be in home care.

I'm just wondering what your response is to that.

[*Translation*]

**Mrs. Élisabeth Gibeau:** Thank you for the question.

You're talking about encouraging women to return to the labour market. I'd also like to say that I'm pleased to see that there are more women among the members present than among the guests here today, of which I am the sole woman.

As for the transfer, or long-term accommodations, it's an issue that is increasingly present currently, in Quebec particularly. Any funding that could be used in this area is welcome. Yes, it's a priority for us as well.

But there are a lot of other areas that deserve attention, especially from the federal government. For example, a lot could be done about medications. In Canada, we pay 30% more for drugs than the average of OECD countries, mainly because of policies that were put in place by the federal government through the Patented Medicine Prices Review Board.

We think that's a big issue. There are several billions of dollars to be recovered there that can eventually be transferred to the provinces through the Canada Social Transfer.

So there is money to be recovered, and there are a lot of issues to be dealt with, particularly long-term care and the housing needed for that care. There are solutions.

[*English*]

**Mr. Wayne Marston:** Mr. Davidson, you were talking about foreign students and the high tuition they pay. One of the really strong concerns we have in the NDP is regarding student debt and how it's accelerating. When I got out of high school, you could buy a house for \$15,000. Their debt would buy four houses in my generation. So we're really concerned about that.

One of the things I've spoken about repeatedly here is that, as a school board trustee in Hamilton, I remember that we had a 28% dropout rate. We need to try to find a way to get those people into the system, but many of them see that wall of student debt as hopeless.

Is there any way the federal government could be involved in assisting in some fashion with this debt load?

**Mr. Paul Davidson:** It's going to be important that every qualified student have the opportunity to attend university in this country. It's one of the things that makes this such a strong country.

It's true that tuition fees have increased. So have the forms of student financial assistance. There are still barriers, I acknowledge, and I want to speak to some specific barriers in a moment.

Again, it's a collective challenge for both the federal government and the provincial governments to set the policy objective to make sure that students can afford the universities they go to. There are a variety of mechanisms to achieve that.

I would like to focus on one particular group I mentioned in the last 15 seconds of my presentation. That group is aboriginal Canadians. There are 400,000 young aboriginal Canadians about to enter the workforce. Are we going to make sure that they have the skills and resources to become full members of this society? Or are we going to let this generation pass? It's particularly critical in western Canada.

There are affordable solutions to improve access to university. They include reaching back into the public schools, reaching back into the high schools. They include really innovative programs, such as at the University of Victoria, the University of Winnipeg, and the University of Saskatchewan, that make sure that once those students come to university, they succeed. What the evidence has shown is that it's not so often the financial barriers, but the other barriers. The Canada Millennium Scholarship Foundation did excellent research on this, and we're using that research to make universities more accessible every day.

• (1130)

**The Chair:** You have 10 seconds, if you want to make a final comment.

**Mr. Wayne Marston:** I'll just rest and relax.

**The Chair:** Okay. Thank you, Mr. Marston.

We'll go to Mr. Adler, please.

**Mr. Mark Adler:** Thank you, Mr. Chair, and thank you to all for being here this morning.

My first question is to Mr. Tunney. I see that you read your presentation off an iPad.

**Mr. Wayne Tunney:** I did? Brian Jean has one as well.

**A voice:** We all have one.

**Mr. Mark Adler:** Under the current corporate tax regime, Canada is well positioned right now to take advantage of the lion's share of future investment opportunities in the high-tech sector. The Information and Communications Technology Council recently released a study saying that in the next five years, we're going to need to fill another 100,000 jobs in high-tech and IT. In your opinion, how would an increase in corporate taxes alter that projection?

**Mr. Wayne Tunney:** Every dollar that is spent paying taxes obviously isn't available for other uses, period. And like every other company, we have policies about what is available for distribution and what is spent elsewhere.

In my experience as a tax partner for 24 years with a big accounting firm, before coming to Bell five years ago, I've not seen such a reduction in tax rates. This reduction is extremely important to a company like Bell. Federally, the corporate tax rate will fall from 22% to 15% next year; and in five years in Ontario, from 14% to 10%. In Quebec, it is now higher than in Ontario, or it will be next year. That influences what happens.

Bell is a domestic Canadian company. Compared to a lot of the companies that I used to advise, it's pretty simple. In that context I was aware of the significance of the Canadian rate vis-à-vis the U.S. rate, or spending the money in Ireland, or doing whatever. A lower tax rate not only helps a domestic company, but it is also significantly more important for multinationals to decide where they're going to make their investments and do their business.

**Mr. Mark Adler:** Mr. Davidson, you spoke about an innovation culture.

Can you just expand on that?

**Mr. Paul Davidson:** It builds on the question that Mr. Trudeau asked about on pure and applied research. The first thing to keep in mind is that these processes are non-linear. It's not like a manufacturing process where you start with an idea and proceed directly to a market.

But there is more that we can do within the university community to make sure that every student has a better appreciation for the opportunities in the private sector and to have hands-on research experiences, to have that joy of discovery early in their academic careers, not simply taking the notes they have been taught for many years but having that joy of discovery and seeing the ability to take that discovery to reality.

I'll give a very concrete example from Toronto. At Ryerson University, the Digital Media Zone has been operating for about two

years. They've put together a group of very young people, some legal advice, and some academic advice, and created a space in a retail environment, giving them a chance to do their best with digital applications. There is a 19-year-old there who has developed a prosthetic arm that requires no surgical attachment—a 19-year-old. He was flown to L.A. to meet California's largest venture capitalist, who is about to write a blank cheque, essentially. This kid is 19 years old. This is happening at Ryerson University in Toronto; it's happening in a retail space at Yonge and Dundas streets. It is incredibly exciting to see what can be done when we say that we're going to do this as a country.

• (1135)

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

**Mr. Mark Adler:** Mr. Bonnett, you spoke also about Canada's risk management support system and you indicated that it has served your members quite well over the years.

Are there any changes you would want to make to that?

**Mr. Ron Bonnett:** Yes, there are some changes, especially in the livestock sector. They've gone through quite a few years of low returns and the reference margin they base their income on has dropped because of that. There are a number of things that we're working on with Agriculture and Agri-Food Canada to make some recommendations and make those programs respond.

If you take a look at overall government spending on risk management, in the last number of years it's dropped by some 40% to 50%. Part of that is because of the increased income from grains and oilseeds; but part of it is also because, the way the details of the programs are set up, they're not responding to some of these long-term losses.

I think we have to take a look at these risk management programs as an investment. If the funding hadn't been there for the grains and oilseeds sectors through the years they had some real crises, they wouldn't be making the returns they are now, and I think there has to be the recognition that it's a long-term investment. We would encourage you to use any influence you have with Agriculture and Agri-Food Canada to sit down with stakeholders and really take a look at how we can fine-tune those programs to make them more effective.

**The Chair:** Thank you.

Thank you, Mr. Adler.

[Translation]

Mr. Giguère, you have the floor for five minutes.

**Mr. Alain Giguère:** Good morning.

I've noticed that research and development issues are the particular focus today. I've learned that Bell Canada wants the cost of material for a long-term use, meaning first for testing purposes, then for commercialization, be recognized. I also learned that the universities want to be able to use R&D tax credits for other purposes, like student funding.

I'm making a generalization. Any outlay on research and development is an outlay for future economic growth. This was the general idea underlying the creation of this program, and it remains just as relevant. Canada has fallen behind in research and development, which is currently costing us jobs in the manufacturing industry.

As for the university sector, Mr. Léo-Paul Lauzon, a professor in taxation, showed that credits given for education savings plans in no way lead to an increase in access to the university sector. However, these \$2.5 billion are not a tax shelter. If you really want the money, there is \$2.5 billion currently being thrown out the window. It's a clear, clean, obvious and mathematical demonstration. It does not lead to an increase in the number of students.

I'll make a general statement about agriculture. When I was born, there were three billion people on the earth. Now there are six, and when I die, there will probably be 11. The oceans have been exhausted. There's been a desertification. We're going to have to face famines caused by the total lack of food, probably in our lifetime. I think I reflect the opinion of all committee members when I say that we will be fairly favourable to any request for support from the agriculture sector to handle these brewing global challenges.

Now I have a general question for the representative of the Union des consommateurs. You spoke to us about tax inequities. Could you expand on the solutions that you are advocating to counter not only the tax inequities between businesses and individuals, but also those between the individuals themselves?

I'll give you the rest of my time.

**Mrs. Élisabeth Gibeau:** Thank you for this opportunity.

Yes, we have several requests in that area. For example, I was speaking earlier about increasing the number of tax brackets for individuals. It would also be a good idea to increase the basic tax exemption, considering the real costs of the livelihoods of taxpayers. We also ask that commodity taxes be modulated based on the nature of the goods purchased. A luxury tax should eventually be introduced for certain goods and the tax decreased on certain others. For example, we are asking that the PST be abolished on essential goods and services, including electricity, fuels, telephone service, children's clothing, educational supplies, food products and health aids. We are also venturing into what is commonly called the Tobin tax, a tax on international financial transactions. So, we would like Canada to support steps in this direction, for better tax equity.

So that's a range of more concrete suggestions that we have made on taxation.

• (1140)

**The Chair:** You have a minute left.

**Mr. Alain Giguère:** Thank you, that's very kind, Mr. Chair. It doesn't happen to me very often.

May I give my remaining minute to Ms. Boutin-Sweet, who would then have six?

It's very kind; I appreciate it.

**The Chair:** Of course.

**Ms. Marjolaine Boutin-Sweet:** Thank you. We'll continue with Ms. Gibeau. No, instead I'll keep her for later. Instead, I'd like to address the Canadian Federation of Agriculture.

In the document you presented, you mentioned something about reducing the transaction price. It states: "... facilitating the transfer of the family farm to the next generation and deferring the income tax on the transfer and, therefore, reducing the transaction price required by the parent for their retirement."

Could you please give us more information about that?

[English]

**Mr. Ron Bonnett:** Yes, and a lot of that is hinging on getting tax rules that will allow parents to take advantage of the tax rules that are in place. But there are some technical barriers to that.

I'd also like to take a minute to respond to the comments that were made about meeting the demands for food in the future.

One of the things we have to take a look at is, first, giving the proper price signals to producers. Then, if there's a good chance for profit, that solves a lot of the issues. Farmers will make the investments. Farmers will transfer those farms to the next generation. Investment in research is important, so that we can increase productivity. We also need to take a look at innovation and how we can build innovation. And then the other thing is really taking a look at the government role in regulation, especially with new technology.

I'm fairly confident that, if we get the proper price signals and investments in research and innovation, it's not going to be a difficult challenge to meet that demand of the growing population. If we look at what we've done in the last number of years—adoption of new research, new technology, new techniques—we see that productivity has gone through the roof. There's the ability to do that if we make the proper investments going forward. As we do that, we build the profitability on farms, making it more possible for the next generation to take over those farms.

**The Chair:** Okay, thank you.

Just to our witnesses, we do have two colleagues who have to go to an announcement that's being made in Montreal—which will be fairly prominent, as we will see later on.

We're going to go to Mr. Van Kesteren for five minutes, please.

**Mr. Dave Van Kesteren:** Thank you, Chair.

Thank you all for appearing.

Mr. Bonnett, I was thinking for a while that all of these city folk weren't going to ask you any questions, but man, you've just been inundated.

You were absolutely right when you talked about production. I remember that when I was a boy, 80 bushels an acre was good in southwestern Ontario. Now we live in corn country, probably the best corn country in the country, and are looking at 240 bushels an acre—and 300 is the next step.

I came back from Africa. We forget that there are areas of the world that have the potential to do the same thing, and they're only just beginning to see maybe 30 or 40 bushels. I think there are great things ahead.

Anyway, I wanted to touch really briefly on your second recommendation on taxation. I spoke to the Christian Farmers Federation of Ontario, I think it was. I said to them, "I'm not going to talk, because we've really had a good year"—and there I was talking about grains and seeds in my neck of the woods.

But I want to lay the challenge out for succession. And I think you're right about succession, but I've got to ask you this. Why are farmers any different from my three sons, who would like to take over my dealership some day? That's the problem we face. Why would we want to play on the one? And don't tell me about the average farmer being 59 years old. I know that. But why should there be any difference?

Be brief, because I have a few more.

• (1145)

**Mr. Ron Bonnett:** I think some of the proposals we are suggesting aren't making any difference. The tax measures we're talking about are removing the inequities that are there because somebody happens to be a relative or a family member. The issue with transferring a farm to a corporation is that if the corporation happens to be owned by somebody who isn't a relative, there's not a problem. You can take advantage of the capital gains. But because they happen to be related, you're at a disadvantage.

We recognize that most farms are transferred from one generation to the next within families, and we just wanted to make sure there's clarity there.

**Mr. Dave Van Kesteren:** I applaud you for that. I agree with you 100% that we need to do that. I'm not being that specific, but we need to work together and figure out a way to do it, because there are more reasons. We don't have time for that right now.

But the other thing I wanted to talk about.... I just read this morning—it's almost humorous—that they're talking about a reduction in average bushels. I think it was 30 bushels out our way, and beans were down 10 bushels, but only because we had such a bumper crop. Fortunately, our grains and oils are going on eight cylinders. We've got some challenges, though, with beef and pork.

In my neck of the woods, too, we have the largest collection of greenhouses; and south of us, the border is where we have access to 200 million people in one day's drive. That's critical.

Here's the point I want to make. How important is it to you—I'm thinking now of the beef and pork guys—that we start to open up new markets? As we said before, there is a limit to growth in the United States, which is starting to stagnate. Overproduction was the problem we experienced with pork. How important is it to open up new markets to sell to Americans?

**Mr. Ron Bonnett:** I think opening new markets is a critical focus that we must have, but we also must make sure they're markets that can afford to buy our products. There are markets out there where people don't necessarily have disposable income. But with regard to the work that's being done in trying to re-open the talks with Korea and in taking a look at Japan, I think those are high-value economies great potential. So those are the types of things we should be focusing on.

The other area where we need to be focus, particularly on the trade side, is the rules and regulations. Here I refer to establishing international rules for things like low-level tolerance of genetically modified organisms; making regulations around new technology; and finding ways to harmonize pesticide and herbicide use so that our producers aren't at a disadvantage to somebody in another country.

A whole series of things has to be put together to give us profitable access to some of these foreign markets.

**Mr. Dave Van Kesteren:** How much time do I have left, Chair?

**The Chair:** Thirty seconds.

**Mr. Dave Van Kesteren:** I'll be very quick.

Mr. Gauthier, you talked about alternative fuels. We've found out that Quebec has huge reserves of natural gas. How important do you think it is to switch some of our buses and trucks? Robert Transport, for instance, in this province, has bought 180 natural gas trucks. How important would it be to develop those?

**The Chair:** Mr. Gauthier, be very brief.

**Mr. Joël Gauthier:** I think it's fundamental, and we're behind. We see hydrogen buses in the States. If we can expand our sources of energy, it will be in the best interests of the country. We wish to expand it.

**The Chair:** Thank you, Mr. Van Kesteren.

Madame Boutin-Sweet, *pour cinq minutes*.

[Translation]

**Ms. Marjolaine Boutin-Sweet:** Thank you, Mr. Chair. Thank you everyone. This is very enlightening.

My question is for Ms. Gibeau.

I took a look at the conclusion of your document. I saw that there were many topics you would like to talk about, but you couldn't. So I'd like to give you the opportunity to speak about one of them.

You already got ahead of me in one of your other answers. In your document, you mentioned "other areas where the government could make cuts". You go on to say:

For example, it might ... cut the subsidies granted to pharmaceutical companies now that it has been shown that for several years that industry has not honoured its promises to reinvest 10% of its profits in R&D.

First, I'd like you to speak to us about this. Then I'd like you to continue with the possible reduction of drug costs.

**Mrs. Élisabeth Gibeau:** Okay. The two topics are related.

I just said that we pay 30% more in Canada for our drugs than the average of the OECD countries. In Quebec, it's 8% more compared with the rest of Canada. So this is a real issue that needs to be a priority. Industrial policies that were put in place are partly to blame.

I spoke to you about the Patented Medicine Prices Review Board, which is a federal agency responsible for ensuring that the cost of brand name drugs isn't excessive. So we have set benchmarks, meaning that prices had to be set based on the median price in effect in seven comparable countries. Of these countries, there are the four that sell drugs at the highest prices in the world, which artificially inflates the introductory price of drugs we authorize in Canada. But researchers have shown that if we instead based it on 11 countries, including the four countries that sell the drugs at the highest prices, we would reduce the price of our drugs by 11% right away. So there is room there for very concrete actions.

Why was the choice made at the time to artificially inflate the cost of our medications? It was because of agreements that were made with the pharmaceutical industry. In exchange, the pharmaceutical industry agreed to invest 10% of its revenues in research and development. But we saw that this wasn't at all what it did. The investments didn't materialize. I think that the government should review these policies and measure them in terms of the results they gave and the costs they incurred for the Canadian and Quebec population. It's an example. The cost of drugs in Canada and Quebec is a major priority issue for us.

• (1150)

**Ms. Marjolaine Boutin-Sweet:** Thank you.

I'd like to go back to my question about farmers.

[English]

I'm not sure you understood exactly what I meant by my question on reducing the transaction price required by parents for their retirement. I'm thinking here about poverty among seniors. The fact that the transaction price is being affected when you're transferring the farm from father to son or daughter, for example, could that affect the level of poverty among seniors?

**Mr. Ron Bonnett:** It would affect the amount of money the parents had to reinvest in their retirement plans. Yes, it is directly related if they can't afford to make that transfer and take advantage of all the tax tools that are there. Then they don't have the ability to retire with a decent lifestyle. So there is a relationship.

**Ms. Marjolaine Boutin-Sweet:** Thank you.

[Translation]

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

**Ms. Marjolaine Boutin-Sweet:** Mr. Saul, when we talk about free trade agreements, it's usually mostly about economics. We rarely discuss the human and environmental aspects.

Do you have any comments about that?

[English]

**Mr. Graham Saul:** We think there has been an effort over the past 25 years to try to integrate environmental and social conditions into free trade agreements. We think they have historically not gone nearly far enough and that there has been a tendency for those trade agreements to trump legitimate environmental and social concerns. The Climate Action Network is not categorically opposed to free trade agreements—I wouldn't say that at all.

At the same time, we are concerned that there are often provisions within them that end up trumping perfectly legitimate environmental ends. So it's really just a question of making sure there's a balance between having the option to protect legitimate environmental ends for ourselves and future generations and healthy communities, and encouraging a fully functioning and dynamic economy.

**The Chair:** Okay. Thank you.

We'll go to Mr. Jean now please.

**Mr. Brian Jean:** Thank you, Mr. Chair, and thank you, witnesses, for attending today.

Mr. Saul, it will probably come as no surprise to you that I have some questions for you today, as I am from Fort McMurray and am interested in the oil sands. I've seen the town of Fort McMurray grow from 1,500 people to about 130,000 today, including some 70,000 or 80,000 workers, some 35,000 of whom live in camps and work around the region, with some 120,000 jobs in Canada been created directly as a result, and about 250,000 by 2025. It's very important to me because it's important for the economy. Canada is in the number one position today, and I think most of that is because of the oil sands over the last few years—certainly based upon what the rest of our sectors have done.

I'm curious about the subsidies you talk about, because if I understand this issue correctly—and here I'm only talking about oil companies—the only subsidy that I'm aware of is the one that was brought in by the Liberal government in 1997-98, the subsidy called the accelerated capital cost allowance. That's the only subsidy I'm aware of. But my understanding of that particular subsidy, based on my background, is that it is to be phased out by 2014-15, as a result of the legislation our government brought in. In fact, that accelerated capital cost allowance only defers taxes, or the tax break the companies have, for some years. It allows them to depreciate more quickly so they can have more money to invest today so that they get better returns more quickly long term.

Is that fair to say, or is there some subsidy I'm not aware of?

• (1155)

**Mr. Graham Saul:** It sounded like that was more than one question. I think it's fair to say that measures were taken in 2007 and 2011 to reduce some fossil fuel subsidies. I think it's also fair to say that if you look at the research that the International Institute for Sustainable Development did last year, an exhaustive analysis done out of their Geneva office—

**Mr. Brian Jean:** I don't have a lot of time, sir. I'm just asking what other subsidies there are. Is there another subsidy that I'm not aware of specifically? Could you refer me to that.

**Mr. Graham Saul:** Finance Canada, in a memo to Minister Flaherty about 18 months ago, along with the IISD study, identified the Canadian exploration expense, the Canadian development expense and, to a lesser degree, flowthrough shares, and tax depreciation rates for oil sands leases, and the accelerated capital cost allowance for the mining sector.

**Mr. Brian Jean:** I understand. So, in essence, 99% of what you're talking about is either pro-development or pro-exploration, measures that are obviously necessary, as most countries have them, and the accelerated capital cost allowance.

That was my question, because I kept hearing this. I've looked on your website a number of times. I was halfway through a master's in law and environmental law in Australia, but I ran out of money and I was very interested to see what your background was in relation to that.

I'm sure you're also aware that oil sand company profits were down 90% in 2009; that there's about \$6 billion to \$8 billion in revenue that comes into the federal and provincial government from these companies; and that 27% of the TSX consists of oil sands companies. In fact, 8% of the GDP of the country is dependent on oil sands. You are aware of that, I'm sure.

**Mr. Graham Saul:** I'm aware that the oil sands are a significant factor in our economy. I'm also aware that if we had a billion dollars to spend to meet the needs of Canadians, the oil companies may not be the neediest of those Canadians.

**Mr. Brian Jean:** Your organization is funded by members and member organizations. How many members—not member organizations, and not the accumulation of the member organizations—does your organization have directly?

**Mr. Graham Saul:** Well, we're essentially a trade association among member organizations.

**Mr. Brian Jean:** No, just your members themselves, not your trade organizations.

**Mr. Graham Saul:** Well, that's like asking the Canadian Association of Petroleum Producers how many members they have. They would answer that in terms—

**Mr. Brian Jean:** And I would ask that question, too.

**The Chair:** One at a time.

**Mr. Graham Saul:** They would answer that in terms of the number of companies that are part of their association. So when we're asked who are members are, we answer it in terms of the members.

How many members does the United Church of Canada have? How many members does the Assembly of First Nations have?

**Mr. Brian Jean:** No, that's not what I'm asking. To be fair to me, this is my time, it's not your time.

**The Chair:** You have one minute, Mr. Jean.

**Mr. Brian Jean:** I would like to know how many members you have.

**The Chair:** Let's have a question and an answer.

**Mr. Graham Saul:** We have 75 member organizations. Our members are counted as organizations.

**Mr. Brian Jean:** Have you ever been to Fort McMurray or the oil sands?

**Mr. Graham Saul:** I personally have not been to Fort McMurray.

**Mr. Brian Jean:** Have you ever seen the reclamation of pond number one, which is the pond that your organization talked endlessly about, saying it could never be reclaimed? It has been reclaimed; I have seen it. I invite you up there, sir, to see it, and I would take you there personally. It's an amazing thing.

I don't have a lot of time left.

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

**Mr. Brian Jean:** Thank you very much.

I'm just wondering, why do you call it tar sands? I understand why it was called tar sands originally. It was used to patch canoes, and it paved Parliament Hill, and it also paved Jasper Avenue. But they get oil out of it, they don't get tar.

So I'm wondering why you have about 10 or 12 references on your site to “tar sands”.

And I'm just going to finish by saying that it doesn't help to say things on your site like, “Why I will be risking arrest today”, or “Climate change is a bigger threat than terrorism”, or to be talking about “tar” instead of oil.

Do those things help you raise money, as an organization?

**Mr. Graham Saul:** “Climate change is a bigger threat than terrorism” is on our website? That hasn't come to my attention.

**Mr. Brian Jean:** It is. So is, “Why I will be risking arrest today”.

**Mr. Graham Saul:** Certainly when I look at the implications of runaway, catastrophic climate change, and if I take the scientists at their words in terms of the hundreds of millions of lives at stake and the billion livelihoods that are going to be undermined if we don't do our fair share—

**Mr. Brian Jean:** Does it help raise money, was my question.

**Mr. Graham Saul:** Raise money? No.

**The Chair:** Thank you. We'll have to end it there.

I want to follow up on a couple of points from the last round.

Mr. Tunney, I did want to get some details on your first recommendation, the accelerated capital cost allowance. You have class 8, class 42, and class 46; and you've got 20%, 12%, and 30% respectively. Am I correct in saying that you want those rates to move from 20%, 12%, and 30% to 50%, that is, you want to move them to a straight line 50% depreciation?

•(1200)

**Mr. Wayne Tunney:** Yes.

**The Chair:** For all three classes, then?

**Mr. Wayne Tunney:** Yes.

**The Chair:** Have you costed the proposal? I mean, there's obviously an economic benefit if you do this, but Finance Canada will cost it out, and if there's not an alternative cost provided, that's the one the minister would have to rely on.

**Mr. Wayne Tunney:** Just as Mr. Jean mentioned an incentive for the oil sands, it is a deferral mechanism. In our view, it will enable us to spend more money in these critical years or 2012 to 2014, rather than extending those same expenditures out over five years.

**The Chair:** And to both you and Mr. Davidson on the SR and ED program, am I correct in understanding that you have provided your recommendations to the review of the SR and ED program, both your recommendation and the one from the AUCC?

**Mr. Wayne Tunney:** On that specific item?

**The Chair:** Yes.

**Mr. Wayne Tunney:** We did not.

**The Chair:** Okay.

Mr. Davidson, did you?

**Mr. Paul Davidson:** Yes, we did make a submission to the R and D review. Again, keep in mind that the purpose of that review is to find out how we can increase private sector investment in research and innovation.

**The Chair:** Okay. I want to come back to Mr. Saul.

You talked about subsidies to industry. I'm actually very sympathetic to reducing subsidies to industry overall, but I think we do have to be consistent as a government. One of the things we did in the 2007 budget, as you mentioned in your conversation with Mr. Jean, was to start phasing out the accelerated capital cost allowance for oil sands projects.

At the same time, we put in place a two-year write-off for the manufacturing sector, which we have extended from 2007 to 2011, and then for another two years in the last budget. The reality is that there are companies or industries within the manufacturing sector.... And if you look at infrastructure, particularly in this city, or in any major city across Canada, if you're constructing cement, you are releasing a lot of greenhouse gases into the atmosphere because of the process emissions.

So is it your organization's recommendation that we not extend the accelerated CCA for the manufacturing sector, that we apply the same standard evenly to all sectors and say there's no accelerated CCA because, by your definition, it is a subsidy and so we should eliminate it for the manufacturing sector as well?

**Mr. Graham Saul:** Well, I'd have to see some research on the amount of emissions associated with that and the overall impact, and the various purposes the CCA is being put to. I would like to think we'd be consistent across sectors, but we've done exhaustive research on the oil, coal, and gas sectors and the relationship between these subsidies and their relative need. We haven't done the same, as of yet, for the provision you're referring to. So I would want to see more exhaustive research before having a definite opinion on that.

**The Chair:** If we take the coal sector out of this, as coal obviously did not have the accelerated CCA, unlike the oil sands, what specific subsidies are you referring to with respect to the coal sector?

**Mr. Graham Saul:** Well, once again, I would refer you to the research conducted by the International Institute for Sustainable Development, where that's laid out in some detail.

According to a recommendation of the Green Budget Coalition, the Canadian exploration expense allows companies to deduct 100% of their exploration expenses from their income tax each year. In the coal sector, this includes intangible costs of mine development.

Then, presumably, there is the Canadian development expense, which allows companies to deduct 30% of their development expenses from their income tax each year. In the coal sector, this includes the cost of acquiring a mineral property or a right to explore.

So these issues are dealt with in a substantial amount of detail in the available research that's been done over the past little while.

**The Chair:** I guess with respect to that, the mining sector is very prominent across Canada as well. So you're saying that we should apply that same logic, then, to any mineral exploration development tax credits, or any other industry that has exploration or development tax credits?

**Mr. Graham Saul:** We're here, as I explained earlier, principally because we're concerned about the potentially catastrophic implications of runaway climate change. We'd like to see policies put in place that discourage a reliance and ongoing dependence on fossil fuels and that encourage energy efficiency, renewable energy, and energy conservation. We're particularly concerned about the coal sector because of its disproportionate contribution to the problem of climate change.

• (1205)

**The Chair:** All right.

I'd like to continue the discussion, but, unfortunately, my time is up as well. As I impose time constraints on others, I should impose them on myself as the chair.

I want to thank all of you for being with us this morning.

[*Translation*]

Thank you for your presentations and for answering our questions.

[*English*]

We enjoyed it very much.

If there's anything further you wish the committee to consider, please do submit it to the clerk. We will ensure that all members get it.

Merci.

The meeting is adjourned.







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