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Chair

Mr. James Rajotte

Standing Committee on Finance

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● (0900)

[*English*]

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

This is the 15th meeting of the Standing Committee on Finance in this session. We are continuing our discussions surrounding pre-budget consultation for 2011. We are very pleased to be here in Windsor, home of the Spitfires and the number one draft pick for the Edmonton Oilers last year.

We are very pleased to have two panels here this morning. In our first panel we have six organizations. We have the Canadian Natural Gas Vehicle Alliance, Spirits Canada, the Association of Equipment Manufacturers, Encana Corporation, the Canadian Shipowners Association, and the Canadian Solar Industries Association.

Welcome to all of you. Thank you very much for being with us this morning.

You will each have up to a maximum of five minutes for an opening statement. After the final presentation, we have questions from all members of the committee.

We will start with Ms. Milner's presentation, please.

Ms. Alicia Milner (President, Canadian Natural Gas Vehicle Alliance): Thank you, Mr. Rajotte.

It is great to have the opportunity to be here in Windsor, Ontario, one of Canada's leading automotive communities and the home of Canada's automotive centre of excellence, Auto21.

The automotive sector continues to play an integral role in Canada's economy. It employs more than 90,000 Canadians, and automotive exports constitute one-third of Ontario's direct trade with the United States. Canada's strength in the automotive sector, including its skilled workforce and established manufacturing base, are now being leveraged for the next generation of innovative green automotive technologies. This includes the production of electric vehicles at Toyota's facility in Woodstock, Ontario, and the development of next-generation components and lightweight materials through R and D investments being made by companies such as Dana and Magna International.

Canada can also claim a leadership position when it comes to the manufacture of innovative natural gas technologies for heavy trucks and buses. Canadian companies currently supply natural gas engine systems to more than 20 different North American truck and bus manufacturers, including New Flyer and Motor Coach Industries in Winnipeg, Daimler in Mississauga, and PACCAR in Quebec.

The U.S. EPA SmartWay program, which encourages highway trucking fleets to adopt lower emission technologies, recently certified its first liquefied natural gas, or LNG, highway tractor from Peterbilt. This truck incorporates engine technology made in Delta, British Columbia, by the Canadian company Westport Innovations. Natural gas is the next wave when it comes to innovative, lower-emission technologies for heavy vehicles. Canada is well positioned to capitalize on market growth and increased demand in North America.

Speaking on behalf of the natural gas vehicle industry, I'd like to briefly outline three key benefits associated with the increased use of natural gas in transportation. And I would like to highlight private sector investments being made in regions across Canada.

The first benefit relates to fuel choice. Whether for goods movement, people movement, or personal transportation, Canadian businesses and communities could benefit from having a choice of fuels. Right now, crude-oil-based fuels supply 99% of the energy used in the transportation sector. There is a lack of competition in the market. Natural gas is a cost-effective alternative. Increasing its use can leverage an abundant domestic resource.

Canada also has some high-density corridors where having access to a lower-cost fuel could be particularly advantageous and could create competition in fuel choice. For example, Windsor to Quebec City is the fourth-busiest trucking corridor in North America. This month, LNG highway trucks in the Robert transport fleet will begin operating along this corridor between Boucherville, Quebec, and Mississauga. New private sector investment supporting this project exceeds $16 million. This project marks the beginning of Canada's first smart trucking corridors. Additional private sector investments are being made in fleet projects in Alberta and British Columbia this year.

The second benefit relates to jobs and the economy. Using natural gas in transportation would open up a new market for an abundant Canadian resource. Increased sales of natural gas for transportation could contribute to economic strength in three ways. First, it could displace imported oil and improve Canada's balance of payments. Second, it could create new demand for natural gas to help offset declining exports to the U.S. And third, it could trigger economic activity in the natural gas fuel vehicle and station supply chain.

Alberta's Ministry of Energy estimates that for every additional billion cubic feet of Canadian natural gas produced, $17 million in direct and indirect benefits accrue across the Canadian economy. My colleague, Mr. Sam Shaw, of Encana, will be speaking in more detail on this point.

The final benefit relates to the environment. Natural gas can also help achieve the 2020 carbon goals. If 5% of new vehicles sold over the next 10 years were natural gas, the benefit would be one megatonne, and this equals the benefit from 2% biodiesel use.

In closing, committee members may have seen that Canada was just recognized as the top ranked country for business in the world. One of our members, Shell Canada, a global energy player, recently selected Canada for its first major investment in a liquefaction facility just west of Calgary to bring LNG into the transportation market. This investment of more than $50 million is part of a worldwide strategy for Shell, but it is encouraging and noteworthy to see that Shell chose Canada first.

On behalf of the natural gas vehicle industry, we look forward to continuing to partner with the Government of Canada to accelerate private sector investment related to natural gas for transportation.

Thank you.

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

We will now hear from Mr. Westcott, please.

Mr. Jan Westcott (President and Chief Executive Officer, Spirits Canada / Association of Canadian Distillers): Thank you, Mr. Chairman.

I am Jan Westcott, the president and CEO of Spirits Canada. We are the only national trade association representing the interests of Canadian spirits manufacturers.

I am particularly pleased to be able to appear before you today here in Windsor, home of the largest distilled spirits plant in North America. In fact, we are currently sitting within 25 kilometres of over 10 million barrels of Canadian whiskey, slowly maturing, awaiting transformation into that golden elixir, Canada's iconic spirit. If you are tempted to get up, I'll understand why. It's just down the road, waiting.

We are here today to request your support for a $1 reduction in federal excise duties imposed on spirits—that is to say, a modest reduction from the current $11.69.06 per litre of alcohol to $10.69.06. On a typical 750 millilitre bottle, even after such a reduction in federal excise duties, they would still be over $3.20, a very high level by any comparable measure.

We also note that federal spirits excise revenues generated last year were over $170 million more than they were in 2006. And I'll come back to that; it's an important date. Excessive provincial and federal commodity taxes on spirits were identified as a key barrier to success in the first Canadian whiskey summit held earlier this year. The summit was attended by a broad range of stakeholders committed to developing a long-term strategy to re-invigorate Canada's signature drink category, including regulators, retailers, bartenders, farmers, manufacturers, media, and academics.

As you will recall, this particular committee previously supported the elimination of all excise duties on wines made from Canadian grapes and fruit, as well as a rate reduction for beer. The finance committee's recommendations were adopted by the government in the 2006 budget and remain in place to this day. We respectfully suggest it is time to turn federal tax policy attention to Canada's true national drink, Canadian whiskey, and other fine spirits.

The Canadian spirits industry has a very long and colourful history, predating Confederation, and has been a core export-intensive business from the very beginning. Yet spirits manufacturers have not been provided with the necessary tools and support to be a true international champion for Canada.

Our members make exceptional products enjoyed by adult consumers around the world, but they are faced with a heavy and unsustainable fiscal burden that impairs the industry's ability to compete and succeed. Spirits have the singular honour of being part of adult Canadians' moments of celebration and relaxation. Spirits help to contribute to positive social interaction between family, friends, and neighbours. We are proud of our role in the lives of Canadians for generations upon generations.

The spirits industry also takes our obligations very seriously. We have worked diligently with other committed stakeholders to bring to life the recommendations of Canada's national alcohol strategy, including the recent development of formal low-risk drinking guidelines. These guidelines provide expert advice to those who choose to drink, so they may do so in a form and a fashion that minimizes the risk of any harm.

Spirits manufacturing is also inexorably tied to the land through farmers, who grow the country's corn, wheat, barley, and rye. Taxes on spirits are a tax on these agricultural grains as well as on the farm families who grow them.

Spirits taxes are also a tax on those small independent businesses that sell spirits in licensed bars, restaurants, and clubs across the country. Spirits taxes are a tax on hardworking families who enjoy an occasional drink with their friends and neighbours.

We have provided some background information on Canada's spirits industry's key economic indicators and a summary of the top 15 reasons why we believe a reduction in the spirits excise burden deserves serious consideration. I am not going to go through all of them today, but I would just note one or two. We believe a reduction will provide the opportunity to grow our international exports. We currently export about $500 million worth of whiskey and other spirits around the world. Clearly, there is an opportunity to increase treasury revenues by stimulating the business. Last, a modest reduction in excise duty would spur investment in our industry in quite dramatic fashion.

Thank you very much for your time.

● (0905)

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

We will hear now from Mr. Sellick, please.

Mr. Howard Sellick (President, Sellick Equipment Limited, Association of Equipment Manufacturers): Thank you, Mr. Chair and members of the committee, for the opportunity to address you today on behalf of the Association of Equipment Manufacturers, or AEM.

AEM is a trade association representing manufacturers of equipment for the agriculture, forestry, construction, and mining sectors. We make the machines that build roads, extract resources, move material, and plant and harvest crops. AEM members range in size from multinationals like Caterpillar to smaller Canadian firms like my own, Sellick Equipment, located just 30 kilometres south of here in a small town called Harrow.

For the last 42 years we have continued the business our father started. We produce material-handling equipment—rugged forklifts used in rough-terrain applications, including construction sites and mines around Canada and the United States.

We export half of our equipment to the United States through the Windsor-Detroit corridor. Our supply chain runs back and forth on a daily basis across the bridge. We are constantly feeling a pinch at the border with congestion and delays. Most of the other half of our products are delivered to customers here in Canada, three-quarters of which are shipped west, where they're used extensively in the oil sands in Alberta and in the potash industry in Saskatchewan.

However, the decline in the North American economy has meant tough times for our business. Since the fall of 2008, we've had to downsize our company by 27 people, a significant number in a town of only 2,000. These were good-quality manufacturing jobs.

Federal government programs have been instrumental in helping us deal with this slowdown. The work-sharing program has helped us to retain a skilled workforce. We applaud the government for making this program happen. These kinds of programs have made a difference in our operations and the operations of AEM member companies across the country.

Like all Canadian manufacturers, AEM members must continually invest in modern equipment that allows us to achieve unmatched productivity gains. The accelerated capital cost allowances for investments in new equipment that the government has introduced, lowering these investment costs, have benefited my company directly. These accelerated writeoffs allowed us to invest in new manufacturing software, boosting our productivity.

My fellow AEM board member Gary MacDonald, from MacDon Industries—they make agriculture harvesting equipment—has been investing in new enterprise software as well, and he too has seen the benefits. These tax policies work.

This kind of cooperation from the government in creating a competitive environment for business is essential if we are to continue to have strong equipment manufacturers in Canada.

With the prospect of another recession before us, manufacturers like my company face increasing competitive pressures and challenges. Given these conditions, AEM has four recommendations that we would ask the finance committee to consider in its report to Parliament.

One, make the two-year writeoff for manufacturing and processing machinery and equipment a permanent part of the tax system.

Two, aggressively negotiate with our trading partners to eliminate trade barriers, especially those involving the U.S.-Canada border.

Three, reduce the regulatory burden that delays major investments in energy projects.

And four, make infrastructure projects a priority to stimulate the economy, drive demand for manufacturers, and ease the movement of goods.

Each of these recommendations will help Canadian equipment manufacturers invest, innovate, and compete in the global marketplace. I know first-hand that these policies work. I've seen it from my own company's shop floor and in the facilities of AEM members across the country.

Thank you for undertaking this study and for your consideration of AEM's submission. I look forward to your questions.

Thank you.

● (0910)

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

We'll now hear from Mr. Shaw, please.

Mr. Sam Shaw (Vice-President, Natural Gas Policy Development, Encana Corporation): Good morning. With me is Wayne Geis, vice-president of strategic planning.

We are very aware of the fragile global economy; hence, our submission to you is to create a new opportunity for a cleaner, more prosperous future through a natural gas transportation strategy. We're proposing using our secure natural gas resource as an alternative transportation fuel because it is abundant, affordable, and clean. Natural gas gives Canadians competitive fuel choice for all modes of transportation, including on- and off-road vehicles, marine vessels, and rail locomotives.

North America has at least a 100-year supply of natural gas, making it a reliable, long-term transportation fuel option. Recently Canadian oil prices have averaged between $80 and $90 per barrel. Natural gas prices have averaged below $4 per thousand cubic feet, or $24 a barrel of oil on an energy equivalent basis. This makes natural gas affordable, with fuel savings of between 20% and 40% compared to diesel and gasoline.

Our budget recommendations are based on four objectives. First is to create highly skilled jobs. Encana estimates 65,000 jobs will be created over the next 10 years, if Canada supports an increased use of natural gas.

Second is to ensure a sustainable source of government revenues. Forecasts are that a growth of one billion cubic feet per day in transportation will generate, by the year 2030, an additional $11 billion in aggregate taxation revenue, and it will attract capital investments. Natural gas transportation strategy will attract new capital, investments in infrastructure, and manufacturing and vehicle purchases.

Companies like Encana are spending dollars on infrastructure. We estimate companies will spend $3 billion over the next 10 years.

The third objective is lowering emissions. The transportation sector is one of the largest contributors to GHG and other emissions. Using natural gas for the transportation sector has been shown to lower emissions by 20%.

In order to achieve these objectives, we have three recommendations for budget 2012. The first is to review the codes and standards associated with natural gas production, refuelling, storage and handling. Also, through the Regulatory Cooperation Council, we recommend aligning our standards with the United States so we can have a North American natural gas transportation industry. The recent funding allocation for phase two of NRCan's roadmap needs to ensure standards for both CNG and LNG vehicles and infrastructure.

Our second recommendation is to undertake the study that builds on the recommendations from the NRCAN roadmap and focus on key areas in user fiscal measures that would incent adoption and manufacturing of natural gas vehicles, regulations required to support natural gas vehicles, and barriers that prevent importing existing natural gas vehicles, to name a few. It's worth noting that there are 40 natural gas vehicles produced in the world that could be important in North America today if barriers were removed for their importation.

Our third recommendation is to commit to having no taxation levies, such as fuel, excise tax, and road taxes, on natural gas as a transportation fuel.

Given the fact that we now have a government that looks further, we have two recommendations for budget 2013. First is to implement fiscal measures over the next 10 years to incent adopters and manufacturers of natural gas vehicles. We believe those measures will provide a revenue payback, be sustainable, and they will attract significant capital investments and create jobs.

The second recommendation is to create a funding program for greening fleets in municipalities across Canada. In terms of pollution, converting one garbage truck to natural gas is equivalent to removing 325 cars off the road.

Encana thanks the Standing Committee on Finance for consideration of our recommendations to ensure creation of jobs, sustainable source of government revenues, attraction of capital investments, and reduction in emissions.

● (0915)

[*Translation*]

Thank you very much.

[*English*]

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

We'll now hear from Mr. Bowie, please.

Mr. Bruce Bowie (President, Canadian Shipowners Association): Thank you very much, Mr. Chairman.

My name is Bruce Bowie. I'm the president of the Canadian Shipowners Association. Thank you very much for the opportunity to appear before you today to speak about icebreaking services provided by the Canadian Coast Guard and the need to provide funding to renew the icebreaking fleet.

You may have noticed, or I hope you noticed this morning the icebreaker *Griffon*, which was docked right in front of the hotel. That's the kind of fleet I'm talking about, and I am hoping we can encourage you to recommend more icebreakers in the system.

The Shipowners Association represents Canadian companies that own and operate Canadian flag vessels operating in the Great Lakes, the St. Lawrence Seaway, the eastern seaboard, and in the Arctic. In 2010 the 70-vessel fleet of our members handled 55 million tonnes of bulk commodities in support of the steel industry, agriculture, construction, and petroleum industries, among others.

CSA members will bring 12 brand-new vessels, highly efficient vessels, environmentally advanced ships, into the Great Lakes system over the next three years. However, the operational and environmental benefits of these vessels and indeed the huge economic impact of the marine transportation system is at risk if Canadian icebreakers are not available to keep them moving between December and April. Much the way that trucks cannot operate in the winter without snowplows, the icebreaker service provided by the coast guard is essential to keep ships moving to get products to the industrial plants and to the markets that our customers serve.

A recent Transport Canada study concluded that the marine transportation mode has the lowest environmental and social costs for most movements along the Great Lakes and St. Lawrence corridor, and the marine mode saves shippers approximately $2.7 billion per year in transportation costs. In addition, the seaway system is significantly underutilized and has the capacity to handle double the cargo movements that it's handling today. Therefore, optimizing the utilization of the marine mode presents an important opportunity for Canada and the U.S. to both realize environmental gains and also revitalize the economy.

Icebreaking on the Great Lakes is a joint operation between the Canadian and U.S. coast guards. Effective icebreaking safely lengthens the navigation system and supports industry customers in maintaining adequate inventories throughout the year.

The Canadian Coast Guard is currently not equipped with sufficient icebreaking assets to meet the demand for its services. The region of the Great Lakes where we are today is particularly challenging, as it actually includes three distinct areas of operation. First is the portion of the St. Lawrence Seaway from Montreal up to the Welland Canal, including Lake Ontario. The second, and this is the area that's served by the *Griffon* that was out there this morning, covers the area right from Lake Erie up to Lake Huron, the Detroit River, Lake St. Clair, the St. Clair River, and Georgian Bay, all by that one icebreaker. The third distinct area of operation is Lake Superior.

Traditionally, the coast guard deployed three icebreakers in the area. Now there are only two Canadian icebreakers in the entire Great Lakes system. Due to the age of the vessels and the coast guard no longer being capable of meeting the demand, it no longer deploys a dedicated icebreaker on Lake Superior.

Canadian ports and commercial shipping on Lake Superior are now completely dependent on the icebreaking services of the U.S. Coast Guard. That's a problem for us. For example, in 2010 the U.S. Coast Guard's medium icebreaker suffered a catastrophic failure and was unable to support the port of Thunder Bay. That delayed a number of Canadian vessels serving the Canadian markets.

The demand for icebreaking services is equally important in other areas of the Great Lakes. The St. Clair River is a critical waterway that experiences ice buildup, and again we had failures of the Canadian fleet in 2010 that resulted in no services available in this area, having again to count on the U.S. fleet.

There is the need for a growing presence in the Canadian Arctic. The coast guard is putting additional pressure on the south as resources are devoted to the north. There's nothing identified in future-year budgets to respond to the loss of resources in the south.

Specifically, what we are recommending is that the Canadian government develop a fund to program and fund the renewal of the icebreaking fleet that's used in the Great Lakes. Secondly, we are recommending that the Canadian government adequately fund and ensure that there are three icebreakers available in this huge area of operation, the Great Lakes.

● (0920)

We certainly recognize that there isn't funding available today to start building icebreakers. Nevertheless, you need to start the design now, so that when deficit reduction is resolved the program will be there.

Thank you.

The Chair: Thank you.

We'll now hear from Mr. Bateman.

Mr. Patrick Bateman (Policy and Research Advisor, Canadian Solar Industries Association): Thank you, Mr. Chair.

[*Translation*]

Good morning.

My name is Patrick Bateman. I am the Policy and Research Advisor for the Canadian Solar Industries Association.

[*English*]

CanSIA is a national trade association that represents approximately 650 solar energy companies throughout Canada. Our vision is that by 2025 solar energy will be a viable and mainstream energy choice for Canadian consumers without the need for government incentives.

On behalf of our membership, I thank you for the invitation to appear before the committee today and to expand on recommendations we made to the Senate Standing Committee on Energy, Environment, and Natural Resources last week as to how to achieve the objective set by the government and members of the House of securing Canada's future position as a clean energy superpower.

CanSIA's written brief outlines three recommendations. Today I wish to provide information to complement the first of these recommendations—that is, the recommendation to establish a multi-year 30% investment tax credit for solar energy technology.

In particular, I would like to speak to the necessity of evolving our current national policy framework instruments to reflect the rates for market share and competitiveness of the global solar energy market, the demonstrated success and popularity of investment tax credits for consumers and business markets in the United States, and the benefits that the implementation of a federal tax mechanism in Canada equivalent to the U.S. investment tax credit will bring.

In 2011 the Canadian solar industry is expected to employ a Canadian labour force of over 8,000, generate investment revenues approaching $2 billion, and to boast over 30 manufacturers of high-value solar energy equipment. To build on these early gains an efficient national incentive structure that succeeds in attracting and sustaining private investment in the solar energy value chain while still incenting sustained cost reductions and performance improvements is critically needed.

There are currently two prominent provisions under Canadian income tax regulations that seek to incent investments in solar energy technology. One is the accelerated capital costs write-off for certain capital expenditures, and the other is the full deduction or flow-through-share financing of expenses incurred during their development and start-up. These provisions are well intended but are not contributing to the realization of the full potential of the Canadian solar energy industry.

The market dynamic for solar energy technology is different from that of large centralized energy assets. The owners of and investors in distributed solar energy technologies are not always energy companies or commercial entities. They can also be households or families. Many successful residential solar programs have demonstrated the willingness of Canadian consumers to invest in solar energy technology for their homes. Neither of the aforementioned tax measures are extended to federal personal income taxes, thus this market remains unstimulated by federal tax policy.

Further, the deduction limitations of the aforementioned tax provisions mean that many of the commercial potential adopters of solar energy technology are also not incented, as many do not have sufficient tax liability to benefit from the incentive. Members will recall that CanSIA is proposing a multi-year 30% investment tax credit that is equally applicable to individuals, households, businesses, and industry. The benefits of such an incentive would be to broaden the accessibility of existing federal tax policy to incent the private sector, both small and large, to invest in solar energy technology, to introduce stability into the solar energy market, to incent long-term investment in job creation in the solar value chain for the solar energy industry, and to support public policy objectives for energy and environment.

The United States has had a 30% investment tax credit in place since January 1, 2006. It is available to individuals and businesses alike. It has evolved, been amended, and has been extended to reflect changes in the marketplace and the successes that it has driven. Experience in the U.S. has shown that the U.S. ITC is an extremely successful measure for driving industry growth. Since its implementation, installations have grown by 800%. Solar photovoltaic manufacturing capacity has quadrupled and the average cost to consumers has fallen sharply.

In the 12 months prior to August 2011, the American solar industry created 6,735 jobs bringing the current total to over 100,000. Compared with the overall economy, which grew by only 0.7% during that same period, the solar industry experienced 6.8% growth. The U.S. has benefited significantly from effective solar energy policy mechanisms. So too could Canada.

Thank you for your attention to the potential that accelerating the deployment of solar energy with amendments to Canada's solar energy tax policy would bring to Canada and Canadians.

● (0925)

Similar to other energy sector developments where governments have taken a leadership role, the federal government can contribute to a stable solar sector by introducing an ITC to meet consumer demand.

Finally, as job creation remains an important issue for governments across the country, we believe the solar sector can contribute to replacing jobs lost in other industries, like the automotive sector. We've seen many new solar manufacturing jobs created in Windsor—

The Chair: Okay. Thank you.

Thank you for your presentation.

[*Translation*]

We will begin with Mr. Mai. You have five minutes.

Mr. Hoang Mai (Brossard—La Prairie, NDP): Thank you, Mr. Chair.

My thanks to the witness for preparing these briefs and for providing us with good presentations.

I would also like to take a moment to thank my colleagues for the announcement of the replacement of the Champlain Bridge. That is one of the matters we have talked about at the Standing Committee on Finance at times.

[*English*]

My question is for the Association of Equipment Manufacturers.

You mentioned in your presentation that one of your recommendations is with regard to investment in infrastructure. The reason I bring up this point is that a lot of people, including expert economists and a lot of organizations we've met, have said that we need to invest in infrastructure. When do you think we should invest in infrastructure, and how?

Mr. Howard Sellick: In reference to infrastructure, we refer to bridges, roads, and harbours. In our local area, there are a lot of infrastructure projects going on here in Windsor. When you're in the dirt business, that's what it's all about: bridges and roads. Basically, that's how we refer to infrastructure, but when you say “now”, I don't know....

Howard, would you comment on that?

● (0930)

Mr. Howard Mains (Canadian Public Policy Advisor, Association of Equipment Manufacturers): Thank you.

With any of these projects, the need to move forward is important. Of course, an infrastructure project like the Champlain Bridge in Montreal, which I was over last week, is a long long-term project—upwards of 10 years, from what I understand.

But the important thing on infrastructure, whether it's a bridge or an icebreaker like Mr. Bowie referred to, is that the timeline for developing these things is so long that you actually need to make a decision now so that you can get the project planned and under way and so that 10 years from now you actually do have a bridge or a new icebreaker or whatever it may be. The important thing is the timeline associated with these major projects.

Mr. Hoang Mai: Thank you.

I've heard today from two presenters the term “clean energy,” one presenter from the solar industry, one from the natural gas industry.

First to the Solar Industries Association, what is your definition of clean energy and how do you think your proposal would help the environment?

Mr. Patrick Bateman: I think there are numbers of different definitions of clean energy. They all apply to future sources of energy that have a less harmful impact on the environment through their use and through their extraction. Solar energy fits very well into that definition and can also be called renewable, as the resource is not finite. We believe that solar energy has a particularly good value for inclusion in Canada's clean energy future.

When in operation, solar energy creates no emissions, no pollution, no surface water run-off pollution, and no emissions to air. In operation, it's 100% clean energy with no harmful impacts. Manufacturing processes are being improved at present, and the energy payback, the amount of energy that's put into creating these technologies, is often currently recovered within about three years, and that is currently being reduced as well. If that solar technology is in operation for 30 years, then that's 27 years of pollution-free and clean renewable energy.

The Chair: You have 30 seconds.

Mr. Hoang Mai: Quickly, maybe we could have your version of clean energy, Mr. Shaw.

Mr. Sam Shaw: First of all, certainly when you start looking at the electricity regulation that's proposed and coming out, it looks at lower carbon dioxide using combined natural gas cycle generation. But clearly when you start looking at transportation, it's not only carbon dioxide, but nitrous oxide, sulphurous oxide, mercury, and particulate. That's certainly one of the key components in the U.S. with their Clean Air Act.

The Chair: Thank you, Mr. Mai.

We will go to Mr. Van Kesteren, please.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you all for coming to beautiful downtown Windsor. I don't think you will get a prettier sight than looking at Detroit through the glass here. This is our stomping ground. Brian and I have worked on industry for quite some time, and we are very pleased to have you all here.

I wish I had enough time to ask you all questions. I am going to zero in on the natural gas people. It is no secret that I have been a strong advocate of the natural gas industry, specifically with the transportation. Alicia, maybe you will have a chance to tell us at some point about the natural gas truck that is going to be coming to Ottawa so all of us can view it. I think that is happening in November.

We've been looking for ways to improve and to introduce a natural gas vehicle into the marketplace. There was a provision for $50 million to develop transportation sector regulations and next-generation clean transportation initiative. Can you maybe just comment on that quickly? I have some more questions too. Were you able to tap into that? What are some of the things you could do with that?

Ms. Alicia Milner: Thanks to the Government of Canada, we were successful in getting a $1.4 million capacity-building initiative in budget 2011. This will help with codes and standards as well as education and outreach to the market.

One of our challenges on natural gas is that it has been around a long time. We have a lot of users out there who tried the early technologies. The municipal sector especially had a difficult experience, and we really need to update in terms of what the technologies are capable of now. We are currently working with Natural Resources Canada on that initiative over the next 18 months, and that is going to be very helpful too in terms of levering the private sector investment that is happening on the ground and also learning from these early projects so that not every project has to be a trailblazer. We can learn from the Robert project, for instance, and spread that knowledge across Canada.

● (0935)

Mr. Dave Van Kesteren: You've mentioned the Robert project, and I think it is essential that you point out and tell the committee how the transportation community is beginning to look seriously at natural gas. Maybe you could just talk about a company like Westport. The technology is cutting edge. This is a Canadian company. The former mode of natural gas was an add-on. This is an engine that is designated for natural gas. Maybe you could tell us about the interest in the transportation industry in natural gas transportation.

Ms. Alicia Milner: Sure.

On the Westport technology, as I mentioned in my remarks, Peterbilt just got SmartWay certification for their LNG tractor, and actually we will have the first one in Canada out on Sparks Street October 19. We certainly welcome all of you to come by and take a look at that.

There was an earlier question around clean, what we mean by clean. I would agree with the gentleman from the solar industry. It is something that is incrementally better. With this particular technology, it matches the efficiency of diesel, 25% carbon benefit and an operating cost benefit.

The kind of interest we're seeing at this early stage is really from the larger players in the market. Robert is starting with this project with 180 LNG trucks, but we have also other fleets, like Trimac Transportation, like Armour, Challenger Motor Freight, etc., looking at this technology. Really, proof of performance is the first thing these fleets are going to look for: is it real, can I save money, and will it help me sell my services to my customers—i.e., selling a greener service. That's really where we see the fleet interest on this.

Mr. Dave Van Kesteren: Mr. Shaw, we know we have an overabundance of natural gas, and it's not just vehicles, of course, that can benefit from this. Can you maybe tell us about some other projects? I am curious, for instance, about energy. We're closing our coal plants. We see the wind turbines that service small areas. Can we produce energy plants that are smaller, that would serve our smaller areas? Have you looked at that? Is there new technology involved in that as well?

Mr. Sam Shaw: That's a great question. Combined micro heat and power using natural gas has been looked at in Saskatchewan in a big way, putting the power generation where the demand is using natural gas. A lot of those initiatives are occurring, particularly in the U.S.

The other aspect is in our own operations we're converting our drilling rigs using natural gas. They are quiet, cleaner and so forth.

I have to tell you that there are lots of applications for natural gas. It comes back down to that we need to do more research and use the abundant, secure natural gas that we have for other applications.

The Chair: Thank you.

We'll go to Mr. Brison, please.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you very much to each of you for edifying us this morning.

My first question is to Ms. Milner, on the Natural Gas Vehicle Alliance issues. I think all of us believe very strongly in helping to stimulate demand for technologies and approaches in industries that help make Canada more competitive in terms of the emerging green economies. There's a school of thought that the ascension of the electric car technology and the end of the internal combustion engine is closer to a reality than we thought even two to three years ago. We recognize that as perhaps an iterative technology, natural gas is an important one, but do you agree that it's an iterative technological approach as we move towards what could be the end of internal combustion engine technology and the evolution towards electric cars?

Ms. Alicia Milner: That's a big question. Of course the internal combustion engine is notoriously inefficient, but it's all we've got right now. I think what we're seeing now in the market and with a lot of experience with different alternatives over the last 10 to 15 years, whether it's hybrid technology—propane, natural gas, hydrogen, or electric—is that we really need to be smarter about focusing first on the niches where these technologies fit the best.

Natural gas, of course, on the first go-around, was going to fuel everything with wheels in this country. I think there were a lot of hard learnings from that first go-around, both on the government and the private sector side. This time, starting with the medium and heavy vehicles, particularly a tractor trailer, that's not a particularly good application for electric because of the battery demands. But the passenger vehicle or urban delivery could be a very good fit with electric, and we're going to see that now as more of the automaker products come into the market.

Just to give you an idea, though, the heavy vehicles are only 4% of our vehicles but a third of our onroad carbon. We really think this portfolio approach is very important to move forward.

● (0940)

Hon. Scott Brison: So there could be synergies even in terms of carbon—

Ms. Alicia Milner: Absolutely. Thank you.

Hon. Scott Brison: I agree with Mr. Sellick in terms of making the accelerated capital cost allowance a more permanent fixture, because companies can't make important decisions on a two-year horizon. You have to be able to predict that. That's something the committee should take very seriously.

In terms of the solar industries, the green retrofit program that was available to Canadian homeowners previously and then was cancelled was brought back last spring for a one-year period. Would you agree that making these more permanent, not introducing them and pulling them back and reintroducing them, would have a significant impact on consumer demand for these technologies and approaches?

Also, I would appreciate your views in terms of the power of government procurement. The federal government buys $14 billion to $15 billion worth of goods and services a year, plus manages seven million square metres of office space, making what would be the largest commercial landlord in the country, if it were a private landlord. I'd appreciate your views on government itself helping create a market by investing proactively in these emerging green economic spaces.

Mr. Patrick Bateman: Thank you, Mr. Brison.

With regard to stability in government programs for stimulating market activity, many of our members would agree that they would prefer a stable and predictable policy environment rather than higher rebates. It's a very strong driver for growth when the future can be foreseen.

With regard to government procurements, the Government of Canada is doing a good job with their sustainable procurement policies. All government buildings currently have to achieve a standard for LEED, which is “Leadership in Energy and Environmental Design”. Within that program, there are also opportunities for the integration of solar technologies put into those buildings as well.

The Chair: You have 30 seconds.

Hon. Scott Brison: One of the things that can help in terms of government procurement is if—and this is a Treasury Board issue—we simply consider life-cycle costing for every acquisition, every purchase, because then you're not considering simply front-end cost and life-cycle costing. That might be something the committee considers in terms of recommendations in terms of government procurement as well.

The Chair: Thank you.

We'll go to Mr. Hoback, please.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair.

I want to thank you all for being here today. It's great to see you here.

I must repeat what Mr. Van Kesteren said about the view we have behind us here. It's actually great to see Detroit with some bright lights on it.

I'd like to talk to all of you, because all of you have some good ideas on the budget, but we only have five minutes. I think I'm going to the area I've had some expertise in in the past, and that's the Equipment Manufacturers' Association, and some of the things you're doing, Mr. Sellick.

You talked about the two years depreciation. Can you give us the uptake on that? You've used that now for two years. What would have happened in your scenario if—

Mr. Howard Sellick: In our scenario, basically we're a debt-free company. We don't have a line of credit. We can purchase equipment and use that tax credit as—

Mr. Randy Hoback: But you've been using it. If it weren't there, would you have proceeded with the purchase that you made?

Mr. Howard Sellick: I would say no. It's been a definite asset to our company and also to other member companies across Canada.

Mr. Randy Hoback: I notice you talked about MacDon.

Mr. Howard Sellick: Yes, that's in Winnipeg.

Mr. Randy Hoback: I know them very well. Would they have made the purchases, investments in their companies?

● (0945)

Mr. Howard Sellick: Yes, in software. They've made quite a few purchases in software and that type of thing.

Mr. Randy Hoback: You also talked about trade and the importance of trade. I know MacDon is selling swathers and harvesting equipment all over the world. Of course, our government's been very active on the bilateral front doing trade agreements in Colombia, Panama, and now one in Honduras. What has your association been doing to follow up with those trade agreements to see that your manufacturers are actually going into those markets now, seeing what opportunities exist and trying to take advantage of those opportunities?

Mr. Howard Sellick: There are a number of manufacturers from our trade association going to South America this month. This trade mission was all set up through the Association of Equipment Manufacturers. They've set up appointments with different government officials and dealers of our equipment. We've been very active. That's all happening, and I think we leave in the middle of the month.

Mr. Randy Hoback: So again—those bilateral agreements—you wouldn't be going unless you had some trade agreements with some of these countries?

Mr. Howard Sellick: That's correct.

Mr. Randy Hoback: Those doors have been opened for you, so you're actually taking advantage of those open doors.

Mr. Howard Sellick: Yes, we are.

Mr. Randy Hoback: Your company talked about the unfortunate situation of laying off 27 people. If we hadn't made these moves two years ago, how bad would the bleeding have been? Would it have been just 27, or would it have been more?

Mr. Howard Sellick: Fortunately, western Canada has been very good to us, as I mentioned, in the oil sands and in the potash mining, but actually housing starts have a lot to do with our industry. Basically the housing starts led to the layoffs.

Mr. Randy Hoback: So it's tied more to the forestry sector that was still—

Mr. Howard Sellick: Right, exactly. The construction sector is actually the slow sector, and that's all geared to housing starts. Unless we see some improvement in housing starts, especially in the U.S., we're not going to get those 27 people back to work.

Mr. Randy Hoback: So your business is tied to the forestry sector, it's fair to say.

Mr. Howard Sellick: Yes.

Mr. Randy Hoback: There probably was nothing we could have done in that area, because it's tied to the U.S., like you said, that would have saved those jobs.

Mr. Howard Sellick: That's correct, exactly.

Mr. Randy Hoback: Okay.

Again, some parties are saying that we should increase our corporate tax rate by 2%, take that money and redistribute it back to the people who get laid off from raising the corporate tax rate. Would that be a fair statement to make in your sector?

Mr. Howard Sellick: That's a question I think I'd better refer to my colleague, Howard.

The Chair: He's referred it back to you, Mr. Mains. You've got about 40 seconds.

Mr. Howard Mains: Thank you.

I think the philosophy of lower tax rates has been welcomed by not only members of AEM, but I'm sure also by member companies of the other associations represented here.

Mr. Randy Hoback: Do I have a little bit of time?

The Chair: Twenty seconds for the question and answer.

Mr. Randy Hoback: Mr. Westcott, I just have to say that the spirits industry must be the happiest industry around the table, most of the time anyway.

I guess I'm looking at what you see for investments happening in this sector now in Canada. Do you see it still moving forward, more investment?

Mr. Jan Westcott: No, frankly. We're not competitive. It's very difficult to attract investment to Canada. If you are in the whiskey business globally, the returns available in the scotch whiskey business, the bourbon business, and the Irish business are far greater than they are in Canada. So it's a struggle to get investment in to maintain the industry. The tax rate goes a long way to that.

The Chair: Thank you.

I'll have to follow up on that, I'm afraid.

We'll go to Mr. Marston, please.

Mr. Wayne Marston (Hamilton East—Stoney Creek, NDP): Thank you, Mr. Chair, and I want to welcome everybody today.

I'm going to try to be fairly quick.

Mr. Shaw, we hear you about the review of the codes. That's probably very timely. But one question that comes to mind with both you and Ms. Milner is what are the reserves of natural gas? What are the deposit reserves that are available to us?

Mr. Sam Shaw: As I indicated, from what we know now in terms of current demands, we have over 100 years supply of natural gas. If you start incenting more demand, you'll start incenting more exploration. With some of the finds that will probably even grow higher and higher.

Mr. Wayne Marston: Mr. Bowie, how long does it take to build one of the icebreakers, and what would you guess a one-unit cost would be?

Mr. Bruce Bowie: I think the key point I was trying to make today, and Howard made earlier, is that you need a significant planning period, design period, specification tendering period, in order to get one of these icebreakers in the water. That's probably a three-year to four-year period before you get the icebreaker at the end.

What we're looking for.... There's nothing in the coast guard plan to replace those breakers—

● (0950)

Mr. Wayne Marston: I'm on your side on this one.

Mr. Bruce Bowie: —and there's nothing in the plan to—

Mr. Wayne Marston: Do you have a sense of the cost of one unit?

Mr. Bruce Bowie: It's quite a range of cost. If we look at the icebreaker that's being built for the Arctic, it ranges up to $1 billion for something with that capability.

For something in the south that doesn't have the kind of requirement as is needed for arctic ice, I would say it's somewhere in the range of $150 million to $200 million.

Mr. Wayne Marston: So if we dropped 15 F-35s we might have a shot at one then.

Thank you very much. I'll move on without being too facetious.

Mr. Sellick, I'd like to ask you a question.

On our very first panel we had a kind of consensus that now wasn't the time for the government to be particularly austere, but to invest. Canadians are highly indebted. There's $500 billion of business money being held back because of fear of a bank credit crunch. Would you agree that now's the time for the federal government to start to address the $130 billion deficit in infrastructure? Because you mentioned infrastructure that the Federation of Canadian Municipalities has said is out there and needs to be addressed.

Mr. Howard Sellick: Yes, I would agree with that.

Mr. Wayne Marston: That was simple.

Do I have two minutes left? My goodness.

When we're talking infrastructure, there are social infrastructure problems as well. I was a school board trustee, and we had 28% dropout in our schools. That was because people were being streamed toward college and university. When I look at the array of people here right now, if the 28% that dropped out got into technical trades they could probably fit into the businesses that you have. What I'm concerned about is, is your business working with the community colleges and such places to try to stream some of the people who...? Well, if you drop out of high school you're going to live in poverty. That's the fundamental of my question.

Mr. Howard Sellick: Actually, our association has a program where we're working with students. There is a shortage of technicians in our industry. We have a program, working with the local colleges, to try to get these people into our industry.

Mr. Wayne Marston: Good. Thank you.

That must be two minutes. I've one minute left. I'll have to scratch my head.

The Chair: The chair would always appreciate your time.

Mr. Wayne Marston: Actually, I'll pass on this.

The Chair: Thank you.

Mr. Shaw.

Mr. Sam Shaw: I would like to comment. As the former president of the Northern Alberta Institute of Technology, I want to say that over the last ten years more and more people, both women and men, have gone into the trades and we've worked hard at promoting that as a great career option.

Mr. Wayne Marston: They also can make $100,000 per year. This is a decent career option for most people who don't have other options. It's a fine place to go.

Mr. Sam Shaw: Certainly the apprenticeship grants and so forth that have come on recently have been very good.

The Chair: Thank you, Mr. Marston.

We'll go to Mr. Adler, please.

Mr. Mark Adler (York Centre, CPC): Thank you, Chair, and thank you all for being here today.

My first question is to Mr. Shaw.

Canada's Minister of Natural Resources recently made a speech in Ottawa, at the Economic Club of Canada, in which he mentioned two words—natural gas. What do those two words mean to you?

Mr. Sam Shaw: Certainly we heard a tremendous commitment by our minister in regard to looking at Canada's secure natural gas resource. I think his speech was also looking at how we might use that in better ways, such as transportation, power generation, and so forth. For me, it was really good recognizing that we do have a key asset that is secure that we need to extrapolate into other marketplaces. I thought he did an excellent job on that.

Mr. Mark Adler: Mr. Sellick, I suspect you would be in favour of creating a North American perimeter and pushing the borders out as far possible.

Mr. Howard Sellick: Well, yes, I would have to say. Living 20 kilometres from the border, we've got truck traffic back and forth. We have personnel who are moving back and forth.

I'll quickly give you a perfect example of what we face. We have 75 dealers with 250 locations across the U.S. For product support, we have a truck that goes to FEDEX and UPS every day, five days a week. We have a cutoff time to get to UPS or FEDEX. We have to be there at a certain time. The truck actually leaves our little town of Harrow at four o'clock in the afternoon, and if we miss that cutoff time, we miss the guaranteed service the next day to our customer. That happens about three or four times a month. That's just due to the congestion at the border, and U.S. customs plays a part in it too.

● (0955)

Mr. Mark Adler: Yes. So a perimeter concept would certainly help on that.

Mr. Howard Sellick: Oh yes, by all means.

Mr. Mark Adler: Okay.

Mr. Westcott, how have the trade agreements that our government has negotiated since 2006 helped spirits? I believe there have been nine of them.

Mr. Jan Westcott: Very well. We're strong supporters of enhanced international trade. Some 75% of what we make in spirits in Canada is exported. We are significantly an export business. It's a pretty simple business. We convert Canadian agriculture produce into higher-value products that we sell around the world.

We have been active supporters. I think some of the members around the table here would have had visits from us on deals like that with Colombia. We were the only national industry that stood up publicly and said we should do the Colombia deal.

In our particular business, because there are phase-outs, a lot of it has to do with tax treatment and access to the consumer. In fairness, I have a phase-in period, so there's a working-in period. But we see a tremendous opportunity. The trick is having enough capital to be able to go and exploit those markets for Canadian whiskey and some of our other spirits products. But we are very strong supporters and encourage more; we encourage a strong push on that.

Mr. Mark Adler: On the bilateral trade front.

Mr. Jan Westcott: Absolutely.

Mr. Mark Adler: I'll go back to you, Mr. Sellick.

It was mentioned earlier about *Forbes* rating Canada as number one in terms of economic performance and investment. To a large extent, that's due to Canada's low tax plan to create jobs and boost the economy.

How would your members feel about an increase in corporate taxes, and how would that affect their business?

Mr. Howard Sellick: That's probably a better question for my CFO, who is my twin brother. But nobody likes to see an increase in taxes. You've got to understand that in our association, the big percentage of our members are in the U.S.; the smaller percentage is in Canada.

There again, maybe my colleague might want to comment on that.

The Chair: We are over time here, Mr. Adler.

Mr. Mark Adler: Oh, are we? Okay.

The Chair: Maybe we'll return to this later.

[*Translation*]

Mr. Giguère, you have five minutes.

Mr. Alain Giguère (Marc-Aurèle-Fortin, NDP): Good morning, Mr. Chair.

My thanks to the witnesses for joining us today.

My first question goes to Mr. Sellick.

Since Canada has lost no fewer than 300,000 jobs in the manufacturing sector, you will understand why we want to encourage you to get those jobs back.

The CCA, the two-year capital cost allowance for manufacturing equipment...In my tax law practice, I have noticed, in terms of lifespan, that it is generally only a matter of two or three years before new equipment has to be modified. The fact that the duration of the allowance is two years simply recognizes that, in a modern economy, the shelf life of a piece of equipment before it is modified is about two years.

[*English*]

Mr. Howard Sellick: The shelf life, what you're referring to, is more than two years.

● (1000)

[*Translation*]

Mr. Alain Giguère: Without being modified.

[*English*]

Mr. Howard Sellick: Yes, we would have to make modifications in software and upgrades.

[*Translation*]

Mr. Alain Giguère: Thank you very much.

My next question is for Mr. Bowie. You were telling us about a local problem with the Canadian Coast Guard. If I am not mistaken, the decisions to be made will have an effect in 10 to 15 years.

With climate change, the opening of the North-West Passage, mining in the far north, offshore development problems that are only going to get worse, and the ever-increasing amount of shipping off Canada's coasts, we can see that the Canadian Coast Guard already is no longer up to the task, broadly speaking.

If decisions on major changes are not made right now, there is no way that it will be able to assume its responsibilities in 15 years.

Mr. Bruce Bowie: Thank you, Mr. Giguère.

[*English*]

I certainly agree with your observations. The demand for coast guard services not only in icebreaking but also in other areas of search and rescue, and in many other sectors of the economy, is increasing as the use of the waterways continues to grow and new opportunities open up. As an industry that depends so much on the coast guard for services to keep products moving in our economy, we share your concern about ensuring there is sufficient funding going forward.

The fleet is relatively old. Many of the ships in the system will require replacement over the time you're talking about. There really needs to be a fleet renewal plan. Sufficient attention given to a fleet renewal plan today would enable us to respond to those demands in the future.

[*Translation*]

Mr. Alain Giguère: Basically, the problem is that we are replacing one ship with another. At the moment, the Canadian Coast Guard is not able to provide ocean-going tug service should a supertanker run into difficulty in Canadian waters and need help.

We do not have ships of that kind. The Canadian Coast Guard's present plan does not call for any. It is all very well to consider replacing 15 helicopters with 15 others, but that does not consider what the needs will be when the helicopters arrive.

There are no projections for what the Canadian Coast Guard will have to be doing in 15 years. In all the documents I have seen, I have read nothing about that. Even the increase in Canadian coastal shipping is not considered at the moment.

[*English*]

The Chair: Give us just a brief response, Mr. Bowie.

Mr. Bruce Bowie: I understand that the coast guard is looking at their fleet renewal plan. The issue is finding the financing to address that plan into the future. That's the key issue this committee should be looking at.

Thank you.

The Chair: Thank you.

We'll go to Ms. McLeod.

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

My comment may be seen to rebut Mr. Marston's. Certainly infrastructure is absolutely critical, but I don't think there was consensus that we need to do a massive new stimulation program. We've made gas taxes permanent; we have the big naval procurement plan; and we have our Building Canada continuing. There was no consensus that now is the time for huge new stimulus spending. I just wanted to make that point.

Mr. Shaw, yesterday we heard a witness, and he talked about how the Government of Canada subsidized the oil companies with a billion-dollar tax incentive. Can you confirm that oil companies pay their fair share of taxes, that they have the same opportunities for write-offs that other companies have, and that there is no special giant subsidy for the oil companies?

Mr. Sam Shaw: Thank you for that. It's not my area of expertise, but I will make a comment.

I think when you start looking at the whole picture, at the royalties paid by companies—in Canada, it's only for natural gas—at the investments, and at the manufacturing in Ontario, which is directly related to the oil sands and natural gas, it's up to about 40%.

When you start looking at the overall investments by oil and gas companies, it is very significant. On the employment side, which is very significant, one of our issues will be a skill shortage. But clearly, I think the oil and gas companies have contributed significantly.

● (1005)

Mrs. Cathy McLeod: Thank you.

I'm going to go to Mr. Bateman next.

I'm going to show my age a little bit. It was in the 1970s, and the family was putting in a pool. I think we were one of the first to use solar panels to heat the pool. At the time, not only was the infrastructure for using solar panels versus using traditional heating systems comparable, but it was an absolutely good way to go in terms of payback over time. That was in the 1970s, and at that time the business case was there for something simple like heating a pool. Why hasn't that taken off, given the business case?

Mr. Patrick Bateman: For low-temperature applications, solar thermal currently offers similar or better performance than the conventional alternatives, in many cases. For commercial space heating, solar air technologies are currently being marketed in the North American market at rates that are lower than heating oil and other conventional fuels. At present, in most cases, solar thermal technologies do not compete with the market rate for natural gas, but in many other applications beyond natural gas there are a number of different comparable applications.

For the generation of electricity, again, there are a number of different applications where, on a large scale, the price of electricity can be close to 35¢ or 40¢ per kilowatt hour, which would be comparable to some new fossil fuel builds, if externalities were included. There are also remote applications, where they do not have access to the grid, where solar electricity would be comparable to the conventional alternatives.

The Chair: You have one minute.

Mrs. Cathy McLeod: In Kamloops we did an eco-home. It was an absolutely great partnership with CMHC and the local builders. It was net energy, and it was just phenomenal in terms of the solar panels. They were quite attractive looking.

You have a suggestion. Do you have any programs that you could say are currently inefficient? Because of course we have a shortage of cash in terms of the government. Is there something where you would suggest a shift of the focus?

Mr. Patrick Bateman: With the conclusion of the ecoENERGY suite of programs on March 31 of last year, there has been an extension of the residential program. In the absence of that, the policy framework for solar energy is reliant on the two tax provisions mentioned in my presentation. Both the association and our membership have experience in many different jurisdictions around the world, and we'd be very pleased to explore some of the other demonstrated successes and give the committee some information on how they could be applied within Canada today.

The Chair: Thank you.

We'll go to Mr. Masse, please.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

I'd like to thank the committee for coming to Windsor to hear from the witnesses. And I thank the witnesses for being here as well.

This is my riding, and I'm very pleased to see out the window Highway H2O, which is very important. As Mr. Bowie has noted, if we don't get those icebreakers, Mr. Westcott, we might go back to the days of rum-running, which took place there. They'll be literally driving the cars over the ice fields. It's important to note that without that plan, we're going to lose a lot in the economy.

I want to go to Mr. Sellick, being the local person here. I would like to ask you a question about the capital cost reduction allowance. A number of us on this committee went across Canada for our manufacturing study and called for a five-year plan for that.

What we have to make, as a governing society, is choices. If we're cutting revenues through corporate taxes, and at the same time requests for infrastructure incentives and other types of subsidies keep coming in at the level they are, we won't have those revenues. If you had to make a choice in terms of jobs and employment, and you'd lost over 20 workers, despite having lower taxes over the last number of years, would you choose the capital cost reduction allowance or the modest corporate tax cut change? What would be preferable to you to actually put people back to work in your shop?

● (1010)

Mr. Howard Sellick: We'd like to see the two-year plan made permanent. That's what we would prefer.

Mr. Brian Masse: And that would be more likely to put people back to work on your shop floor?

I think that's what we really need to focus on as a nation: what are the things that are specifically going to drive job creation.

Mr. Howard Sellick: Yes, that gives us the equipment. We can invest in the equipment and in the people to run that equipment. We really prefer that.

Mr. Brian Masse: As well, with regard to the border, there is discussion about a perimeter.

I work with the U.S. and Canadian officials on a regular basis, in Lansing and Washington, and there have been a number of programs announced, so-called, that would de-thicken the border.

Over the last number of years, would you say the border has been relatively unchanged, in terms of your operations getting across there? Would that be fair to say?

Mr. Howard Sellick: I think the border changed after 9/11. The congestion is just one part of the problem; the other problem is U.S. customs.

Mr. Brian Masse: Exactly.

Mr. Howard Sellick: I'm NEXUS-approved because I'm back and forth. My wife is an American and I have children who live in the U. S. In Canada, the NEXUS program works 100 percent. On the U.S. side, I don't even go in the NEXUS lane any more. It's easier for me to go in the regular lane.

Mr. Brian Masse: This is the problem. We've been signing agreements, like the Shiprider agreement and others, which claim they're going to de-thicken the border. They haven't, and it's because of the administrative processing issues that are taking place. The new border crossing we hopefully get in Windsor—we're just waiting for Michigan to finally act—will hopefully open up some new channels and better lanes. But it's also the processing that seems to be lost.

I would like to quickly ask anyone who wants to comment, how has Buy America affected your companies? That's a huge issue. There's the Buy American, which was brought in in 1936, and there is Buy America, which is the current barrier we're facing.

The Chair: Mr. Sellick.

Mr. Howard Sellick: With regard to Buy America, that's a tough one. The hard core of the product that we manufacture has a lot of American content in it, especially when it comes to hydraulics and things of that nature. That's a problem for us, because in order to produce this product and be competitive in the marketplace, we have to source the components from the United States.

The Chair: Does someone else want to comment on that question?

Mr. Shaw.

Mr. Sam Shaw: In terms of global threats, looking at the carbonization of the oil sands is a bigger threat than Buy America right now. I think it's vigilant for us as a Canadian population to tackle that issue, because they are certainly not doing the same thing with the Russian oil and so forth.

I think we need to be vigilant and I think we need to be global.

The Chair: Okay, thank you.

We'll go to Mr. Jean, please.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair.

With regard to that, Russian oil, California crude, Venezuelan crude are all more carbon intense than oil sands from Fort McMurray. Certainly if you look at what's happened in Nigeria—oil flowing freely in the rivers—and the violence that's brought about as a result of different conflicts over oil in different countries, none of that happens in northern Alberta; none of that happens in Canada. It's a great story, and I think we should talk about it a lot more.

In fact I'd like to congratulate Mr. Masse today. There's been more attention by our federal Conservative government in his riding—more money spent than any other constituency in Canada. One of the first bills we passed as a government was Bill C-3, the International Bridges and Tunnels Act, which facilitated the ability of the federal government to move forward on things like international crossings, and the loan to Michigan, etc.

I mean, there's been no more attention paid by this Conservative government to anywhere in Canada than Mr. Masse's riding, and I would think he would do nothing but thank us for that today. Notwithstanding that—

● (1015)

Mr. Brian Masse: I'll show you how to get results.

Mr. Brian Jean: Yes, we're very good at it. Thank you, Mr. Masse.

To the Canadian Solar Industries Association, how many people work full time for the industry in Canada?

Mr. Patrick Bateman: Within the Ontario photovoltaic industry in 2011, the figure is 8,200. Within the rest of the country, we could expect something in the region of 2,000 individuals.

Mr. Brian Jean: So that would be about 10,000 people across Canada.

Now, in this particular industry, 80% of the workers are in Ontario because it's heavily subsidized by the Ontario government. That is the reason why obviously there are more. Is that fair to say?

Mr. Patrick Bateman: That's correct. The Ontario program is the most comprehensive of all policy frameworks within Canada today.

Mr. Brian Jean: In fact, it is my understanding that it is the most comprehensive in most of the world, except for possibly Australia and some places in Europe.

Mr. Patrick Bateman: That's correct. It's the most attractive.

Mr. Brian Jean: I'm not going to go into particulars about the studies and how much it would cost to produce solar panels if it weren't subsidized. Let's face facts: you wouldn't be in business.

I would make a comment, though, on LEED buildings. I looked at building a LEED building in downtown Fort McMurray, and the prices I got were substantially more than conventional construction. In fact, the price I got was $32 million, compared to somewhere in the neighbourhood of $27 million.

Would it be fair to say that a LEED building would cost somewhere between 20% and 30% more than a traditional conventional building?

Mr. Patrick Bateman: To speak to Mr. Brison's points earlier on, the up-front capital cost does have a premium. I wouldn't be entirely familiar with it as a percentage, but over the lifetime of that building, one could expect that the total operational costs would be less or would—

Mr. Brian Jean: Over a 30- or 40-year period, yes. I understand that. Thank you for that.

Now, I would like to talk a little bit about the Association of Equipment Manufacturers. I have been in a family business since 1967. It's a great pride for my family to have that opportunity. How many members do you have in Canada and the United States? I looked on your website and I couldn't find the information.

Mr. Howard Sellick: That's a good question.

Mr. Brian Jean: That's why I'm asking.

Mr. Howard Sellick: It's got to be around 2,000 members.

Mr. Brian Jean: All right. Do you know what percentage of membership you have in Quebec?

Mr. Howard Sellick: I'll refer that one to Howard.

Mr. Brian Jean: Well, I don't want to spend a lot of time on it because I don't have a lot of time.

Mr. Howard Sellick: We can get back to you on that.

Mr. Brian Jean: Okay. That's great.

Mr. Howard Sellick: We can get those figures for you.

Mr. Brian Jean: It's fair to say, though, that you have a lot of equipment manufacturers in Quebec.

Mr. Howard Sellick: Yes, we do.

Mr. Brian Jean: Okay. Now, you know Fort McMurray is an anomaly by itself. In 1967, 1,500 people lived there and I was one of those people. In 1999, 30,000 people lived there, and today we have 100,000 full-time residents and probably another 45,000 people working there, Canadians working there. So about 140,000 people work in the oil sands or live in the oil sands area, and it's a very impressive story.

The story you've given me—and we talked just briefly beforehand—is a story I hear all the time. Whether they're in Quebec or Ontario or the Maritimes, people have companies that produce things for the oil sands. You've mentioned that three-quarters of your equipment currently goes to the oil sands or the potash companies in Saskatchewan. I think people don't recognize that there are 40,000 jobs, notwithstanding the oil sands, 40,000 people who work for oil sands companies or related manufacturing in Ontario. There are 40,000 people, of whom you have some, who say they are directly or indirectly working for the oil sands companies.

Mr. Howard Sellick: Yes. I think in answer to your question, the equipment that we manufacture is for some of the industries that cater to the tar sands. The rental companies use a lot of our equipment up in Fort McMurray.

Mr. Brian Jean: Yes, and I understand that.

Now, I have about 500 questions, but of the ones I can get in, I'll ask this. If the oil sands shut down today, what would happen to your business?

Mr. Howard Sellick: That wouldn't be good. I'll tell you that.

Mr. Brian Jean: In fact, I see that among your equipment manufacturers you have agricultural, construction, forestry, mining, and utility. In fact, three of those areas—the construction, the forestry, and the mining—are directly related to the oil sands because they all work in that area and they work together with oil sands companies. Would that be fair to say?

Mr. Howard Sellick: That's correct.

The Chair: I'm sorry, you're out of time, Mr. Jean.

We're going to go to Ms. Glover, please.

Mrs. Shelly Glover (Saint Boniface, CPC): Thank you, Mr. Chair.

I'm going to ask if the other Howard could come forward, because some of these questions of Mr. Sellick are going to....

Mr. Howard Sellick: We both work together.

Mrs. Shelly Glover: Yes, I'm probably going to have a question for him shortly.

I'm going to focus a little bit on Mr. Sellick to begin with. We didn't talk much about tariff-free zones, and for manufacturers of course eliminating some of these tariffs I would think is a good thing. Can you tell us how this benefited your company, our government's push to eliminate tariffs?

● (1020)

Mr. Howard Sellick: It has definitely benefited. We manufacture a product and there isn't any tariff.

Mrs. Shelly Glover: Okay. So in which areas did it benefit you?

Mr. Howard Sellick: On anything we export to the U.S., like the forklift that we manufacture, we no longer pay any tariffs at all.

Mrs. Shelly Glover: Do you want to see us keep these things?

Mr. Howard Sellick: What's that?

Mrs. Shelly Glover: Do you want to see us keep these things?

Mr. Howard Sellick: Yes.

Mrs. Shelly Glover: Now, unfortunately I have to ask you about some of the comments you made earlier. Mr. Masse asked you about two options: the accelerated capital cost two-year deduction, and a choice between that and corporate tax decreases. I just want to make it very clear that under this government you don't have to make a choice. You actually benefit from both of those. Second, that party actually voted against the accelerated capital cost allowance. So to suggest that they extend it for five years seems ironic to me.

But you also bit on a $130 billion infrastructure increase, and I'm wondering how, sir, and where, sir, you plan to cut to pay for that.

Mr. Howard Sellick: To be honest with you, I'm not an expert in that area. My brother is our CFO. I really can't comment intelligently on that.

Mrs. Shelly Glover: That's my problem here, sir. When we do these budget consultations we're trying to get ideas on how we move forward to continue to create jobs, to continue to support a country that is in debt. When you mentioned your company is free of debt, I was so happy for you, but then we also ask if there are inefficiencies where we, as a government, could cut so that we could actually do a better job to promote that job creation, etc.

When people make comments like let's put $130 billion more into infrastructure, and we've just put in $56 billion, I'm asking you to tell us where you think we're paying for that. As Mr. Masse said, is it your desire that we raise corporate taxes? Is it your desire that we cancel the accelerated corporate tax allowance? You said you liked the fact that we removed tariffs. Just making blanket statements about going into debt.... I want you guys to really think about how we might find inefficiencies. After this committee, if you think of some, please submit them, because that is invaluable to this committee. It would be highly beneficial.

The other thing I'd like you to submit is information on anywhere else you might have made some purchases of state-of-the-art technology using the accelerated capital cost allowance. The software you mentioned was an excellent specific example. I'd like to ask each of the panel members to submit to this committee those investments that you were able to make, because that deduction in fact is made in our budget. I would ask that you do that.

I see Howard has approached. If you'd like to comment, Howard, I'd love to hear your comments.

The Chair: You have a minute left.

Mr. Howard Mains: I have a very good example of how the government could make things move forward quicker so that investments can be made. The Mackenzie Valley gas project took about six years to go through the regulatory approval process. A certificate was issued this past December. That regulatory process took at least twice as long as it should have. So it doesn't matter whether it's an energy project like the Mackenzie Valley project or a number of other projects, if that regulatory time can even be cut in half, that will put boots on the ground, shovels in the field, and get people working.

Mrs. Shelly Glover: Very good.

Do I have 30 seconds?

The Chair: You have 15 seconds.

Mrs. Shelly Glover: I just want to mention there are six to eight coast guard vessels, specifically geared toward icebreakers, that are right now being considered, and the procurement process is proceeding. I would assume that you support that commitment by this government.

Mr. Bruce Bowie: Yes, certainly.

Mrs. Shelly Glover: Thank you, Mr. Bowie.

The Chair: Thank you, Ms. Glover.

I just want to clarify a couple of points for our committee and for the analyst in drafting our report.

First of all, Mr. Shaw, on your second recommendation in terms of the study, you referenced the NRCan report. Do you have a recommendation as to who or what type of body should do this study? Should it be an external one? Should it be internal to the government? Should it be a parliamentary committee? Do you have any thoughts you want to share on that, just very quickly?

Mr. Sam Shaw: I do. I think it should be a parliamentary committee and I think it should be looking at all aspects of the incentives in North America, at what the incentives are that will drive the adoption of natural gas. That kind of committee could then come forward with some great recommendations for budget 2013.

● (1025)

The Chair: Okay, thank you.

Mr. Bateman, the second and third recommendations we're familiar with. The first one you can provide now or later. Do you have a costing of the investment tax credit for the committee?

Mr. Patrick Bateman: We would be pleased to provide that to the committee at a later date.

The Chair: Okay, we appreciate that very much.

I want to thank Mr. Sellick for all of his comments about showing the supply chain across this country and showing the linkages between industries in my province, Alberta, and industries here in Ontario. I think that was essential, and your comments about the work-sharing program were certainly the same types of comments I hear in my province.

The last thing is, I did cut off Mr. Westcott in responding to Mr. Hoback. Mr. Westcott, do you want to finish that response, just very briefly?

Mr. Jan Westcott: Could you refresh me again on the question?

Mr. Randy Hoback: I believe you said there were some inherent barriers here in Canada that made you uncompetitive, that you needed to overcome.

Mr. Jan Westcott: The barrier is mostly margin. We don't have enough margin to reinvest to keep the business vibrant in Canada. If you are going to go and develop or expand new export markets, you have to have the dollars in your jeans to do that.

It is interesting that we are all talking about tax reductions. We appreciate things like the capital cost allowance and the reduction of corporate income taxes. Those affect our members. At the same time, since 2006 the Government of Canada has taken $170 million more from our industry on a year-on-year basis just from spirits. We are sitting here saying this is great, but these more direct things impact us and take money that should go to investment out of our pockets.

If you look around here, we buy 50 square miles of corn right around this area. In western Canada we are the single largest purchaser of rye, which we source in Alberta and Saskatchewan. Those linkages you refered to are extremely important. We also have those linkages through the supply chain. We just don't have the dollars in our pockets to drive the business forward.

The Chair: Okay. Thank you.

I want to thank you all for appearing with us here this morning, and for your comments as well as for your responses to our questions.

Colleagues, we will suspend for about two minutes, and then we will bring the second panel forward.

Thank you.

● (Pause)

●

● (1030)

The Chair: Okay. We are here for our second panel in Windsor on pre-budget consultations.

We have five organizations presenting in this panel. First is the Greater Kitchener Waterloo Chamber of Commerce. Second is the Sarnia Lambton Chamber of Commerce. Third is the Canadian Urban Transit Association. Fourth, we have the European Aeronautic Defence and Space Company. Finally, we have Fair Pensions for All.

You all have up to a maximum of five minutes for an opening statement, and then we will have questions from all members of the committee.

We will begin with Mr. Sinclair.

Mr. Art Sinclair (Vice-President, Greater Kitchener Waterloo Chamber of Commerce): Thank you, Chair, and members of the committee.

Thank you on behalf of the membership of the Greater Kitchener Waterloo Chamber of Commerce for the invitation to present our recommendations for the 2012 federal budget.

Briefly, our chamber is an association of approximately 1,700 employers in the Waterloo region. For any of you outside the province of Ontario, that's an area about an hour's drive west of the greater Toronto area. We have a diversified economy. Manufacturing, information technology, the universities—all play a main role in our economic development. So we have a very diverse economy.

With respect to our recommendations, we submitted a brief two months ago in the middle of August regarding our recommendations. I had a phone call yesterday from somebody on one of our advisory committees who said that based on some recent economic developments across the globe our recommendations might be a bit outdated. But I think there are still some priorities here that we would like to see next year in the budget.

We made a recommendation for restraint in program spending of about 1.6% annually. That was the number advanced by our colleagues at the Canadian Chamber of Commerce. Given the economic realities and the need to see some significant belt-tightening across the administration of the federal government, we feel this is a reasonable projection.

There is one other recommendation that we've made that I'd like to underline for the committee this morning. I think we're quite supportive of the federal government's direction in this particular area. We recommend that you not decrease in any way transfers to the provincial governments. We've just come through a provincial election here in Ontario. One of the key issues in the provincial election and in the federal election last spring is the health care portfolio. In the community we come from, the per-resident funding for hospitals, mental health, and senior services is significantly lower than the provincial average. We are a growing community, and the transfers, the funding for health care in our community, has not matched our population increases, so the per-resident funding is somewhat lower than in the rest of Ontario. Any cuts in federal transfers would be detrimental to our community, so we'd like to send a strong message that we would not like to see cuts in this area. Minister Flaherty has indicated in his last three budgets that he won't be doing this. And we would strongly support him in that area.

Another area that's a huge priority for our membership is the need to cut red tape for business. We heard this in the federal campaign and we also heard it quite strongly in the provincial campaign. The Canadian Chamber of Commerce made a submission to the Red Tape Reduction Commission earlier this year. They identified cutting red tape in taxation as a key priority. They pointed out that the per-employee cost of compliance in the taxation area for small business is significantly larger than for larger business. I think those are some areas we'd like to address. We support Minister Flaherty's initiative with the establishment of the commission to review this area, and we look forward to the recommendations coming out of this process.

Our third recommendation has to do with infrastructure. We would like to see some significant investments in post-secondary education. We have a board of directors of 17 to 20 people. Three of those people represent our local post-secondary institutions: Conestoga College, the University of Waterloo, and Wilfrid Laurier University. They have been quite supportive over the last number of years in telling the chamber that we need to support, as a community, investments in the post-secondary institutions across this province and country, particularly bricks and mortar. There were some earlier discussions on the last panel about the need to increase our skills and training capacity. From our perspective in our community, we've identified this as being a priority as well. Our initial way to address this concern is by investing in campuses, bricks and mortar, buildings, so that universities have the capacity to meet the training demands of our community and communities across Canada. Economic circumstances may be difficult this year, but over the longer term we would like to see the investments in the post-secondary system.

Thank you, Chair.

● (1035)

The Chair: Thank you, Mr. Sinclair.

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

Mr. Garry McDonald (President, Sarnia Lambton Chamber of Commerce): Thank you, Chair, and committee members.

We're pleased to present to the panel again this year. Last year I remember being cut off by the panel, so I'll try to be much quicker this year. Our presentation will be by our board chair, Debra Taylor.

I'll open by saying that we didn't include broad statements in our submission to you in August. We included unique statements looking at ways government programs could change that would benefit business, consumers, and the government.

Debra will start off.

Ms. Debra Taylor (Chair, Board of Directors, Sarnia Lambton Chamber of Commerce): Thank you.

It's a pleasure to be here today, Mr. Chair and committee members.

Our first recommendation is to ask the federal government to increase the GST-HST threshold to $75,000 as of January 1, 2013. The participation threshold for this tax has remained at $30,000 since it was introduced in 1991. The Canadian government recognized the burden it would be creating for itself and small business if all businesses were required to register and, for this reason, set a threshold.

Smaller businesses often face a proportionally higher burden than larger businesses in complying with harmonized tax. Exempting them from collection and filing requirements can reduce the net burden a harmonized tax imposes.

Businesses that are approaching the current threshold may also be inclined to slow business in order to avoid being forced to register. It may also be a contributing factor to the underground economy. By increasing the threshold, administrative costs and compliance burdens can be reduced, making businesses more competitive. This could also reduce the number of returns CRA is required to process, the number of businesses seeking services, the number of input tax credit refunds, and the number of businesses that are subject to audits.

The loss of government revenues associated with raising the threshold can be offset by the lower administrative costs and the lower input tax credit refunds. In fact, many countries that Canada competes with have higher thresholds than Canada—namely, Australia, France, New Zealand, and the United Kingdom. For those reasons, we recommend that the government increase the GST-HST threshold to $75,000 as of January 1, 2013.

Our second recommendation is to have the federal government extend the income tax filing due date for individuals to June 15—this would be the same as the filing deadline for small businesses—while keeping the balance due date for payments owing for the previous taxation year at April 30. This will improve CRA's efficiency in handling the returns, eliminating the present deadline crunch by April 30 and maintaining revenue flow.

The filing crunch is caused by more individuals becoming involved in income trusts and limited liability partnerships. These organizations have an issuing date of March 31 for their information slips. So by the time mailing occurs, it gives the individual taxpayer a very short window of opportunity to file that tax return in a timely manner.

Extending the tax filing deadline would reduce tax compliance costs, as the number of assessments or reassessments and adjustments from the slip-matching process that occurs at CRA later in the taxation year will be reduced, as will any late filing penalties to the individual.

Our final recommendation is that the federal government create a working group comprised of representatives of provincial and federal transport ministries and various regional and private sector organizations involved in air and rail transport, who would develop and propose polices to the federal government that will improve competitiveness of air and rail transport systems in all regions of Canada. Rural—not just remote—communities like ours need to participate and want to participate in the Canadian economy. We want to attract and retain business and jobs. We feel the government needs to ensure that air and rail services remain accessible to rural communities.

Thank you.

● (1040)

The Chair: Thank you for your presentation.

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

Mr. Michael Roschlau (President and Chief Executive Officer, Canadian Urban Transit Association): Thank you very much, Mr. Chair.

Bonjour. My name is Michael Roschlau and I'm the president and CEO of the Canadian Urban Transit Association, which represents public transit systems, suppliers, and affiliates across the country. With me is Penny Williams, CUTA vice-chair of finance and general manager of Transit Windsor. We'll be sharing our time.

[*Translation*]

I would like to thank you for this opportunity to appear before the committee today as part of the 2011 pre-budget consultations and to provide CUTA's recommendations for the next federal budget.

[*English*]

It's no secret that much has been made of the worsening international economic picture and potential fallout from events beyond our shores in Canada. We're all well aware of this.

We're also aware of the increasing commute times of Canadians, traffic congestion, and mobility challenges facing our communities. In that context, public transit continues to contribute positively to the quality of life of millions of Canadians. Not only does transit support access and mobility needs, it's also emerging as a key solution to a number of issues affecting the everyday lives of Canadians, especially economic competitiveness, climate change and clean air, and healthy living.

However, recent transit investments have been just that, investments that are yielding real returns. As Canada looks to build a strong economy as a defence against global turmoil, transit is an important part of the policy mix.

In September of last year, CUTA released a report entitled *The Economic Impact of Transit Investment in Canada*. The report highlights the impressive economic return for investment in public transit. Some highlights are as follows.

The economic benefit of Canada's existing transit systems is at least $11.5 billion annually. The transit industry directly employs 50,000 Canadians and indirectly creates an additional 25,000 jobs. Transit reduces vehicle operating costs to Canadian households by about $5 billion per year. Transit reduces the economic costs of traffic collisions by almost $2.5 billion annually. And transit reduces annual greenhouse gas emissions by 2.4 million tonnes, valued at $110 million.

● (1045)

Mrs. Penny Williams (Vice-Chair, Finance, Canadian Urban Transit Association): Canadians are choosing transit at an unprecedented level, and more and more people understand the importance of their travel choices in improving the quality of life, reducing emissions, and easing traffic congestion. Ridership across Canada showed very strong growth in 2010, with an increase of 4.1% nationally over the previous years. This represents an all-time record, with 1.9 billion trips taken in communities of all sizes.

Indeed, it's worth noting that the increases were spread across the country in communities large and small, with many smaller Canadian communities showing remarkable growth. Much of this is thanks to the recent federal investment, which had been supported by members of Parliament from all parties and which has reached about $1 billion annually in recent years.

Indeed, it is this commitment that has enabled the renewal and the expansion of transit systems and allowed for service improvements to accommodate surging demand. Sustaining this growth and continuing to respond to the shifting transport patterns requires predictable, sustained, and targeted investment. In order to adequately respond to increasing demand, transit systems are in need of sustained infrastructure renewal, and communities where transit has not kept pace with development need a greater focus on investment.

As one example, a recent economic review by the Toronto Board of Trade concluded that traffic congestion was costing the Toronto economy $6 billion a year. In this context and as part of the finance committee's pre-budget consultation, CUTA proposes the following three recommendations in the development of the 2012 federal budget.

Number one: The federal government should develop a Canadian transit policy framework as part of the 2011 budget commitment to establish long-term infrastructure plans.

Secondly, the federal government should give tax-exempt status to employer-provided transit benefits. This would complement the current federal government tax credit for transit pass purchases and encourage employers to financially support transit commuters.

Lastly, there is a need for permanent, stable, and predictable funding dedicated to transit, and that's key. It needs to be dedicated to public transit.

By recognizing challenging fiscal environments, there are a number of different ways to accomplish this, moving forward. One way is to dedicate the equivalent of an additional cent of the excise tax to the gas tax fund, specifically to transit capital investment. This would represent a stable, predictable investment of about $400 million annually and would be supplementary to existing transit allocations.

The Chair: You have ten seconds.

Mr. Michael Roschlau: In conclusion, the transit industry fully recognizes our significant economic challenges. The challenge for policymakers here is that while spending constraints are real, transit is a key economic driver for the Canadian economy and has very tangible impacts on our economic competitiveness.

Thank you.

The Chair: Thank you very much.

We'll now hear from the European Aeronautic Defence and Space Company Incorporated.

Mr. Pierre Delestrade (President and Chief Executive Officer, European Aeronautic Defence and Space Company Inc.): Thank you, Mr. Chair, for giving us the opportunity to speak before this standing committee, and thank you to all the members.

I didn't prepare a speech, but I would like to address two programs where we consider governments can make some savings.

For people who are not familiar with EADS, we are a large company, a European company, where you will find Airbus, Eurocopter, Astrium, and Cassidian. It is a company that is making a turnover of 45 billion euros every year, and we are based in Canada, so we have 1,600 people working in addition to that.

Regarding the two programs that I would like to address, one of them is Mercury Global and the second one is the coast guard helicopter.

Mercury Global is a satellite communications program where the Canadian government is looking to have satellite communications capabilities for the Canadian Forces when they are operating in country and overseas. They are looking for satellite communications capabilities for a 15-year base. We consider that the direction the federal government is taking today is certainly not the right one, if you wanted to have a cost-effective solution and value for money for the taxpayer.

We have a large experience regarding satellite communications services worldwide. Particularly, we are providing such services to 14 NATO countries to date. We are operating overseas and also in countries. You have to bear in mind that in providing such services you need to give flexibility, because the demand for satellite communications capabilities is increasing and you need to have this flexibility in order to cope with it.

Today, DND foresees spending $550 million in the purchase of one satellite for the WGS constellation, which is the U.S. constellation, in order to be aboard to have satellite communications capabilities provided by the U.S. Today, if you look at all of the countries in the world, they are focusing more on going through commercial satellites to deal with their satellite communications capabilities. It's what Astrium, one of the divisions of EADS, is providing to these NATO countries.

Based on the requirements of the Canadian government and the Canadian Forces that they are foreseen to have within 15 years, we consider that you can make some savings. We have estimated, based on the worst-case scenario, that you will spend only $370 million for covering these satellite communications capabilities. And what we are providing for the Canadian government is pay as you go. This means that you don't have to pay up-front payments, which is the case for participating in the WGS constellation that has $550 million that has to be paid up front now.

We consider that the Canadian government can make some savings paying services on a 15-year basis with no up-front payment, and in the long term it will make a huge saving for you. So our recommendation regarding this program is to have a fair competition, to open the competition, and not to have a sole-source process toward the U.S. That's the first thing.

The second program is addressing the coast guard helicopter. This program is the replacement of the BO-105 helicopter, which is what the coast guard is operating today. We are considering helicopters that were manufactured 25 years ago. We consider it is time for the Canadian Coast Guard to change their helicopters in order to make some savings, because they are operating in very harsh conditions and the in-service supports will be very costly, and becoming costlier, for the Canadian government.

We are recommending, if this program is launched, to provide alternative service delivery, as we did for the...[*Inaudible—Editor*]... project. Going for ASD, you will drastically reduce your costs by reducing the number of public servants who will have to deal with the in-service support of the helicopters. That's the experience we have in some of our countries.

● (1050)

You have some experience in Canada with Top Aces, who today are operating helicopters and aircraft for the training services they are providing for the Canadian Forces.

The Chair: Thank you for your presentation.

We'll now hear from Fair Pensions for All.

Mr. William Tufts (Founder, Fair Pensions for All): Good morning. Thank you for having me out. It's nice to be here with this group and to see you going about your important business for the country.

I'm from Fair Pensions for All. I work as an independent employee benefits consultant for generally small and medium-sized business. Over the past several years I've been an advocate looking into public sector pensions.

The system of pensions that has been developed for the Canadian public sector has been developed with the idealistic goal that public sector workers in Canada should have a disposable income close to their final salaries. The system has turned out to be a retirement bonanza for public sector employees. However, with today's current demographic reality, the pension system that is based on final salary is no longer sustainable. Successive governments have failed to make necessary changes to ensure that the system will be sustained over the long term.

With pension shortfalls in most public sector pensions across Canada, long-term solvency is in doubt. Public sector employees might appear to have little incentive to push for reforms, yet they will pay a price for inaction. Doing nothing to control current pension obligations will cost public sector employees everything.

The current system is providing employees with pensions for longer than many will have worked over the course of their lifetimes. As well, many retire with a higher disposable income than they had over the greater part of their working careers. Options need to be examined that provide for relief for taxpayers and at the same time provide for a reasonable retirement plan for public sector employees.

Public sector pensions have traditionally been defined benefit pensions. This is consistent across Canada and across the western world. In the past decade, these pensions have started to create serious financial distress for many levels of government. Canada is no exception.

There has been a serious lack of discussion in Canada about public sector pension reform, but other governments have begun to address the issue. The U.K., California, and Rhode Island this year have finished in-depth reports to uncover systemic problems in public sector pensions and identify the best options to correct pension-related problems going forward.

The pension system in Canada is at risk, as was cited in the recent Quebec budget in the 2011 report called *A Stronger Retirement Income System*. The report investigated the Québec Pension Plan system, which is an identical mirror to the CPP program, but had some relevant points that applied to the public sector pension system as well.

There are several key risks that are due to a few key factors, to quote from the Quebec pension report:

> The rapid increase in the number of people age 65 or over combined with improved life expectancy will generate significant financial pressure on pension plans that not only will have to pay a pension to more retirees but also have to pay these pensions over a longer period.
>
> This additional financial burden will be accentuated by a reduction in the number of individuals of working age who can contribute to pension plans.

Governments across Canada have four choices: they can change pension provisions going forward; they can raise additional revenues to meet these obligations, which we would call taxes; they can cut spending on other government goods and services to meet these obligations; and they can increase government borrowing.

These are hard choices, but the government has to face them and decide. To date, the status quo has been to make cuts in spending, increase taxes, and raise borrowing to cover public sector pension costs.

We urge the government to reform public sector pensions now.

Thank you.

● (1055)

The Chair: Thank you very much for your presentation.

We will begin members' questions with Mr. Masse, please, for five minutes.

Mr. Brian Masse: Thank you, Mr. Chair.

I thank my colleague; I owe him a Windsor-made beverage later on.

I'd like to start off by recognizing Ms. Williams. The work you've done on transit here is remarkable. I can get into a Transit Windsor bus and take it over to the Tigers game, to the playoffs. I think it's the only place in North America where we have that, where we actually have a bus system going into a foreign country. So congratulations on those efforts.

I'd like you to talk a little bit about the investments that took place most recently. One thing that doesn't get talked about a lot, but that I think is really important, is that transit systems that are strong can prevent urban sprawl. We see what has happened in this region where, for example, some of the best farmland in North America—this was all under water, under a glacier, for many years—has been gobbled up for housing and other projects that probably didn't have to take place, or shouldn't have.

I'd just like you to highlight, if you can, what's taken place with your investments in modernization over the last number of years.

Mrs. Penny Williams: Thank you, Mr. Masse.

Certainly it's been very critical for us to have the investment that we receive from both the provincial and the federal governments. We've been able to build a new $7.2 million transit terminal, and it is called the Windsor International Transit Terminal, because we do welcome guests from across the nation. Recently the average age of our fleet went from 14 years and it's now down to nine years. We actually are in the process of receiving 11 more buses. This will combine with 18 that we already have; they're all hybrid buses. So we're not only looking at doing the environment protection and reducing the age of our fleet. We do have very serious challenges facing us. We have one bus that we use every day. It's a 1979 vehicle. Those are the types of investments that we need to try to maintain and keep the age of the fleet down.

But land use planning, as you said, is really critical to transit and we need to have some strong policies with that as well. Land use planning with the density is very important to public transit, and those are some of the issues that we need to address.

● (1100)

Mr. Brian Masse: I know that you're purchasers, not manufacturers, but perhaps you can shed some light on some of your purchasing that took place across Canada. Did that increase Canadian employment and jobs? Were some of those buses manufactured in Canada?

Mrs. Penny Williams: Certainly all of the buses that we've received of late are manufactured in Canada. We do insist on a Canadian content. We have a 25% requirement provincially. Certainly for the manufacturing jobs I think the direct investment, as Michael quoted, was 50,000 jobs with 25,000 indirect jobs. So there's certainly a significant Canadian job investment here. That's something very significant.

Mr. Brian Masse: Before I move on to Mr. Sinclair, I just want to note as well something on the U.S. hire restrictions with regard to the purchasing of Canadian-made buses. They have certainly greater restrictions, as they legislated that as part of the North America Free Trade Agreement as well as with ships. That restricts Canadian manufacturing from getting into the United States, and that barrier has significantly affected employment and competition.

Mrs. Penny Williams: Certainly my understanding is that the Buy America provision is 60% and they are looking at some changes to that. They are looking at different scenarios on that right now. But the Buy America provision is 60%.

Mr. Michael Roschlau: I might just add to that, we do have a very strong Canadian-based public transit vehicle manufacturing industry in this country with the world's largest rail rolling stock manufacturer and three of the largest bus manufacturers in North America based here in Canada. You're quite right, Mr. Masse, with regard to the differences in national approaches to country of origin requirements. In the U.S., they're now talking about increasing that 60% U.S. content to 100%, and if that happens, it's a huge threat for the entire Canadian transit rolling stock manufacturing industry.

The Chair: Thirty seconds.

Mr. Brian Masse: Mr. Sinclair, quickly, as a Laurier alumni, I would like to know what particular things Laurier or the K-W region is looking at in terms of skill sets that are missing that the chamber supports so strongly?

Mr. Art Sinclair: Obviously in the information technology sector—the firms in the community like RIM, OpenText, and some of the smaller firms—there are probably about 2,500 job openings right now. Again, we're talking with people with incredibly high skill sets, master's degree minimum, sometimes PhDs. These are people who you recruit on a global level. You're not looking at the Canadian market; you're looking at a global market to recruit a lot of the people who we have coming in to work in software development. So we have that.

There is another component that is just as important as well, and this is where the community colleges fit in. We're having all these people come in and work for the IT companies. That increases the demand for housing. Our construction industry, the local Waterloo region home builders' association, like most other home builders' associations across Canada right now, have a shortage of skilled construction trades. So we've identified that as being a key area for Conestoga College to increase their capacity, and they are.

The Chair: Thank you.

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

Mr. Dave Van Kesteren: Thank you, Chair.

Thank you all for appearing this morning. I want to welcome the Chamber of Commerce from Kitchener. From Sarnia Kitchener, of course, Harold Albrecht represents you as well as Peter Braid, our colleagues in Sarnia. There's Pat Davidson, a fine friend and colleague to us here. I should have mentioned the last meeting as well, that Jeff Watson would have loved to have been here. We're very happy to be here in Windsor. I send my greetings from our colleague Jeff Watson as well.

Very quickly, Mr. Sinclair, the recommendation was made by the Canadian Urban Transit Association for the one cent gas transfer to go to transfers. The Conservative government has made that gas tax, has increased it to two cents and has made it a permanent fixture, something you can rely on.

Do you agree with that, that one cent of that would go to transit?

Mr. Art Sinclair: Yes. I believe the Federation of Canadian Municipalities has been a supporter of that as well.

Mr. Dave Van Kesteren: Understanding as well that you have two cents, so one cent of that would go to the transit....

Mr. Michael Roschlau: Five cents from excise tax goes to municipalities for local infrastructure, and we're recommending one more.

● (1105)

Mr. Dave Van Kesteren: So you're in agreement? That's good.

You also mentioned the projects that you saw with the post-secondary education, with KIP, with some of the federal granting systems, how important that is to your riding. Of course you're right, we don't normally invest in bricks and mortar, but with the 2008 crash in the markets and resulting job losses that we saw, the government saw fit to invest in those areas. Maybe if you could just quickly tell us some of the exciting projects that were made possible by that announcement.

Mr. Art Sinclair: I know Conestoga College combined federal and provincial investments and spent about $100 million over the last two years.

From our perspective and our recommendation, it's highly unlikely we'll see another $2 billion program, which I believe KIP was. We'd like to assert right now that this is, in fact, a priority not only for our community but we think for the national business community. Everyone has expressed an interest in skills development, whether you're in construction, information technology, biotechnology, or all the life sciences. Everyone has a skills shortage.

As a community, we've identified that increasing the capacity at our local post-secondary educational institutions, not only ours, but across Canada, is one of the areas that can address the skills shortage.

Mr. Dave Van Kesteren: Maybe if you could provide for this.... I would put that challenge out to all municipalities, the impact it has had, because this is new. This is kind of breaking ground for the federal government. We've all seen significant projects within all of our ridings. Even in this cross-country tour we're hearing more and more, and if we could hear that and see the changes made....

I want to talk just quickly to the chamber from Lambton.

Mr. McDonald, in this area of the world, people don't realize—I think somebody mentioned it at the last panel—that this is flat country, and I think most of your costs for the municipality, at least in Chatham-Kent, are for bridges. Those things aren't very sexy when we talk about the infrastructure fund. I know that in our riding those were addressed and our municipality took advantage of those. Did you have an opportunity to do those, and what impact did that make on your budget for Sarnia?

Mr. Garry McDonald: Well, many of those bridges that you're speaking about would be through the County of Lambton, and following their budget as we do every year, they've done a very good job in programming that work. But I know when it comes down to the final lower tier—not the county level—they are struggling.

I know in my own community of Plympton-Wyoming, where I live, local bridges are a challenge for them. They need to have some sort of continued support in order for the population to deal with that.

Mr. Dave Van Kesteren: But you were able to access those funds from the government.

Then very quickly, Mr. Tufts, the PRPPs, the government's been.... And I know somebody else is probably going to continue on with this line of questioning. We too are very concerned about the lack of pensions in the private sector. What are your feelings towards the—

The Chair: Very brief response, please....

Mr. William Tufts: Certainly I think the recent announcements from the finance minister have been on track in terms of what needs to be done, and we're very strongly in favour of the PRPP program, the pooled registered pension plan.

The Chair: Thank you.

We'll go to Mr. Brison, please.

Hon. Scott Brison: Thank you very much to each of you for appearing before us.

To one extent or another in both panels this morning we heard from witnesses who presented, on behalf of their organizations, specific proposals on the tax system. Earlier in our hearings, this round of pre-budget consultations, we heard from the Certified General Accountants or CGA Association of Canada, who are advocating broad-based tax reform in Canada and have called on the federal government to commence a thorough study of our tax system with the hope of building a more competitive Canadian economy and a fairer tax system.

We haven't had a real study of the tax system since 1971 with the Carter commission, which, among other things, eliminated the inheritance tax and brought in capital gains tax.

I'd be particularly interested in terms of the business organizations here. Would you advocate that one of the recommendations of the committee be that the government mandate a thorough study on the potential overhaul of the Canadian tax system in general and look at all aspects of the Canadian tax system?

● (1110)

The Chair: Who would like to handle that? Mr. Brison, do you want someone in particular...?

Hon. Scott Brison: I said the business organizations. I thought that was obvious.

Mr. Art Sinclair: Our board of directors of the Chamber of Commerce currently has four chartered accountants on it. I really couldn't make a commitment. From our perspective, our members are just trying to deal with business, particularly in the manufacturing sector, on a daily basis, and long-term planning becomes secondary, so I really wouldn't be able to make a commitment on behalf of our organization on that broad-based reform.

Hon. Scott Brison: It would be helpful to get back to the committee on this. We're one of the few industrialized nations that hasn't taken a serious look at their tax system.

If you were to try to identify one word to describe the changes in the Canadian economy since 1971, it would probably be the word "everything" in terms of the Canadian global economy.

In terms of pension reform, the provinces and the federal government have been engaged in discussions, and there seems to be emerging, with the exception of a couple of provinces, some level of consensus around opening up the CPP, to a CPP being well managed, diversified both geographically and in terms of sectorally and geographically, with low fees. The cost structure of the CPP is very competitive. To enable the 60% of Canadians in the private sector who do not have pension plans currently to be able to invest directly in a supplemental CPP-type approach as small-business owners in some cases, in other cases, employees, do you think that merits further discussion and working with provincial governments and employers, and to broaden the access to the Canada Pension Plan?

Mr. William Tufts: No, we don't. I think one of the key factors of that is to look at the GDP in terms of employment across Canada. What's the number-one employment sector in Canada? I would suggest it's probably the public sector. The number two relates to financial services. It would have a devastating effect upon the financial services industry to socialize the additional retirement savings plans into the CPP.

Hon. Scott Brison: For individuals on a voluntary basis to buy into....

Mr. William Tufts: Yes, I think the government's on the right track with the PRPP program. That was the best of the two options that were in front of Canadians in the last election. There are some very serious considerations that need to be looked at in terms of providing that security that Canadians are going to need. One of the things we have a challenge with in terms of the business community is additional mandatory contributions into that PRPP plan and whether or not employers are going to have to contribute to that. I think certainly something has to be done for Canadians. The average Canadian at age 65 has an RRSP value worth $60,000. How long is that going to take you into retirement?

Certainly there is some inequality between the public sector employee pensions and the private pensions. Something needs to be done to equalize that.

Hon. Scott Brison: I appreciate that.

I just have one more question on the transit side. I represent Kings—Hants, and of course Kings Transit is one of the best examples of public transit in rural and small towns. What are the best ways through public policy we can bring the benefits of public transit to rural and small-town Canada?

The Chair: Very briefly.

Mr. Michael Roschlau: There's no question the needs in small-town or rural Canada are enormous. They're going to increase as the population ages in the next generation, and there definitely needs to be some work done in developing policy to help emerging mobility needs in small communities across this country.

The Chair: Thank you.

We'll go to Mr. Hoback, please.

Mr. Randy Hoback: Thank you, Chair, and thank you all for being here today.

Actually, I'm going to take off from Mr. Brison's question, because I have a large rural riding. When you talk about a dedicated one percent, when I look at communities like Kinistino, Nipawin, or Weldon, they don't have any public transit. If you said that it was dedicated one percent to public transit, they would look at me cross-eyed and say the numbers wouldn't be big enough to do anything, and they would ask why they are being forced to do this when they could use that money towards sewers, roads, or something else that actually would be beneficial in that community.

So how do I square that round peg in a square hole? How do you go right across Canada and say that's what we need to do when you know there are a lot of small communities that would never trigger that?

● (1115)

Mr. Michael Roschlau: I must say—and that's an excellent question—that I am always amazed at what's actually out there and what the needs are that we don't see on the surface.

I remember not long ago attending a municipalities association meeting in western Canada and talking to municipal councillors from small communities under 1,000 people about their mobility needs. At first glance, the answer was, "Well, we don't have public transit". My next question was, "Well, how do people who can't drive get around?" They said, "Well, the seniors home has a van and the Lions Club has a van". When I asked who paid for them, they said the municipality kicked in a few thousand and there were charitable donations. There was this, that, and the other thing.

So you do have public transit: it's just that nobody knows about it and we haven't done an inventory. I think that's where we need to start with the small communities. We need to find out what's there now and use the resources we have to broker those services to create a more universally accessible form of publicly available transportation, especially as our communities start to grow and the population ages, because people can't continue to rely on their friends and families to drive them everywhere.

Mr. Randy Hoback: Thank you for that. Those are good points, actually, very good points that again enlighten my breadth of knowledge here, and I appreciate that, I really do.

Mr. Sinclair, I am going to go to you at this point in time. There are members around this committee who think we should take the corporate taxes, crank them back up another 2%, and redistribute those funds to all the people that you laid off from doing that.... What would your members say if we went to them and said that we were going to crank up their business taxes by 2%? What would the impact be?

Mr. Art Sinclair: Well, no. We support cuts in taxes as a way of generating economic opportunities. I think that's generally the position of the Canadian Chamber of Commerce, the Ontario Chamber of Commerce, and the business community in general. That's why we've made the recommendation for no new increases in taxes, personal or corporate.

Mr. Randy Hoback: So it would have a negative effect on your business community if the tax rate were to go up, correct?

Mr. Art Sinclair: Yes, particularly here in southwestern Ontario, where we're competing with the Great Lakes states. I think that's a concern as well. But then again, a lot of the IT companies that are competing on global markets are very concerned about any increases in corporate taxes—or in any taxes, for that matter—because they compete in a very competitive global market. Again, I think our members would be strongly opposed to any tax increases.

Mr. Randy Hoback: Mr. McDonald, would you say the same thing?

Mr. Garry McDonald: Yes. We certainly would be supporting no tax changes, no increases at all. That's what we have advocated through the federal campaigns and we support that.

Mr. Randy Hoback: Our government has basically been a government that has said we have to get back to balanced budgets to get rid of our deficit. Having said that, we haven't done it like the Liberal government did previously, by cutting transfers to provinces and cutting transfers to health care.

Do you feel we are on the right track in light of the economic activity that is going on right now? Or do you think something should change?

Mr. Garry McDonald: Well, I know that we were most interested in where the deficit and debt reduction plans were going. The identification is that by 2015 there was some talk of getting back towards a balanced budget. We thought that sounded reasonable and was within a balanced approach of maintaining no tax increases and delivering on the tax cuts that were promised. We do feel that it is obtainable.

Mr. Randy Hoback: Mr. Sinclair, would you agree?

Mr. Art Sinclair: Yes. I would agree with Mr. McDonald's assessment. I think we made that point in our budget brief: that we support the plan Minister Flaherty is on with respect to returning to a balanced budget, particularly without cutting—I made this point earlier—payments to the provinces, and to individuals, I believe. We certainly hope he keeps that commitment moving forward.

Mr. Randy Hoback: So going to the 2012 budget, you would view that as a main pillar: to try to make sure we work towards the deficit reduction by 2015.

Mr. Art Sinclair: Yes.

Mr. Randy Hoback: That's a reasonable assessment?

Mr. Art Sinclair: That is a reasonable assessment, yes.

Mr. Randy Hoback: Okay, and again, that is based on information we have in front of us today.

Mr. Art Sinclair: That's right: based on the information we have available today.

Mr. Randy Hoback: Okay.

Are there any other items you would like see in budget 2012? I know that we probably have only 15 seconds, but are there items that you think should be and must be there?

The Chair: Briefly, please.

Mr. Art Sinclair: Beyond what is in the brief, probably not. There may be some minor issues, but I think these are our key priorities. We've identified them as our priorities moving forward.

The Chair: Thank you.

We'll go to Mr. Marston.

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

I want to thank our guests.

I want to correct the record on something. When I was talking about a consensus on the $130 billion, I was talking about a consensus among the witnesses of the first panel that now was the time for the Government of Canada to consider investing in infrastructure. Notwithstanding what Mr. McDonald or Mr. Sinclair just said, you'll recall that the Paul Martin government, along with Jack Layton, negotiated moneys instead of a corporate tax cut, to put those moneys into transportation. Some of those moneys went to Windsor. I know in Hamilton we wound up with more buses, as an example of what you can do.

In regard to the date of when the deficit is addressed, we're suggesting they extend that date. The FCM has called for addressing some of the $130 billion infrastructure deficit, so we're pleased with the fact that the government is locking in some money. Write this down, because we are pleased with some of that dedicated money.

I want to go to Mr. Tufts just for a second, now that I've kind of diverted a bit. You're talking about public pension plans. I would suggest to you that OMERS has been very successful. But one of the things that's been lost in the conversation is the fact that pension assets are deferred wages. They should belong to the employees involved. We can debate the percentage of income that gets replaced. I understand you think it's way too high for the public sector, but there's been a move in our country away from defined benefit plans to defined contributions, and the Canada Pension Plan is one of the most successful defined benefit plans.

The Liberals want to talk about their supplementary plan. What we said is that you should phase in an increase to the core assets of CPP in order to, in 35 years, double the monthly benefits. If we're losing defined benefit plans across the country, would you not see this as a secure way of protecting Canadians?

● (1120)

Mr. William Tufts: It's one option. It's not the preferable option in my opinion. I prefer the PRPP option. I have some concerns about the whole of the pension moneys in Canada being socialized and some of the long-term implications about these huge pools of pension money that are going to be in the hands of public sector unions or controlled by them—

Mr. Wayne Marston: No, they're not controlled by the unions, sir.

Mr. William Tufts: The government.... There's $800 billion in Canada in public sector pension plans, and that's—

Mr. Wayne Marston: And it's invested.

Mr. William Tufts: It's invested, a lot of it outside of the country, I might add. I think that's something the unions need to address.

Mr. Wayne Marston: The other thing about the PRPP is that, just a week and a half or two weeks ago, we had a 7% loss in our market. If you were about to retire at that point in time, you'd have had a critical problem. One of the concerns we have going forward is protecting our retirees when they come in, and that's why, again, we talk about the portable CPP and the fact that it's a defined benefit and it's well managed.

Mr. William Tufts: Yes, there's certainly a risk that's there. I think the people who are in the system today need to be responsible for their own retirement. When you point out the losses that have occurred in the stock markets, I'd like to point out—on that $800-billion pool of public sector money that's out there—that the stock markets are down 20% this year. The United States has just introduced the Twist program, which is going to keep bond rates very low. The loss is 20% in the hole in the stock markets, and it's going to decrease the value of those public sector pension plans another $160 billion. There's no way the current taxpayers or employees can make that up, so all we're doing is pushing that obligation ahead into the future for other generations. We have to find a way of dealing with that issue.

Mr. Wayne Marston: The other side of the coin, sir, is when the market goes back up. It does come back up. And a lot of the pension plans, like the teachers' plan, are invested in land and property. We could debate, and I don't really want to get into that.

I want to go back again to the point about public transit. In Hamilton I forget the number of buses we saw on the street, but the fact that the government of the day paused and stopped a corporate tax break and put that money back in is evidence of the outcomes we could have. What do you think of the possibility of this government deferring a tax break to the corporations, especially when they're the top-end corporations?

Mr. Michael Roschlau: We're not particularly concerned about the source of it. We're more concerned about dedicating the investment to areas that will benefit all Canadians in terms of their day-to-day mobility in their communities. Recognizing the fiscal challenge we're up against right now, we've been very modest in terms of that request and focused more on tax policy and planning as a way of making sure we have our foundation right before we overextend ourselves financially.

The Chair: Thank you.

Mr. Adler, please.

Mr. Mark Adler: Thank you, Chair.

I want to thank all of you for being here today. It's all very helpful and very interesting.

My first question is to Mr. Tufts. It's not so much on the pension presentation today, but I'm really curious about an op-ed you wrote in the *Telegraph-Journal* recently, in which you said:

> In Canada, no information is available on how unions spend their money or how much they collect in union dues. In the U.S., unions are required to fully disclose this information to the Department of Labor on an annual basis. In Canada, it is all hush hush.

Could you expand on that a bit?

● (1125)

Mr. William Tufts: I probably will be back to talk about the Hiebert bill that's been put forth, and I'll discuss it more fully then.

Anyway, there are some serious concerns about that, especially about the impact of unions in terms of driving the cost of public sector organizations in Canada.

One of the things that needs to be disclosed is how much money is going into pensions. Our information tells us that CUPE has 600,000 members, for example. They're charging $800 a year in union dues for each one of those members. If anybody has a quick calculator on them, it's about $480 million a year going to just one of the public sector unions. There are 3.2 million public sector employees, and 600,000 of them are in CUPE. It's $480 million going into just that 20% of the public sector.

We can see that it's certainly become a political consideration. In Ontario, we have the working families campaign. We have the firefighters for McGuinty. The front page in Winnipeg earlier this week was about firefighters for the new NDP premier out there.

There are some serious concerns about how that money is being spent by unions. If you look at the union concentration in Canada, it's the highest in the world. There is 70% of the public sector participating in public sector unions. That compares to the United States, which is around 35%.

I think there needs to be more transparency, and certainly there needs to be consideration as to whether Canadians need to be forced to mandatorily contribute to the union coffers, as well.

Mr. Mark Adler: Yes. It's also interesting that it recently came to light that unions had sponsored at a recent NDP convention, which violates the Elections Canada Act.

In the spirt of fairness, since corporations have to pay taxes and individuals have to pay taxes, do you think trade unions should have to pay taxes?

Mr. William Tufts: I'm sorry, I'm not prepared to comment on that today. I haven't investigated unions fully enough to give you a qualified answer on that.

I'm here today to talk about the savings that can be accrued by making the public sector pensions equitable with what's happening in the private sector. In the presentation I made to this committee, you could save a couple of billion dollars on an annual basis just by requiring those employees to contribute 50%—

Mr. Mark Adler: Thank you.

My next question is to Mr. Delestrade. With the word “trade” in your name, you have to be in favour of more open markets and free trade.

Some have suggested that in reaction to Buy American we implement Buy Canadian in this country. Do you think that's a good idea?

Mr. Pierre Delestrade: Yes, I think it's totally a good idea.

Mr. Mark Adler: So to compete with the Buy American, we should have a Buy Canadian.

Mr. Pierre Delestrade: Yes, but the policy your government is taking today is to focus more on the support we have to bring to the Canadian industry. If you look at the last speech by Julian Fantino, the associate minister for defence, he addressed this concern by saying you have to look at some more Canadian companies providing—

Mr. Mark Adler: But that's just looking at Canadian companies as an option in a purely competitive process, not as the only possible suppliers to government procurement.

Mr. Pierre Delestrade: Yes. I think you have to be fully open—

Mr. Mark Adler: You're in favour of open markets.

Mr. Pierre Delestrade: Yes, I think it's much better because it's the best value for the taxpayer.

Mr. Mark Adler: So a return to a Smoot-Hawley kind of atmosphere, where we shut down trade and adopt protectionist measures, you suggest would be a bad thing for this country. And what our government is pursuing, in terms of increased trade, bilateral agreements—we've had nine in the past five years—is a good thing, in your estimation.

Mr. Pierre Delestrade: I think so.

Mr. Mark Adler: Okay, thank you.

[*Translation*]

The Vice-Chair (Mr. Hoang Mai): Mr. Giguère.

Mr. Alain Giguère: Thank you very much, Mr. Chair.

My question goes to Mr. Delestrade.

You mentioned a problem with the costs of acquiring helicopters for Canada. I have studied the matter and I found that there were nine procurement committees, nine spare parts committees and nine separate maintenance contracts for those helicopters. For a fleet of 200 helicopters, Canada has chosen nine different kinds.

● (1130)

The Vice-Chair (Mr. Hoang Mai): Just a moment, Mr. Giguère; someone is raising a point of order.

[*English*]

Mr. Brian Jean: My point of order is simply that my device is out of batteries or something. I'd like to hear the question Mr. Giguère had. If you could have more time to ask the question again, I'd very much appreciate it.

[*Translation*]

The Vice-Chair (Mr. Hoang Mai): Hold on a minute…

Mr. Alain Giguère: The problem is not that we are buying new helicopters using different procedures. The problem is that we have no standardization policy in Canada. If we even had a semblance of one, we would not have nine models of helicopter, we would have three. We would have reduced the acquisition costs of those helicopters by two thirds. You are not saying much about that. Like everyone who wants to sell us defence materiel, you do not want to consolidate military procurement orders; you want to keep fragmenting them as much as you can. Am I wrong?

Mr. Pierre Delestrade: I do not quite share your point of view, and here is why. When you have to buy military materiel, it has to meet your needs, and it is not clear that a single supplier can fully do that. Suppliers do not necessarily have everything in their inventories. So you have to deal with several suppliers. How you deal with them is up to you.

In the document you have before you, in fact, I say more about the way in which you can deal with those suppliers and work with them. As for knowing whether there are several sources for acquisitions, indeed there are, and I think that it is up to each country to proceed along those lines according to its needs.

Mr. Alain Giguère: Thank you.

Mr. Chair, since my colleague is an expert in Canadian pensions and has some important questions to ask about them, I will yield my remaining time to him.

[*English*]

Mr. Wayne Marston: I was unaware that I was going to get the remainder of the time, but that's fine. How much of an expert I am we'll see.

I actually want to go back to a comment made by Mr. Adler. What people talked about was transparency of unions. Well, at union conventions, the union's budget is presented. At monthly meetings of union locals, their books are there and open. That's a side that most people don't really understand about the functioning of unions.

There is a thing called the Rand formula, from Justice Rand's ruling in regard to who pays union dues and who doesn't pay union dues. They ruled that even though you don't want to be a member of a union, if you benefit from the collective bargaining, and you're in the workplace, you pay union dues. But these are association dues. These are not income. It's not income in the form that it would be taxable, because this is a not-for-profit organization and the rules have been there for a long time. It's not like they're raising money in the public where they can raise more money or pay taxes on it. There's a misconception there.

I'd like your comments on that.

Mr. William Tufts: Yes, I think we need to really evaluate these rules. Perhaps it's time for a change of the rules. I don't know how appropriate the Rand formula still is in this day and age. I think employees should have an option as to whether they participate in unions, particularly when there is strong political motivation by—

Mr. Wayne Marston: But they do have that option, sir. Excuse me just for a second. They do have that option. They don't have to join the union; they have to pay union dues.

Mr. William Tufts: They have no option to pay dues.

Mr. Wayne Marston: There is a distinction there, and that's what Justice Rand said. We're not going to require anybody to join the union if they don't wish to, but if they participate in the workplace and they receive the benefits of that negotiation, they share the obligation of the cost. That was all. It's not about union membership; it's about who pays union dues.

Then Mr. Lavigne took that to the Supreme Court a second time, and they ruled in the union's favour again.

Mr. William Tufts: I think that's probably a legitimate point. However, I do have a problem with the members of working families, for example, who were required to contribute to that political campaign when perhaps many of them didn't have the same political views that the working families campaign contributed to.

Mr. Wayne Marston: I won't comment on that one, because I'm unaware of the campaign.

● (1135)

Mr. William Tufts: Yes, it was a $500-million campaign that was put together by a federation of unions in the province of Ontario. The Ontario English Catholic Teachers Association mandatorily required that each of their members dole out $60 in order to fund some of the initial funding on that campaign, and other unions, particularly in the public sector, were involved with it. I think everybody's aware of the implications today of who is elected in the election.

The Chair: Thank you, Mr. Marston.

We'll go to Ms. McLeod, please.

Mrs. Cathy McLeod: Thank you.

I won't get into the debate right now, but our first panel was a panel of economists, Mr. Marston, but anyway....

In terms of recommendations and consensus, Mr. Tufts, I just want to say that I appreciate the fact that you were having recommendations. In actual fact they are still defined benefits, but you just had recommendations to make them more cost-effective. I appreciate that.

I heard a couple of people talk about the red tape. Because I am on the Red Tape Reduction Commission, I just want to quickly say that we have a parallel process that is also going to feed into the budget. You may be aware that we put out the report of what we heard, and the more important report, of course, is what we're going to do about that. So I'm really looking forward to that particular initiative moving forward and also feeding into the budget process.

What I would like to do is focus in on a specific recommendation, and I thought it was very interesting, in terms of Canada Revenue Agency. I maybe don't recall, but I don't remember the T3 issue coming to the forefront in any of my previous discussions. Is that something that was generated through your particular organization? Have you got any idea how many people are impacted? Is there a reason you just suggested all people delay personal filing, versus those who might have T3s?

I think most people recognize that when there's a deadline you have that crunch and people just defer it for two months. Could you maybe talk a little bit more about where you came through on that particular recommendation?

Ms. Debra Taylor: Sure.

It was recommended by our economic policy committee, by a chartered accountant who's in public practice. I am also a certified general accountant, and I'm in public practice. I prepare about 840 personal tax returns annually. I would say that the issue with the T3s is that a T3 slip is derived from the income of the trust, so it flows through to the owners or the beneficiaries of that trust in relation to the proportion they own. The earnings come up; they go down. There is a trust return. There's a T3 slip one year; there's not a T3 the next year. So it's not necessarily consistent. As the income or losses in that trust go up or down, so does the need to issue a slip.

The organizations have until March 31 as a deadline to issue those slips, as opposed to the T4 slips that have to be out by the end of February. So increasingly, with the clients the public accountants are trying to deal with and file their taxes on time, it is coming right down to the last week of April to try to push these returns through. In 2008 there was a backlog of tax returns, and CRA that year actually extended the electronic filing deadline to May 6 to accommodate for the push on these returns.

If the returns are filed late, there's a 5% penalty to the taxpayer. If the taxpayer misses the same slip twice, which has also happened with clients in my practice, the penalty becomes 50% of the value on the slip, regardless of the tax consequences. So it can be quite punitive. It's not the individual who's created the issue; it's the fact that the deadline for issuing those slips and the partnership slips is March 31, and through mailing and what not it's really created a problem.

As to the numbers, probably about 40% of my client base has either T3 or the T5013 slips. T5013 slips are issued by partnerships that are involved in the mining or the oil and gas exploration, so it's a high-risk investment that these investors are making. Again, those slips are coming out very, very late. And if they don't have the slip, then we either estimate what we think the slip will say, file the return, and then subsequently have to file an adjustment, or if they forget about that slip, then when CRA does the matching process starting in about July or August of the year, they'll get a notice saying “This slip was on file; you didn't report it; a 5% penalty, plus interest from May 1, compounded daily.”

● (1140)

The Chair: Thank you.

I'm sorry, Ms. McLeod, you are out of time.

We're going to Monsieur Mai.

Mr. Hoang Mai: My first question is for the Canadian Urban Transit Association.

You mentioned that the main recommendation is to have a plan, a Canadian transit policy framework. We know that we're the only country in the G-8 that does not have a national transit plan. We also know that we've submitted a bill to have that rectified. We've heard some comments regarding the fact that it's under provincial jurisdiction. Can you tell us what the difference would be in terms of having a plan, not necessarily imposing something on the provincial jurisdiction?

Mr. Michael Roschlau: Yes, thanks so much for the question.

I'll make one point of clarification before I respond. There's been a lot of talk in previous years about Canada being the only G-8 country without a national transit plan. That's not entirely true. We've done some broad-based research in the last couple of years to look around the G-8 and beyond and find out what's actually out there. There are varying degrees of national plans and strategies and we're steering away from that statement simply because there are so many variations out there. Each has something valuable, and I think that our challenge is to find what has worked best in other G-8 countries, in other important economies around the world, and create a real made-in-Canada framework. That's certainly what we're recommending.

There are clearly elements in Madam Chow's bill that we support strongly that would make an excellent foundation for a national framework, but given that there are multiple jurisdictions in this country that are responsible for urban and municipal affairs, and that constitutionally it is an area of provincial mandate, we feel that the dialogue is of ultimate importance in developing a national framework that works for the country, for the provinces, and for each community.

Mr. Hoang Mai: In terms of suggestions regarding the framework, do you have things that were actually brought forward or discussed?

Mr. Michael Roschlau: We do, absolutely, and I can enumerate a couple of them.

First, I think the linkage that Mr. Masse mentioned earlier about land use and urban development is critical. If we're to get a strong return on investment for Canadians in terms of the transportation infrastructure that we build, then that infrastructure needs to be aligned with the urban development that's taking place on the ground. In other words, no more subways to nowhere. We want to be building our transportation infrastructure where the people are going to be and where the demand will be concentrated.

Two, we need a long-term sustainable investment plan where we know what's going to happen for the next two, three, four or five years, so we can plan accordingly.

Three, we need to put in place the right tax incentives, and one of them is in our recommendations this year. Let's level the playing field between employer-provided free parking and employer-provided transit benefits. That's been a bone of contention for ten years. We need some R and D. We need some cutting-edge research and development to make sure that whether it's hard technology or soft technology, public transit can be at the cutting edge in Canada, as it is in the U.S., Europe, and other parts of the world.

Finally, we need to have accountability by all orders of government so that when the federal government puts in a billion dollars, it knows the money is going to the destination and doesn't disappear somewhere along the path, through the various treasuries, until it gets into the transit budget.

Mr. Hoang Mai: Thank you very much.

The Chair: You have one minute.

[*Translation*]

Mr. Hoang Mai: I would like to ask Mr. Delestrade a question.

It deals with the proposals you have made for reducing Canada's costs. You mention them in your brief, but I would appreciate some more details on the Canadian content, the creation of jobs in Canada.

What is the impact here?

● (1145)

Mr. Pierre Delestrade: Do you want me to talk about the Mercury program or about the helicopters?

Mr. Hoang Mai: What is it you are proposing?

Mr. Pierre Delestrade: Let me talk to you about the helicopter program.

We are well-established in Canada and our helicopters are Canadian. We have 200 people working in Fort Erie, not very far from here. The helicopters we could offer to the Coast Guard would have quite a significant Canadian content.

Mr. Hoang Mai: Can you give us a percentage?

Mr. Pierre Delestrade: That is difficult. It is not my area of expertise. Maybe Guillaume LePrince could answer that.

Mr. Guillaume LePrince: It's about 50%.

Mr. Pierre Delestrade: In terms of the other program, the one like Mercury Global, we use commercial satellites. We have a constellation of satellites that we call Skynet. Telesat is a supplier of satellites that we use as well.

Mr. Hoang Mai: Thank you.

The Chair: Thank you.

[*English*]

We'll go to Mr. Jean, please.

Mr. Brian Jean: Thank you, Mr. Chair, and thank you to the witnesses for appearing today.

I just want to say for the record, I will be supporting Russ Hiebert's bill on the union's motion. I represent more union members than anybody else in the country, and I can assure you that the union members—my voters—tell me clearly that they want the unions to be accountable. I will be supporting that.

As well, I want to indicate, as my associate, Mr. Van Kesteren, said, that Jeff Watson, who I worked with for five years on the transport committee, was very instrumental in much of the infrastructure in this area, including always standing up for auto workers, always standing up for the bridge construction and making sure that we could move our goods back and forth to Detroit. And I know that he wishes he could be here today, but certainly he is a very hard-working MP.

I would like to ask you, Monsieur, in relation to your parent company, which of course is Airbus, and you're located primarily in Munich and Paris.... Congratulations, first of all, on the record number of deliveries in 2009, I think 498 deliveries. So your company is doing extremely well. But isn't it the case that just this past June, the World Trade Organization ruled that Airbus had actually benefited from improper subsidies in the form of loans from European governments at below-market rates?

Mr. Pierre Delestrade: It's a long story. I think because we are fighting against Boeing—

Mr. Brian Jean: I understand—

Mr. Pierre Delestrade: —for a long time—

Mr. Brian Jean: But isn't that the case, though, that the WTO did do that?

Mr. Pierre Delestrade: Yes.

Mr. Brian Jean: Okay. That was my only question. Thank you very much for that.

Also we only have limited time, so I apologize for that.

I wanted to talk a bit about pensions. I know you are an expert on pensions—and I recognize what's happening in the OECD in particular—but I wanted to talk a little bit about what's happening in the public sector versus the private sector and the self-employed. For instance, in 1976-79, the average age was 64 for retirement in the public sector. In 2000-05, that moved down five years to 59, which is quite disturbing, because of course they stop paying in tax and instead take it out. The age for self-employed has remained 66 years as an average retirement since that time.

I also want to ask you questions generally about the KiwiSaver program in New Zealand, which has obviously just come into play, and also with the U.K. and their implementation expanding the private pension plans in 2012. I think that's very, very important. I agree 100% with your recommendations for this government. I agree with you 100% about CPP and not including it on more of a volunteer basis. But I'd like to talk a little bit about that, and also I am very interested in what Quebec's second recommendation is relating to a tax credit for those who do not retire early. So if you don't retire early, you actually get a tax credit.

Could you give me a few of your thoughts on that?

Mr. William Tufts: Yes. I wasn't prepared to talk to the PRPP today, but I go out and speak to a lot of industry organizations about it. I think everybody is aware of the retirement security problems in Canada. I think one of the important things is the changing face of Canada's demographic numbers. Today in Canada there are going to be a thousand people turn age 65. That's going to happen every day this year. That's going to happen every day until the year 2029. I don't think we have any idea today how dramatically the face of Canada is going to be changed.

In terms of the world dynamics of retirement, I think more and more countries are realizing that the promises that were made on early retirement are not sustainable, and that dramatic changes have to be made. This week Ireland, for example, introduced a retirement at age 68.

Mr. Brian Jean: I'm sorry to interrupt, but that chairman cuts me off all the time.

I'm interested in your recommendations particularly for us and some of the best practices around the world and what you would recommend we should follow through with.

● (1150)

Mr. William Tufts: Yes, the Kiwi program is an example. It's a good example. They have introduced a $1,000 tax credit for anybody signing up to the program. I think they've had pretty good enrolment in it. Another feature of the Kiwi program was what they called an opt-out, so that when you become an employer with a company, you sign up your TD1 forms and all the other employment forms, and included with that is the enrolment into the government program. You do have the option of opting out of it.

The other thing that's happening in the Kiwi, which is similar to the NEST program happening in the U.K., is that there are mandatory employer contributions. I know that's going to cause some concern with the independent CFIB and the chamber as well. We don't want to see additional payroll taxes put on—

Mr. Brian Jean: Absolutely not.

Mr. William Tufts: —but at the same time, there's the huge problem that Canadians are not prepared for. The average Canadian at age 65 only has only $60,000—

Mr. Brian Jean: In relation to the 2012 implementation by the European Union or the U.K. in particular, what do you recommend would be a good fit for our model?

The Chair: Please give a very brief response.

Mr. William Tufts: Could I get back to you on that? I'd be happy to provide you with some written information on that.

Mr. Brian Jean: I'd appreciate receiving that as well as information on KiwiSaver and the implementation of that as well.

The Chair: Thank you.

I just want to point out to everyone here that I only cut off members who are verbose.

For the final round, Ms. Glover, go ahead, please.

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

[*Translation*]

Thanks to all the witnesses for joining us today. Let me start by asking Mr. Delestrade a question first. I have only five minutes so I am going to be quick.

On pages 1 and 4 of your brief, we read: “Canada's past experience with alternate service delivery and P3 programs has proven to be both successful and cost- effective.“

Some parties, the Liberal Party in particular, are asking for P3 programs to be eliminated completely. How do you see that?

Mr. Pierre Delestrade: I think the two things are slightly different. PPPs are

[*English*]

private-public partnership.

[*Translation*]

Mrs. Shelly Glover: Exactly. We are talking about PPPs.

Mr. Pierre Delestrade: If you mean a PPP, I do not see this as one. I was referring to ASDs.

In terms of PPPs…

Mrs. Shelly Glover: Pages 1 and 4 make specific reference to PPPs. I have read your document. What would be the consequences for you if they were eliminated?

Mr. Pierre Delestrade: I think all governments benefit from PPP programs. Risks are shared by both government and the industry. Not having the possibility of PPPs is a mistake, as I see it. They allow you to save money.

Mrs. Shelly Glover: Thank you.

[*English*]

I'm going to turn my attention to Mr. Sinclair.

Mr. Sinclair, with other panels, we have been discussing the fact that the government is exploring ways to find waste and inefficiency in government. Some are very critical of that, and I would ask what you would say to those people. Should the government spend taxpayers' money just for the sake of spending it, regardless of how effective or relevant a program actually is, or should we review government spending for waste and duplication and cut where waste is actually identified?

Mr. Art Sinclair: I would begin by telling you what we're hearing from our membership. We have a lot of small businesses with fewer than 100 employees. They've told us continually over the last two or three years, since the global recession started in September 2008, that they've had to cut back on their expenditures, their staffing, their investments in research and development, and a lot of critical areas. What we've heard is they haven't seen the same type of restraint from either the federal or the provincial government.

Again, as we referenced in the brief, the recommendation from the Canadian Chamber of Commerce is that program spending increases should be limited to 1.6%. That's down from 2% that we were recommending last year. That reflects the position we're in right now, and in terms of—

Mrs. Shelly Glover: That's in your brief. But when we're talking about wasteful programs, I just think it's irresponsible for us to identify wasteful programs or wasteful investments and not do something about that. Wouldn't you agree?

Mr. Art Sinclair: Yes, absolutely.

The other pertinent factor—and in fact there's a recommendation from the Canadian Chamber of Commerce—is that you review everything after four years so you don't have programs going on into infinity. That's a key thing as well. You just can't have programs sitting there. We've also heard from a lot of our members that we have to better coordinate federal and provincial expenditures.

A number of presenters have referred to the overlap and the duplication in the taxation system.

The environmental assessment is another area where you have conflicting federal and provincial statutes that have to be reviewed as well.

Mrs. Shelly Glover: I'm glad to hear you say that, because we are working on a technical tax bill. We're also looking at closing those tax loopholes.

I have a third very short question for Mr. Tufts. As you're aware, a review of the public sector pension plan is currently under way in New Brunswick. I'm just wondering if you have identified other provinces that are addressing or reviewing this very issue.

● (1155)

Mr. William Tufts: Unfortunately, we have not. It's time to do so. We were very disappointed that the majority of provinces that had a pension review leading up to the deliberations that started in P.E.I., went to Whitehorse, and ended up in Kananaskis.... The Ontario government produced two retirement security reports, and even the federal government produced a retirement report when there was this 800-pound gorilla dancing up and down in the corner, which was the public sector pensions. Through the hundreds of hours and thousands of pages of report, there was no identification at all of what has happened on public sector pensions.

The U.K. recently came out with the Hutton report. Earlier this year in California it was the Little Hoover report. Rhode Island is in the process of fundamentally looking at its pensions, and I think everybody in Canada is going to be quite shocked when we do get down to business.

It is imperative that the federal government look into this issue.

Mrs. Shelly Glover: I want to thank you, Mr. Tufts, because I in fact had some firefighters work on my campaign who are very disappointed that their dues went to pay for political posturing. When they volunteered on my campaign they did it of their own will. If they made an investment, it was an individual investment, and I too think there is great merit in what Mr. Hiebert is proposing. Nurses in previous elections have also worked on my campaign and have been very critical sometimes of how the dues are spent and not accounted for.

Thank you.

The Chair: Thank you, Ms. Glover.

I want to thank all of you for appearing before us today, for your responses to our questions. We appreciate the information very much. If you have anything further in response to members' questions today, please submit it to the clerk. We will ensure they all get it.

Colleagues, we have a very brief lunch and then we will all gather by 12:45 for the visit to the border.

Thank you.

The meeting is adjourned.

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